

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 10-Q

(Mark One)

- ☒ **QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**
For the quarterly period ended September 30, 2018
- OR
- ☐ **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**
For the transition period from _____ to _____

Commission file number: 814-00939

HMS Income Fund, Inc.

(Exact Name of Registrant as Specified in its Charter)

Maryland
(State or Other Jurisdiction of Incorporation or Organization)

45-3999996
(I.R.S. Employer Identification No.)

2800 Post Oak Boulevard, Suite 5000
Houston, Texas
(Address of Principal Executive Offices)

77056-6118
(Zip Code)

(888) 220-6121
(Registrant's telephone number, including area code)

Not applicable
(Former name, former address and formal fiscal year, if changed since last report)

Indicate by check mark whether the registrant: (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes ☒ No ☐

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes ☐ No ☐

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, smaller reporting company, or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company" and "emerging growth company" in Rule 12b-2 of the Exchange Act (Check one):

Large accelerated filer ☐ Accelerated filer ☐ Non-accelerated filer ☒ Smaller reporting company ☐ Emerging growth company ☐

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ☐

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

The issuer had 79,147,572 shares of common stock outstanding as of November 13, 2018.

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PART I — FINANCIAL INFORMATION

Item 1. Condensed Consolidated Financial Statements

HMS Income Fund, Inc.
Condensed Consolidated Balance Sheets
(dollars in thousands, except share and per share amounts)

	September 30, 2018 (Unaudited)	December 31, 2017
ASSETS		
Portfolio investments at fair value:		
Non-Control/Non-Affiliate investments (amortized cost: \$944,195 and \$948,029 as of September 30, 2018 and December 31, 2017, respectively)	\$ 933,953	\$ 922,898
Affiliate investments (amortized cost: \$131,355 and \$71,708 as of September 30, 2018 and December 31, 2017, respectively)	140,798	76,862
Control investments (amortized cost: \$45,493 and \$44,592 as of September 30, 2018 and December 31, 2017, respectively)	55,571	49,679
Total portfolio investments (amortized cost: \$1,121,043 and \$1,064,329 as of September 30, 2018 and December 31, 2017, respectively)	1,130,322	1,049,439
Cash and cash equivalents	23,728	45,791
Interest receivable	9,204	8,638
Receivable for securities sold	17,347	4,959
Prepaid and other assets	3,647	4,072
Deferred financing costs (net of accumulated amortization of \$1,309 and \$309 as of September 30, 2018 and December 31, 2017, respectively)	5,169	6,163
Total assets	\$ 1,189,417	\$ 1,119,062
LIABILITIES		
Accounts payable and other liabilities	\$ 1,329	\$ 1,459
Stockholder distributions payable	4,527	4,772
Base management fees payable	5,904	5,682
Due to affiliates	38	59
Directors' fees payable	27	17
Payable for securities purchased	16,857	29,284
Credit facilities payable	510,000	430,000
Total liabilities	538,682	471,273
Commitments and Contingencies (Note 12)		
NET ASSETS		
Common stock, \$.001 par value; 150,000,000 shares authorized, 78,616,770 and 79,511,731 issued and outstanding as of September 30, 2018 and December 31, 2017, respectively	79	80
Additional paid-in capital	678,579	685,593
Accumulated distributions in excess of net investment income	(36,653)	(22,660)
Net unrealized depreciation on investments	8,730	(15,224)
Total net assets	650,735	647,789
Total liabilities and net assets	\$ 1,189,417	\$ 1,119,062
Net asset value per share	\$ 8.28	\$ 8.15

See notes to the condensed consolidated financial statements.

HMS Income Fund, Inc.
Condensed Consolidated Statements of Operations
(dollars in thousands, except share and per share amounts)
(Unaudited)

	Three Months Ended		Nine Months Ended	
	September 30, 2018	September 30, 2017	September 30, 2018	September 30, 2017
INVESTMENT INCOME:				
From non-control/non-affiliate investments:				
Interest income	\$ 25,753	\$ 22,752	\$ 71,635	\$ 67,852
Fee income	748	145	1,669	1,682
Dividend income	268	188	797	572
From affiliate investments:				
Interest income	2,359	1,307	6,312	3,408
Fee income	16	53	118	156
Dividend income	843	582	1,870	1,563
From control investments:				
Interest income	151	164	463	502
Fee income	17	15	52	56
Dividend income	709	125	2,057	452
Total interest, fee and dividend income	30,864	25,331	84,973	76,243
EXPENSES:				
Interest expense	6,626	5,004	17,861	13,342
Base management and incentive fees	9,135	5,648	20,720	18,419
Internal administrative services expenses	623	694	2,044	2,228
Offering costs	101	881	308	1,679
Professional fees	124	141	539	465
Insurance	47	47	143	143
Other general and administrative	511	509	1,447	1,128
Expenses before fee and expense waivers	17,167	12,924	43,062	37,404
Waiver of incentive fees	(3,231)	—	(3,385)	(2,318)
Waiver of internal administrative services expenses	(623)	(694)	(2,044)	(2,228)
Total expenses, net of fee and expense waivers	13,313	12,230	37,633	32,858
Net investment income before taxes	17,551	13,101	47,340	43,385
Income tax expense (benefit), including excise tax	(226)	61	(29)	139
NET INVESTMENT INCOME	17,777	13,040	47,369	43,246
NET REALIZED GAIN (LOSS) ON INVESTMENTS				
Non-Control/Non-Affiliate investments	(8,845)	(227)	(20,668)	2,408
Affiliate investments	(9)	951	903	951
Control investments	—	—	—	—
Total realized gain (loss) on investments	(8,854)	724	(19,765)	3,359
NET REALIZED INCOME	8,923	13,764	27,604	46,605
NET CHANGE IN UNREALIZED APPRECIATION (DEPRECIATION) ON INVESTMENTS				
Non-Control/Non-Affiliate investments	7,391	(5,533)	14,707	(9,663)
Affiliate investments	3,378	(48)	4,258	1,824
Control investments	4,088	531	4,990	674
Total net change in unrealized appreciation (depreciation) on investments	14,857	(5,050)	23,955	(7,165)
NET INCREASE IN NET ASSETS RESULTING FROM OPERATIONS	\$ 23,780	\$ 8,714	\$ 51,559	\$ 39,440
PER SHARE INFORMATION - BASIC AND DILUTED				
NET INVESTMENT INCOME PER SHARE	\$ 0.23	\$ 0.16	\$ 0.60	\$ 0.56
NET REALIZED INCOME PER SHARE	\$ 0.12	\$ 0.18	\$ 0.35	\$ 0.61
NET INCREASE IN NET ASSETS RESULTING FROM OPERATIONS PER SHARE (EARNINGS PER SHARE)	\$ 0.30	\$ 0.11	\$ 0.65	\$ 0.51
DISTRIBUTIONS DECLARED PER SHARE	\$ 0.17	\$ 0.17	\$ 0.52	\$ 0.52
WEIGHTED AVERAGE SHARES OUTSTANDING – BASIC AND DILUTED	78,982,226	78,807,225	79,383,151	76,899,096

See notes to the condensed consolidated financial statements.

HMS Income Fund, Inc.
Condensed Consolidated Statements of Changes in Net Assets
(dollars in thousands, except share and per share amounts)
(Unaudited)

	Nine Months Ended September 30, 2018	Nine Months Ended September 30, 2017
Change in Net Assets from Operations:		
Net investment income	\$ 47,369	\$ 43,246
Net realized gain (loss) on investments	(19,765)	3,359
Net change in unrealized appreciation (depreciation) on investments	23,955	(7,165)
Net increase in net assets resulting from operations	<u>51,559</u>	<u>39,440</u>
Change in Net Assets from Stockholders' Distributions:		
Distributions from net investment income	(41,596)	(36,911)
Distributions from net realized gain on investments	—	(3,359)
Net decrease in net assets resulting from stockholders' distributions	<u>(41,596)</u>	<u>(40,270)</u>
Change in Net Assets from Capital Share Transactions:		
Issuance of common stock, net of issuance costs	—	42,366
Reinvestment of stockholder distributions	20,550	20,594
Repurchase of common stock	(27,567)	(14,018)
Net increase (decrease) in net assets resulting from capital share transactions	<u>(7,017)</u>	<u>48,942</u>
Total Increase in Net Assets	2,946	48,112
Net Assets at beginning of the period	647,789	597,833
Net Assets at end of the period	<u>\$ 650,735</u>	<u>\$ 645,945</u>
NAV per share at end of the period	<u>\$ 8.28</u>	<u>\$ 8.16</u>
Common shares outstanding, beginning of the period	79,511,731	73,382,971
Issuance of common shares	—	5,063,398
Issuance of common shares pursuant to distribution reinvestment plan	2,477,245	2,466,862
Repurchase of common shares	(3,372,206)	(1,708,271)
Common shares outstanding, end of the period	<u>78,616,770</u>	<u>79,204,960</u>

See notes to the condensed consolidated financial statements.

HMS Income Fund, Inc.
Condensed Consolidated Statements of Cash Flows
(dollars in thousands)
(Unaudited)

	Nine Months Ended September 30, 2018	Nine Months Ended September 30, 2017
CASH FLOWS FROM OPERATING ACTIVITIES		
Net increase in net assets resulting from operations	\$ 51,559	\$ 39,440
Adjustments to reconcile net increase in net assets resulting from operations to net cash used in operating activities:		
Principal repayments received and proceeds from sales of investments in portfolio companies	386,110	370,941
Investments in portfolio companies	(476,524)	(470,875)
Net change in unrealized (appreciation) depreciation on portfolio investments	(23,955)	7,165
Net realized (gain) loss on sale of portfolio investments	19,765	(3,359)
Amortization of deferred financing costs	1,000	1,013
Amortization of deferred offering costs	308	1,679
Accretion of unearned income	(11,429)	(10,793)
Net payment-in-kind interest accrual	(977)	(897)
Changes in other assets and liabilities:		
Interest receivable	(566)	(2,448)
Prepaid and other assets	1,949	(390)
Base management fees payable	222	628
Due to affiliates	(21)	(83)
Directors' fees payable	10	12
Accounts payable and other liabilities	(348)	285
Payable for unsettled trades	—	(780)
Net cash used in operating activities	(52,897)	(68,462)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from issuance of common stock	—	46,041
Redemption of common stock	(27,567)	(14,018)
Payment of selling commissions and dealer manager fees	—	(3,511)
Payment of offering costs	(308)	(959)
Payment of stockholder distributions	(21,291)	(19,465)
Repayments on credit facilities payable	(279,000)	(339,000)
Proceeds from credit facilities payable	359,000	416,000
Payment of deferred financing costs	—	(636)
Net cash generated from financing activities	30,834	84,452
Net increase (decrease) in cash and cash equivalents	(22,063)	15,990
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD	45,791	23,719
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	\$ 23,728	\$ 39,709

See notes to the condensed consolidated financial statements.

HMS Income Fund, Inc.
Consolidated Schedule of Investments
As of September 30, 2018
(dollars in thousands)

Portfolio Company (1) (3)	Business Description	Type of Investment (2) (3)	Index Rate (22)	Principal (7)	Cost (7)	Fair Value (26)
Control Investments (6)						
Copper Trail Energy Fund I, LP (9) (15)	Investment Partnership	LP Interests (Copper Trail Energy Fund I, LP) (Fully diluted 30.1%) (16)	—	\$ —	\$ 3,246	\$ 3,473
CTMH, LP (9) (15)	Investment Partnership	LP Interests (CTMH, LP) (Fully diluted 38.8%)	—	—	872	872
GRT Rubber Technologies, LLC (10) (13)	Manufacturer of Engineered Rubber Products	LIBOR Plus 9.00% (Floor 1.00%), Current Coupon 11.10%, Secured Debt (Maturity - December 19, 2019) (8)	1 month LIBOR	4,975	4,940	4,975
		Member Units (2,896 units)	—	—	6,435	15,781
					11,375	20,756
HMS-ORIX SLF LLC (9) (15)	Investment Partnership	Membership Interests (Fully diluted 60.00%) (16)	—	—	30,000	30,470
Subtotal Control Investments (6) (5% of total investments at fair value)					\$ 45,493	\$ 55,571
Affiliate Investments (4)						
AFG Capital Group, LLC (10) (13)	Provider of Rent-to-Own Financing Solutions and Services	Member Units (46 units) (16)	—	\$ —	\$ 300	\$ 985
		Warrants (10 equivalent units, Expiration - November 7, 2024)	—	—	65	235
					365	1,220
Brewer Crane Holdings, LLC (10) (13)	Provider of Crane Rental and Operating Services	LIBOR Plus 10.00% (Floor 1.00%), Current Coupon 12.10%, Secured Debt (Maturity - January 9, 2023) (8)	1 month LIBOR	2,417	2,376	2,376
		Preferred Member Units (737 units)	—	—	1,070	1,070
					3,446	3,446
Chamberlin HoldCo, LLC (10) (13)	Roofing and waterproofing specialty subcontractor	LIBOR Plus 10.00% (Floor 1.00%), Current Coupon 12.38%, Secured Debt (Maturity - February 23, 2023) (8)	1 month LIBOR	5,400	5,277	5,277
		Member Units (1,087 units)	—	—	2,860	4,448
					8,137	9,725
Charlotte Russe, Inc.	Fast-Fashion Retailer to Young Women	8.50% Secured Debt (Maturity - February 2, 2023)	None	6,253	6,253	5,555
		Common Stock (14,973 shares)	—	—	2,470	2,470
					8,723	8,025
Charps, LLC (10) (13)	Pipeline Maintenance and Construction	12.00% Secured Debt (Maturity - January 31, 2022)	None	3,975	3,901	3,901
		LIBOR Plus 7.00% (Floor 1.00%), Current Coupon 9.10% Secured Debt (Maturity - February 3, 2022) (8)	1 month LIBOR	400	399	399
		Preferred Member Units (400 units)	—	—	100	263
					4,400	4,563
Clad-Rex Steel, LLC (10) (13)	Specialty Manufacturer of Vinyl-Clad Metal	LIBOR Plus 9.50% (Floor 1.00%), Current Coupon 11.60%, Secured Debt (Maturity - December 20, 2021) (8)	1 month LIBOR	3,120	3,075	3,120
		Member Units (179 units) (16)	—	—	1,820	2,595
		10.00% Secured Debt (Clad-Rex Steel RE Investor, LLC) (Maturity - December 19, 2036)	None	292	289	289
		Member Units (Clad-Rex Steel RE Investor, LLC) (200 units)	—	—	53	70
					5,237	6,074
Digital Products Holdings LLC (10) (13)	Designer and Distributor of Consumer Electronics	LIBOR Plus 10.00% (Floor 1.00%), Current Coupon 12.13%, Secured Debt (Maturity - March 31, 2023) (8)	1 month LIBOR	6,517	6,396	6,396
		Preferred Member Units (863 units)	—	—	2,116	2,116
					8,512	8,512
Direct Marketing Solutions, Inc. (10) (13)	Provider of Omni-Channel Direct Marketing Services	LIBOR Plus 11.00% (Floor 1.00%), Current Coupon 13.13%, Secured Debt (Maturity - February 13, 2023) (8)	1 month LIBOR	4,563	4,448	4,457
		Preferred Stock (2,100 shares)	—	—	2,100	2,945
					6,548	7,402

HMS Income Fund, Inc.
Consolidated Schedule of Investments
As of September 30, 2018
(dollars in thousands)

Portfolio Company (1) (3)	Business Description	Type of Investment (2) (3)	Index Rate (22)	Principal (7)	Cost (7)	Fair Value (26)
Freeport Financial Funds (9) (15)	Investment Partnership	LP Interests (Freeport First Lien Loan Fund III, LP) (Fully diluted 6.0%) (16)	—	\$ —	\$ 8,558	\$ 8,383
Gamber-Johnson Holdings, LLC (10) (13)	Manufacturer of Ruggedized Computer Mounting Systems	LIBOR Plus 8.00% (Floor 2.00%), Current Coupon 10.10%, Secured Debt (Maturity - June 24, 2021) (8)	1 month LIBOR	5,631	5,550	5,631
		Member Units (2,155 units) (16)	—	—	3,711	10,030
					<u>9,261</u>	<u>15,661</u>
Guerdon Modular Holdings, Inc. (10) (13)	Multi-Family and Commercial Modular Construction Company	13.00% Secured Debt (Maturity - March 1, 2019)	None	3,147	3,118	2,996
		Common Stock (53,008 shares)	—	—	746	—
		Class B Preferred Stock (101,250 shares)	—	—	285	—
					<u>4,149</u>	<u>2,996</u>
Gulf Publishing Holdings, LLC (10) (13)	Energy Industry Focused Media and Publishing	12.50% Secured Debt (Maturity - April 29, 2021)	None	3,166	3,127	3,127
		LIBOR Plus 9.50% (Floor 1.00%), Current Coupon 11.60%, Secured Debt (Maturity - September 30, 2020) (8)	1 month LIBOR	40	40	40
		Member Units (781 units)	—	—	920	1,142
					<u>4,087</u>	<u>4,309</u>
Harris Preston Fund Investments (9) (15) (16)	Investment Partnership	LP Interests (HPEP 3, LP) (Fully diluted 8.2%)	—	—	1,733	1,733
		LP Interests (2717 MH, LP) (Fully diluted 49.3%)	—	—	1,040	1,133
					<u>2,773</u>	<u>2,866</u>
Hawk Ridge Systems, LLC (9) (10) (13)	Value-Added Reseller of Engineering Design and Manufacturing Solutions	10.50% Secured Debt (Maturity - December 2, 2021)	None	3,575	3,523	3,575
		Preferred Member Units (56 units) (16)	—	—	713	1,752
		Preferred Member Units (HRS Services, ULC) (56 units) (16)	—	—	38	93
					<u>4,274</u>	<u>5,420</u>
HW Temps LLC (10) (13)	Temporary Staffing Solutions	LIBOR Plus 13.00% (Floor 1.00%), Current Coupon 15.10%, Secured Debt (Maturity - July 2, 2020) (8)	1 month LIBOR	2,494	2,465	2,483
		Preferred Member Units (800 units) (16)	—	—	986	986
					<u>3,451</u>	<u>3,469</u>
Market Force Information, Inc. (10) (13)	Provider of Customer Experience Management Services	LIBOR Plus 11.00% (Floor 1.00%), Current Coupon 13.32%, Secured Debt (Maturity - July 28, 2022) (8)	1 month LIBOR	5,700	5,611	5,611
		LIBOR Plus 7.00% (Floor 1.00%), Current Coupon 9.32%, Secured Debt (Maturity - July 28, 2022) (8)	1 month LIBOR	100	100	100
		Member Units (170,000 units)	—	—	3,675	3,563
					<u>9,386</u>	<u>9,274</u>
M.H. Corbin Holding LLC (10) (13)	Manufacturer and Distributor of Traffic Safety Products	10.00% Current / 3.00% PIK Secured Debt (Maturity - August 31, 2020)	None	3,019	2,981	2,982
		Preferred Member Units (1,000 units)	—	—	1,500	1,125
					<u>4,481</u>	<u>4,107</u>
Mystic Logistics Holdings, LLC (10) (13)	Logistics and Distribution Services Provider for Large Volume Mailers	12.00% Secured Debt (Maturity - August 15, 2019)	None	1,884	1,868	1,875
		Common Stock (1,468 shares) (16)	—	—	680	178
					<u>2,548</u>	<u>2,053</u>
NexRev, LLC (10) (13)	Provider of Energy Efficiency Products & Services	10.00% Secured Debt (Maturity - February 28, 2023)	None	4,360	4,272	4,281
		Preferred Member Units (21,600,000 units)	—	—	1,720	1,972
					<u>5,992</u>	<u>6,253</u>

HMS Income Fund, Inc.
Consolidated Schedule of Investments
As of September 30, 2018
(dollars in thousands)

Portfolio Company (1) (3)	Business Description	Type of Investment (2) (3)	Index Rate (22)	Principal (7)	Cost (7)	Fair Value (26)
NuStep, LLC (10) (13)	Designer, Manufacturer and Distributor of Fitness Equipment	12.00% Secured Debt (Maturity - January 31, 2022)	None	\$ 5,150	\$ 5,066	\$ 5,067
		Preferred Member Units (102 units)	—	—	2,550	2,550
					7,616	7,617
SI East, LLC (10) (13)	Rigid Industrial Packaging Manufacturing	10.25% Secured Debt (Maturity - August 31, 2023)	None	11,750	11,564	11,576
		Preferred Member Units (52 units)	—	—	2,000	2,000
					13,564	13,576
Tedder Acquisition, LLC (10) (13)	Manufacturer of Firearm Holsters and Accessories	12.00% Secured Debt (Maturity - August 31, 2023)	None	4,100	3,978	3,978
		Preferred Member Units (110 units)	—	—	1,869	1,869
					5,847	5,847
Subtotal Affiliate Investments (4) (12% of total investments at fair value)					\$ 131,355	\$ 140,798
Non-Control/Non-Affiliate Investments (5)						
AAC Holdings Inc. (8)	Substance Abuse Treatment Service Provider	LIBOR Plus 6.75% (Floor 1.00%), Current Coupon 9.09%, Secured Debt (Maturity - June 30, 2023)	3 month LIBOR	\$ 14,594	\$ 14,325	\$ 14,813
Adams Publishing Group, LLC (8) (11)	Local Newspaper Operator	LIBOR Plus 7.50% (Floor 1.00%), Current Coupon 9.84%, Secured Debt (Maturity - July 3, 2023)	3 month LIBOR	8,321	8,145	8,144
		PRIME Plus 4.00% (Floor 1.00%), Current Coupon 9.00%, Secured Debt (Maturity - July 3, 2023)	PRIME	2,950	2,855	2,855
					11,000	10,999
ADS Tactical, Inc. (8) (11)	Value-Added Logistics and Supply Chain Solutions Provider to the Defense Industry	LIBOR Plus 6.25% (Floor 0.75%), Current Coupon 8.49%, Secured Debt (Maturity - July 26, 2023)	1 month LIBOR	16,458	16,308	16,308
Aethon United BR, LP (8) (11)	Oil & Gas Exploration & Production	LIBOR Plus 6.75% (Floor 1.00%), Current Coupon 8.88%, Secured Debt (Maturity - September 8, 2023) (14)	1 month LIBOR	4,062	4,009	4,009
Allen Media, LLC (8) (12)	Operator of Cable Television Networks	LIBOR Plus 6.50% (Floor 1.00%), Current Coupon 8.81%, Secured Debt (Maturity - August 30, 2023)	3 month LIBOR	17,143	16,647	16,693
Allflex Holdings III Inc. (8)	Manufacturer of Livestock Identification Products	LIBOR Plus 7.00% (Floor 1.00%), Current Coupon 9.35%, Secured Debt (Maturity - July 19, 2021) (14)	3 month LIBOR	13,232	13,321	13,311
American Nuts, LLC (8) (11)	Roaster, Mixer and Packager of Bulk Nuts and Seeds	LIBOR Plus 8.00% (Floor 1.00%), Current Coupon 10.34%, Secured Debt (Maturity - April 10, 2023)	3 month LIBOR	11,221	11,011	11,012
		LIBOR Plus 8.00% (Floor 1.00%), Current Coupon 10.34%, Secured Debt (Maturity - October 10, 2018)	3 month LIBOR	422	414	414
					11,425	11,426
American Scaffold Holdings, Inc. (8) (11)	Marine Scaffolding Service Provider	LIBOR Plus 6.50% (Floor 1.00%), Current Coupon 8.89%, Secured Debt (Maturity - March 31, 2022)	3 month LIBOR	6,750	6,682	6,716
American Teleconferencing Services, Ltd. (8)	Provider of Audio Conferencing and Video Collaboration Solutions	LIBOR Plus 6.50% (Floor 1.00%), Current Coupon 8.84%, Secured Debt (Maturity - December 8, 2021)	2 month LIBOR	14,798	14,064	14,327
Apex Linen Service, Inc. (10) (13)	Industrial Launderers	16.00% Secured Debt (Maturity - October 30, 2022)	None	3,604	3,558	3,558
		LIBOR Plus 9.00% (Floor 1.00%), Current Coupon 11.10%, Secured Debt (Maturity - October 30, 2022) (8)	1 month LIBOR	600	600	600
					4,158	4,158
APTIM Corp	Engineering, Construction and Procurement	7.75% Secured Debt (Maturity - June 15, 2025)	None	6,952	6,141	5,979
Arcus Hunting, LLC (8) (11)	Manufacturer of Bowhunting and Archery Products and Accessories	LIBOR Plus 7.00% (Floor 1.00%), Current Coupon 9.34%, Secured Debt (Maturity - November 13, 2019)	1 month LIBOR	8,559	8,512	8,556
Arise Holdings, Inc. (11)	Tech-enabled business process outsourcing	Preferred Stock (1,000,000 shares)	—	—	1,000	1,264

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ASC Ortho Management Company, LLC (11)	Provider of Orthopedic Services	LIBOR Plus 7.50% (Floor 1.00%), Current Coupon 9.81%, Secured Debt (Maturity - August 31, 2023) (8)	1 month LIBOR	\$ 4,660	\$ 4,553	\$ 4,568
		13.25% PIK Secured Debt (Maturity - December 1, 2023) (14)	None	1,553	1,514	1,514
					6,067	6,082
ATI Investment Sub, Inc. (8)	Manufacturer of Solar Tracking Systems	LIBOR Plus 7.25% (Floor 1.00%), Current Coupon 9.49%, Secured Debt (Maturity - June 22, 2021)	1 month LIBOR	5,624	5,524	5,556
ATX Networks Corp. (8) (9)	Provider of Radio Frequency Management Equipment	LIBOR Plus 6.00% (Floor 1.00%), Current Coupon 8.39%, Current Coupon plus PIK 9.39%, Secured Debt (Maturity - June 11, 2021)	3 month LIBOR	14,133	13,961	13,426
BarFly Ventures, LLC (11)	Casual Restaurant Group	12.00% Secured Debt (Maturity - August 31, 2020)	None	3,272	3,237	3,270
		Warrants (.410 equivalent units, Expiration - August 31, 2025)	—	—	158	137
		Options (.731 equivalent units)	—	—	133	245
					3,528	3,652
BBB Tank Services, LLC (10) (13)	Maintenance, Repair and Construction Services to the Above-Ground Storage Tank Market	17.00% Secured Debt (Maturity - April 8, 2021)	None	1,000	991	974
		LIBOR Plus 10.00% (Floor 1.00%), Current Coupon 11.98%, Secured Debt (Maturity - April 9, 2018) (8)	1 month LIBOR	163	163	163
		Member Units (200,000 units)	—	—	200	118
					1,354	1,255
Berry Aviation, Inc. (11)	Airline Charter Service Operator	10.50% Current / 1.50% PIK, Secured Debt (Maturity - January 6, 2024) (14)	None	4,463	4,398	4,398
		Preferred Member Units (Berry Acquisition, LLC) (1,548,387 units, 8.00% cumulative)	—	—	1,548	1,548
					5,946	5,946
BigName Commerce, LLC (8) (11)	Provider of Envelopes and Complimentary Stationery Products	LIBOR Plus 7.25% (Floor 1.00%), Current Coupon 9.59%, Secured Debt (Maturity - May 11, 2022)	3 month LIBOR	2,493	2,470	2,470
Binswanger Enterprises, LLC (8) (11)	Glass Repair and Installation Service Provider	LIBOR Plus 8.00% (Floor 1.00%), Current Coupon 10.32%, Secured Debt (Maturity - March 9, 2022)	3 month LIBOR	14,368	14,155	14,368
		Member Units (1,050,000 units)	—	—	1,050	1,330
					15,205	15,698
Bluestem Brands, Inc. (8)	Multi-Channel Retailer of General Merchandise	LIBOR Plus 7.50% (Floor 1.00%), Current Coupon 9.74%, Secured Debt (Maturity - November 6, 2020)	3 month LIBOR	12,398	12,274	8,277
Boccella Precast Products, LLC (10) (13)	Manufacturer of Precast Hollow Core Concrete	LIBOR Plus 10.00% (Floor 1.00%), Current Coupon 12.34%, Secured Debt (Maturity - June 30, 2022) (8)	1 month LIBOR	4,071	3,992	4,063
		Member Units (540,000 units)	—	—	540	1,240
					4,532	5,303
Brightwood Capital Fund Investments (9) (15)	Investment Partnership	LP Interests (Brightwood Capital Fund III, LP) (Fully diluted 1.60%) (16)	—	—	4,075	3,517
		LP Interests (Brightwood Capital Fund IV, LP) (Fully diluted 0.80%) (16)	—	—	3,037	3,126
					7,112	6,643
Brundage-Bone Concrete Pumping, Inc.	Construction Services Provider	10.38% Secured Debt (Maturity - September 1, 2023) (14)	None	12,000	12,066	12,750
Buca C, LLC (10) (13)	Casual Restaurant Group	LIBOR Plus 9.25% (Floor 1.00%), Current Coupon 11.36%, Secured Debt (Maturity - June 30, 2020) (8)	1 month LIBOR	12,936	12,832	12,832
		Preferred Member Units (4 units, 6.00% cumulative) (16)	—	—	2,866	2,909
					15,698	15,741

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BW NHHC Holdco, Inc. (8)	Full-Continuum Provider of Home Health Services	LIBOR Plus 5.00%, Current Coupon 7.16%, Secured Debt (Maturity - May 15, 2025)	1 month LIBOR	\$ 7,481	\$ 7,373	\$ 7,373
Cadence Aerospace, LLC (8) (11)	Aerospace Manufacturing	LIBOR Plus 6.50% (Floor 1.00%), Current Coupon 8.82%, Secured Debt (Maturity - November 14, 2023)	3 month LIBOR	19,517	19,343	19,480
CAI Software, LLC (10) (13)	Provider of Specialized Enterprise Resource Planning Software	12.00% Secured Debt (Maturity - October 10, 2019)	None	821	814	821
		Member Units (16,339 units) (16)	—	—	163	655
					<u>977</u>	<u>1,476</u>
Cenveo Corporation	Provider of Commercial Printing, Envelopes, Labels, Printed Office Products	LIBOR Plus 9.00% (Floor 1.00%), Current Coupon 11.12%, Secured Debt (Maturity - June 7, 2023) (8)	1 month LIBOR	4,995	4,599	4,895
		Common Stock (138,889 shares)	—	—	4,163	4,340
					<u>8,762</u>	<u>9,235</u>
Clarius BIGS, LLC (11) (18)	Prints & Advertising Film Financing	15.00% PIK Secured Debt (Maturity - January 5, 2015) (18)	None	2,140	1,882	60
		20.00% PIK Secured Debt (Maturity - January 5, 2015) (18)	None	773	680	22
					<u>2,562</u>	<u>82</u>
Clickbooth.com, LLC (8) (11)	Provider of Digital Advertising Performance Marketing Solutions	LIBOR Plus 8.50% (Floor 1.00%), Current Coupon 10.84%, Secured Debt (Maturity - December 5, 2022)	3 month LIBOR	2,944	2,892	2,892
Construction Supply Investments, LLC (11)	Distribution Platform of Specialty Construction Materials to Professional Concrete and Masonry Contractors	LIBOR Plus 6.00% (Floor 1.00%), Current Coupon 8.25%, Secured Debt (Maturity - June 30, 2023) (8)	1 month LIBOR	10,583	10,533	10,556
		Member units (42,207 units)	—	—	4,221	4,290
					<u>14,754</u>	<u>14,846</u>
CTVSH, PLLC (8) (11) (13)	Emergency Care and Specialty Service Animal Hospital	LIBOR Plus 8.00% (Floor 1.00%), Current Coupon 10.32%, Secured Debt (Maturity - August 3, 2022)	1 month LIBOR	2,850	2,803	2,827
Datacom, LLC (10) (13) (18)	Technology and Telecommunications Provider	5.25% Current / 5.25% PIK, Current Coupon 10.50% Secured Debt (Maturity - May 30, 2019) (18)	None	1,384	1,377	1,168
		8.00% Secured Debt (Maturity - May 30, 2018) (18)	None	200	200	188
		Class A Preferred Member Units (1,530 units) (16)	—	—	144	—
		Class B Preferred Member Units (717 units)	—	—	670	—
					<u>2,391</u>	<u>1,356</u>
Digital River, Inc. (8)	Provider of Outsourced e-Commerce Solutions and Services	LIBOR Plus 6.25% (Floor 1.00%), Current Coupon 8.59%, Secured Debt (Maturity - February 12, 2021)	3 month LIBOR	9,779	9,701	9,779
DTE Enterprises, LLC (11)	Industrial Powertrain Repair and Services	LIBOR Plus 7.50% (Floor 1.00%), Current Coupon 9.84%, Secured Debt (Maturity - April 13, 2023) (8)	1 month LIBOR	13,242	12,987	13,001
		Class AA Preferred Member Units (non-voting)	—	—	724	724
		Class A Preferred Member Units (776,316 units)	—	—	776	776
					<u>14,487</u>	<u>14,501</u>
Dynamic Communities, LLC (8) (11)	Developer of Business Events and Online Community Groups	LIBOR Plus 8.00% (Floor 1.00%), Current Coupon 10.39%, Secured Debt (Maturity - July 17, 2023)	3 month LIBOR	5,600	5,490	5,492
Elite SEM, Inc. (8) (11)	Provider of Digital Marketing Agency Services	LIBOR Plus 8.50% (Floor 1.00%), Current Coupon 10.82%, Secured Debt (Maturity - February 1, 2022)	3 month LIBOR	6,875	6,740	6,740
Epic Y-Grade Services, LP (8)	NGL Transportation & Storage	LIBOR Plus 5.50% (Floor 1.00%), Current Coupon 7.74%, Secured Debt (Maturity - June 13, 2024)	1 month LIBOR	17,500	17,161	17,084
Evergreen Skills Lux S.á r.l. (d/b/a Skillsoft) (8) (9)	Technology-Based Performance Support Solutions	LIBOR Plus 8.25% (Floor 1.00%), Current Coupon 10.49%, Secured Debt (Maturity - April 28, 2022) (14)	1 month LIBOR	10,901	10,566	9,300

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Extreme Reach, Inc. (8)	Integrated TV and Video Advertising Platform	LIBOR Plus 6.25% (Floor 1.00%), Current Coupon 8.50%, Secured Debt (Maturity - February 7, 2020)	1 month LIBOR	\$ 16,915	\$ 16,906	\$ 16,961
Felix Investments Holdings II, LLC (8) (11)	Oil and Gas Exploration and Production	LIBOR Plus 6.50% (Floor 1.00%), Current Coupon 8.84%, Secured Debt (Maturity - August 9, 2022)	3 month LIBOR	3,333	3,276	3,276
Flavors Holdings, Inc. (8)	Global Provider of Flavoring and Sweetening Products and Solutions	LIBOR Plus 5.75% (Floor 1.00%), Current Coupon 8.14%, Secured Debt (Maturity - April 3, 2020)	3 month LIBOR	11,714	11,355	10,952
GoWireless Holdings, Inc. (8)	Provider of Wireless Telecommunications Carrier Services	LIBOR Plus 6.50% (Floor 1.00%), Current Coupon 8.74%, Secured Debt (Maturity - December 22, 2024)	3 month LIBOR	15,947	15,812	15,628
Hojteij Branded Foods, LLC (8) (11)	Multi-Airport, Multi-Concept Restaurant Operator	LIBOR Plus 6.00% (Floor 1.00%), Current Coupon 8.35%, Secured Debt (Maturity - July 20, 2022)	1 month LIBOR	12,352	12,253	12,352
Hoover Group, Inc. (8) (9) (11)	Provider of Storage Tanks and Related Products to the Energy and Petrochemical Markets	LIBOR Plus 7.25% (Floor 1.00%), Current Coupon 9.56%, Secured Debt (Maturity - January 28, 2021)	3 month LIBOR	14,735	14,062	14,586
		LIBOR Plus 6.00% (Floor 1.00%), Current Coupon 8.31%, Secured Debt (Maturity - January 28, 2020)	3 month LIBOR	5,388	4,818	5,289
					18,880	19,875
Hunter Defense Technologies, Inc. (8) (11)	Provider of Military and Commercial Shelters and Systems	LIBOR Plus 7.00% (Floor 1.00%), Current Coupon 9.39%, Secured Debt (Maturity - March 29, 2023)	3 month LIBOR	16,005	15,710	15,845
Hydrofarm Holdings, LLC (8) (11)	Wholesaler of Horticultural Products	LIBOR Plus 10.00%, Current Coupon 3.62% / 8.45 PIK, Current Coupon Plus PIK 12.07%, Secured Debt (Maturity - May 12, 2022)	1 month LIBOR	6,623	6,522	5,926
iEnergizer Limited (8) (9) (12)	Provider of Business Outsourcing Solutions	LIBOR Plus 6.00% (Floor 1.25%), Current Coupon 8.25%, Secured Debt (Maturity - May 1, 2019)	1 month LIBOR	12,927	12,845	12,943
Implus Footcare, LLC (8) (11)	Provider of Footwear and Related Accessories	LIBOR Plus 6.75% (Floor 1.00%), Current Coupon 9.14%, Secured Debt (Maturity - April 30, 2021)	3 month LIBOR	17,198	17,032	17,127
Industrial Services Acquisitions, LLC (11)	Industrial Cleaning Services	6.00% Current / 7.00% PIK, Current Coupon 13.00%, Unsecured Debt (Maturity - December 17, 2022) (17)	None	11,001	10,844	10,512
		Member Units (Industrial Services Investments, LLC) (336 units; 10.00% cumulative)	—	—	202	202
		Member Units (Industrial Services Investments, LLC) (2,100,000 units)	—	—	2,100	490
					13,146	11,204
Inn of the Mountain Gods Resort and Casino	Hotel & Casino Owner & Operator	9.25% Secured Debt (Maturity - November 30, 2020) (14)	None	8,254	8,254	7,944
Intermedia Holdings, Inc. (8)	Unified Communications as a Service	LIBOR Plus 6.00% (Floor 1.00%), Current Coupon 8.36%, Secured Debt (Maturity July 19, 2025)	3 month LIBOR	11,571	11,457	11,626
IronGate Energy Services, LLC (18)	Oil and Gas Services	11.00% Secured Debt (Maturity - July 1, 2018) (18)	None	5,825	5,827	2,097
Isagenix International, LLC (8)	Direct Marketer of Health and Wellness Products	LIBOR Plus 5.75% (Floor 1.00%), Current Coupon 8.14%, Secured Debt (Maturity - June 14, 2025)	3 month LIBOR	6,348	6,286	6,364
Jackmont Hospitality, Inc. (8) (11)	Franchisee of Casual Dining Restaurants	LIBOR Plus 6.75% (Floor 1.00%), Current Coupon 8.99%, Secured Debt (Maturity - May 26, 2021)	1 month LIBOR	8,382	8,365	8,382
Jacuzzi Brands LLC (8)	Manufacturer of Bath and Spa Products	LIBOR Plus 7.00% (Floor 1.00%), Current Coupon 9.24%, Secured Debt (Maturity - June 28, 2023)	1 month LIBOR	5,813	5,714	5,871
Joerns Healthcare, LLC (8)	Manufacturer and Distributor of Health Care Equipment & Supplies	LIBOR Plus 6.00% (Floor 1.00%), Current Coupon 8.31%, Secured Debt (Maturity - May 9, 2020)	3 month LIBOR	11,119	10,998	10,341
Kellermeyer Bergensons Services, LLC (8)	Outsourced Janitorial Services to Retail/Grocery Customers	LIBOR Plus 8.50% (Floor 1.00%), Current Coupon 10.84%, Secured Debt (Maturity - April 29, 2022) (14)	3 month LIBOR	14,700	14,630	14,902
LaMi Products, LLC (8) (11)	General Merchandise Distribution	LIBOR Plus 7.50% (Floor 1.00%), Current Coupon 9.83%, Secured Debt (Maturity - September 16, 2020)	3 month LIBOR	10,779	10,667	10,727

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Larchmont Resources, LLC	Oil & Gas Exploration & Production	LIBOR Plus 9.00% (Floor 1.00%), Current Coupon 11.33%, Secured Debt (Maturity - August 7, 2020) (8)	3 month LIBOR	\$ 4,362	\$ 4,362	\$ 4,318
		Member units (Larchmont Intermediate Holdco, LLC) (4,806 units)	—	—	601	1,322
					4,963	5,640
LJ Host Merger Sub, Inc. (8)	Managed Services and Hosting Provider	LIBOR Plus 5.25% (Floor 1.25%), Current Coupon 7.29% / 0.50% PIK, Current Coupon Plus PIK 7.59%, Secured Debt (Maturity - December 13, 2019)	3 month LIBOR	17,231	16,993	16,843
Logix Acquisition Company, LLC (8) (11)	Competitive Local Exchange Carrier	LIBOR Plus 5.75% (Floor 1.00%), Current Coupon 7.99%, Secured Debt (Maturity - December 22, 2024) (23)	1 month LIBOR	9,654	9,565	9,726
LSF9 Atlantis Holdings, LLC (8)	Provider of Wireless Telecommunications Carrier Services	LIBOR Plus 6.00% (Floor 1.00%), Current Coupon 8.12%, Secured Debt (Maturity - May 1, 2023)	1 month LIBOR	13,563	13,473	13,139
Lulu's Fashion Lounge, LLC (8)(11)	Fast Fashion E-Commerce Retailer	LIBOR Plus 7.00% (Floor 1.00%), Current Coupon 9.24%, Secured Debt (Maturity - August 28, 2022)	1 month LIBOR	6,307	6,146	6,433
Meisler Operating, LLC (10) (13)	Provider of Short Term Trailer and Container Rental	LIBOR Plus 8.50% (Floor 1.00%), Current Coupon 10.84%, Secured Debt (Maturity - June 7, 2022) (8)	1 month LIBOR	5,120	5,010	5,017
		Member Units (Milton Meisler Holdings, LLC) (12,139 units)	—	—	1,214	1,393
					6,224	6,410
MHVC Acquisition Corp. (8)	Provider of Differentiated Information Solutions, Systems Engineering and Analytics	LIBOR Plus 5.25% (Floor 1.00%), Current Coupon 7.64%, Secured Debt (Maturity - April 29, 2024)	3 month LIBOR	7,880	7,835	7,851
New Era Technology, Inc. (8) (11)	Managed Services and Hosting Provider	LIBOR Plus 6.50% (Floor 1.00%), Current Coupon 8.74%, Secured Debt (Maturity - June 22, 2023)	1 month LIBOR	6,153	6,035	6,092
New Media Holdings II LLC (8) (9)	Local Newspaper Operator	LIBOR Plus 6.25% (Floor 1.00%), Current Coupon 8.49%, Secured Debt (Maturity - July 14, 2022)	1 month LIBOR	9,138	9,034	9,221
NNE Partners, LLC (8) (11)	Oil & Gas Exploration & Production	LIBOR Plus 8.00%, Current Coupon 10.32%, Secured Debt (Maturity - March 2, 2022)	3 month LIBOR	18,375	18,238	18,229
North American Lifting Holdings, Inc. (8)	Crane Service Provider	LIBOR Plus 4.50% (Floor 1.00%), Current Coupon 6.89%, Secured Debt (Maturity - November 27, 2020)	3 month LIBOR	6,261	5,767	6,112
Novetta Solutions, LLC (8)	Provider of Advanced Analytics Solutions for Defense Agencies	LIBOR Plus 5.00% (Floor 1.00%), Current Coupon 7.25%, Secured Debt (Maturity - October 17, 2022)	1 month LIBOR	15,016	14,668	14,584
NTM Acquisition Corp. (8)	Provider of B2B Travel Information Content	LIBOR Plus 6.25% (Floor 1.00%), Current Coupon 8.49%, Secured Debt (Maturity - June 7, 2022)	1 month LIBOR	4,149	4,114	4,154
Pasha Group (8)	Diversified Logistics and Transportation Provided	LIBOR Plus 7.50% (Floor 1.00%), Current Coupon 9.70%, Secured Debt (Maturity - January 26, 2023)	2 month LIBOR	11,328	11,007	11,491
Permian Holdco 2, Inc.	Storage Tank Manufacturer	14.00% PIK Unsecured Debt (Maturity - October 15, 2021) (17)	None	955	955	955
		Series A Preferred Shares (Permian Holdco 1, Inc.) (386,255 shares) (16)	—	—	1,997	2,299
		Common Shares (Permian Holdco 1, Inc.) (386,255 shares)	—	—	—	—
					2,952	3,254
Pernix Therapeutics Holdings, Inc. (11)	Pharmaceutical Royalty	12.00% Secured Debt (Maturity - August 1, 2020)	None	2,652	2,637	1,782
Pier 1 Imports, Inc. (8)	Decorative Home Furnishings Retailer	LIBOR Plus 3.50% (Floor 1.00%), Current Coupon 5.89%, Secured Debt (Maturity - April 30, 2021)	3 month LIBOR	7,494	7,154	6,129
PricewaterhouseCoopers Public Sector LLP (8) (14)	Provider of Consulting Services to Governments	LIBOR Plus 7.50%, Current Coupon 9.74%, Secured Debt (Maturity - May 1, 2026)	1 month LIBOR	12,000	11,942	12,060
Prowler Acquisition Corporation (8)	Specialty Distributor to the Energy Sector	LIBOR Plus 4.50% (Floor 1.00%), Current Coupon 6.79%, Secured Debt (Maturity - January 28, 2020)	2 month LIBOR	12,313	11,510	12,251
Resolute Industrial, LLC (11)	HVAC Equipment Rental and Remanufacturing	Class A units (601 units)	—	—	750	920

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RGL Reservoir Operations, Inc. (9)	Oil & Gas Equipment & Services	1.00% Current / 9.00% PIK Secured Debt (Maturity - December 21, 2024)	None	\$ 772	\$ 467	\$ 386
Rise Broadband (8) (11)	Fixed Wireless Broadband Provider	LIBOR Plus 8.00% (Floor 1.00%), Current Coupon 10.12%, Secured Debt (Maturity - May 2, 2023)	1 month LIBOR	14,925	14,784	14,784
RM Bidder, LLC (11)	Scripted and Unscripted TV and Digital Programming Provider	Common Stock (1,854 shares)	—	—	31	12
		Series A Warrants (124,915 equivalent units, Expiration - October 20, 2025)	—	—	284	—
		Series B Warrants (93,686 equivalent units, Expiration - October 20, 2025)	—	—	—	—
					315	12
Salient Partners, LP (8) (11)	Provider of Asset Management Services	LIBOR Plus 5.75% (Floor 1.00%), Current Coupon 7.99%, Secured Debt (Maturity - June 9, 2021)	1 month LIBOR	7,500	7,468	7,468
Slick Software Holdings LLC (10) (13)	Text Messaging Marketing Platform	14.00% Secured Debt (Maturity - September 13, 2023)	—	1,800	1,701	1,701
		Member units (17,500 units)	—	—	175	175
		Warrants (4,521 equivalent units, Expiration - September 13, 2028)	—	—	45	45
					1,921	1,921
Smart Modular Technologies, Inc. (8) (9) (11) (12)	Provider of Specialty Memory Solutions	LIBOR Plus 6.25% (Floor 1.00%), Current Coupon 8.60%, Secured Debt (Maturity - August 9, 2022)	3 month LIBOR	19,000	18,776	19,095
Sorenson Communications, Inc. (8)	Manufacturer of Communication Products for Hearing Impaired	LIBOR Plus 5.75% (Floor 2.25%), Current Coupon 8.14%, Secured Debt (Maturity - April 30, 2020)	3 month LIBOR	2,924	2,914	2,939
Strike, LLC (8)	Pipeline Construction and Maintenance Services	LIBOR Plus 8.00% (Floor 1.00%), Current Coupon 10.59%, Secured Debt (Maturity - November 30, 2022)	3 month LIBOR	9,125	8,915	9,262
Synagro Infrastructure Company, Inc. (8)	Waste Management Services	LIBOR Plus 5.50% (Floor 1.00%), Current Coupon 7.74%, Secured Debt (Maturity - August 22, 2020)	1 month LIBOR	8,291	8,041	7,254
TE Holdings, LLC	Oil & Gas Exploration & Production	Common Units (72,785 units)	—	—	728	76
Teleguam Holdings, LLC (8)	Cable and Telecom Services Provider	LIBOR Plus 8.50% (Floor 1.00%), Current Coupon 10.74%, Secured Debt (Maturity - April 12, 2024) (14)	1 month LIBOR	7,750	7,615	7,808
TGP Holdings III LLC (8) (12)	Outdoor Cooking & Accessories	LIBOR Plus 8.50% (Floor 1.00%), Current Coupon 10.89%, Secured Debt (Maturity - September 25, 2025) (14)	3 month LIBOR	5,000	5,000	4,969
TMC Merger Sub Corp (8)	Refractory & Maintenance Services Provider	LIBOR Plus 6.25% (Floor 1.00%), Current Coupon 8.50%, Secured Debt (Maturity - October 31, 2022) (25)	1 month LIBOR	18,779	18,653	18,920
TOMS Shoes, LLC (8)	Global Designer, Distributor, and Retailer of Casual Footwear	LIBOR Plus 5.50% (Floor 1.00%), Current Coupon 7.81%, Secured Debt (Maturity - October 30, 2020)	3 month LIBOR	4,825	4,631	3,846
Turning Point Brands, Inc. (8) (9) (11)	Marketer/Distributor of Tobacco Products	LIBOR Plus 7.00%, Current Coupon 9.15%, Secured Debt (Maturity - March 7, 2024) (14)	1 month LIBOR	8,500	8,421	8,670
TVG-I-E CMN Acquisition, LLC (8) (11)	Organic Lead Generation for Online Postsecondary Schools	LIBOR Plus 6.25%, (Floor 1.00%), Current Coupon 8.49%, Secured Debt (Maturity - November 3, 2021)	1 month LIBOR	15,920	15,664	15,920
U.S. Telepacific Corp. (8)	Provider of Communications and Managed Services	LIBOR Plus 5.00% (Floor 1.00%), Current Coupon 7.39%, Secured Debt (Maturity - May 2, 2023)	3 month LIBOR	16,453	16,093	16,227
VIP Cinema Holdings, Inc. (8)	Supplier of Luxury Seating to the Cinema Industry	LIBOR Plus 6.00% (Floor 1.00%), Current Coupon 8.25%, Secured Debt (Maturity - March 1, 2023)	1 month LIBOR	9,250	9,213	9,314
Vistar Media, Inc. (11)	Operator of Digital Out-of-Home Advertising Platform	LIBOR Plus 10.00% (Floor 1.00%), Current Coupon 12.39%, Secured Debt (Maturity - February 16, 2022) (8)	3 month LIBOR	3,263	3,032	3,088
		Warrants (70,207 equivalent units, Expiration - February 17, 2027)	—	—	331	790
					3,363	3,878

HMS Income Fund, Inc.
Consolidated Schedule of Investments
As of September 30, 2018
(dollars in thousands)

Portfolio Company (1) (3)	Business Description	Type of Investment (2) (3)	Index Rate (22)	Principal (7)	Cost (7)	Fair Value (26)
Volusion, LLC (10) (13)	Provider of Online Software-as-a-Service eCommerce Solutions	11.50% Secured Debt (Maturity - January 24, 2020)	None	\$ 7,172	\$ 6,674	\$ 6,740
		11.50% Secured Debt (Maturity - January 26, 2020)	None	1,088	1,088	1,022
		8.00% Unsecured Convertible Debt (Maturity - November 16, 2023)	None	127	127	127
		Preferred Member Units (2,090,001 units)	—	—	6,000	6,000
		Warrants (784,866.80 equivalent units, Expiration - January 26, 2025)	—	—	1,104	810
					14,993	14,699
Wireless Vision Holdings, LLC (8) (11)	Provider of Wireless Telecommunications Carrier Services	LIBOR Plus 8.91% (Floor 1.00%), Current Coupon 10.99%, Secured Debt (Maturity - September 29, 2022) (23)	1 month LIBOR	12,803	12,521	12,595
YS Garments (8)	Designer and Provider of Branded Activewear	LIBOR Plus 6.00% (Floor 1.00%), Current Coupon 8.17%, Secured Debt (Maturity - August 9, 2024)	1 month LIBOR	7,500	7,426	7,425
Subtotal Non-Control/Non-Affiliate Investments (5) (83% of total portfolio investments at fair value)					\$ 944,195	\$ 933,953
Total Portfolio Investments					\$ 1,121,043	\$ 1,130,322
Short Term Investments (20)						
Fidelity Institutional Money Market Funds (21)	—	Prime Money Market Portfolio, Class III Shares	—	—	\$ 4,450	\$ 4,450
US Bank Money Market Account (21)	—	—	—	—	15,574	15,574
Total Short Term Investments					\$ 20,024	\$ 20,024

(1) All investments are Middle Market (as defined in the notes to the financial statements) portfolio investments, unless otherwise noted. All of the assets of HMS Income Fund, Inc. (together with its consolidated subsidiaries, the “Company”) are encumbered as security for the Company’s credit agreements. See Note 5 - *Borrowings*.

(2) Debt investments are income producing, unless otherwise noted. Equity investments and warrants are non-income producing, unless otherwise noted.

(3) See Note 3 - *Fair Value Hierarchy for Investments* for summary geographic location of portfolio companies.

(4) Affiliate investments are generally defined by the Investment Company Act of 1940, as amended (the “1940 Act”), as investments in which between 5% and 25% of the voting securities are owned, or an investment in an investment company’s investment adviser, and the investments are not classified as Control investments. Fair value as of December 31, 2017 and September 30, 2018 along with transactions during the nine months ended September 30, 2018 in these affiliated investments were as follows (in thousands):

Portfolio Company	Fair Value at December 31, 2017	Nine Months Ended September 30, 2018			Fair Value at September 30, 2018	Nine Months Ended September 30, 2018				
		Gross Additions (Cost)	Gross Reductions (Cost)	Net Unrealized Gain (Loss)		Net Realized Gain (Loss)	Interest Income	Fee Income	Dividend Income	
<u>Affiliate Investments</u>										
AFG Capital Group, LLC										
Member units	\$ 897	\$ 1	\$ —	\$ 87	\$ 985	\$ —	\$ —	\$ —	\$ 8	
Warrants	215	—	—	20	235	—	—	—	—	
Brewer Crane Holdings, LLC										
Term loan	—	2,487	(111)	—	2,376	—	220	—	—	
Preferred member units	—	1,070	—	—	1,070	—	—	—	22	
Chamberlin HoldCo, LLC										
Term loan	—	5,412	(135)	—	5,277	—	414	2	—	
Member units	—	2,861	—	1,587	4,448	—	—	21	306	
Charlotte Russe, Inc.										
Term loan	—	6,285	(32)	(698)	5,555	—	357	—	—	
Common stock	—	2,470	—	—	2,470	—	—	—	—	
Charps, LLC										
Term loan	4,500	28	(627)	—	3,901	—	403	—	—	
Term loan	—	401	(2)	—	399	—	9	1	—	
Preferred member units	163	1	—	99	263	—	—	—	—	

Portfolio Company	Fair Value at December 31, 2017	Nine Months Ended September 30, 2018			Fair Value at September 30, 2018	Nine Months Ended September 30, 2018			
		Gross Additions (Cost)	Gross Reductions (Cost)	Net Unrealized Gain (Loss)		Net Realized Gain (Loss)	Interest Income	Fee Income	Dividend Income
Clad-Rex Steel, LLC									
Term loan	\$ 3,320	\$ 12	\$ (200)	\$ (12)	\$ 3,120	\$ —	\$ 292	\$ —	\$ —
Member units	2,375	1	(1)	220	2,595	—	—	—	—
Term loan (Clad-Rex Steel RE Investor, LLC)	293	—	(4)	—	289	—	22	—	—
Member units (Clad-Rex Steel RE Investor, LLC)	70	—	—	—	70	—	—	—	128
Digital Products Holdings LLC									
Term loan	—	6,611	(215)	—	6,396	—	411	—	13
Preferred member units	—	2,200	(84)	—	2,116	—	—	13	—
Direct Marketing Solutions, Inc.									
Term loan	—	4,722	(264)	(1)	4,457	—	407	3	—
Preferred stock	—	2,100	—	845	2,945	—	—	—	—
Freeport Financial Funds									
LP interests	8,506	—	—	(123)	8,383	—	—	—	805
Gamber-Johnson Holdings, LLC									
Term loan	5,850	19	(220)	(18)	5,631	—	508	—	104
Common stock	5,843	—	—	4,187	10,030	—	—	12	231
Guerdon Modular Holdings, Inc.									
Term loan	2,660	511	(37)	(138)	2,996	—	302	—	—
Term loan	—	70	(70)	—	—	—	2	—	—
Common stock	—	—	—	—	—	—	—	—	—
Class B preferred units	—	—	—	—	—	—	—	—	—
Gulf Publishing Holdings, LLC									
Term loan	3,151	9	(33)	—	3,127	—	311	—	—
Term loan	20	40	(20)	—	40	—	2	—	—
Member units	1,210	—	(1)	(67)	1,142	—	—	—	—
Harris Preston Fund Investments									
LP interests (HPEP 3, LP)	943	790	—	—	1,733	—	—	—	—
LP interests (2717 HM, LP)	536	504	—	93	1,133	—	—	—	—
Hawk Ridge Systems, LLC									
Term loan	3,574	11	—	(10)	3,575	—	296	—	—
Preferred member units	950	—	—	802	1,752	—	—	—	109
Preferred member units (HRS Services, ULC)	50	1	—	42	93	—	—	—	—
HWT, LLC									
Term loan	2,454	10	—	19	2,483	—	265	—	—
Member units	985	1	—	—	986	—	—	26	—
Market Force Information, Inc.									
Term loan	5,732	19	(140)	—	5,611	—	592	—	—
Term loan	—	170	(70)	—	100	—	4	—	—
Member units	3,675	—	—	(112)	3,563	—	—	—	—
M.H. Corbin Holding, LLC									
Term loan	3,130	13	(162)	1	2,982	—	348	—	—
Member units	1,500	—	—	(375)	1,125	—	—	26	—
Mystic Logistics Holdings, LLC									
Term loan	1,916	10	(57)	6	1,875	—	185	—	—
Common stock	1,705	1	—	(1,528)	178	—	—	—	—
NexRev, LLC									
Term loan	—	4,378	(98)	1	4,281	—	288	—	—
Preferred member units	—	1,720	—	252	1,972	—	—	3	10
NuStep, LLC									
Term loan	5,048	19	—	—	5,067	—	489	—	—
Preferred member units	2,550	1	(1)	—	2,550	—	—	—	—
SI East, LLC									
Term loan	—	11,765	(189)	—	11,576	—	107	—	—
Preferred member units	—	2,000	—	—	2,000	—	—	—	—
SoftTouch Medical Holdings, LLC									
Term loan	1,260	10	(1,260)	(10)	—	—	26	—	—
Member units	1,781	—	(870)	(911)	—	903	—	11	134

Portfolio Company	Fair Value at December 31, 2017	Nine Months Ended September 30, 2018			Fair Value at September 30, 2018	Nine Months Ended September 30, 2018			
		Gross Additions (Cost)	Gross Reductions (Cost)	Net Unrealized Gain (Loss)		Net Realized Gain (Loss)	Interest Income	Fee Income	Dividend Income
Tedder Acquisition, LLC									
Term loan	\$ —	\$ 4,101	\$ (123)	\$ —	\$ 3,978	\$ —	\$ 52	\$ —	\$ —
Preferred member units	—	1,869	—	—	1,869	—	—	—	—
	<u>\$ 76,862</u>	<u>\$ 64,704</u>	<u>\$ (5,026)</u>	<u>\$ 4,258</u>	<u>\$ 140,798</u>	<u>\$ 903</u>	<u>\$ 6,312</u>	<u>\$ 118</u>	<u>\$ 1,870</u>

* Gross additions include increases in the cost basis of investments resulting from new portfolio investments, payment-in-kind (“PIK”) interest, the amortization of unearned income, the exchange of one or more existing securities for one or more new securities and the movement of an existing portfolio company into this category from a different category.

** Gross reductions include decreases in the cost basis of investments resulting from principal collections related to investment repayments or sales, the exchange of one or more new securities and the movement of an existing portfolio company out of this category into a different category.

(5) Non-Control/Non-Affiliate investments are generally investments that are neither Control investments nor Affiliate investments.

(6) Control investments are generally defined by the 1940 Act as investments in which more than 25% of the voting securities are owned or where the ability to nominate greater than 50% of the board representation is maintained. Fair value as of December 31, 2017 and September 30, 2018 along with transactions during the nine months ended September 30, 2018 in these Control investments were as follows (in thousands):

Portfolio Company	Fair Value at December 31, 2017	Nine Months Ended September 30, 2018			Fair Value at September 30, 2018	Nine Months Ended September 30, 2018				
		Gross Additions (Cost)	Gross Reductions (Cost)	Net Unrealized Gain (Loss)		Net Realized Gain (Loss)	Interest Income	Fee Income	Dividend Income	
<u>Control Investments</u>										
Copper Trail Energy Fund I, LP										
LP interests	\$ 2,500	\$ 746	\$ —	\$ 227	\$ 3,473	\$ —	\$ —	\$ —	\$ —	\$ 34
CTMH, LP										
LP interests	—	872	—	—	872	—	—	—	—	—
GRT Rubber Technologies, LLC										
Term loan	5,715	23	(739)	(24)	4,975	—	463	—	—	—
Member units	10,821	—	—	4,960	15,781	—	—	52	—	432
HMS-ORIX SLF LLC*										
Membership interests	30,643	—	—	(173)	30,470	—	—	—	—	1,591
	\$ 49,679	\$ 1,641	\$ (739)	\$ 4,990	\$ 55,571	\$ —	\$ 463	\$ 52	\$ —	\$ 2,057

* Together with ORIX Funds Corp. (“Orix”), the Company co-invests through HMS-ORIX SLF LLC (“HMS-ORIX”), which is organized as a Delaware limited liability company. Pursuant to the terms of the limited liability company agreement and through representation on the HMS-ORIX Board of Managers, the Company and Orix each have 50% voting control of HMS-ORIX and together will agree on all portfolio and investment decisions as well as all other significant actions for HMS-ORIX. Although the Company owns more than 25% of the voting securities of HMS-ORIX, the Company does not have sole control over significant actions of HMS-ORIX for purposes of the 1940 Act or otherwise.

** Gross additions include increases in the cost basis of investments resulting from new portfolio investments, PIK interest, the amortization of unearned income, the exchange of one or more existing securities for one or more new securities and the movement of an existing portfolio company into this category from a different category.

*** Gross reductions include decreases in the cost basis of investments resulting from principal collections related to investment repayments or sales, the exchange of one or more new securities and the movement of an existing portfolio company out of this category into a different category.

(7) Principal is net of repayments. Cost represents amortized cost which is net of repayments and adjusted for the amortization of premiums and/or accretion of discounts, as applicable.

(8) Index based floating interest rate is subject to contractual minimum interest rates, or floors.

(9) The investment is not a qualifying asset in an eligible portfolio company under Section 55(a) of the 1940 Act. A business development company (“BDC”) may not acquire any asset other than qualifying assets in eligible portfolio companies unless, at the time the acquisition is made, qualifying assets represent at least 70% of the BDC’s total assets. As of September 30, 2018, approximately 12.7% of the Company’s total assets were considered non-qualifying.

(10) Investment is classified as a LMM (as defined in the notes to the financial statements) portfolio investment.

(11) Investment is classified as a Private Loan (as defined in the notes to the financial statements) portfolio investment.

(12) Investment or portion of investment is under contract to purchase and met trade date accounting criteria as of September 30, 2018. Settlement occurred or is scheduled to occur after September 30, 2018.

(13) Investment serviced by Main Street Capital Corporation (“Main Street”) pursuant to servicing arrangements with the Company.

(14) Second lien secured debt investment.

(15) Investment is classified as an Other Portfolio (as defined in the notes to the financial statements) investment.

(16) Income producing through dividends or distributions.

(17) Unsecured debt investment.

(18) Investment is on non-accrual status as of September 30, 2018.

(19) [Reserved]

(20) Short term investments represent an investment in a fund that invests in highly liquid investments with average original maturity dates of three months or less.

(21) Effective yield as of September 30, 2018 was approximately 0.30% at US Bank Money Market Account and 1.74% at Fidelity Institutional Money Market Funds.

(22) The 1, 2, 3, and 6-month London Interbank Offered Rate ("LIBOR") rates were 2.26%, 2.31%, 2.40% and 2.60%, respectively, as of September 30, 2018. The actual LIBOR rate for each loan listed may not be the applicable LIBOR rate as of September 30, 2018, as the loan may have been priced or repriced based on a LIBOR rate prior to September 30, 2018. The prime rate was 5.25% as of September 30, 2018.

(23) The Company has entered into an intercreditor agreement that entitles the Company to the "last out" tranche of the first lien secured loans, whereby the "first out" tranche receives priority over the "last out" tranche with respect to payments of principal, interest and any other amounts due thereunder. Therefore, the Company receives a higher interest rate than the contractual stated interest rate of LIBOR plus 7.50% (Floor 1.00%) per the credit agreement and the Condensed Consolidated Schedule of Investments above reflects such higher rate.

(24) [Reserved]

(25) The Company has entered into an intercreditor agreement that entitles the Company to the "first out" tranche of the first lien secured loans, whereby the "first out" tranche receives priority over the "last out" tranche with respect to payments of principal, interest and any other amounts due thereunder. Therefore, the Company receives a lower interest rate than the contractual stated interest rate of LIBOR plus 6.64% (Floor 1.00%) per the credit agreement and the Condensed Consolidated Schedule of Investments above reflects such lower rate.

(26) The fair value of the investment was determined using significant unobservable inputs. See Note 3 - *Fair Value Hierarchy for Investments*.

See notes to the condensed consolidated financial statements.

HMS Income Fund, Inc.
Consolidated Schedule of Investments
As of December 31, 2017
(dollars in thousands)

Portfolio Company (1) (3)	Business Description	Type of Investment (2) (3)	Index Rate (22)	Principal (7)	Cost (7)	Fair Value (26)
Control Investments (6)						
Copper Trail Energy Fund I, LP (9)(15) (16)	Investment Partnership	LP Interests (Copper Trail Energy Fund I, LP) (Fully diluted 30.1%)	—	\$ —	\$ 2,500	\$ 2,500
GRT Rubber Technologies, LLC (8) (10) (13)	Engineered Rubber Product Manufacturer	LIBOR Plus 9.00% (Floor 1.00%), Current Coupon 10.36%, Secured Debt (Maturity - December 19, 2019)	1 month LIBOR	5,715	5,657	5,715
		Member Units (2,896 shares) (16)	—	—	6,435	10,821
					12,092	16,536
HMS-ORIX SLF LLC (9) (15)	Investment Partnership	Membership Interests (Fully diluted 60.00%) (16)	—	—	30,000	30,643
Subtotal Control Investments (6) (5% of total investments at fair value)					\$ 44,592	\$ 49,679
Affiliate Investments (4)						
AFG Capital Group, LLC (10) (13)	Provider of Rent-to-Own Financing Solutions and Services	Member Units (46 shares) (16)	—	\$ —	\$ 300	\$ 897
		Warrants (10 equivalent shares, Expiration - November 7, 2024)	—	—	65	215
					365	1,112
Charps, LLC (10) (13)	Pipeline Maintenance and Construction	12.00% Secured Debt (Maturity - January 31, 2022)	None	4,600	4,497	4,500
		Preferred Member Units (400 units)	—	—	100	163
					4,597	4,663
Clad-Rex Steel, LLC (10) (13)	Specialty Manufacturer of Vinyl-Clad Metal	LIBOR Plus 9.50% (Floor 1.00%), Current Coupon 10.86%, Secured Debt (Maturity - December 20, 2021) (8)	1 month LIBOR	3,320	3,264	3,320
		Member Units (179 units) (16)	—	—	1,820	2,375
		10.00% Secured Debt (Clad-Rex Steel RE Investor, LLC) (Maturity - December 19, 2036)	None	296	293	293
		Member Units (Clad-Rex Steel RE Investor, LLC) (200 units)	—	—	53	70
					5,430	6,058
Freeport First Lien Loan Fund III, LP (9) (15)	Investment Partnership	LP Interests (Freeport First Lien Loan Fund III, LP) (Fully diluted 5.60%) (16)	—	—	8,558	8,506
Gamber-Johnson Holdings, LLC (8) (10) (13)	Manufacturer of Ruggedized Computer Mounting Systems	LIBOR Plus 11.00% (Floor 1.00%), Current Coupon 12.36%, Secured Debt (Maturity - June 24, 2021)	1 month LIBOR	5,850	5,750	5,850
		Member Units (2,155 units) (16)	—	—	3,711	5,843
					9,461	11,693
Guerdon Modular Holdings, Inc. (10) (13)	Multi-Family and Commercial Modular Construction Company	13.00% Secured Debt (Maturity - August 13, 2019)	None	2,677	2,644	2,660
		Common Stock (53,008 shares)	—	—	746	—
		Class B Preferred Stock (101,250 shares)	—	—	285	—
					3,675	2,660
Gulf Publishing Investor, LLC (10) (13)	Energy Focused Media and Publishing	12.50% Secured Debt (Maturity - April 29, 2021)	None	3,200	3,151	3,151
		LIBOR Plus 9.50% (Floor 1.00%), Current Coupon 10.86%, Secured Debt (Maturity - September 30, 2020) (8)	1 month LIBOR	20	20	20
		Member Units (781 units)	—	—	920	1,210
					4,091	4,381
Harris Preston Fund Investments (15) (16)	Investment Partnership	LP Interests (HPEP 3, LP) (Fully diluted 9.60%) (9)	—	—	943	943
		LP Interests (2717 MH, LP) (Fully diluted 7.00%)	—	—	536	536
					1,479	1,479

HMS Income Fund, Inc.
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Portfolio Company (1) (3)	Business Description	Type of Investment (2) (3)	Index Rate (22)	Principal (7)	Cost (7)	Fair Value (26)
Hawk Ridge Systems, LLC (9) (10) (13)	Value-Added Reseller of Engineering Design and Manufacturing Solutions	11.00% Secured Debt (Maturity - December 2, 2021)	None	\$ 3,575	\$ 3,513	\$ 3,574
		Preferred Member Units (56 units) (16)	—	—	713	950
		Preferred Member Units (HRS Services, ULC) (56 units) (16)	—	—	38	50
					4,264	4,574
HW Temps LLC (8) (10) (13)	Temporary Staffing Solutions	LIBOR Plus 11.00% (Floor 1.00%), Current Coupon 12.36%, Secured Debt (Maturity - July 2, 2020)	1 month LIBOR	2,494	2,454	2,454
		Preferred Member Units (800 units) (16)	—	—	986	985
					3,440	3,439
Market Force Information, Inc. (8)(10) (13)	Provider of Customer Experience Management Services	LIBOR Plus 11.00% (Floor 1.00%), Current Coupon 12.48%, Secured Debt (Maturity - July 28, 2022)	3 month LIBOR	5,840	5,732	5,732
		Member Units (170,000 units)	—	—	3,675	3,675
					9,407	9,407
M.H. Corbin, Inc. (10) (13)	Manufacturer and Distributor of Traffic Safety Products	13.00% Secured Debt (Maturity - August 31, 2020)	None	3,150	3,130	3,130
		Preferred Member Units (1,000 units)	—	—	1,500	1,500
					4,630	4,630
Mystic Logistics, Inc. (10) (13)	Logistics and Distribution Services Provider for Large Volume Mailers	12.00% Secured Debt (Maturity - August 15, 2019)	None	1,942	1,914	1,916
		Common Stock (1,468 shares) (16)	—	—	680	1,705
					2,594	3,621
NuStep, LLC (10) (13)	Designer, Manufacturer and Distributor of Fitness Equipment	12.00% Secured Debt (Maturity - January 31, 2022)	None	5,150	5,047	5,048
		Preferred Member Units (102 units)	—	—	2,550	2,550
					7,597	7,598
SoftTouch Medical Holdings LLC (8) (10) (13)	Home Provider of Pediatric Durable Medical Equipment	LIBOR Plus 9.00% (Floor 1.00%), Current Coupon 10.36%, Secured Debt (Maturity - October 31, 2019)	1 month LIBOR	1,260	1,250	1,260
		Member Units (785 units) (16)	—	—	870	1,781
					2,120	3,041
Subtotal Affiliate Investments (4) (7% of total investments at fair value)					\$ 71,708	\$ 76,862
Non-Control/Non-Affiliate Investments (5)						
AAC Holding Corp. (8)	Substance Abuse Treatment Service Provider	LIBOR Plus 6.75% (Floor 1.00%), Current Coupon 8.13%, Secured Debt (Maturity - June 30, 2023)	3 month LIBOR	\$ 11,751	\$ 11,475	\$ 11,810
Adams Publishing Group, LLC (8) (11)	Local Newspaper Operator	LIBOR Plus 7.00% (Floor 1.00%), Current Coupon 8.69%, Secured Debt (Maturity - November 3, 2020)	3 month LIBOR	10,341	10,123	10,147
ADS Tactical, Inc. (8) (11)	Value-Added Logistics and Supply Chain Solutions Provider	LIBOR Plus 7.50% (Floor 0.75%), Current Coupon 9.19%, Secured Debt (Maturity - December 31, 2022)	3 month LIBOR	12,981	12,671	12,801
Aethon United BR, LP (8)(11)	Oil & Gas Exploration & Production	LIBOR Plus 6.75% (Floor 1.00%), Current Coupon 8.16%, Secured Debt (Maturity - September 8, 2023) (14)	1 month LIBOR	3,438	3,388	3,388
Ahead, LLC (8) (11)	IT Infrastructure Value Added Reseller	LIBOR Plus 6.50%, Current Coupon 8.20%, Secured Debt (Maturity - November 2, 2020)	3 month LIBOR	7,374	7,233	7,420
Allflex Holdings III Inc. (8)	Manufacturer of Livestock Identification Products	LIBOR Plus 7.00% (Floor 1.00%), Current Coupon 8.36%, Secured Debt (Maturity - July 19, 2021) (14)	3 month LIBOR	13,964	14,054	14,075
American Scaffold Holdings, Inc. (8) (11)	Marine Scaffolding Service Provider	LIBOR Plus 6.50% (Floor 1.00%), Current Coupon 8.19%, Secured Debt (Maturity - March 31, 2022)	3 month LIBOR	7,031	6,948	6,996

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American Teleconferencing Services, Ltd. (8)	Provider of Audio Conferencing and Video Collaboration Solutions	LIBOR Plus 6.50% (Floor 1.00%), Current Coupon 7.90%, Secured Debt (Maturity - December 8, 2021)	2 month LIBOR	\$ 9,532	\$ 8,684	\$ 9,407
		LIBOR Plus 9.50% (Floor 1.00%), Current Coupon 10.85%, Secured Debt (Maturity - June 6, 2022) (14)	3 month LIBOR	5,571	5,335	5,260
					14,019	14,667
Apex Linen Service, Inc. (10) (13)	Industrial Launderers	16.00% Secured Debt (Maturity - October 30, 2022)	None	3,604	3,552	3,552
		LIBOR Plus 9.00% (Floor 1.00%), Current Coupon 10.36%, Secured Debt (Maturity - October 30, 2022) (8)	1 month LIBOR	600	600	600
					4,152	4,152
Arcus Hunting, LLC (8) (11)	Manufacturer of Bowhunting and Archery Products and Accessories	LIBOR Plus 7.00% (Floor 1.00%), Current Coupon 8.34%, Secured Debt (Maturity - November 13, 2019)	1 month LIBOR	7,696	7,618	7,690
ATI Investment Sub, Inc. (8)	Manufacturer of Solar Tracking Systems	LIBOR Plus 7.25% (Floor 1.00%), Current Coupon 8.82%, Secured Debt (Maturity - June 22, 2021)	1 month LIBOR	7,364	7,221	7,346
ATX Networks Corp. (8) (9)	Provider of Radio Frequency Management Equipment	LIBOR Plus 6.00% (Floor 1.00%), Current Coupon 7.33%, Current Coupon plus PIK 8.33%, Secured Debt (Maturity - June 11, 2021)	3 month LIBOR	14,474	14,253	14,384
BarFly Ventures, LLC (11)	Casual Restaurant Group	12.00% Secured Debt (Maturity - August 31, 2020)	None	2,905	2,863	2,905
		Warrants (.410 equivalent units, Expiration - August 31, 2025)	—	—	158	175
		Options (.731 equivalent units)	—	—	133	309
					3,154	3,389
BBB Tank Services, LLC (10) (13)	Maintenance, Repair and Construction Services to the Above-Ground Storage Tank Market	15.00% Secured Debt (Maturity - April 8, 2021)	None	1,000	987	969
		LIBOR Plus 9.50% (Floor 1.00%), Current Coupon 10.74%, Secured Debt (Maturity - April 9, 2018) (8)	1 month LIBOR	200	200	200
		Member Units (200,000 units)	—	—	200	125
					1,387	1,294
Berry Aviation, Inc. (11)	Airline Charter Service Operator	Current Coupon 13.75%, Secured Debt (Maturity - January 30, 2020) (14)	None	1,407	1,395	1,407
		Common Stock (138 shares)	—	—	100	252
					1,495	1,659
BigName Commerce, LLC (8) (11)	Provider of Envelopes and Complimentary Stationery Products	LIBOR Plus 7.25% (Floor 1.00%), Current Coupon 8.59%, Secured Debt (Maturity - May 11, 2022)	1 month LIBOR	2,488	2,460	2,460
Binswanger Enterprises, LLC (8) (11)	Glass Repair and Installation Service Provider	LIBOR Plus 8.00% (Floor 1.00%), Current Coupon 9.49%, Secured Debt (Maturity - March 9, 2022)	3 month LIBOR	15,267	15,002	15,135
		Member Units (1,050,000 Class A units)	—	—	1,050	1,000
					16,052	16,135
Bluestem Brands, Inc. (8)	Multi-Channel Retailer of General Merchandise	LIBOR Plus 7.50% (Floor 1.00%), Current Coupon 9.07%, Secured Debt (Maturity - November 6, 2020)	3 month LIBOR	13,005	12,836	9,158
Bocella Precast Products, LLC (8) (10) (13)	Manufacturer of Precast Hollow Core Concrete	LIBOR Plus 10.00% (Floor 1.00%), Current Coupon 11.34%, Secured Debt (Maturity - June 30, 2022)	1 month LIBOR	4,100	4,005	4,100
		Member Units (540,000 units)	—	—	540	860
					4,545	4,960
Brightwood Capital Fund Investments (9) (15)	Investment Partnership	LP Interests (Brightwood Capital Fund III, LP) (Fully diluted 0.52%) (16)	—	—	4,075	3,443
		LP Interests (Brightwood Capital Fund IV, LP) (Fully diluted 1.58%) (16)	—	—	2,037	2,037
					6,112	5,480
Brundage-Bone Concrete Pumping, Inc.	Construction Services Provider	10.38% Secured Debt (Maturity - September 1, 2023) (14)	None	12,000	12,074	12,720

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Buca C, LLC (8) (10) (13)	Casual Restaurant Group	LIBOR Plus 7.25% (Floor 1.00%), Current Coupon 8.63%, Secured Debt (Maturity - June 30, 2020)	1 month LIBOR	\$ 13,536	\$ 13,386	\$ 13,386
		Preferred Member Units (4 units, 6.00% cumulative) (16)	—	—	2,702	2,781
					16,088	16,167
Cadence Aerospace, LLC (8) (11)	Aerospace and Defense	LIBOR Plus 6.50% (Floor 1.00%), Current Coupon 7.91%, Secured Debt (Maturity - November 14, 2023)	3 month LIBOR	15,000	14,853	14,853
CAI Software, LLC (10) (13)	Provider of Specialized Enterprise Resource Planning Software	12.00% Secured Debt (Maturity - October 10, 2019)	None	1,021	1,005	1,021
		Member Units (16,339 units) (16)	—	—	163	807
					1,168	1,828
CapFusion Holding, LLC (9) (10) (13)	Business Lender	13.00% Secured Debt (Maturity - March 25, 2021) (18)	None	1,669	1,394	468
CDHA Management, LLC (8) (11)	Dental Services	LIBOR Plus 7.25% (Floor 1.00%), Current Coupon 8.78%, Secured Debt (Maturity - December 5, 2021)	3 month LIBOR	5,365	5,270	5,365
Central Security Group, Inc. (8)	Security Alarm Monitoring Service Provider	LIBOR Plus 5.63% (Floor 1.00%), Current Coupon 7.19%, Secured Debt (Maturity - October 6, 2021)	1 month LIBOR	7,481	7,462	7,518
Conveo Corporation	Provider of Commercial Printing, Envelopes, Labels, Printed Office Products	6.00% Secured Debt (Maturity - August 1, 2019)	None	15,000	13,706	10,650
Charlotte Russe, Inc. (8)	Fast-Fashion Retailer to Young Women	LIBOR Plus 5.50% (Floor 1.25%), Current Coupon 6.89%, Secured Debt (Maturity - May 22, 2019)	3 month LIBOR	14,972	14,863	6,045
Clarius BIGS, LLC (11) (18)	Prints & Advertising Film Financing	15.00% PIK Secured Debt (Maturity - January 5, 2015) (18)	None	2,140	1,882	62
		20.00% PIK Secured Debt (Maturity - January 5, 2015) (18)	None	773	680	22
					2,562	84
Clickbooth.com, LLC (8) (11)	Provider of Digital Advertising Performance Marketing Solutions	LIBOR Plus 8.50% (Floor 1.00%), Current Coupon 10.01%, Secured Debt (Maturity - December 5, 2022)	1 month LIBOR	3,000	2,941	2,941
Construction Supply Investments, LLC (11)	Distribution Platform of Specialty Construction Materials to Professional Concrete and Masonry Contractors	LIBOR Plus 6.00% (Floor 1.00%), Current Coupon 7.57%, Secured Debt (Maturity - June 30, 2023) (8)	1 month LIBOR	7,125	7,090	7,090
		Member units (20,000 units)	—	—	3,723	3,723
					10,813	10,813
ContextMedia Health, LLC (8)	Provider of Healthcare Media Content	LIBOR Plus 6.50% (Floor 1.00%), Current Coupon 8.13%, Secured Debt (Maturity - December 23, 2021)	1 month LIBOR	9,500	8,685	6,413
CTVSH, PLLC (8) (11) (13)	Emergency Care and Specialty Service Animal Hospital	LIBOR Plus 8.00% (Floor 1.00%), Current Coupon 9.48%, Secured Debt (Maturity - August 3, 2022)	1 month LIBOR	2,963	2,907	2,907
Datacom, LLC (10) (13)	Technology and Telecommunications Provider	5.25% Current / 5.25% PIK, Current Coupon 10.50% Secured Debt (Maturity - May 30, 2019)	None	1,366	1,357	1,229
		8.00% Secured Debt (Maturity - May 30, 2018)	None	175	175	175
		Class A Preferred Member Units (1,530 units, 15.00% cumulative) (16)	—	—	131	81
		Class B Preferred Member Units (717 units)	—	—	670	—
					2,333	1,485
Digital River, Inc. (8)	Provider of Outsourced e-Commerce Solutions and Services	LIBOR Plus 6.50% (Floor 1.00%), Current Coupon 8.08%, Secured Debt (Maturity - February 12, 2021)	3 month LIBOR	8,946	8,898	8,969
Evergreen Skills Lux S.á r.l. (d/b/a Skillsoft) (8) (9)	Technology-Based Performance Support Solutions	LIBOR Plus 8.25% (Floor 1.00%), Current Coupon 9.82%, Secured Debt (Maturity - April 28, 2022) (14)	1 month LIBOR	10,901	10,510	9,725
Extreme Reach, Inc. (8)	Integrated TV and Video Advertising Platform	LIBOR Plus 6.25% (Floor 1.00%), Current Coupon 7.59%, Secured Debt (Maturity - February 7, 2020)	3 month LIBOR	10,411	10,397	10,398

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Felix Investments Holdings II, LLC (8) (11)	Oil and Gas Exploration and Production	LIBOR Plus 6.50% (Floor 1.00%), Current Coupon 7.90%, Secured Debt (Maturity - August 9, 2022)	3 month LIBOR	\$ 3,333	\$ 3,267	\$ 3,267
Flavors Holdings, Inc. (8)	Global Provider of Flavoring and Sweetening Products and Solutions	LIBOR Plus 5.75% (Floor 1.00%), Current Coupon 7.44%, Secured Debt (Maturity - April 3, 2020)	3 month LIBOR	12,407	11,853	11,507
GoWireless Holdings, Inc. (8) (12)	Provider of Wireless Telecommunications Carrier Services	LIBOR Plus 6.50% (Floor 1.00%), Current Coupon 8.16%, Secured Debt (Maturity - December 22, 2024)	3 month LIBOR	15,000	14,850	14,888
GST Autoleather, Inc. (8)	Automotive Leather Manufacturer	Prime Plus 6.50% (Floor 2.00%), Current Coupon 11.00%, Secured Debt (Maturity - July 10, 2020)	PRIME	17,384	16,898	13,994
		Prime Plus 6.50% (Floor 2.25%), Current Coupon 11.00%, Secured Debt (Maturity - April 5, 2018)	PRIME	3,377	3,299	3,326
					20,197	17,320
Guitar Center, Inc.	Musical Instruments Retailer	6.50% Secured Debt (Maturity - April 15, 2019)	None	15,015	14,490	13,889
Hojeij Branded Foods, LLC (8) (11)	Multi-Airport, Multi-Concept Restaurant Operator	LIBOR Plus 6.00% (Floor 1.00%), Current Coupon 7.57%, Secured Debt (Maturity - July 20, 2022)	1 month LIBOR	12,107	12,000	12,107
Hoover Group, Inc. (8) (9) (11)	Provider of Storage Tanks and Related Products to the Energy and Petrochemical Markets	LIBOR Plus 7.25% (Floor 1.00%), Current Coupon 8.70%, Secured Debt (Maturity - January 28, 2021)	3 month LIBOR	14,848	14,030	13,656
Hunter Defense Technologies, Inc. (8)	Provider of Military and Commercial Shelters and Systems	LIBOR Plus 6.00% (Floor 1.00%), Current Coupon 7.35%, Secured Debt (Maturity - August 5, 2019)	3 month LIBOR	14,552	14,161	14,389
Hydrofarm Holdings, LLC (8) (11)	Wholesaler of Horticultural Products	LIBOR Plus 7.00%, Current Coupon 8.49%, Secured Debt (Maturity - May 12, 2022)	1 month LIBOR	6,666	6,546	6,657
iEnergizer Limited (8) (9)	Provider of Business Outsourcing Solutions	LIBOR Plus 6.00% (Floor 1.25%), Current Coupon 7.57%, Secured Debt (Maturity - May 1, 2019)	1 month LIBOR	10,644	10,408	10,618
Implus Footcare, LLC (8) (11)	Provider of Footwear and Other Accessories	LIBOR Plus 6.75% (Floor 1.00%), Current Coupon 8.44%, Secured Debt (Maturity - April 30, 2021)	3 month LIBOR	14,491	14,299	14,394
Industrial Services Acquisitions, LLC (11)	Industrial Cleaning Services	11.25% Current / 0.75% PIK, Current Coupon 12.00%, Unsecured Debt (Maturity - December 17, 2022) (17)	None	10,603	10,429	10,603
		Member Units (Industrial Services Investments, LLC) (2,100,000 units)	—	—	2,100	1,890
					12,529	12,493
Inn of the Mountain Gods Resort and Casino	Hotel & Casino Owner & Operator	9.25% Secured Debt (Maturity - November 30, 2020)	None	10,749	10,620	9,782
iPayment, Inc. (8)	Provider of Merchant Acquisition	LIBOR Plus 5.00% (Floor 1.00%), Current Coupon 6.62%, Secured Debt (Maturity - April 11, 2023)	3 month LIBOR	11,970	11,970	12,090
iQor US Inc. (8)	Business Process Outsourcing Services Provider	LIBOR Plus 5.00% (Floor 1.00%), Current Coupon 6.34%, Secured Debt (Maturity - April 1, 2021)	3 month LIBOR	7,678	7,338	7,649
IronGate Energy Services, LLC (18)	Oil and Gas Services	11.00% Secured Debt (Maturity - July 1, 2018) (18)	None	5,825	5,827	2,039
Joerns Healthcare, LLC (8)	Manufacturer and Distributor of Health Care Equipment & Supplies	LIBOR Plus 6.00% (Floor 1.00%), Current Coupon 7.48%, Secured Debt (Maturity - May 9, 2020)	3 month LIBOR	11,119	10,948	10,359
Kellermeyer Bergensons Services, LLC (8)	Outsourced Janitorial Services to Retail/Grocery Customers	LIBOR Plus 8.50% (Floor 1.00%), Current Coupon 9.88%, Secured Debt (Maturity - April 29, 2022) (14)	3 month LIBOR	14,700	14,618	14,241
Keypoint Government Solutions, Inc. (8) (11)	Provider of Pre-Employment Screening Services	LIBOR Plus 6.00% (Floor 1.00%), Current Coupon 7.35%, Secured Debt (Maturity - April 18, 2024)	3 month LIBOR	12,031	11,921	12,031
LaMi Products, LLC (8) (11)	General Merchandise Distribution	LIBOR Plus 6.50% (Floor 1.00%), Current Coupon 8.05%, Secured Debt (Maturity - September 16, 2020)	3 month LIBOR	11,110	10,988	11,085
Larchmont Resources, LLC (8)	Oil & Gas Exploration & Production	LIBOR Plus 9.00% (Floor 1.00%), Current Coupon 10.53%, Secured Debt (Maturity - August 7, 2020)	3 month LIBOR	4,118	4,118	4,076
		Member units (Larchmont Intermediate Holdco, LLC) (4,806 units)	—	—	601	1,658
					4,719	5,734

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LJ Host Merger Sub, Inc. (8)	Managed Services and Hosting Provider	LIBOR Plus 6.75% (Floor 1.25%), Current Coupon 8.44%, Secured Debt (Maturity - December 13, 2019)	3 month LIBOR	\$ 16,137	\$ 15,744	\$ 15,714
		LIBOR Plus 6.75% (Floor 1.25%), Current Coupon 8.44%, Secured Debt (Maturity - December 13, 2018)	3 month LIBOR	2,433	2,358	2,293
					18,102	18,007
Logix Acquisition Company, LLC (8) (11)	Competitive Local Exchange Carrier	LIBOR Plus 5.75% (Floor 1.00%), Current Coupon 7.28%, Secured Debt (Maturity - August 9, 2024) (23)	1 month LIBOR	9,730	9,632	9,839
LSF9 Atlantis Holdings, LLC (8)	Provider of Wireless Telecommunications Carrier Services	LIBOR Plus 6.00% (Floor 1.00%), Current Coupon 7.36%, Secured Debt (Maturity - May 1, 2023)	1 month LIBOR	13,825	13,722	13,897
Lulu's Fashion Lounge, LLC (8)(11)	Fast Fashion E-Commerce Retailer	LIBOR Plus 7.00% (Floor 1.00%), Current Coupon 8.57%, Secured Debt (Maturity - August 28, 2022)	1 month LIBOR	6,690	6,496	6,766
Meisler Operating, LLC (10) (13)	Provider of Short Term Trailer and Container Rental	LIBOR Plus 8.50% (Floor 1.00%), Current Coupon 9.84%, Secured Debt (Maturity - June 7, 2022) (8)	3 month LIBOR	4,200	4,095	4,104
		Member Units (Milton Meisler Holdings, LLC) (8,000 units)	—	—	800	848
					4,895	4,952
MHVC Acquisition Corp. (8)	Provider of Differentiated Information Solutions, Systems Engineering and Analytics	LIBOR Plus 5.25% (Floor 1.00%), Current Coupon 6.95%, Secured Debt (Maturity - April 29, 2024)	1 month LIBOR	10,448	10,399	10,578
Minute Key, Inc. (10) (13)	Operator of Automated Key Duplication Kiosk	Warrants (359,352 equivalent units, Expiration - May 20, 2025)	—	—	70	293
NBG Acquisition, Inc. (8)	Wholesaler of Home Decor Products	LIBOR Plus 5.50% (Floor 1.00%), Current Coupon 7.19%, Secured Debt (Maturity - April 26, 2024)	1 month LIBOR	4,402	4,336	4,452
New Media Holdings II LLC (8) (9)	Local Newspaper Operator	LIBOR Plus 6.25% (Floor 1.00%), Current Coupon 7.82%, Secured Debt (Maturity - July 14, 2022)	1 month LIBOR	17,033	16,762	17,176
NNE Issuer, LLC (8) (11)	Oil & Gas Exploration & Production	LIBOR Plus 8.00%, Current Coupon 9.49%, Secured Debt (Maturity - March 2, 2022)	3 month LIBOR	11,958	11,851	11,854
North American Lifting Holdings, Inc. (8)	Crane Service Provider	LIBOR Plus 4.50% (Floor 1.00%), Current Coupon 6.19%, Secured Debt (Maturity - November 27, 2020)	3 month LIBOR	6,310	5,666	5,912
Novetta Solutions, LLC (8)	Provider of Advanced Analytics Solutions for Defense Agencies	LIBOR Plus 5.00% (Floor 1.00%), Current Coupon 6.70%, Secured Debt (Maturity - October 17, 2022)	3 month LIBOR	9,625	9,382	9,364
NTM Acquisition Corp. (8)	Provider of B2B Travel Information Content	LIBOR Plus 6.25% (Floor 1.00%), Current Coupon 7.94%, Secured Debt (Maturity - June 7, 2022)	3 month LIBOR	10,908	10,797	10,853
Paris Presents, Inc. (8)	Branded Cosmetic and Bath Accessories	LIBOR Plus 8.75% (Floor 1.00%), Current Coupon 10.32%, Secured Debt (Maturity - December 31, 2021) (14)	1 month LIBOR	10,000	9,899	9,950
Parq Holdings, LP (8) (9)	Hotel and Casino Operator	LIBOR Plus 7.50% (Floor 1.00%), Current Coupon 9.19%, Secured Debt (Maturity - December 17, 2020)	3 month LIBOR	12,469	12,317	12,547
Permian Holdco 2, Inc.	Storage Tank Manufacturer	14.00% PIK Unsecured Debt (Maturity - October 15, 2021) (17)	None	765	765	765
		Series A Preferred Shares (Permian Holdco 1, Inc.) (386,255 units) (12.00% Cumulative) (16)	—	—	1,997	2,449
		Common Shares (Permian Holdco 1, Inc.) (386,255 units)	—	—	—	350
					2,762	3,564
Permian Holdings, Inc.	Storage Tank Manufacturer	10.50% Secured Debt (Maturity - January 15, 2018)	None	1,000	968	290
Pernix Therapeutics Holdings, Inc. (11)	Pharmaceutical Royalty - Anti-Migraine	12.00% Secured Debt (Maturity - August 1, 2020)	None	2,737	2,717	1,725
PPC/Shift, LLC (8) (11)	Provider of Digital Solutions to Automotive Industry	LIBOR Plus 6.00% (Floor 1.00%), Current Coupon 7.69%, Secured Debt (Maturity - December 22, 2021)	3 month LIBOR	6,825	6,704	6,825
Prowler Acquisition Corporation (8)	Specialty Distributor to the Energy Sector	LIBOR Plus 4.50% (Floor 1.00%), Current Coupon 6.34%, Secured Debt (Maturity - January 28, 2020)	3 month LIBOR	12,412	11,199	11,854

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Renaissance Learning, Inc. (8)	Technology-based K-12 Learning Solutions	LIBOR Plus 7.00% (Floor 1.00%), Current Coupon 8.69%, Secured Debt (Maturity - April 11, 2022) (14)	3 month LIBOR	\$ 12,695	\$ 12,359	\$ 12,767
Resolute Industrial, LLC (8) (11)	HVAC Equipment Rental and Remanufacturing	LIBOR Plus 7.62% (Floor 1.00%), Current Coupon 8.95%, Secured Debt (Maturity - July 26, 2022) (24)	3 month LIBOR	17,086	16,679	16,774
		Common Stock (601 units)	—	—	750	750
					17,429	17,524
RGL Reservoir Operations, Inc. (9) (11)	Oil & Gas Equipment & Services	1.00% Current / 9.00% PIK Secured Debt (Maturity - December 23, 2024)	None	721	407	407
RM Bidder, LLC (11)	Full-scale Film and Television Production and Distribution	Common Stock (1,854 units)	—	—	31	13
		Series A Warrants (124,915 equivalent units, Expiration - October 20, 2025)	—	—	284	—
		Series B Warrants (93,686 equivalent units, Expiration - October 20, 2025)	—	—	—	—
					315	13
Salient Partners, LP (8)	Provider of Asset Management Services	LIBOR Plus 8.50% (Floor 1.00%), Current Coupon 9.85%, Secured Debt (Maturity - June 9, 2021)	3 month LIBOR	11,042	10,748	10,711
Smart Modular Technologies, Inc. (8) (9) (11)	Provider of Specialty Memory Solutions	LIBOR Plus 6.25% (Floor 1.00%), Current Coupon 7.66%, Secured Debt (Maturity - August 9, 2022)	3 month LIBOR	14,625	14,351	14,552
Sorenson Communications, Inc.	Manufacturer of Communication Products for Hearing Impaired	9.00% Secured Debt (Maturity - October 31, 2020) (14)	None	6,616	6,457	6,599
		LIBOR Plus 5.75% (Floor 2.25%), Current Coupon 8.00%, Secured Debt (Maturity - April 30, 2020) (8)	3 month LIBOR	2,947	2,932	2,971
					9,389	9,570
Strike, LLC (8)	Pipeline Construction and Maintenance Services	LIBOR Plus 8.00% (Floor 1.00%), Current Coupon 9.50%, Secured Debt (Maturity - November 30, 2022)	3 month LIBOR	9,500	9,251	9,643
		LIBOR Plus 8.00% (Floor 1.00%), Current Coupon 9.45%, Secured Debt (Maturity - May 30, 2019)	3 month LIBOR	2,500	2,480	2,513
					11,731	12,156
Synagro Infrastructure Company, Inc. (8)	Waste Management Services	LIBOR Plus 5.50% (Floor 1.00%), Current Coupon 7.19%, Secured Debt (Maturity - August 22, 2020)	3 month LIBOR	6,411	6,235	6,023
TE Holdings, LLC	Oil & Gas Exploration & Production	Common Units (72,785 units)	—	—	728	118
Teleguam Holdings, LLC (8)	Cable and Telecom Services Provider	LIBOR Plus 8.50% (Floor 1.00%), Current Coupon 10.07%, Secured Debt (Maturity - April 12, 2024) (14)	1 month LIBOR	7,750	7,602	7,808
TMC Merger Sub Corp (8)	Refractory & Maintenance Services Provider	LIBOR Plus 6.25% (Floor 1.00%), Current Coupon 7.88%, Secured Debt (Maturity - October 31, 2022) (25)	1 month LIBOR	19,140	18,993	19,237
TOMS Shoes, LLC (8)	Global Designer, Distributor, and Retailer of Casual Footwear	LIBOR Plus 5.50% (Floor 1.00%), Current Coupon 6.98%, Secured Debt (Maturity - October 30, 2020)	3 month LIBOR	4,863	4,604	2,893
Turning Point Brands, Inc. (8) (9) (11)	Marketer/Distributor of Tobacco Products	LIBOR Plus 6.00% (Floor 1.00%), Current Coupon 7.61%, Secured Debt (Maturity - May 17, 2022) (24)	3 month LIBOR	8,436	8,364	8,605
TVG-I-E CMN Acquisition, LLC (8) (11)	Organic Lead Generation for Online Postsecondary Schools	LIBOR Plus 6.00%, (Floor 1.00%), Current Coupon 7.56%, Secured Debt (Maturity - November 3, 2021)	1 month LIBOR	8,170	8,031	8,170
U.S. Telepacific Corp. (8)	Provider of Communications and Managed Services	LIBOR Plus 5.00% (Floor 1.00%), Current Coupon 6.69%, Secured Debt (Maturity - May 2, 2023)	3 month LIBOR	16,421	16,027	15,754
USJ-IMECO Holding Company, LLC (8)	Marine Interior Design and Installation	LIBOR Plus 6.00% (Floor 1.00%), Current Coupon 7.70%, Secured Debt (Maturity - April 16, 2020)	3 month LIBOR	8,243	8,224	8,202

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Valley Healthcare Group, LLC (8) (10) (13)	Provider of Durable Medical Equipment	LIBOR Plus 12.50% (Floor 0.50%), Current Coupon 13.86%, Secured Debt (Maturity - December 29, 2020)	1 month LIBOR	\$ 2,942	\$ 2,901	\$ 2,901
		Preferred Member Units (Valley Healthcare Holding, LLC) (400 units)	—	—	400	400
					3,301	3,301
VIP Cinema Holdings, Inc. (8)	Supplier of Luxury Seating to the Cinema Industry	LIBOR Plus 6.00% (Floor 1.00%), Current Coupon 7.70%, Secured Debt (Maturity - March 1, 2023)	3 month LIBOR	9,625	9,582	9,721
Vistar Media, Inc. (8) (11)	Operator of Digital Out-of-Home Advertising Platform	LIBOR Plus 10.00% (Floor 1.00%), Current Coupon 11.69%, Secured Debt (Maturity - February 16, 2022)	3 month LIBOR	3,319	3,046	3,102
		Warrants (70,207 equivalent units, Expiration - February 17, 2027)	—	—	331	500
					3,377	3,602
Volusion, LLC (10) (13)	Provider of Online Software-as-a-Service eCommerce Solutions	11.50% Secured Debt (Maturity - January 24, 2020)	None	7,172	6,453	6,453
		Preferred Member Units (2,090,001 units)	—	—	6,000	6,000
		Warrants (784,866.80 equivalent units, Expiration - January 26, 2025)	—	—	1,104	891
					13,557	13,344
Wellnext, LLC (8) (11)	Manufacturer of Supplements and Vitamins	LIBOR Plus 10.10% (Floor 1.00%), Current Coupon 11.67%, Secured Debt (Maturity - July 21, 2022) (23)	1 month LIBOR	9,930	9,856	9,930
Wireless Vision Holdings, LLC (8) (11)	Provider of Wireless Telecommunications Carrier Services	LIBOR Plus 8.91% (Floor 1.00%), Current Coupon 10.27%, Secured Debt (Maturity - September 29, 2022) (23)	1 month LIBOR	12,899	12,574	12,574
Wirepath, LLC (8)	E-Commerce Provider Into Connected Home Market	LIBOR Plus 5.25% (Floor 1.00%), Current Coupon 6.87%, Secured Debt (Maturity - August 5, 2024)	2 month LIBOR	11,471	11,416	11,629
Subtotal Non-Control/Non-Affiliate Investments (5) (88% of total portfolio investments at fair value)					\$ 948,029	\$ 922,898
Total Portfolio Investments					\$ 1,064,329	\$ 1,049,439
Short Term Investments (20)						
Fidelity Institutional Money Market Funds (21)	—	Prime Money Market Portfolio, Class III Shares	—	—	\$ 11,335	\$ 11,335
US Bank Money Market Account (21)	—	—	—	—	18,613	18,613
Total Short Term Investments					\$ 29,948	\$ 29,948

(1) All investments are Middle Market portfolio investments, unless otherwise noted. All of the assets of the Company are encumbered as security for the Company's credit agreements. See Note 6 - *Borrowings*.

(2) Debt investments are income producing, unless otherwise noted. Equity investments and warrants are non-income producing, unless otherwise noted.

(3) See Note 3 - *Fair Value Hierarchy for Investments* for summary geographic location of portfolio companies.

(4) Affiliate investments are defined by the 1940 Act, as investments in which between 5% and 25% of the voting securities are owned, or an investment in an investment company's investment adviser, and the investments are not classified as Control investments. Fair value as of December 31, 2016 and December 31, 2017 along with transactions during the year ended December 31, 2017 in these affiliated investments were as follows (in thousands):

Portfolio Company	Fair Value at December 31, 2016	Twelve Months Ended December 31, 2017			Fair Value at December 31, 2017	Twelve Months Ended December 31, 2017				
		Gross Additions (Cost)	Gross Reductions (Cost)	Net Unrealized Gain (Loss)		Net Realized Gain (Loss)	Interest Income	Fee Income	Dividend Income	
<u>Affiliate Investments</u>										
AFG Capital Group, LLC										
Member units	\$ 687	\$ —	\$ —	\$ 210	\$ 897	\$ —	\$ —	\$ —	\$ 18	
Warrants	167	—	—	48	215	—	—	—	—	
Charps, LLC										
Term loan	—	4,817	(320)	3	4,500	—	533	1	—	
Preferred member units	—	101	—	62	163	—	—	—	—	

Portfolio Company	Fair Value at December 31, 2016	Twelve Months Ended December 31, 2017			Fair Value at December 31, 2017	Twelve Months Ended December 31, 2017			
		Gross Additions (Cost)	Gross Reductions (Cost)**	Net Unrealized Gain (Loss)		Net Realized Gain (Loss)	Interest Income	Fee Income	Dividend Income
Clad-Rex Steel, LLC									
Term loan	\$ 3,449	\$ 16	\$ (201)	\$ 56	\$ 3,320	\$ —	\$ 392	\$ —	\$ —
Term loan	99	—	(99)	—	—	—	—	—	—
Member units	1,820	—	—	555	2,375	—	—	—	103
Term loan (Clad-Rex Steel RE Investor, LLC)	298	—	(5)	—	293	—	30	—	—
Member units (Clad-Rex Steel RE Investor, LLC)	53	—	—	17	70	—	—	—	—
EIG Traverse Co-Investment, LP									
LP interests	9,905	951	(10,756)	(100)	—	951	—	—	871
Freeport First Lien Loan Fund III, LP									
LP interests	4,763	3,795	—	(52)	8,506	—	—	—	617
Gamber-Johnson Holdings, LLC									
Term loan	5,964	19	(170)	37	5,850	—	755	—	—
Common stock	4,730	—	—	1,113	5,843	—	—	54	105
Guerdon Modular Holdings, Inc.									
Term loan	2,642	22	(1)	(3)	2,660	—	366	—	—
Common stock	20	—	—	(20)	—	—	—	—	—
Class B preferred units	285	—	—	(285)	—	—	—	—	—
Gulf Publishing Holdings, LLC									
Term loan	2,455	710	(14)	—	3,151	—	387	1	—
Term loan	—	20	—	—	20	—	—	—	—
Member units	781	142	—	287	1,210	—	—	10	—
Harris Preston Fund Investments									
LP interests (HPEP 3, LP)	—	943	—	—	943	—	—	—	—
LP interests (2717 HM, LP)	—	536	—	—	536	—	—	—	—
Hawk Ridge Systems, LLC									
Term loan	2,451	1,212	(149)	60	3,574	—	301	—	—
Preferred member units	713	—	—	237	950	—	—	—	65
Preferred member units (HRS Services, ULC)	38	—	—	12	50	—	—	—	1
HWT, LLC									
Term loan	2,591	13	(150)	—	2,454	—	370	—	—
Member units	985	—	—	—	985	—	—	35	—
Market Force Information, Inc.									
Term loan	—	6,018	(286)	—	5,732	—	324	—	—
Member units	—	3,675	—	—	3,675	—	—	—	—
M.H. Corbin, LLC									
Term loan	3,299	8	(177)	—	3,130	—	382	—	—
Member units	1,500	—	—	—	1,500	—	—	35	—
Mystic Logistics, Inc.									
Term loan	2,294	21	(352)	(47)	1,916	—	272	2	—
Common stock	1,445	—	—	260	1,705	—	—	—	—
NuStep, LLC									
Term loan	—	5,179	(131)	—	5,048	—	603	—	—
Preferred member units	—	2,550	—	—	2,550	—	—	—	—
SoftTouch Medical Holdings, LLC									
Term loan	1,260	5	—	(5)	1,260	—	135	—	124
Member units	1,618	—	—	163	1,781	—	—	42	—
	<u>\$ 56,312</u>	<u>\$ 30,753</u>	<u>\$ (12,811)</u>	<u>\$ 2,608</u>	<u>\$ 76,862</u>	<u>\$ 951</u>	<u>\$ 4,850</u>	<u>\$ 180</u>	<u>\$ 1,904</u>

* Gross additions include increases in the cost basis of investments resulting from new portfolio investments, PIK interest, the amortization of unearned income, the exchange of one or more existing securities for one or more new securities and the movement of an existing portfolio company into this category from a different category.

** Gross reductions include decreases in the cost basis of investments resulting from principal collections related to investment repayments or sales, the exchange of one or more new securities and the movement of an existing portfolio company out of this category into a different category.

(5) Non-Control/Non-Affiliate investments are generally investments that are neither Control investments nor Affiliate investments.

(6) Control investments are defined by the 1940 Act as investments in which more than 25% of the voting securities are owned or where the ability to nominate greater than 50% of the board representation is maintained. Fair value as of December 31, 2016 and December 31, 2017 along with transactions during the year ended December 31, 2017 in these Control investments were as follows (in thousands):

Portfolio Company	Fair Value at December 31, 2016	Twelve Months Ended December 31, 2017			Fair Value at December 31, 2017	Twelve Months Ended December 31, 2017			
		Gross Additions (Cost)	Gross Reductions (Cost)	Net Unrealized Gain (Loss)		Net Realized Gain (Loss)	Interest Income	Fee Income	Dividend Income
<u>Control Investments</u>									
Copper Trail Energy Fund I, LP									
LP interests	\$ —	\$ 2,500	\$ —	\$ —	\$ 2,500	\$ —	\$ —	\$ —	\$ —
GRT Rubber Technologies, LLC									
Term loan	6,538	32	(824)	(31)	5,715	—	663	—	—
Member units	10,004	—	—	817	10,821	—	—	73	577
HMS-ORIX SLF LLC*									
Membership interests	—	30,000	—	643	30,643	—	—	—	450
	\$ 16,542	\$ 32,532	\$ (824)	\$ 1,429	\$ 49,679	\$ —	\$ 663	\$ 73	\$ 1,027

* Together with Orix, the Company co-invests through HMS-ORIX, which is organized as a Delaware limited liability company. Pursuant to the terms of the limited liability company agreement and through representation on the HMS-ORIX Board of Managers, the Company and Orix each have 50% voting control of HMS-ORIX and together will agree on all portfolio and investment decisions as well as all other significant actions for HMS-ORIX. Although the Company owns more than 25% of the voting securities of HMS-ORIX, the Company does not have sole control over significant actions of HMS-ORIX for purposes of the 1940 Act or otherwise.

** Gross additions include increases in the cost basis of investments resulting from new portfolio investments, PIK interest, the amortization of unearned income, the exchange of one or more existing securities for one or more new securities and the movement of an existing portfolio company into this category from a different category.

*** Gross reductions include decreases in the cost basis of investments resulting from principal collections related to investment repayments or sales, the exchange of one or more new securities and the movement of an existing portfolio company out of this category into a different category.

(7) Principal is net of repayments. Cost represents amortized cost which is net of repayments and adjusted for the amortization of premiums and/or accretion of discounts, as applicable.

(8) Index based floating interest rate is subject to contractual minimum interest rates, or floors.

(9) The investment is not a qualifying asset under the 1940 Act. A BDC may not acquire any asset other than qualifying assets unless, at the time the acquisition is made, qualifying assets represent at least 70% of the BDC's total assets. As of December 31, 2017, approximately 13.9% of the Company's investments were considered non-qualifying.

(10) Investment is classified as a LMM portfolio investment.

(11) Investment is classified as a Private Loan portfolio investment.

(12) Investment or portion of investment is under contract to purchase and met trade date accounting criteria as of December 31, 2017. Settlement occurred or is scheduled to occur after December 31, 2017. See Note 2 - *Basis of Presentation and Summary of Significant Accounting Policies* for Summary of Security Transactions.

(13) Investment serviced by Main Street pursuant to servicing arrangements with the Company.

(14) Second lien secured debt investment.

(15) Investment is classified as an Other Portfolio investment.

(16) Income producing through dividends or distributions.

(17) Unsecured debt investment.

(18) Investment is on non-accrual status as of December 31, 2017.

(19) [Reserved]

(20) Short term investments represent an investment in a fund that invests in highly liquid investments with average original maturity dates of three months or less.

(21) Effective yield as of December 31, 2017 was approximately 0.01%.

(22) The 1, 2, 3 and 6 month LIBOR rates were 1.57%, 1.62%, 1.69% and 1.84%, respectively, as of December 31, 2017. The actual LIBOR rate for each loan listed may not be the applicable LIBOR rate as of December 31, 2017, as the loan may have been priced or repriced based on a LIBOR rate prior to December 31, 2017. The prime rate was 4.50% as of December 31, 2017.

(23) The Company has entered into an intercreditor agreement that entitles the Company to the "last out" tranche of the first lien secured loans, whereby the "first out" tranche receives priority over the "last out" tranche with respect to payments of principal, interest and any other amounts due thereunder. Therefore, the Company receives a higher interest rate than the contractual stated interest rate of LIBOR plus 7.50% (Floor 1.00%) per the credit agreement and the Condensed Consolidated Schedule of Investments above reflects such higher rate.

(24) As part of the credit agreement with the portfolio company, the Company is entitled to the "last out" tranche of the first lien secured loans, whereby the "first out" tranche receives priority over the "last out" tranche with respect to payments of principal, interest and any other amounts due thereunder. The rate the Company receives per the credit agreement is the same as the rate reflected in the Condensed Consolidated Schedule of Investments above.

(25) The Company has entered into an intercreditor agreement that entitles the Company to the "first out" tranche of the first lien secured loans, whereby the "first out" tranche receives priority over the "last out" tranche with respect to payments of principal, interest and any other amounts due thereunder. Therefore, the Company receives a lower interest rate than the contractual stated interest rate of LIBOR plus 6.64% (Floor 1.00%) per the credit agreement and the Condensed Consolidated Schedule of Investments above reflects such lower rate.

(26) The fair value of the investment was determined using significant unobservable inputs. See Note 3 - *Fair Value Hierarchy for Investments*.

See notes to the consolidated financial statements.

HMS Income Fund, Inc.
Notes to the Condensed Consolidated Financial Statements
(Unaudited)

Note 1 – Principal Business and Organization

HMS Income Fund, Inc. (together with its consolidated subsidiaries, the “Company”) was formed as a Maryland corporation on November 28, 2011 under the General Corporation Law of the State of Maryland. The Company is an externally managed, non-diversified closed-end management investment company that has elected to be treated as a BDC under the 1940 Act. The Company has elected to be treated for U.S. federal income tax purposes as a regulated investment company (“RIC”) under Subchapter M of the Internal Revenue Code of 1986, as amended (the “Code”).

The Company’s primary investment objective is to generate current income through debt and equity investments. A secondary objective of the Company is to generate long-term capital appreciation through equity and equity-related investments including warrants, convertible securities and other rights to acquire equity securities. The Company’s portfolio strategy is to invest primarily in illiquid debt and equity securities issued by lower middle market (“LMM”) companies, which generally have annual revenues between \$10 million and \$150 million, and middle market (“Middle Market”) companies that are generally larger in size than the LMM companies, with annual revenues typically between \$10 million and \$3 billion. The Company’s LMM and Middle Market portfolio investments generally range in size from \$1 million to \$15 million. The Company categorizes some of its investments in LMM companies and Middle Market companies as private loan (“Private Loan”) portfolio investments. Private Loan investments, often referred to in the debt markets as “club deals,” are investments, generally in debt instruments, that the Company originates on a collaborative basis with other investment funds. Private Loan investments are typically similar in size, structure, terms and conditions to investments the Company holds in its LMM portfolio and Middle Market portfolio. The Company’s portfolio also includes other portfolio (“Other Portfolio”) investments primarily consisting of the Company’s investment in HMS-ORIX (see Note 4 - *Investment in HMS-ORIX SLF LLC*) and investments managed by third parties, which differ from the typical profiles for the Company’s other types of investments.

The Company previously registered for sale up to 150,000,000 shares of common stock pursuant to a registration statement on Form N-2 (File No. 333-178548) which was initially declared effective by the Securities and Exchange Commission (the “SEC”) on June 4, 2012 (the “Initial Offering”). The Initial Offering terminated on December 1, 2015. The Company raised approximately \$601.2 million under the Initial Offering, including proceeds from the dividend reinvestment plan of approximately \$22.0 million. The Company also registered for sale up to \$1,500,000,000 worth of shares of common stock (the “Offering”) pursuant to a new registration statement on Form N-2 (File No. 333-204659), as amended. With the approval of the Company’s board of directors, the Company closed the Offering to new investors effective September 30, 2017. Through September 30, 2018, the Company raised approximately \$204.7 million in the Offering, including proceeds from the distribution reinvestment plan of approximately \$73.0 million.

HMS Funding I LLC (“HMS Funding”) and HMS Equity Holding, LLC (“HMS Equity Holding”) are both wholly owned subsidiaries of the Company that were organized as Delaware limited liability companies. HMS Equity Holding II, Inc. (“HMS Equity Holding II”) is a wholly owned subsidiary of the Company that was organized as a Delaware corporation. HMS Funding was created for the Deutsche Bank Credit Facility (as defined below in Note 5 - *Borrowings*) in order to function as a “Structured Subsidiary,” which is permitted to incur debt outside of the TIAA Credit Facility (as defined below in Note 5 - *Borrowings*) since it is not a guarantor under the TIAA Credit Facility. HMS Equity Holding and HMS Equity Holding II, which have elected to be taxable entities, primarily hold equity investments in certain portfolio companies which are “pass through” entities for tax purposes.

The business of the Company is managed by HMS Adviser LP (the “Adviser”), a Texas limited partnership and affiliate of Hines Interests Limited Partnership (“Hines”), under an Investment Advisory and Administrative Services Agreement dated May 31, 2012 (as amended, the “Investment Advisory Agreement”). The Company and the Adviser have retained MSC Adviser I, LLC (the “Sub-Adviser”), a wholly owned subsidiary of Main Street Capital Corporation (“Main Street”), a New York Stock Exchange listed BDC, as the Company’s investment sub-adviser, pursuant to an Investment Sub-Advisory Agreement (the “Sub-Advisory Agreement”), to identify, evaluate, negotiate and structure prospective investments, make investment and portfolio management recommendations for approval by the Adviser, monitor the Company’s investment portfolio and provide certain ongoing administrative services to the Adviser. The Adviser and the Sub-Adviser are collectively referred to as the “Advisers,” and each is registered as an investment adviser under the Investment Advisers Act of 1940, as amended. Upon the execution of the Sub-Advisory Agreement, Main Street became an affiliate of the Company. The Company’s board of directors most recently reapproved the Investment Advisory Agreement and Sub-Advisory Agreement on May 10, 2018. The Company engaged Hines Securities, Inc. (the “Dealer Manager”), an affiliate of the Adviser, to serve as the Dealer Manager for our offerings, if any.

Note 2 – Basis of Presentation and Summary of Significant Accounting Policies

Basis of Presentation and Consolidation

The accompanying condensed consolidated financial statements of the Company have been prepared in accordance with the instructions to Form 10-Q and accounting principles generally accepted in the United States of America (“GAAP”) and include the accounts of the Company’s wholly owned consolidated subsidiaries. All intercompany accounts and transactions have been eliminated in consolidation. Under the 1940 Act rules, regulations pursuant to Articles 6, 10 and 12 of Regulation S-X and Topic 946, *Financial Services - Investment Companies*, of the Accounting Standards Codification, as amended (the “ASC”), of the Financial Accounting Standards Board (the “FASB”), the Company is precluded from consolidating portfolio company investments, including those in which the Company has a controlling interest, unless the portfolio company is a wholly-owned investment company. An exception to this general principle occurs if the Company owns a controlled operating company whose purpose is to provide services to the Company such as an investment adviser or transfer agent. None of the Company’s investments qualifies for this exception. Therefore, the Company’s portfolio company investments, including those in which the Company has a controlling interest, are carried on the Condensed Consolidated Balance Sheet at fair value, as discussed below, with changes to fair value recognized as “Net Change in Unrealized Appreciation (Depreciation) on Investments” on the Condensed Consolidated Statements of Operations until the investment is realized, usually upon exit, resulting in any gain or loss on exit being recognized as a realized gain or loss. However, in the event that any controlled subsidiary exceeds the tests of significance set forth in Rules 3-09 or 4-08(g) of Regulation S-X, the Company will include required financial information for such subsidiary in the notes or as an attachment to its condensed consolidated financial statements.

The unaudited condensed consolidated financial statements reflect all normal recurring adjustments, which are, in the opinion of management, necessary for the fair presentation of the Company’s results for the interim periods presented. The results of operations for interim periods are not indicative of results to be expected for the full year.

Amounts as of December 31, 2017 included in the unaudited condensed consolidated financial statements have been derived from the Company’s audited consolidated financial statements as of that date. All intercompany accounts and transactions have been eliminated in consolidation. Certain financial information that is normally included in annual financial statements, including certain financial statement footnotes, prepared in accordance with GAAP, is not required for interim reporting purposes and has been condensed or omitted herein. The current period’s results of operations are not necessarily indicative of results that ultimately may be achieved for the year. Therefore, these financial statements should be read in conjunction with the Company’s financial statements and notes related thereto included in the Company’s Annual Report on Form 10-K for the year ended December 31, 2017, which was filed with the SEC on March 21, 2018.

Interest, Fee and Dividend Income

Interest and dividend income are recorded on the accrual basis to the extent amounts are expected to be collected. Prepayment penalties received by the Company are recorded as income upon receipt. Dividend income is recorded when dividends are declared by the portfolio company or at the point an obligation exists for the portfolio company to make a distribution. Accrued interest and dividend income are evaluated quarterly for collectability. When a debt security becomes 90 days or more past due and the Company does not expect the debtor to be able to service all of its debt or other obligations, it will generally be placed on non-accrual status and the Company will cease recognizing interest income on that debt security until the borrower has demonstrated the ability and intent to pay contractual amounts due. If there is reasonable doubt that the Company will receive any previously accrued interest, then the interest income will be written off. Additionally, if a debt security has deferred interest payment terms and the Company becomes aware of a deterioration in credit quality, the Company will evaluate the collectability of the deferred interest payment. If it is determined that the deferred interest is unlikely to be collected, the Company will place the security on non-accrual status and cease recognizing interest income on that debt security until the borrower has demonstrated the ability and intent to pay the contractual amounts due. Payments received on non-accrual investments may be recognized as income or applied to principal depending upon the collectability of the remaining principal and interest. If a debt security’s status significantly improves with respect to the debtor’s ability to service the debt or other obligations, or if a debt security is fully impaired, sold or written off, it will be removed from non-accrual status.

As of September 30, 2018, the Company had five debt investments in three portfolio companies that were on non-accrual status, all of which were more than 90 days past due. Each of these portfolio companies experienced a significant decline in credit quality raising doubt regarding the Company’s ability to collect the principal and interest contractually due. Given the credit deterioration of these portfolio companies, the Company ceased accruing interest income on the non-accrual debt investments and wrote off any previously accrued interest deemed uncollectible. As of September 30, 2018, the Company is not aware of any other material changes to the creditworthiness of the borrowers underlying its debt investments.

As of December 31, 2017, the Company had four debt investments in three portfolio companies that were more than 90 days past due, all of which were on non-accrual status. Each of these portfolio companies experienced a significant decline in credit quality raising doubt regarding the Company's ability to collect the principal and interest contractually due. Given the credit deterioration, the Company ceased accruing interest income on the non-accrual debt investments and wrote off any previously accrued interest deemed uncollectible.

From time to time, the Company may hold debt instruments in its investment portfolio that contain a payment-in-kind ("PIK") interest provision. If these borrowers elect to pay or are obligated to pay interest under the optional PIK provision and, if deemed collectible in management's judgment, then the interest would be computed at the contractual rate specified in the investment's credit agreement, recorded as interest income and periodically added to the principal balance of the investment. Thus, the actual collection of this interest may be deferred until the time of debt principal repayment. The Company stops accruing PIK interest and writes off any accrued and uncollected interest in arrears when it determines that such PIK interest in arrears is no longer collectible.

As of September 30, 2018 and December 31, 2017, the Company held 18 and 19 investments, respectively, which contained a PIK provision. As of September 30, 2018, three of the 18 investments with PIK provisions were on non-accrual status. No PIK interest was recorded on these three non-accrual investments during the three and nine months ended September 30, 2018. As of December 31, 2017, three of the 19 investments with PIK provisions were on non-accrual status. No PIK interest was recorded on these investments during the year ended December 31, 2017. For the three months ended September 30, 2018 and 2017, the Company capitalized \$494,000 and \$58,000, respectively, of PIK interest income. For the nine months ended September 30, 2018 and 2017, the Company capitalized \$977,000 and \$897,000, respectively, of PIK interest income. The Company stops accruing PIK interest and writes off any accrued and uncollected interest in arrears when it determines that such PIK interest in arrears is no longer collectible.

The Company may periodically provide services, including structuring and advisory services, to its portfolio companies or other third parties. The income from such services is non-recurring. For services that are separately identifiable and evidence exists to substantiate fair value, income is recognized as earned, which is generally when the investment or other applicable transaction closes. For the three months ended September 30, 2018 and 2017, the Company recognized \$781,000 and \$213,000, respectively, of non-recurring fee income received from its portfolio companies or other third parties, which accounted for approximately 2.5% and 0.8%, respectively, of the Company's total investment income during such period. For the nine months ended September 30, 2018 and 2017, the Company recognized \$1.8 million and \$1.9 million, respectively, of non-recurring fee income received from its portfolio companies or other third parties, which accounted for approximately 2.2% and 2.5%, respectively, of the Company's total investment income during such period. Fees received in connection with debt financing transactions for services that do not meet these criteria are treated as debt origination fees and are deferred and accreted into interest income over the life of the financing.

Recent Accounting Pronouncements

In May 2014, the FASB issued Accounting Standards Update ("ASU") 2014-09, *Revenue from Contracts with Customers (Topic 606)*. ASU 2014-09 supersedes the revenue recognition requirements under ASC 605, *Revenue Recognition*, and most industry-specific guidance throughout the Industry Topics of the ASC. The core principle of the guidance is that an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which an entity expects to be entitled in exchange for those goods or services. Under the new guidance, an entity is required to perform the following five steps: (1) identify the contract(s) with a customer; (2) identify the performance obligations in the contract; (3) determine the transaction price; (4) allocate the transaction price to the performance obligations in the contract, and (5) recognize revenue when (or as) the entity satisfies a performance obligation. The new guidance will significantly enhance comparability of revenue recognition practices across entities, industries, jurisdictions and capital markets. Additionally, the guidance requires improved disclosures as to the nature, amount, timing and uncertainty of revenue that is recognized. In March 2016, the FASB issued ASU 2016-08, *Revenue from Contracts with Customers (Topic 606): Principal versus Agent Considerations (Reporting Revenue Gross versus Net)*, which clarified the implementation guidance on principal versus agent considerations. In April 2016, the FASB issued ASU 2016-10, *Revenue from Contracts with Customers (Topic 606): Identifying Performance Obligations and Licensing*, which clarified the implementation guidance regarding performance obligations and licensing arrangements. In May 2016, the FASB issued ASU No. 2016-12, *Revenue from Contracts with Customers (Topic 606)-Narrow-Scope Improvements and Practical Expedients*, which clarified guidance on assessing collectability, presenting sales tax, measuring non-cash consideration, and certain transition matters. The new guidance is effective for fiscal years beginning after December 15, 2017, including interim periods within those fiscal years. Substantially all of the Company's income is not within the scope of ASU 2014-09. For those income items that are within the scope of ASU 2014-09 (primarily fee income), the Company has similar performance obligations as compared with deliverables and separate units of account previously identified. As a result,

the Company's timing of its revenue recognition remains the same and the adoption of the standard did not have a material impact on the Company's condensed consolidated financial statements.

In January 2016, the FASB issued ASU 2016-01, Financial Instruments-Overall: *Recognition and Measurement of Financial Assets and Financial Liabilities*, which amends the guidance related to the classification and measurement of investments in equity securities. The guidance requires equity investments (except those accounted for under the equity method of accounting or those that result in consolidation of the investee) to be measured at fair value with changes in fair value recognized in net income. The ASU will also amend the guidance related to the presentation of certain fair value changes for financial liabilities measured at fair value and certain disclosure requirements associated with the fair value of financial instruments. ASU 2016-01 is effective for fiscal years beginning after December 15, 2017, including interim periods within those fiscal years. The impact of the adoption of this new accounting standard did not have a material impact on the Company's condensed consolidated financial statements.

In August 2016, the FASB issued ASU 2016-15, "Statement of Cash Flows (Topic 230): Classification of Certain Cash Receipts and Cash Payments," which addresses eight specific cash flow issues including, among other things, the classification of debt prepayment or debt extinguishment costs. ASU 2016-15 is effective for fiscal years, and the interim periods within those periods, beginning after December 15, 2017. The impact of the adoption of this new accounting standard did not have a material impact on the Company's condensed consolidated financial statements.

In November 2016, the FASB issued ASU 2016-18, "Statement of Cash Flows (Topic 230)," which requires that a statement of cash flows explain the change during the period in the total of cash, cash equivalents, and amounts generally described as restricted cash or restricted cash equivalents. Therefore, amounts generally described as restricted cash and restricted cash equivalents should be included with cash and cash equivalents when reconciling the beginning-of-period and end-of-period total amounts shown on the statement of cash flows. The new guidance is effective for fiscal years beginning after December 15, 2017 and the interim periods within those years. The amendment should be adopted retrospectively. The impact of the adoption of this new accounting standard did not have a material impact on the Company's condensed consolidated financial statements.

In August 2018, the FASB issued ASU 2018-13, "Fair Value Measurement (Topic 820)", which is intended to improve fair value disclosure requirements by removing disclosures that are not cost-beneficial, clarifying disclosures' specific requirements, and adding relevant disclosure requirements. The amendments take effect for all organizations for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2019. Early adoption is permitted. The Company is currently evaluating the impact the adoption of this standard will have on its consolidated financial statements and related disclosures.

From time to time, new accounting pronouncements are issued by the FASB or other standards setting bodies that are adopted by the Company as of the specified effective date. The Company believes that the impact of recently issued standards and any that are not yet effective will not have a material impact on its financial statements upon adoption.

Note 3 — Fair Value Hierarchy for Investments

Fair Value Hierarchy

ASC Topic 820, *Fair Value Measurement and Disclosures* ("ASC 820"), establishes a hierarchical disclosure framework which prioritizes and ranks the level of market price observability of inputs used in measuring investments at fair value. Market price observability is affected by a number of factors, including the type of investment and the characteristics specific to the investment. Investments with readily available active quoted prices or for which fair value can be measured from actively quoted prices generally will have a higher degree of market price observability and a lesser degree of judgment used in measuring fair value.

Based on the observability of the inputs used in the valuation techniques, the Company is required to provide disclosures on fair value measurements according to the fair value hierarchy. The fair value hierarchy ranks the observability of the inputs used to determine fair values. Investments carried at fair value are classified and disclosed in one of the following three categories:

- Level 1—Valuations based on quoted prices in active markets for identical assets or liabilities that the Company has the ability to access.
- Level 2—Valuations based on inputs other than quoted prices in active markets, which are either directly or indirectly observable for essentially the full term of the investment. Level 2 inputs include quoted prices for similar assets in active markets, quoted prices for identical or similar assets in non-active markets (for example, thinly traded public companies), pricing models whose inputs are observable for substantially the full term of the investment, and pricing models whose inputs are derived principally from or corroborated by, observable market data through correlation or other means for substantially the full term of the investment.

- Level 3—Valuations based on inputs that are unobservable and significant to the overall fair value measurement. Such information may be the result of consensus pricing information or broker quotes for which sufficient observable inputs were not available.

As required by ASC 820, when the inputs used to measure fair value fall within different levels of the hierarchy, the level within which the fair value measurement is categorized is based on the lowest level input that is significant to the fair value measurement in its entirety. For example, a Level 3 fair value measurement may include inputs that are observable (Levels 1 and 2) and unobservable (Level 3). Therefore, gains and losses for such investments categorized within the Level 3 table below may include changes in fair value that are attributable to both observable inputs (Levels 1 and 2) and unobservable inputs (Level 3). The Company conducts reviews of fair value hierarchy classifications on a quarterly basis. Changes in the observability of valuation inputs may result in a reclassification for certain investments.

As of September 30, 2018 and December 31, 2017, the Company's investment portfolio was comprised of debt securities, equity investments and Other Portfolio investments. The fair value determination for these investments primarily utilized unobservable (Level 3) inputs.

As of September 30, 2018 and December 31, 2017, all of the Company's LMM portfolio investments consisted of illiquid securities issued by private companies. The fair value determination for the LMM portfolio investments primarily consisted of unobservable inputs. As a result, all of the Company's LMM portfolio investments were categorized as Level 3 as of September 30, 2018 and December 31, 2017.

As of September 30, 2018 and December 31, 2017, the Company's Middle Market portfolio investments consisted primarily of investments in secured and unsecured debt investments and independently rated debt investments. The fair value determination for these investments consisted of a combination of (1) observable inputs in non-active markets for which sufficient observable inputs were available to determine the fair value of these investments, (2) observable inputs in non-active markets for which sufficient observable inputs were not available to determine the fair value of these investments and (3) unobservable inputs. As a result, all of the Company's Middle Market portfolio investments were categorized as Level 3 as of September 30, 2018 and December 31, 2017.

As of September 30, 2018 and December 31, 2017, the Company's Private Loan portfolio investments consisted primarily of debt investments. The fair value determination for Private Loan investments consisted of a combination of observable inputs in non-active markets for which sufficient observable inputs were not available to determine the fair value of these investments and unobservable inputs. As a result, all of the Company's Private Loan portfolio investments were categorized as Level 3 as of September 30, 2018 and December 31, 2017.

As of September 30, 2018 and December 31, 2017, the Company's Other Portfolio investments consisted of illiquid securities issued by private companies. The Company relies primarily on information provided by managers of private investment funds in valuing these investments and considers whether it is appropriate, in light of all relevant circumstances, to value the Other Portfolio investments at the net asset value ("NAV") reported by the private investment fund at the time of valuation or to adjust the value to reflect a premium or discount. The fair value determination for these investments primarily consisted of unobservable inputs. As a result, all of the Company's Other Portfolio equity investments were categorized as Level 3 as of September 30, 2018 and December 31, 2017.

The fair value determination of the Level 3 securities required one or more of the following unobservable inputs:

- Financial information obtained from each portfolio company, including unaudited statements of operations and balance sheets for the most recent period available as compared to budgeted numbers;
- Current and projected financial condition of the portfolio company;
- Current and projected ability of the portfolio company to service its debt obligations;
- Type and amount of collateral, if any, underlying the investment;
- Current financial ratios (e.g., fixed charge coverage ratio, interest coverage ratio, and net debt/earnings before interest, tax, depreciation and amortization ("EBITDA") ratio) applicable to the investment;
- Current liquidity of the investment and related financial ratios (e.g., current ratio and quick ratio);
- Pending debt or capital restructuring of the portfolio company;
- Projected operating results of the portfolio company;
- Current information regarding any offers to purchase the investment;
- Current ability of the portfolio company to raise any additional financing as needed;
- Changes in the economic environment which may have a material impact on the operating results of the portfolio company;
- Internal occurrences that may have an impact (both positive and negative) on the operating performance of the portfolio company;

- Qualitative assessment of key management;
- Contractual rights, obligations or restrictions associated with the investment;
- Third party pricing for securities with limited observability of inputs determining the pricing; and
- Other factors deemed relevant.

The following table presents fair value measurements of the Company's investments, by type of investment, as of September 30, 2018 according to the fair value hierarchy (dollars in thousands):

	Fair Value Measurements			
	Level 1	Level 2	Level 3	Total
First lien secured debt investments	\$ —	\$ —	\$ 870,165	\$ 870,165
Second lien secured debt investments	—	—	101,635	101,635
Unsecured debt investments	—	—	11,467	11,467
Equity investments ⁽¹⁾	—	—	147,055	147,055
Total	\$ —	\$ —	\$ 1,130,322	\$ 1,130,322

(1) Includes the Company's investment in HMS-ORIX. (See Note 4 - *Investment in HMS-ORIX SLF LLC*)

The following table presents fair value measurements of the Company's investments, by type of investment, as of December 31, 2017 according to the fair value hierarchy (dollars in thousands):

	Fair Value Measurements			
	Level 1	Level 2	Level 3	Total
First lien secured debt investments	\$ —	\$ —	\$ 830,460	\$ 830,460
Second lien secured debt investments	—	—	97,940	97,940
Unsecured debt investments	—	—	11,368	11,368
Equity investments ⁽¹⁾	—	—	109,671	109,671
Total	\$ —	\$ —	\$ 1,049,439	\$ 1,049,439

(1) Includes the Company's investment in HMS-ORIX. (See Note 4 - *Investment in HMS-ORIX SLF LLC*)

The following table presents fair value measurements of the Company's investments, by investment classification, segregated by the level within the fair value hierarchy as of September 30, 2018 (dollars in thousands):

	Fair Value Measurements			
	Level 1	Level 2	Level 3	Total
LMM portfolio investments	\$ —	\$ —	\$ 194,599	\$ 194,599
Private Loan investments	—	—	390,304	390,304
Middle Market investments	—	—	492,712	492,712
Other Portfolio investments ⁽¹⁾	—	—	52,707	52,707
Total	\$ —	\$ —	\$ 1,130,322	\$ 1,130,322

(1) Includes the Company's investment in HMS-ORIX. (See Note 4 - *Investment in HMS-ORIX SLF LLC*)

The following table presents fair value measurements of the Company's investments, by investment classification, segregated by the level within the fair value hierarchy as of December 31, 2017 (dollars in thousands):

	Fair Value Measurements			
	Level 1	Level 2	Level 3	Total
LMM portfolio investments	\$ —	\$ —	\$ 135,657	\$ 135,657
Private Loan investments	—	—	315,382	315,382
Middle Market investments	—	—	549,792	549,792
Other Portfolio investments ⁽¹⁾	—	—	48,608	48,608
Total	\$ —	\$ —	\$ 1,049,439	\$ 1,049,439

(1) Includes the Company's investment in HMS-ORIX. (See Note 4 - *Investment in HMS-ORIX SLF LLC*)

The significant unobservable inputs used in the fair value measurement of the Company's LMM, Middle Market and Private Loan debt investments are (i) risk adjusted discount rates used in the yield-to-maturity valuation technique (described in Note 2 - *Basis of Presentation and Summary of Significant Accounting Policies - Valuation of Portfolio Investments* in the Company's Annual Report on Form 10-K for the year ended December 31, 2017, which was filed with the SEC on March 21, 2018) and (ii) the percentage of expected principal recovery. Increases (decreases) in any of these discount rates in isolation could result in a significantly lower (higher) fair value measurement. Increases (decreases) in any of these expected principal recovery percentages

in isolation could result in a significantly higher (lower) fair value measurement. The significant unobservable inputs used in the fair value measurement of the Company's LMM equity securities and Private Loan equity securities, which are generally valued through an average of the discounted cash flow technique and the market comparable/enterprise value technique (unless one of these approaches is not applicable), are (i) EBITDA multiples and (ii) the weighted average cost of capital ("WACC"). Increases (decreases) in EBITDA multiple inputs in isolation could result in a significantly higher (lower) fair value measurement. Conversely, increases (decreases) in WACC inputs in isolation could result in a significantly lower (higher) fair value measurement. However, due to the nature of certain investments, fair value measurements may be based on other criteria, such as third-party appraisals of collateral and fair values as determined by independent third parties, which are not presented in the table below.

The following table, which is not intended to be all inclusive, presents the significant unobservable inputs of the Company's Level 3 investments as of September 30, 2018 (dollars in thousands):

	Fair Value	Valuation Technique	Significant Unobservable Inputs	Range	Weighted Average ⁽²⁾
LMM equity investments	\$ 71,113	Discounted Cash Flows	WACC	12.2% - 17.6%	13.9%
		Market Approach/Enterprise Value	EBITDA Multiples ⁽¹⁾	4.0x - 8.5x	6.6x
LMM debt investments	123,486	Discounted Cash Flows	Expected Principal Recovery	97.0% - 100.0%	99.9%
			Risk Adjusted Discount Factor	10.0% - 23.0%	13.5%
Private Loan debt investments	274,568	Discounted Cash Flows	Expected Principal Recovery	2.9% - 100.0%	99.8%
			Risk Adjusted Discount Factor	4.9% - 28.7%	8.4%
	103,008	Market Approach	Third Party Quotes	98.2% - 102.0%	98.5%
Private Loan equity investments	12,728	Market Approach/Enterprise Value	EBITDA Multiples ⁽¹⁾	6.2x - 9.5x	7.5x
		Discounted Cash Flows	WACC	11.4% - 13.8%	12.2%
Middle Market debt investments	482,205	Market Approach	Third Party Quotes	36.0% - 106.3%	97.2%
Middle Market equity investments	10,507	Market Approach	Third Party Quotes	\$1.1 - \$275.0	\$87.0
		Discounted Cash Flows	WACC	15.3% - 16.1%	15.7%
		Market Approach/Enterprise Value	EBITDA Multiples ⁽¹⁾	3.9x - 5.5x	4.7x
Other Portfolio investments ⁽³⁾	52,707	Market Approach	NAV ⁽¹⁾	87.9% - 108.9%	99.5%
	<u>\$ 1,130,322</u>				

(1) May include pro forma adjustments and/or other add-backs based on specific circumstances related to each investment.

(2) Weighted average excludes investments for which the significant unobservable input was not utilized in the fair value determination.

(3) Includes the Company's investment in HMS-ORIX. (See Note 4 - *Investment in HMS-ORIX SLF LLC*)

The following table, which is not intended to be all inclusive, presents the significant unobservable inputs of the Company's Level 3 investments as of December 31, 2017 (dollars in thousands):

	Fair Value	Valuation Technique	Significant Unobservable Inputs	Range	Weighted Average ⁽²⁾
LMM equity investments	\$ 47,876	Discounted Cash Flows	WACC	12.6% - 17.4%	13.9%
		Market Approach/Enterprise Value	EBITDA Multiples ⁽¹⁾	4.0x - 10.0x	7.1x
LMM debt investments	87,781	Discounted Cash Flows	Expected Principal Recovery	28.0% - 100.0%	98.9%
			Risk Adjusted Discount Factor	10.6% - 20.5%	12.3%
Private Loan debt investments	228,789	Discounted Cash Flows	Expected Principal Recovery	2.9% - 100.0%	99.7%
			Risk Adjusted Discount Factor	4.5% - 28.3%	7.9%
	77,981	Market Approach	Third Party Quotes	92.0% - 102.0%	98.8%
Private Loan equity investments	8,612	Market Approach/Enterprise Value	EBITDA Multiples ⁽¹⁾	5.0x - 9.5x	8.0x
		Discounted Cash Flows	WACC	9.9% - 14.0%	11.8%
Middle Market debt investments	545,217	Market Approach	Third Party Quotes	29.0% - 106.0%	96.1%
Middle Market equity investments	4,575	Market Approach	Third Party Quotes	\$1.6 - \$345.0	\$322.2
		Discounted Cash Flows	WACC	15.3% - 15.3%	15.3%
		Market Approach/Enterprise Value	EBITDA Multiples ⁽¹⁾	5.5x - 5.5x	5.5x
Other Portfolio investments ⁽³⁾	48,608	Market Approach	NAV ⁽¹⁾	86.1% - 102.1%	100.3%
	<u>\$ 1,049,439</u>				

(1) May include pro forma adjustments and/or other add-backs based on specific circumstances related to each investment.

(2) Weighted average excludes investments for which the significant unobservable input was not utilized in the fair value determination.

(3) Includes the Company's investment in HMS-ORIX. (See Note 4 - *Investment in HMS-ORIX SLF LLC*)

The following table provides a summary of changes in fair value of the Company's Level 3 portfolio investments for the nine months ended September 30, 2018 (dollars in thousands):

Type of Investment	January 1, 2018 Fair Value	PIK Interest Accrual	New Investments ⁽¹⁾	Sales/ Repayments	Net Change in Unrealized Appreciation (Depreciation) ⁽²⁾	Net Realized Gain (Loss)	September 30, 2018 Fair Value
LMM Equity	\$ 47,876	\$ —	\$ 14,630	\$ (3,106)	\$ 10,029	\$ 1,684	\$ 71,113
LMM Debt	87,781	18	45,121	(8,936)	642	(1,140)	123,486
Private Loan Equity	8,612	—	4,748	(450)	(534)	352	12,728
Private Loan Debt	306,770	411	216,372	(146,276)	17	282	377,576
Middle Market Debt	545,217	548	184,110	(241,254)	14,527	(20,943)	482,205
Middle Market Equity	4,575	—	6,633	—	(701)	—	10,507
Other Portfolio ⁽³⁾	48,608	—	3,912	—	187	—	52,707
Total	<u>\$ 1,049,439</u>	<u>\$ 977</u>	<u>\$ 475,526</u>	<u>\$ (400,022)</u>	<u>\$ 24,167</u>	<u>\$ (19,765)</u>	<u>\$ 1,130,322</u>

(1) Column includes changes to investments due to the net accretion of discounts/premiums and amortization of fees.

(2) Column does not include unrealized appreciation (depreciation) on unfunded commitments.

(3) Includes the Company's investment in HMS-ORIX. (See Note 4 - *Investment in HMS-ORIX SLF LLC*)

The following table provides a summary of changes in fair value of the Company's Level 3 portfolio investments for the nine months ended September 30, 2017 (dollars in thousands):

Type of Investment	January 1, 2017 Fair Value	PIK Interest Accrual	New Investments ⁽¹⁾	Sales/ Repayments	Net Change in Unrealized Appreciation (Depreciation) ⁽²⁾	Net Realized Gain (Loss)	September 30, 2017 Fair Value
LMM Equity	\$ 37,616	\$ 154	\$ 8,276	\$ (622)	\$ 1,170	\$ (445)	\$ 46,149
LMM Debt	78,444	102	25,191	(9,057)	(1,886)	—	92,794
Private Loan Equity	6,323	—	3,855	(2,917)	(1,528)	2,548	8,281
Private Loan Debt	205,034	181	169,214	(68,482)	(494)	—	305,453
Middle Market Debt	638,374	377	236,193	(284,372)	(3,180)	306	587,698
Middle Market Equity	5,090	83	33	—	(1,221)	—	3,985
Other Portfolio ⁽³⁾	18,366	—	37,677	(10,756)	109	950	46,346
Total	<u>\$ 989,247</u>	<u>\$ 897</u>	<u>\$ 480,439</u>	<u>\$ (376,206)</u>	<u>\$ (7,030)</u>	<u>\$ 3,359</u>	<u>\$ 1,090,706</u>

(1) Column includes changes to investments due to the net accretion of discounts/premiums and amortization of fees.

(2) Column does not include unrealized appreciation (depreciation) on unfunded commitments.

(3) Includes the Company's investment in HMS-ORIX. (See Note 4 - *Investment in HMS-ORIX SLF LLC*)

The total net change in unrealized appreciation (depreciation) for the nine months ended September 30, 2018 and 2017 included in the Condensed Consolidated Statement of Operations that related to Level 3 assets still held as of September 30, 2018 and 2017 was approximately \$12.6 million and \$(652,000), respectively. For the nine months ended September 30, 2018 and 2017, there were no transfers between Level 2 and Level 3 portfolio investments.

Portfolio Investment Composition

The composition of the Company's investments as of September 30, 2018, at cost and fair value, was as follows (dollars in thousands):

	Investments at Cost	Cost Percentage of Total Portfolio	Investments at Fair Value	Fair Value Percentage of Total Portfolio
First lien secured debt investments	\$ 880,247	78.5%	\$ 870,165	77.0%
Second lien secured debt investments	101,736	9.1	101,635	9.0
Unsecured debt investments	11,799	1.0	11,467	1.0
Equity investments ⁽¹⁾	125,274	11.2	145,038	12.8
Equity warrants	1,987	0.2	2,017	0.2
Total	<u>\$ 1,121,043</u>	<u>100.0%</u>	<u>\$ 1,130,322</u>	<u>100.0%</u>

(1) Includes the Company's investment in HMS-ORIX. (See Note 4 - *Investment in HMS-ORIX SLF LLC*)

The composition of the Company's investments as of December 31, 2017, at cost and fair value, was as follows (dollars in thousands):

	Investments at Cost	Cost Percentage of Total Portfolio	Investments at Fair Value	Fair Value Percentage of Total Portfolio
First lien secured debt investments	\$ 856,582	80.5%	\$ 830,460	79.1%
Second lien secured debt investments	97,691	9.2	97,940	9.3
Unsecured debt investments	11,194	1.0	11,368	1.1
Equity investments ⁽¹⁾	96,850	9.1	107,597	10.3
Equity warrants	2,012	0.2	2,074	0.2
Total	<u>\$ 1,064,329</u>	<u>100.0%</u>	<u>\$ 1,049,439</u>	<u>100.0%</u>

(1) Includes the Company's investment in HMS-ORIX. (See Note 4 - *Investment in HMS-ORIX SLF LLC*)

The composition of the Company's investments by geographic region as of September 30, 2018, at cost and fair value, was as follows (dollars in thousands) (since the Other Portfolio investments do not represent a single geographic region, this information excludes Other Portfolio investments):

	Investments at Cost	Cost Percentage of Total Portfolio	Investments at Fair Value	Fair Value Percentage of Total Portfolio
Northeast	\$ 154,631	14.5%	\$ 153,565	14.3%
Southeast	183,534	17.1	194,827	18.1
West	230,295	21.6	228,705	21.2
Southwest	246,982	23.1	245,042	22.7
Midwest	218,152	20.4	220,913	20.5
Non-United States	34,888	3.3	34,563	3.2
Total	<u>\$ 1,068,482</u>	<u>100.0%</u>	<u>\$ 1,077,615</u>	<u>100.0%</u>

The composition of the Company's investments by geographic region as of December 31, 2017, at cost and fair value, was as follows (dollars in thousands) (since the Other Portfolio investments do not represent a single geographic region, this information excludes Other Portfolio investments):

	Investments at Cost	Cost Percentage of Total Portfolio	Investments at Fair Value	Fair Value Percentage of Total Portfolio
Northeast	\$ 155,908	15.4%	\$ 154,098	15.4%
Southeast	180,946	17.8	188,290	18.8
West	190,615	18.8	177,422	17.7
Southwest	193,219	19.0	190,926	19.1
Midwest	250,005	24.6	244,331	24.4
Non-United States	44,987	4.4	45,764	4.6
Total	<u>\$ 1,015,680</u>	<u>100.0%</u>	<u>\$ 1,000,831</u>	<u>100.0%</u>

The composition of the Company's total investments by industry as of September 30, 2018 and December 31, 2017, at cost and fair value was as follows (since the Other Portfolio investments do not represent a single industry, this information excludes Other Portfolio investments):

	Cost		Fair Value	
	September 30, 2018	December 31, 2017	September 30, 2018	December 31, 2017
Commercial Services and Supplies	7.4%	7.9%	7.2%	7.7%
IT Services	7.1	4.6	7.1	4.6
Construction and Engineering	6.1	5.4	6.3	5.5
Aerospace and Defense	5.4	4.8	5.4	4.9
Media	5.4	4.0	5.2	3.9
Oil, Gas, and Consumable Fuels	4.6	2.4	4.6	2.5
Internet Software and Services	4.6	3.3	4.5	3.3
Hotels, Restaurants, and Leisure	4.5	6.2	4.5	6.3
Diversified Telecommunication Services	4.5	5.3	4.3	5.3
Communications Equipment	4.1	4.3	4.1	4.5
Energy Equipment and Services	3.7	3.5	3.5	3.2
Health Care Providers and Services	3.5	1.5	3.5	1.6
Leisure Equipment and Products	3.5	3.0	3.5	3.1
Distributors	3.2	3.1	3.1	3.2
Machinery	3.0	3.5	3.9	4.0
Food Products	2.9	2.6	2.8	2.6
Computers and Peripherals	2.6	2.3	3.2	2.6
Diversified Consumer Services	2.3	3.6	2.1	3.7
Construction Materials	1.8	1.5	1.9	1.6
Internet and Catalog Retail	1.7	1.9	1.4	1.6
Professional Services	1.6	3.5	1.6	3.6
Specialty Retail	1.5	2.9	1.3	2.0
Trading Companies and Distributors	1.5	1.2	1.5	1.3
Wireless Telecommunication Services	1.4	—	1.4	—
Containers and Packaging	1.3	—	1.3	—
Household Durables	1.3	1.6	1.2	1.6
Food & Staples Retailing	1.1	1.0	1.1	1.0
Textiles, Apparel & Luxury Goods	1.1	0.4	1.0	0.3
Health Care Equipment and Supplies	1.0	2.0	1.0	2.1
Transportation Infrastructure	1.0	—	1.1	—
Capital Markets	0.7	1.1	0.7	1.1
Personal Products	—	1.0	—	1.0
Auto Components	—	2.7	—	2.4
Diversified Financial Services	—	1.3	—	1.2
Other ⁽¹⁾	4.6	6.6	4.7	6.7
Total	100.0%	100.0%	100.0%	100.0%

(1) Includes various industries with each industry individually less than 1.0% of the total combined LMM, Middle Market and Private Loan portfolio investments.

Note 4 — Investment in HMS-ORIX SLF LLC

On April 4, 2017, the Company and ORIX Funds Corp. (“Orix”), entered into a limited liability company agreement to co-manage HMS-ORIX SLF LLC (“HMS-ORIX”), which invests primarily in broadly-syndicated loans. Pursuant to the terms of the limited liability agreement and through representation on the HMS-ORIX Board of Managers, the Company and Orix each have 50% voting control of HMS-ORIX and together are required to agree on all portfolio and investment decisions as well as all other significant actions for HMS-ORIX. The Company does not operationally control HMS-ORIX and, accordingly, does not consolidate the operations of HMS-ORIX within the consolidated financial statements. The Company and Orix have committed to provide, and have funded, an aggregate of \$50.0 million of equity to HMS-ORIX, with the Company providing \$30.0 million (60% of the equity) and Orix providing \$20.0 million (40% of the equity).

As of September 30, 2018 and December 31, 2017, HMS-ORIX had total assets of \$151.5 million and \$142.9 million, respectively, and HMS-ORIX's portfolio consisted of 85 and 74 broadly-syndicated loans, respectively, all of which were secured by first-

priority liens, generally in industries similar to those in which the Company may directly invest. As of both September 30, 2018 and December 31, 2017, there were no loans in HMS-ORIX's portfolio that were on non-accrual status.

On April 5, 2017, HMS-ORIX closed on a \$100.0 million credit facility with Bank of America, N.A. The facility has a maturity date of April 5, 2020. Borrowings under the facility bear interest at a rate equal to LIBOR plus 1.65% per annum. As of September 30, 2018 and December 31, 2017, \$93.3 million and \$86.5 million, respectively, was outstanding under this facility. Borrowings under the facility are secured by substantially all of the assets of HMS-ORIX.

The following table presents a summary of HMS-ORIX's portfolio as of September 30, 2018 and December 31, 2017 (dollars in thousands):

	As of September 30, 2018	As of December 31, 2017
Total debt investments ⁽¹⁾	\$ 143,895	\$ 138,908
Weighted average effective yield on loans ⁽²⁾	5.49%	4.95%
Largest loan to a single borrower ⁽¹⁾	\$ 3,470	\$ 3,496
Total of 10 largest loans to borrowers ⁽¹⁾	\$ 30,960	\$ 30,790

(1) At principal amount.

(2) Weighted average effective yield is calculated based on the investments at the end of each period and includes accretion of original issue discounts and amortization of premiums, and the amortization of fees received in connection with transactions. Investments, if any, on non-accrual status are assumed to have a zero yield in the calculation of weighted average effective yield.

The following table presents a listing of HMS-ORIX's individual loan investments as of September 30, 2018:

HMS-ORIX
Loan Portfolio
As of September 30, 2018
(dollars in thousands)

Portfolio Company	Industry	Type of Investment	Principal	Cost	Fair Value
Acrisure, LLC	Insurance	LIBOR (2 months) + 4.25%, Current Coupon 6.59%, Secured Debt (Maturity - November 22, 2023)	\$ 2,099	\$ 2,104	\$ 2,110
Advantage Sales & Marketing Inc.	Commercial Services & Supplies	LIBOR (1 month) + 3.25%, Current Coupon 5.49%, Secured Debt (Maturity - July 23, 2021)	1,975	1,934	1,824
Air Medical Group Holdings, Inc.	Health Care Providers & Services	LIBOR (1 month) + 3.25%, Current Coupon 5.38%, Secured Debt (Maturity - April 28, 2022)	1,975	1,966	1,947
AlixPartners, LLP	Asset Management	LIBOR (3 months) + 2.75%, Current Coupon 4.99%, Secured Debt (Maturity - April 4, 2024)	995	995	1,001
American Seafoods Group LLC	Food Products	LIBOR (1 month) + 2.75%, Current Coupon 5.00%, Secured Debt (Maturity - August 21, 2023)	1,456	1,450	1,451
Ancestry.com Operations Inc.	Internet Software & Services	LIBOR (1 month) + 3.25%, Current Coupon 5.50%, Secured Debt (Maturity - October 19, 2023)	1,300	1,311	1,307
Arch Coal, Inc.	Metals & Mining	LIBOR (1 month) + 2.75%, Current Coupon 4.99%, Secured Debt (Maturity - March 7, 2024)	1,970	1,976	1,974
Asurion, LLC	Insurance	LIBOR (1 month) + 3.00%, Current Coupon 5.08%, Secured Debt (Maturity - November 3, 2023)	1,264	1,264	1,275
		LIBOR (1 month) + 3.00%, Current Coupon 5.08%, Secured Debt (Maturity - November 4, 2024)	324	323	327
		LIBOR (1 month) + 3.00%, Current Coupon 4.97%, Secured Debt (Maturity - December 22, 2023)	2,955	2,971	2,973
			4,543	4,558	4,575

HMS-ORIX
Loan Portfolio
As of September 30, 2018
(dollars in thousands)

Portfolio Company	Industry	Type of Investment	Principal	Cost	Fair Value
BCP Renaissance Parent L.L.C.	Oil, Gas & Consumable Fuels	LIBOR (3 months) + 3.50%, Current Coupon 5.84%, Secured Debt (Maturity - October 31, 2024)	\$ 600	\$ 601	\$ 605
BMC Software Finance, Inc.	Software	LIBOR (3 months) + 4.25%, Current Coupon 6.55%, Secured Debt (Maturity - September 1, 2025)	2,800	2,772	2,831
		LIBOR (1 month) + 3.25%, Current Coupon 5.49%, Secured Debt (Maturity - September 12, 2022)	3,132	3,153	3,167
			5,932	5,925	5,998
Builders FirstSource, Inc.	Building Products	LIBOR (1 month) + 3.00%, Current Coupon 5.39%, Secured Debt (Maturity - February 29, 2024)	2,955	2,952	2,964
Calpine Corporation	Independent Power and Renewable Electricity Producers	LIBOR (3 months) + 2.50%, Current Coupon 4.89%, Secured Debt (Maturity - January 15, 2023)	1,975	1,981	1,977
CDS U.S. Intermediate Holdings, Inc.	Recreation Facilities & Services	LIBOR (1 month) + 3.75%, Current Coupon 6.14%, Secured Debt (Maturity - July 8, 2022)	975	977	961
CHS/Community Health Systems, Inc.	Healthcare Providers & Services	LIBOR (3 months) + 3.25%, Current Coupon 5.56%, Secured Debt (Maturity - January 27, 2021)	1,460	1,457	1,444
ClubCorp Holdings, Inc.	Real Estate Management & Development	LIBOR (3 months) + 2.75%, Current Coupon 5.14%, Secured Debt (Maturity - September 18, 2024)	1,959	1,950	1,953
CPI International, Inc.	Aerospace & Defense	LIBOR (1 month) + 3.50%, Current Coupon 5.74%, Secured Debt (Maturity - July 26, 2024)	1,980	1,980	1,987
Cytera DC Holdings, Inc.	Communications	LIBOR (3 months) + 3.00%, Current Coupon 5.11%, Secured Debt (Maturity - May 1, 2024)	2,963	2,972	2,971
Deerfield Holdings Corporation	Diversified Financial Services	LIBOR (1 month) + 3.25%, Current Coupon 5.49%, Secured Debt (Maturity - February 13, 2025)	2,985	2,981	2,991
Diamond Resorts International, Inc.	Hotels, Restaurants & Leisure	LIBOR (1 month) + 3.75%, Current Coupon 5.99%, Secured Debt (Maturity - September 1, 2023)	2,136	2,163	2,089
EFS Cogen Holdings I LLC	Utilities	LIBOR (3 months) + 3.25%, Current Coupon 5.64%, Secured Debt (Maturity - June 28, 2023)	1,835	1,845	1,831
Encapsys LLC	Chemicals	LIBOR (1 month) + 3.25%, Current Coupon 5.49%, Secured Debt (Maturity - November 7, 2024)	995	996	1,002
Endo Luxembourg Finance Company I S.a.r.l.	Pharmaceuticals	LIBOR (1 month) + 4.25%, Current Coupon 6.50%, Secured Debt (Maturity - April 29, 2024)	1,975	1,991	1,991
Envision Healthcare Corporation	Healthcare Providers & Services	LIBOR (1 month) + 3.00%, Current Coupon 5.25%, Secured Debt (Maturity - December 1, 2023)	1,415	1,415	1,410
Everi Payments Inc.	Leisure Products	LIBOR (3 months) + 3.00%, Current Coupon 5.24%, Secured Debt (Maturity - May 9, 2024)	1,975	1,969	1,989
Exgen Renewables IV, LLC	Electrical Production	LIBOR (3 months) + 3.00%, Current Coupon 5.32%, Secured Debt (Maturity - November 29, 2024)	294	294	297
Financial & Risk	Diversified Financial Services	LIBOR (1 month) + 3.75%, Current Coupon 6.07%, Secured Debt (Maturity - October 1, 2025)	1,425	1,424	1,424
First American Payment Systems, L.P.	Diversified Financial Services	LIBOR (1 month) + 4.75%, Current Coupon 6.87%, Secured Debt (Maturity - January 5, 2024)	904	913	911

HMS-ORIX
Loan Portfolio
As of September 30, 2018
(dollars in thousands)

Portfolio Company	Industry	Type of Investment	Principal	Cost	Fair Value
Fitness International, LLC	Hotels, Restaurants & Leisure	LIBOR (1 month) + 3.25%, Current Coupon 5.49%, Secured Debt (Maturity - April 18, 2025)	\$ 1,584	\$ 1,606	\$ 1,590
Flex Acquisition Company Inc	Containers & Packaging	LIBOR (3 months) + 3.00%, Current Coupon 5.34%, Secured Debt (Maturity - December 29, 2023)	1,980	1,988	1,981
Flexera Software LLC	Software	LIBOR (1 month) + 3.25%, Current Coupon 5.50%, Secured Debt (Maturity - February 26, 2025)	1,522	1,518	1,528
Gardner Denver, Inc.	Machinery	LIBOR (1 month) + 2.75%, Current Coupon 4.99%, Secured Debt (Maturity - July 30, 2024)	1,596	1,603	1,606
Golden Nugget, Inc.	Hotels, Restaurants & Leisure	LIBOR (1 month) + 2.75%, Current Coupon 4.90%, Secured Debt (Maturity - October 4, 2023)	1,951	1,951	1,960
GrafTech Finance Inc.	Diversified Financial Services	LIBOR (1 month) + 3.50%, Current Coupon 5.74%, Secured Debt (Maturity - February 12, 2025)	1,975	1,956	1,991
Greatbatch Ltd.	Health Care Equipment & Supplies	LIBOR (1 month) + 3.00%, Current Coupon 5.14%, Secured Debt (Maturity - October 27, 2022)	2,083	2,093	2,099
GYP Holdings III Corp.	Trading Companies & Distributors	LIBOR (1 month) + 2.75%, Current Coupon 4.99%, Secured Debt (Maturity - June 2, 2025)	3,456	3,481	3,453
Harbor Freight Tools USA, Inc.	Specialty Retail	LIBOR (1 month) + 2.50%, Current Coupon 4.74%, Secured Debt (Maturity - August 18, 2023)	1,945	1,952	1,949
HD Supply Waterworks, Ltd.	Trading Companies & Distributors	LIBOR (6 months) + 3.00%, Current Coupon 5.31%, Secured Debt (Maturity - August 1, 2024)	139	139	140
Horizon Pharma, Inc.	Pharmaceuticals	LIBOR (1 month) + 3.25%, Current Coupon 5.50%, Secured Debt (Maturity - March 29, 2024)	1,925	1,941	1,943
Huntsman Holdings LLC	Chemicals	LIBOR (3 months) + 5.00%, Current Coupon 7.24%, Secured Debt (Maturity - September 25, 2024)	1,980	1,941	2,002
IG Investments Holdings, LLC	Construction	LIBOR (1 month) + 3.50%, Current Coupon 5.74%, Secured Debt (Maturity - May 23, 2025)	1,980	1,992	2,000
IRB Holding Corp.	Hotels, Restaurants & Leisure	LIBOR (1 month) + 3.25%, Current Coupon 5.46%, Secured Debt (Maturity - February 5, 2025)	398	398	399
KBR, Inc.	Construction	LIBOR (1 month) + 3.75%, Current Coupon 5.99%, Secured Debt (Maturity - April 25, 2025)	1,247	1,241	1,262
KMG Chemicals, Inc.	Chemicals	LIBOR (1 month) + 2.75%, Current Coupon 4.99%, Secured Debt (Maturity - June 17, 2024)	737	734	741
KUEHG Corp.	Educational Services	LIBOR (1 month) + 3.75%, Current Coupon 6.14%, Secured Debt (Maturity - February 21, 2025)	2,464	2,471	2,481
LANDesk Group, Inc.	Software	LIBOR (1 month) + 4.25%, Current Coupon 6.33%, Secured Debt (Maturity - January 22, 2024)	986	991	995
Learfield Communications LLC	Media	LIBOR (1 month) + 3.25%, Current Coupon 5.50%, Secured Debt (Maturity - December 1, 2023)	1,975	1,991	2,000
MA FinanceCo., LLC	Electric Equipment, Instruments & Components	LIBOR (1 month) + 2.50%, Current Coupon 4.74%, Secured Debt (Maturity - June 21, 2024)	385	385	384
Mallinckrodt International Finance S.A.	Pharmaceuticals	LIBOR (6 months) + 3.00%, Current Coupon 5.52%, Secured Debt (Maturity - February 24, 2025)	995	993	997

HMS-ORIX
Loan Portfolio
As of September 30, 2018
(dollars in thousands)

Portfolio Company	Industry	Type of Investment	Principal	Cost	Fair Value
McDermott International, Inc.	Oil, Gas & Consumable Fuels	LIBOR (1 month) + 5.00%, Current Coupon 7.08%, Secured Debt (Maturity - May 12, 2025)	\$ 995	\$ 976	\$ 1,010
Mohegan Tribal Gaming Authority	Hotels, Restaurants & Leisure	LIBOR (1 month) + 4.00%, Current Coupon 6.24%, Secured Debt (Maturity - October 13, 2023)	1,919	1,934	1,816
MPH Acquisition Holdings LLC	Health Care Technology	LIBOR (3 months) + 2.75%, Current Coupon 5.14%, Secured Debt (Maturity - June 7, 2023)	2,664	2,695	2,672
NAB Holdings, LLC	IT Services	LIBOR (3 months) + 3.00%, Current Coupon 5.39%, Secured Debt (Maturity - July 1, 2024)	1,980	1,971	1,961
Ortho-Clinical Diagnostics, Inc	Life Sciences Tools & Services	LIBOR (1 month) + 3.25%, Current Coupon 5.49%, Secured Debt (Maturity - June 30, 2025)	1,955	1,950	1,964
PI UK Holdco II Limited	Specialty Finance	LIBOR (1 month) + 3.50%, Current Coupon 5.74%, Secured Debt (Maturity - January 3, 2025)	2,985	2,964	2,982
Rackspace Hosting, Inc.	Internet Software & Services	LIBOR (3 months) + 3.00%, Current Coupon 5.35%, Secured Debt (Maturity - November 3, 2023)	3,259	3,281	3,221
Radiate Holdco, LLC	Media	LIBOR (1 month) + 3.00%, Current Coupon 5.24%, Secured Debt (Maturity - February 1, 2024)	2,551	2,528	2,550
Red Ventures, LLC	Direct Marketing Services	LIBOR (1 month) + 4.00%, Current Coupon 6.24%, Secured Debt (Maturity - November 8, 2024)	1,635	1,624	1,656
Savage Enterprises, LLC	Transportation and Logistics	LIBOR (1 month) + 4.50%, Current Coupon 6.60%, Secured Debt (Maturity - August 1, 2025)	1,129	1,107	1,146
Scientific Games International, Inc.	Leisure Products	LIBOR (1 month) + 2.75%, Current Coupon 4.99%, Secured Debt (Maturity - August 14, 2024)	895	896	894
Seattle SpinCo, Inc.	Electric Equipment, Instruments & Components	LIBOR (3 months) + 2.50%, Current Coupon 4.74%, Secured Debt (Maturity - June 21, 2024)	2,600	2,603	2,596
SeaWorld Parks & Entertainment, Inc.	Hotels, Restaurants & Leisure	LIBOR (3 months) + 3.00%, Current Coupon 5.24%, Secured Debt (Maturity - April 1, 2024)	1,970	1,972	1,970
SRS Distribution Inc.	Trading Companies & Distributors	LIBOR (3 months) + 3.25%, Current Coupon 5.44%, Secured Debt (Maturity - May 23, 2025)	1,200	1,197	1,193
SS&C Technologies, Inc.	Software	LIBOR (1 month) + 2.25%, Current Coupon 4.49%, Secured Debt (Maturity - April 16, 2025)	560	559	561
		LIBOR (1 month) + 2.25%, Current Coupon 4.49%, Secured Debt (Maturity - April 16, 2025)	217	217	218
			777	776	779
Staples, Inc.	Distributors	LIBOR (3 months) + 4.00%, Current Coupon 6.34%, Secured Debt (Maturity - September 12, 2024)	1,985	1,981	1,990
Starfruit Finco B.V.	Chemicals	LIBOR (1 month) + 3.25%, Current Coupon 5.57%, Secured Debt (Maturity - October 1, 2025)	1,250	1,247	1,257
Telenet Financing USD LLC	Diversified Telecommunications Services	LIBOR (1 month) + 2.25%, Current Coupon 4.41%, Secured Debt (Maturity - August 17, 2026)	1,655	1,653	1,650

HMS-ORIX
Loan Portfolio
As of September 30, 2018
(dollars in thousands)

Portfolio Company	Industry	Type of Investment	Principal	Cost	Fair Value
Transdigm, Inc.	Aerospace & Defense	LIBOR (1 month) + 2.50%, Current Coupon 4.74%, Secured Debt (Maturity - June 9, 2023)	\$ 1,970	\$ 1,977	\$ 1,980
		LIBOR (1 month) + 2.50%, Current Coupon 4.74%, Secured Debt (Maturity - August 22, 2024)	993	990	997
			2,963	2,967	2,977
Travelport Finance (Luxembourg) S.A.R.L.	Internet Software & Services	LIBOR (3 months) + 2.50%, Current Coupon 4.81%, Secured Debt (Maturity - March 17, 2025)	1,243	1,238	1,245
Traverse Midstream Partners LLC	Oil, Gas & Consumable Fuels	LIBOR (3 months) + 4.00%, Current Coupon 6.34%, Secured Debt (Maturity - September 27, 2024)	781	784	788
UFC Holdings, LLC	Media	LIBOR (3 months) + 3.25%, Current Coupon 5.50%, Secured Debt (Maturity - August 18, 2023)	1,975	1,985	1,989
Ultra Resources, Inc.	Oil, Gas & Consumable Fuels	LIBOR (1 month) + 3.00%, Current Coupon 5.17%, Secured Debt (Maturity - April 12, 2024)	2,000	2,002	1,808
Utz Quality Foods, LLC	Commercial Services & Supplies	LIBOR (1 month) + 3.50%, Current Coupon 5.74%, Secured Debt (Maturity - November 21, 2024)	1,588	1,587	1,595
Valeant Pharmaceuticals International, Inc.	Pharmaceuticals	LIBOR (1 month) + 3.00%, Current Coupon 5.10%, Secured Debt (Maturity - June 2, 2025)	1,420	1,426	1,429
Vertafore, Inc.	Software	LIBOR (1 month) + 3.25%, Current Coupon 5.49%, Secured Debt (Maturity - June 4, 2025)	2,500	2,488	2,514
Vertiv Group Corporation	Electrical Equipment	LIBOR (3 months) + 4.00%, Current Coupon 6.31%, Secured Debt (Maturity - November 30, 2023)	1,555	1,567	1,547
Vistra Operations Company LLC	Electric Utilities	LIBOR (1 month) + 2.25%, Current Coupon 4.49%, Secured Debt (Maturity - December 14, 2023)	1,970	1,980	1,977
Web.com Group, Inc.	Internet Software and Services	LIBOR (3 months) + 3.75%, Current Coupon 6.07%, Secured Debt (Maturity - September 17, 2025)	1,000	1,000	1,008
West Corporation	Diversified Telecommunications Services	LIBOR (1 month) + 3.50%, Current Coupon 5.74%, Secured Debt (Maturity - October 10, 2024)	648	648	644
		LIBOR (1 month) + 4.00%, Current Coupon 6.24%, Secured Debt (Maturity - October 10, 2024)	1,024	1,015	1,022
			1,672	1,663	1,666
WideOpenWest Finance, LLC	Diversified Telecommunications Services	LIBOR (1 month) + 3.25%, Current Coupon 5.41%, Secured Debt (Maturity - August 18, 2023)	3,470	3,478	3,410
Total Loan Portfolio				\$ 143,965	\$ 143,745

The following table presents a listing of HMS-ORIX's individual loan investments as of December 31, 2017:

HMS-ORIX
Loan Portfolio
As of December 31, 2017
(dollars in thousands)

Portfolio Company	Industry	Type of Investment	Principal	Cost	Fair Value
Acosta, Inc.	Commercial Services and Supplies	LIBOR (1 month) + 3.25%, Current Coupon 4.82%, Secured Debt (Maturity - September 26, 2021)	\$ 2,000	\$ 1,881	\$ 1,766
Acrisure, LLC	Insurance	LIBOR (2 months) + 4.25%, Current Coupon 5.65%, Secured Debt (Maturity - November 22, 2023)	2,115	2,122	2,139
Advantage Sales & Marketing Inc.	Commercial Services and Supplies	LIBOR (1 month) + 3.25%, Current Coupon 4.63%, Secured Debt (Maturity - July 23, 2021)	1,990	1,938	1,945
Air Medical Group Holdings Inc	Health Care Providers & Services	LIBOR (6 months) + 4.00%, Current Coupon 5.67%, Secured Debt (Maturity - April 28, 2022)	1,990	1,981	1,993
Albany Molecular Research, Inc.	Life Sciences Tools & Services	LIBOR (1 month) + 3.25%, Current Coupon 4.82%, Secured Debt (Maturity - August 28, 2024)	100	100	99
Alphabet Holding Company, Inc.	Food Products	LIBOR (1 month) + 3.50%, Current Coupon 5.07%, Secured Debt (Maturity - September 26, 2024)	1,995	1,985	1,935
American Seafoods Group LLC	Food Products	Prime + 2.25%, Current Coupon 6.75%, Secured Debt (Maturity - August 21, 2023)	1,500	1,493	1,513
Ancestry.com Operations Inc.	Internet Software & Services	LIBOR (1 month) + 3.25%, Current Coupon 4.66%, Secured Debt (Maturity - October 19, 2023)	1,995	2,013	2,007
Arch Coal, Inc.	Metals & Mining	LIBOR (1 month) + 3.25%, Current Coupon 4.82%, Secured Debt (Maturity - March 7, 2024)	1,985	1,992	2,004
AshCo, Inc.	Specialty Retail	LIBOR (3 months) + 5.00%, Current Coupon 6.57%, Secured Debt (Maturity - September 25, 2024)	1,995	1,951	1,993
Asurion, LLC	Insurance	LIBOR (1 month) + 3.00%, Current Coupon 4.57%, Secured Debt (Maturity - November 3, 2023)	1,312	1,312	1,320
Atkore International, Inc.	Electric Equipment, Instruments & Components	LIBOR (3 months) + 3.00%, Current Coupon 4.70%, Secured Debt (Maturity - December 22, 2023)	2,977	3,005	2,999
BCP Renaissance Parent L.L.C.	Oil, Gas & Consumable Fuels	LIBOR (3 months) + 4.00%, Current Coupon 5.38%, Secured Debt (Maturity - October 31, 2024)	600	602	608
BMC Software Finance, Inc.	Software	LIBOR (1 month) + 3.25%, Current Coupon 4.82%, Secured Debt (Maturity - September 12, 2022)	3,156	3,181	3,163
Builders FirstSource, Inc.	Building Products	LIBOR (1 month) + 3.00%, Current Coupon 4.69%, Secured Debt (Maturity - February 29, 2024)	2,977	2,974	2,993
Calpine Corporation	Independent Power and Renewable Electricity Producers	LIBOR (3 months) + 2.50%, Current Coupon 4.20%, Secured Debt (Maturity - January 15, 2023)	1,990	1,997	1,991
CHS/Community Health Systems, Inc.	Health Care Providers & Services	LIBOR (3 months) + 3.00%, Current Coupon 4.48%, Secured Debt (Maturity - January 27, 2021)	1,613	1,608	1,543
ClubCorp Holdings, Inc.	Real Estate Management & Development	LIBOR (3 months) + 3.25%, Current Coupon 4.94%, Secured Debt (Maturity - September 18, 2024)	1,959	1,949	1,969
Colorado Buyer Inc	Technology Hardware, Storage & Peripherals	LIBOR (3 months) + 3.00%, Current Coupon 4.38%, Secured Debt (Maturity - May 1, 2024)	2,985	2,995	3,008
Confie Seguros Holding II Co.	Insurance	LIBOR (1 month) + 5.25%, Current Coupon 6.73%, Secured Debt (Maturity - April 19, 2022)	1,985	1,992	1,987

HMS-ORIX
Loan Portfolio
As of December 31, 2017
(dollars in thousands)

Portfolio Company	Industry	Type of Investment	Principal	Cost	Fair Value
CPI International, Inc.	Aerospace & Defense	LIBOR (1 month) + 3.50%, Current Coupon 5.07%, Secured Debt (Maturity - July 26, 2024)	\$ 1,995	\$ 1,995	\$ 2,011
Diamond Resorts International, Inc.	Hotels, Restaurants & Leisure	LIBOR (1 month) + 4.50%, Current Coupon 6.07%, Secured Debt (Maturity - September 1, 2023)	2,152	2,179	2,173
Duff & Phelps Corporation	Diversified Financial Services	LIBOR (3 months) + 3.25%, Current Coupon 4.94%, Secured Debt (Maturity - October 15, 2024)	491	494	493
		LIBOR (3 months) + 3.25%, Current Coupon 4.63%, Secured Debt (Maturity - December 4, 2024)	2,728	2,724	2,737
			3,219	3,218	3,230
EFS Cogen Holdings I LLC	Electric Utilities	LIBOR (3 months) + 3.25%, Current Coupon 4.95%, Secured Debt (Maturity - June 28, 2023)	1,904	1,917	1,925
Encapsys LLC	Chemicals	LIBOR (1 month) + 3.25%, Current Coupon 4.82%, Secured Debt (Maturity - November 7, 2024)	1,000	1,001	1,006
Endo Luxembourg Finance Company I S.a.r.l.	Pharmaceuticals	LIBOR (1 month) + 4.25%, Current Coupon 5.88%, Secured Debt (Maturity - April 29, 2024)	1,990	2,009	2,005
Envision Healthcare Corporation	Health Care Providers & Services	LIBOR (1 month) + 3.00%, Current Coupon 4.57%, Secured Debt (Maturity - December 1, 2023)	2,481	2,481	2,491
Everi Payments Inc.	Leisure Products	LIBOR (3 months) + 3.50%, Current Coupon 4.98%, Secured Debt (Maturity - May 9, 2024)	1,990	1,983	2,013
Exgen Renewables IV, LLC	Electrical Production	LIBOR (3 months) + 3.00%, Current Coupon 4.47%, Secured Debt (Maturity - November 29, 2024)	300	299	304
First American Payment Systems, L.P.	Diversified Financial Services	LIBOR (1 month) + 5.75%, Current Coupon 7.14%, Secured Debt (Maturity - January 5, 2024)	952	963	958
Fitness International, LLC	Hotels, Restaurants & Leisure	LIBOR (1 month) + 3.50%, Current Coupon 5.19%, Secured Debt (Maturity - July 1, 2020)	1,735	1,757	1,760
Flex Acquisition Company Inc	Containers & Packaging	LIBOR (3 months) + 3.00%, Current Coupon 4.34%, Secured Debt (Maturity - December 29, 2023)	1,995	2,004	2,008
Flexera Software LLC	Software	LIBOR (1 month) + 3.50%, Current Coupon 4.83%, Secured Debt (Maturity - April 2, 2020)	1,995	2,013	2,008
Gardner Denver, Inc.	Machinery	LIBOR (1 month) + 2.75%, Current Coupon 4.44%, Secured Debt (Maturity - July 30, 2024)	1,995	2,005	2,004
Golden Nugget, Inc.	Hotels, Restaurants & Leisure	LIBOR (1 month) + 3.25%, Current Coupon 4.66%, Secured Debt (Maturity - October 4, 2023)	1,990	1,990	2,008
Greatbatch Ltd.	Health Care Equipment & Supplies	LIBOR (1 month) + 3.25%, Current Coupon 4.66%, Secured Debt (Maturity - October 27, 2022)	2,763	2,780	2,788
GYP Holdings III Corp.	Trading Companies & Distributors	LIBOR (1 month) + 3.00%, Current Coupon 4.38%, Secured Debt (Maturity - March 31, 2023)	3,483	3,506	3,502
Harbor Freight Tools USA, Inc.	Specialty Retail	LIBOR (1 month) + 3.25%, Current Coupon 4.82%, Secured Debt (Maturity - August 18, 2023)	1,980	1,987	1,996
HD Supply Waterworks, Ltd.	Trading Companies & Distributors	LIBOR (6 months) + 3.00%, Current Coupon 4.46%, Secured Debt (Maturity - August 1, 2024)	140	140	141

HMS-ORIX
Loan Portfolio
As of December 31, 2017
(dollars in thousands)

Portfolio Company	Industry	Type of Investment	Principal	Cost	Fair Value
Horizon Pharma, Inc.	Pharmaceuticals	LIBOR (1 month) + 3.25%, Current Coupon 4.75%, Secured Debt (Maturity - March 29, 2024)	\$ 1,990	\$ 2,009	\$ 2,001
IG Investments Holdings, LLC	Professional Services	LIBOR (1 month) + 3.50%, Current Coupon 5.19%, Secured Debt (Maturity - October 29, 2021)	1,990	2,002	1,992
Jackson Hewitt Tax Service Inc.	Diversified Financial Services	LIBOR (1 month) + 7.00%, Current Coupon 8.38%, Secured Debt (Maturity - July 30, 2020)	1,939	1,868	1,922
KMG Chemicals, Inc.	Chemicals	LIBOR (1 month) + 2.75%, Current Coupon 4.32%, Secured Debt (Maturity - June 17, 2024)	863	859	868
KUEHG Corp.	Educational Services	LIBOR (1 month) + 3.75%, Current Coupon 5.44%, Secured Debt (Maturity - August 12, 2022)	2,482	2,489	2,493
LANDesk Group, Inc.	Software	LIBOR (1 month) + 4.25%, Current Coupon 5.82%, Secured Debt (Maturity - January 22, 2024)	993	999	947
Learfield Communications LLC	Media	LIBOR (1 month) + 3.25%, Current Coupon 4.82%, Secured Debt (Maturity - December 1, 2023)	1,990	2,009	2,007
MA FinanceCo., LLC	Electric Equipment, Instruments & Components	LIBOR (1 month) + 2.75%, Current Coupon 4.32%, Secured Debt (Maturity - June 21, 2024)	387	387	388
Mohegan Tribal Gaming Authority	Hotels, Restaurants & Leisure	LIBOR (1 month) + 4.00%, Current Coupon 5.57%, Secured Debt (Maturity - October 13, 2023)	1,985	2,003	2,006
MPH Acquisition Holdings LLC	Health Care Technology	LIBOR (3 months) + 3.00%, Current Coupon 4.69%, Secured Debt (Maturity - June 7, 2023)	2,896	2,935	2,905
NAB Holdings, LLC	IT Services	LIBOR (3 months) + 3.25%, Current Coupon 4.82%, Secured Debt (Maturity - July 1, 2024)	1,990	1,981	2,000
Ortho-Clinical Diagnostics, Inc	Life Sciences Tools & Services	LIBOR (1 month) + 3.75%, Current Coupon 5.44%, Secured Debt (Maturity - June 30, 2021)	1,985	1,980	1,992
PODS, LLC	Transportation & Logistics	LIBOR (1 month) + 3.00%, Current Coupon 4.40%, Secured Debt (Maturity - December 6, 2024)	1,995	1,994	2,010
Rackspace Hosting, Inc.	Electric Equipment, Instruments & Components	LIBOR (3 months) + 3.00%, Current Coupon 4.38%, Secured Debt (Maturity - November 3, 2023)	3,284	3,309	3,286
Radiate Holdco, LLC	Media	LIBOR (3 months) + 3.00%, Current Coupon 4.38%, Secured Debt (Maturity - February 1, 2024)	2,570	2,544	2,547
Red Ventures, LLC	Direct Marketing Services	LIBOR (1 month) + 4.00%, Current Coupon 5.57%, Secured Debt (Maturity - November 8, 2024)	1,995	1,981	1,996
Scientific Games International, Inc.	Leisure Products	LIBOR (1 month) + 3.25%, Current Coupon 4.67%, Secured Debt (Maturity - August 14, 2024)	399	401	403
Seattle Spin Co.	Electric Equipment, Instruments & Components	LIBOR (3 months) + 2.75%, Current Coupon 4.32%, Secured Debt (Maturity - June 21, 2024)	2,613	2,616	2,618
SeaWorld Parks & Entertainment, Inc.	Hotels, Restaurants & Leisure	LIBOR (3 months) + 3.00%, Current Coupon 4.69%, Secured Debt (Maturity - April 1, 2024)	1,985	1,987	1,966
Signode Industrial Group US Inc.	Machinery	LIBOR (1 month) + 2.75%, Current Coupon 4.32%, Secured Debt (Maturity - April 30, 2021)	2,773	2,792	2,785
Staples, Inc.	Distributors	LIBOR (3 months) + 4.00%, Current Coupon 5.49%, Secured Debt (Maturity - September 12, 2024)	2,000	1,995	1,965

HMS-ORIX
Loan Portfolio
As of December 31, 2017
(dollars in thousands)

Portfolio Company	Industry	Type of Investment	Principal	Cost	Fair Value
Telenet Financing USD LLC	Diversified Telecommunications Services	LIBOR (1 month) + 2.50%, Current Coupon 3.92%, Secured Debt (Maturity - March 2, 2026)	\$ 1,655	\$ 1,655	\$ 1,663
Transdigm, Inc.	Aerospace & Defense	LIBOR (1 month) + 2.75%, Current Coupon 4.32%, Secured Debt (Maturity - June 9, 2023)	1,985	1,992	1,990
		LIBOR (1 month) + 3.00%, Current Coupon 4.57%, Secured Debt (Maturity - August 22, 2024)	1,000	998	1,006
			2,985	2,990	2,996
Travelport Finance (Luxembourg) S.A.R.L.	Internet Software & Services	LIBOR (3 months) + 2.75%, Current Coupon 4.17%, Secured Debt (Maturity - September 2, 2021)	1,901	1,901	1,903
Traverse Midstream Partners LLC	Oil, Gas & Consumable Fuels	LIBOR (3 months) + 4.00%, Current Coupon 5.85%, Secured Debt (Maturity - September 27, 2024)	781	784	793
UFC Holdings, LLC	Media	LIBOR (3 months) + 3.25%, Current Coupon 4.81%, Secured Debt (Maturity - August 18, 2023)	1,990	2,002	2,003
Ultra Resources, Inc.	Oil, Gas & Consumable Fuels	LIBOR (1 month) + 3.00%, Current Coupon 4.41%, Secured Debt (Maturity - April 12, 2024)	2,000	2,002	2,002
Utz Quality Foods, LLC	Commercial Services and Supplies	LIBOR (1 month) + 3.50%, Current Coupon 5.01%, Secured Debt (Maturity - November 21, 2024)	1,600	1,599	1,616
Valeant Pharmaceuticals International, Inc.	Pharmaceuticals	LIBOR (1 month) + 3.50%, Current Coupon 4.94%, Secured Debt (Maturity - April 1, 2022)	1,546	1,553	1,570
Vertiv Group Corporation	Electrical Equipment	LIBOR (3 months) + 4.00%, Current Coupon 5.35%, Secured Debt (Maturity - November 30, 2023)	1,555	1,569	1,556
Vistra Operations Company LLC	Electric Utilities	LIBOR (2 months) + 2.75%, Current Coupon 4.08%, Secured Debt (Maturity - December 14, 2023)	1,985	1,996	2,001
West Corporation	Diversified Telecommunications Services	LIBOR (1 month) + 4.00%, Current Coupon 5.35%, Secured Debt (Maturity - October 10, 2024)	1,032	1,022	1,036
WideOpenWest Finance, LLC	Diversified Telecommunications Services	LIBOR (1 month) + 3.25%, Current Coupon 4.75%, Secured Debt (Maturity - August 18, 2023)	3,496	3,506	3,470
Total Loan Portfolio				\$ 139,017	\$ 139,012

For the three months ended September 30, 2018 and 2017, the Company recognized approximately \$536,000 and \$0, respectively, of dividend income in respect of its investment in HMS-ORIX. For the nine months ended September 30, 2018 and for the period from inception (April 4, 2017) to September 30, 2017, the Company recognized approximately \$1.6 million and \$0, respectively, of dividend income in respect of its investment in HMS-ORIX.

The following tables show the summarized financial information for HMS-ORIX (dollars in thousands):

HMS-ORIX SLF LLC
Balance Sheet (Unaudited)
(dollars in thousands)

	As of September 30, 2018	As of December 31, 2017
Assets		
Portfolio investments at fair value (amortized cost: \$143,965 and \$139,017 as of September 30, 2018 and December 31, 2017, respectively)	\$ 143,745	\$ 139,012
Cash and cash equivalents	3,967	2,681
Receivable for securities sold	2,891	—
Interest receivable	268	306
Deferred financing costs, net	596	890
Other assets	31	15
Total assets	\$ 151,498	\$ 142,904
Liabilities		
Credit facilities payable	\$ 93,300	\$ 86,500
Payable for securities purchased	6,443	5,268
Distributions payable	893	—
Accounts payable and accrued expenses	79	64
Total liabilities	100,715	91,832
Net assets		
Members' equity	50,783	51,072
Total net assets	50,783	51,072
Total liabilities and net assets	\$ 151,498	\$ 142,904

HMS-ORIX SLF LLC
Statement of Operations (Unaudited)
(dollars in thousands)

	Three Months Ended		Nine Months Ended September 30, 2018	For the Period from Inception (April 4, 2017) through September 30, 2017
	September 30, 2018	September 30, 2017		
Investment income				
Interest income	\$ 1,944	\$ 1,554	\$ 5,566	\$ 2,048
Dividend income	—	—	—	—
Fee income	—	—	—	—
Other income	—	—	—	—
Total investment income	1,944	1,554	5,566	2,048
Expenses				
Interest expense	988	615	2,759	866
Other expenses	—	2	1	34
General and administrative expenses	20	24	67	45
Total expenses	1,008	641	2,827	945
Net investment income	936	913	2,739	1,103
Net realized loss from investments	(17)	(16)	(392)	(17)
Net realized income	919	897	2,347	1,086
Net change in unrealized appreciation (depreciation) on investments	1,013	—	15	(226)
Net increase in net assets resulting from operations	\$ 1,932	\$ 897	\$ 2,362	\$ 860

Note 5 — Borrowings

ABDC has historically been able to issue “senior securities,” including borrowing money from banks or other financial institutions, only in amounts such that its asset coverage, as defined in the 1940 Act, equals at least 200% after such incurrence or issuance. In March 2018, the Small Business Credit Availability Act (the “SBCAA”) was enacted into law. The SBCAA amended the 1940 Act to reduce the asset coverage requirement applicable to BDCs from 200% to 150% so long as the BDC meets certain disclosure

requirements, obtains certain approvals and, in the case of unlisted BDCs, makes an offer to repurchase shares held by its stockholders as of the date of the requisite approval. Effectiveness of the reduced asset coverage requirements to a BDC requires approval by either (1) a “required majority” (as defined in Section 57(o) of the 1940 Act) of such BDC’s board of directors with effectiveness one year after the date of such approval or (2) a majority of the votes cast at a special or annual meeting of such BDC’s stockholders at which a quorum is present, which is effective the day after such stockholder approval. The Company has not requested or obtained any such approval.

On March 6, 2017, the Company entered into an amended and restated senior secured revolving credit agreement (the “TIAA Credit Facility”) with TIAA, FSB (formerly EverBank Commercial Finance, Inc. prior to June 18, 2018) (“TIAA Bank”), as administrative agent, and with TIAA Bank and other financial institutions as lender. The TIAA Credit Facility, as amended, features aggregate revolver commitments of \$120.0 million. Borrowings under the TIAA Credit Facility bear interest, subject to the Company’s election, on a per annum basis equal to (i) the adjusted LIBOR rate plus 2.75% or (ii) the base rate plus 1.75%. The base rate is defined as the higher of (a) the prime rate, (b) the Federal Funds Rate (as defined in the credit agreement) plus 0.5% or (c) the adjusted LIBOR rate plus 1.0%. The adjusted LIBOR rate is defined in the credit agreement for the TIAA Credit Facility as the one-month LIBOR rate plus an adjustment for statutory reserve requirements for Eurocurrency liabilities as described in the credit agreement. As of September 30, 2018, the one-month LIBOR rate was 2.26%. Additionally, the Company pays an annual unused commitment fee of 0.300% on the unused revolver commitments if more than 50% of the revolver commitments are being used and an annual unused commitment fee of 0.625% on the unused revolver commitments if less than 50% of the revolver commitments are being used. As of September 30, 2018, the Company was not aware of any instances of noncompliance with covenants related to the TIAA Credit Facility.

On May 18, 2015, HMS Funding entered into an amended and restated credit agreement (the “Deutsche Bank Credit Facility”) among HMS Funding, the Company, as equityholder and as servicer, Deutsche Bank AG, New York Branch (“Deutsche Bank”), as administrative agent, the financial institutions party thereto as lenders (together with Deutsche Bank, the “HMS Funding Lenders”), and U.S. Bank National Association, as collateral agent and collateral custodian. As of September 30, 2018, the Deutsche Bank Credit Facility, as amended, provided a borrowing capacity of \$450.0 million, with an accordion provision allowing increases in aggregate commitments, not to exceed \$550.0 million, with lender consent. Under the Deutsche Bank Credit Facility, interest is calculated as the sum of the index plus the applicable margin of 2.35%. The index will be equal to one-month LIBOR, or, in the event that LIBOR is not reasonably available, the higher of Deutsche Bank’s base commercial lending rate and the interest rate equal to 0.5% above the federal funds rate. As of September 30, 2018, the one-month LIBOR rate was 2.26%. The Deutsche Bank Credit Facility provides for a revolving period until November 20, 2020, unless otherwise extended with the consent of the HMS Funding Lenders. The amortization period begins the day after the last day of the revolving period and ends on November 20, 2022, the maturity date. During the amortization period, the applicable margin will increase by 0.25%. During the revolving period, HMS Funding will pay a utilization fee equal to 2.50% of the undrawn amount of the required utilization, which is 75% of the loan commitment amount. HMS Funding will incur an undrawn fee equal to 0.40% per annum of the difference between the aggregate commitments and the outstanding advances under the facility, provided that the undrawn fee relating to any utilization shortfall will not be payable to the extent that the utilization fee relating to such utilization shortfall is incurred. Additionally, under the terms of a fee letter executed on November 20, 2017, HMS Funding pays Deutsche Bank an administrative agent fee of 0.25% of the aggregate revolver commitments. As of September 30, 2018, the Company was not aware of any instances of noncompliance with covenants related to the Deutsche Bank Credit Facility.

As of September 30, 2018, the Company had borrowings of \$120.0 million outstanding on the TIAA Credit Facility and had borrowings of \$390.0 million outstanding on the Deutsche Bank Credit Facility, both of which the Company estimated approximated fair value.

A summary of the Company’s significant contractual payment obligations for the repayment of outstanding borrowings at September 30, 2018 is as follows:

	Payments Due By Period (dollars in thousands)				
	Total	Less than 1 year	1-3 years	3-5 years	After 5 years
TIAA Credit Facility ⁽¹⁾	\$ 120,000	\$ —	\$ 120,000	\$ —	\$ —
Deutsche Bank Credit Facility ⁽²⁾	390,000	—	—	390,000	—
Total Credit Facilities	\$ 510,000	\$ —	\$ 120,000	\$ 390,000	\$ —

(1) At September 30, 2018, the Company had no availability under the TIAA Credit Facility.

(2) At September 30, 2018, \$60.0 million remained available under the Deutsche Bank Credit Facility; however, the Company’s borrowing ability is limited to the asset coverage ratio restrictions imposed by the 1940 Act, as discussed above.

Note 6 – Financial Highlights

The following is a schedule of financial highlights of the Company for the nine months ended September 30, 2018 and 2017.

Per Share Data:	Nine Months Ended September 30, 2018	Nine Months Ended September 30, 2017
NAV at beginning of period	\$ 8.15	\$ 8.15
Results from Operations		
Net investment income ^{(1) (2)}	0.60	0.56
Net realized appreciation (depreciation) ^{(1) (2)}	(0.25)	0.04
Net change in unrealized appreciation (depreciation) on investments ^{(1) (2)}	0.30	(0.09)
Net increase in net assets resulting from operations	0.65	0.51
Stockholder distributions ^{(1) (3)}		
Distributions from net investment income ^{(1) (2)}	(0.52)	(0.48)
Distributions from realized appreciation ^{(1) (2)}	—	(0.04)
Net decrease in net assets resulting from stockholder distributions	(0.52)	(0.52)
Capital share transactions		
Issuance of common stock above NAV, net of offering costs ⁽¹⁾	—	0.02
Net increase in net assets resulting from capital share transactions	—	0.02
NAV at end of the period	<u>\$ 8.28</u>	<u>\$ 8.16</u>
Shares of common stock outstanding at end of period	78,616,770	79,204,960
Weighted average shares of common stock outstanding	79,383,151	76,899,096

(1) Based on weighted average number of shares of common stock outstanding for the period.

(2) Changes in net investment income and realized and unrealized appreciation (depreciation) on investments can change significantly from period to period.

(3) The stockholder distributions represent the stockholder distributions declared for the period.

	Nine Months Ended September 30, 2018	Nine Months Ended September 30, 2017
	(dollars in thousands)	
Net assets at end of period	\$ 650,735	\$ 645,945
Average net assets	\$ 646,940	\$ 625,272
Average Credit Facilities borrowings	\$ 475,500	\$ 426,500
Ratios to average net assets:		
Ratio of total expenses to average net assets ⁽¹⁾	5.81%	5.28%
Ratio of net investment income to average net assets ⁽¹⁾	7.32%	6.92%
Portfolio turnover ratio	36.77%	36.85%
Total return ⁽²⁾	7.98%	6.50%

(1) For the nine months ended September 30, 2018 and 2017, the Advisers did not waive base management fees but waived subordinated incentive fees of approximately \$3.4 million and \$2.3 million, respectively, and internal administrative services expenses of approximately \$2.0 million and \$2.2 million, respectively. The ratio is calculated by reducing the expenses to reflect the waiver of expenses and reimbursement of internal administrative services in both periods presented. Excluding interest expense, the ratio of total expenses to average net assets for the nine months ended September 30, 2018 and September 30, 2017 was 3.05% and 3.14%, respectively. See Note 10 - *Related Party Transactions and Arrangements* for further discussion of fee waivers provided by the Advisers.

(2) Total return is calculated on the change in NAV per share and stockholder distributions declared per share over the reporting period. The total return does not reflect the sales load from the sale of the Company's common stock.

Note 7 – Stockholder Distributions

The following table reflects the cash distributions per share that the Company declared on its common stock during the nine months ended September 30, 2018 and 2017 (dollars in thousands except per share amounts).

	Distributions	
	Per Share	Amount
2018		
Three months ended September 30, 2018	\$ 0.17	\$ 13,938
Three months ended June 30, 2018	\$ 0.18	\$ 13,855
Three months ended March 31, 2018	\$ 0.17	\$ 13,803
2017		
Three months ended September 30, 2017	\$ 0.17	\$ 13,910
Three months ended June 30, 2017	\$ 0.18	\$ 13,438
Three months ended March 31, 2017	\$ 0.17	\$ 12,922

On September 14, 2018, with the authorization of the Company’s board of directors, the Company declared distributions to its stockholders for the period of October 2018 through December 2018. These distributions have been, or will be, calculated based on stockholders of record each day from October 1, 2018 through December 31, 2018 in an amount equal to \$0.00191781 per share, per day. Distributions are paid on the first business day following the completion of each month to which they relate.

The Company has adopted an “opt in” distribution reinvestment plan for its stockholders. As a result, if the Company makes a distribution, its stockholders will receive distributions in cash unless they specifically “opt in” to the distribution reinvestment plan so as to have their cash distributions reinvested in additional shares of the Company’s common stock.

The following table reflects the sources of the cash distributions that the Company declared and, in some instances, paid on its common stock during the nine months ended September 30, 2018 and 2017.

Source of Distribution	Nine Months Ended September 30, 2018		Nine Months Ended September 30, 2017	
	(dollars in thousands)			
	Distribution Amount	Percentage	Distribution Amount	Percentage
Net realized income from operations (before waiver of incentive fees)	\$ 24,219	58.2%	\$ 40,270	100.0%
Waiver of incentive fees	3,386	8.2	—	—
Distributions in excess of net realized income from operations ⁽¹⁾	13,991	33.6	—	—
Total	\$ 41,596	100.0%	\$ 40,270	100.0%

(1) Includes adjustments made to GAAP-basis net investment income to arrive at taxable income available for distributions. See Note 8 for the sources of the Company’s cash distributions on a tax basis.

The Company may fund its cash distributions from all sources of funds legally available, including stock offering proceeds, if any, borrowings, net investment income from operations, capital gains proceeds from the sale of assets, non-capital gains proceeds from the sale of assets, dividends or other distributions paid to it on account of preferred and common equity investments in portfolio companies, and fee and expense waivers from its Advisers. The Company has not established limits on the amount of funds that the Company may use from legally available sources to make distributions. The Company expects that for the foreseeable future, a portion of the distributions may be paid from sources other than net realized income from operations, which may include stock offering proceeds, if any, borrowings, and fee and expense waivers from the Advisers. See Note 10 - *Related Party Transactions and Arrangements - Advisory Agreements and Conditional Fee Waiver and Expense Reimbursement Waivers*.

The Company’s distributions may exceed its earnings and, as a result, a portion of the distributions it makes may represent a return of capital for U.S. federal income tax purposes. The timing and amount of any future distributions to stockholders are subject to applicable legal restrictions and the sole discretion of the Company’s board of directors.

Note 8 – Taxable Income

The Company has elected to be treated for U.S. federal income tax purposes as a RIC. As a RIC, the Company generally will not incur corporate-level U.S. federal income taxes on net ordinary income or capital gains that the Company timely distributes each taxable year as dividends to its stockholders. To qualify as a RIC in any taxable year, the Company must, among other things, satisfy certain source-of-income and asset diversification requirements. In addition, the Company must distribute an amount in

each taxable year generally at least equal to 90% of its investment company taxable income, determined without regard to any deduction for dividends paid, in order to maintain its ability to be subject to taxation as a RIC. As a part of maintaining its RIC status, undistributed taxable income (subject to a 4% nondeductible, U.S. federal excise tax) pertaining to a given taxable year may be distributed up to 12 months subsequent to the end of that taxable year, provided such distributions are declared prior to the earlier of eight-and-one-half months after the close of that taxable year or the filing of the U.S. federal income tax return for such prior taxable year. In order to avoid the imposition of the 4% nondeductible, U.S. federal excise tax, the Company needs to distribute, in respect of each calendar year, dividends of an amount at least equal to the sum of: (1) 98.0% of its net ordinary income (taking into account certain deferrals and elections) for the calendar year, (2) 98.2% of its capital gain in excess of capital loss, or capital gain net income, (adjusted for certain ordinary losses) for the one-year period generally ending on October 31 of that calendar year (or, if the Company so elects for that calendar year) and (3) any net ordinary income and capital gain net income for preceding years that was not distributed with respect to such years and on which the Company incurred no U.S. federal income tax. For the taxable year ended December 31, 2016, the Company distributed \$7.1 million, or \$0.096753 per share, of its taxable income in 2017, prior to the filing of its U.S. federal income tax return for the 2016 taxable year. As a result, the Company was subject to a 4% nondeductible, U.S. federal excise tax liability for the 2016 taxable year of approximately \$239,000. For the taxable year ended December 31, 2017, the Company distributed \$14.9 million, or \$0.187394 per share, of its taxable income in 2018, prior to the filing of its U.S. federal income tax return for the 2017 taxable year. As a result, the Company was subject to a 4% nondeductible, U.S. federal excise tax liability of approximately \$392,000.

The Company accounts for income taxes in conformity with ASC Topic 740 - *Income Taxes*, which provides guidelines for how uncertain tax positions should be recognized, measured, presented and disclosed in financial statements. ASC Topic 740 requires the evaluation of tax positions taken in the course of preparing the Company's tax returns to determine whether the tax positions are "more-likely-than-not" to be sustained by the applicable tax authority. For tax positions meeting the more-likely-than-not threshold, the amount recognized in the Company's financial statements is the largest benefit or expense that has a greater than 50% likelihood of being realized upon its ultimate settlement with the relevant tax authority. Positions not deemed to meet the more-likely-than-not threshold would be recorded as a tax benefit or expense in the current year. It is the Company's policy to recognize accrued interest and penalties related to uncertain tax benefits, if any, in income tax expense. Conclusions regarding tax positions are subject to review and may be adjusted at a later date based on factors including, but not limited to, on-going analyses of tax laws, regulations and interpretations thereof. Management has analyzed the Company's tax positions, and has concluded that there were no material uncertain income tax positions through September 30, 2018. The Company identifies its major tax jurisdiction as the United States, and the Company is not aware of any tax positions for which it is reasonably possible that the total amounts of unrecognized tax benefits will change materially in the next 12 months. Tax returns for the 2014 through 2017 taxable years remain subject to examination by U.S. federal and most state tax authorities.

The Company's wholly owned subsidiaries, HMS Equity Holding and HMS Equity Holding II, have elected to be taxable entities for U.S. tax purposes. HMS Equity Holding and HMS Equity Holding II primarily hold equity investments in portfolio companies which are treated as "pass-through" entities for U.S. tax purposes. HMS Equity Holding and HMS Equity Holding II are consolidated for financial reporting purposes, and the portfolio investments held by each entity are included in the condensed consolidated financial statements as portfolio investments recorded at fair value. HMS Equity Holding and HMS Equity Holding II are not consolidated with the Company for U.S. federal income tax purposes and may generate income tax expense, or benefit, and the related tax assets and liabilities, as a result of its ownership of certain portfolio investments. This income tax expense, or benefit, if any, and the related tax assets and liabilities, are reflected in the Company's condensed consolidated financial statements.

Listed below is a reconciliation of "Net increase (decrease) in net assets resulting from operations" to taxable income and to total distributions declared to common stockholders for the nine months ended September 30, 2018 and 2017 (dollars in thousands).

	Nine Months Ended September 30, 2018	Nine Months Ended September 30, 2017
Net increase in net assets resulting from operations	\$ 51,559	\$ 39,440
Net change in unrealized (appreciation) depreciation	(23,955)	7,165
Income tax provision	(29)	139
Pre-tax book loss not consolidated for tax purposes	16,018	755
Book income and tax income differences, including debt origination, structuring fees, dividends, realized gains and changes in estimates	(45)	1,526
Estimated taxable income ⁽¹⁾	43,548	49,025
Taxable income earned in prior year and carried forward for distribution in current year	15,005	7,238
Taxable income earned prior to period end and carried forward for distribution next period	(21,484)	(20,558)
Dividend accrued as of period end and paid-in the following period	4,527	4,565

	Nine Months Ended September 30, 2018	Nine Months Ended September 30, 2017
Taxable income earned to be carried forward	\$ (16,957)	\$ (15,993)
Total distributions accrued or paid to common stockholders	\$ 41,596	\$ 40,270

- (1) The Company's taxable income for each period is an estimate and will not be finally determined until the Company files its tax return for each year. Therefore, the final taxable income, and the taxable income earned in each period and carried forward for distribution in the following period, may be different than this estimate.

The income tax expense, or benefit, and the related tax assets and liabilities generated by HMS Equity Holding and HMS Equity Holding II, if any, are reflected in the Company's Condensed Consolidated Statement of Operations. For the nine months ended September 30, 2018 and 2017, the Company recognized a net income tax (benefit) provision of \$(29,000) and \$139,000, respectively, related to deferred taxes (benefit) of \$(1.6) million and \$1.5 million, respectively, and other taxes (benefit) of \$(29,000) and \$139,000, respectively, offset by a valuation allowance of \$1.6 million and \$(1.5) million, respectively. For the nine months ended September 30, 2018 and 2017, the other taxes (benefit) included \$(29,000) and \$139,000, respectively, related to accruals for state and other taxes.

As of September 30, 2018, the cost basis of investments for tax purposes was \$1.1 billion, with such investments having an estimated net unrealized appreciation of \$9.3 million, composed of gross unrealized appreciation of \$36.0 million and gross unrealized depreciation of \$26.7 million. As of December 31, 2017, the cost basis of investments for tax purposes was \$1.0 billion, with such investments having an estimated net unrealized depreciation of \$14.9 million, composed of gross unrealized appreciation of \$25.2 million and gross unrealized depreciation of \$40.1 million.

The net deferred tax assets at both September 30, 2018 and December 31, 2017 was \$0, primarily related to loss carryforwards, timing differences in net unrealized depreciation of portfolio investments, and basis differences of portfolio investments held by HMS Equity Holding and HMS Equity Holding II offset by a valuation allowance. Based on HMS Equity Holding's and HMS Equity Holding II's short operating history, management believes it is more likely than not that there will be inadequate profits in HMS Equity Holding and HMS Equity Holding II against which the deferred tax assets can be offset. Accordingly, the Company recorded a full valuation allowance against such deferred tax assets.

The following table sets forth the significant components of net deferred tax assets and liabilities as of September 30, 2018 and December 31, 2017 (amounts in thousands):

	September 30, 2018	December 31, 2017
Deferred tax assets:		
Net operating loss carryforwards	\$ 1,663	\$ 1,901
Foreign tax credit carryforwards	10	10
Capital loss carryforwards	9,933	5,390
Net basis differences in portfolio investments	—	—
Net unrealized depreciation of portfolio investments	—	—
Total deferred tax assets	11,606	7,301
Deferred tax liabilities:		
Net basis differences in portfolio investments	(1,343)	(703)
Net unrealized appreciation of portfolio investments	(2,466)	(426)
Other	—	—
Total deferred tax liabilities	(3,809)	(1,129)
Valuation allowance	(7,797)	(6,172)
Total net deferred tax assets (liabilities)	\$ —	\$ —

On December 22, 2017, the Tax Cuts and Jobs Act (the "TCJA") was signed into law. The TCJA significantly changed the U.S. federal income tax laws applicable to businesses and their owners. Technical corrections or other amendments to the TCJA or administrative guidance interpreting the TCJA may be forthcoming at any time. Under the TCJA, the corporate income tax rate is reduced to 21%, and the corporate alternative minimum tax was repealed. The reduced corporate income tax rate, which is effective for taxable years beginning after December 31, 2017, applies to income earned by HMS Equity Holding and HMS Equity Holding II.

For federal income tax purposes, the net operating loss carryforwards generated prior to December 31, 2017 expire in various taxable years from 2034 through 2037. Under the TCJA, any net operating losses generated in 2018 and future periods will have

an indefinite carryforward. The net capital loss carryforwards expire in taxable years 2020 and 2023. The timing and manner in which HMS Equity Holding and HMS Equity Holding II will utilize any net loss carryforwards in such taxable years, or in total, may be limited in the future under the provisions of the Code.

For the years ending December 31, 2017, 2016 and 2015, respectively, the tax characteristics of distributions paid to shareholders were as follows (amounts in thousands):

Tax Characteristics of Distributions	Year Ended December 31,					
	2017		2016		2015	
Ordinary income	\$ 52,473	96.43%	\$ 44,848	93.90%	\$ 34,085	99.68%
Capital gain distributions	1,941	3.57	2,913	6.10	110	0.32
Total distributions	\$ 54,414	100.00%	\$ 47,761	100.00%	\$ 34,195	100.00%

The determination of the tax attributes of the Company's distributions is made annually at the end of the Company's taxable year based upon the Company's taxable income for the full taxable year and distributions paid for the full taxable year. Therefore, a determination made on an interim basis may not be representative of the actual tax attributes of distributions for a full year. If the Company had determined the tax attributes of its distributions taxable year-to-date as of September 30, 2018, 100% would be from its current and accumulated earnings and profits. However, there can be no certainty to stockholders that this determination is representative of what the actual tax attributes of the Company's anticipated fiscal and taxable years ending December 31, 2018 distributions to stockholders will be. The actual tax characteristics of distributions to stockholders will be reported to the Internal Revenue Service and stockholders subject to information reporting shortly after the close of each calendar year on Form 1099-DIV.

Dividends from net investment income and distributions from net realized capital gains are determined in accordance with U.S. federal tax regulations, which may differ from amounts determined in accordance with GAAP and those differences could be material. These book-to-tax differences are either temporary or permanent in nature. Reclassifications due to permanent book-to-tax differences, such as the non-deductible excise tax, have no impact on net assets.

Note 9 – Supplemental Cash Flow Disclosures

Listed below are the supplemental cash flow disclosures for the nine months ended September 30, 2018 and 2017 (dollars in thousands):

Supplemental Disclosure of Cash Flow Information	Nine Months Ended September 30, 2018	Nine Months Ended September 30, 2017
Cash paid for interest	\$ 16,764	\$ 12,296
Cash paid for income taxes	690	358
Supplemental Disclosure of Non-Cash Flow Information		
Stockholder distributions declared and unpaid	4,527	4,565
Stockholder distributions reinvested	20,550	20,594
Change in unpaid deferred offering costs	—	(40)
Unpaid deferred financing costs	6	25
Unpaid sales commissions and dealer manager fee	—	251

Note 10 — Related Party Transactions and Arrangements

Advisory Agreements and Conditional Fee and Expense Reimbursement Waivers

The Company and the Adviser may enter into an agreement pursuant to which the Adviser could pay the Company up to 100% of its operating expenses an "Expense Support Payment") in order to achieve a reasonable level of expenses relative to its investment income.

The Company and the Advisers entered into a conditional fee waiver agreement (as amended from time to time, the "Conditional Fee Waiver Agreement"), pursuant to which the Advisers could waive certain fees through December 31, 2015 upon the occurrence of any event that, in the Advisers' sole discretion, caused such waivers to be deemed necessary.

The Company and the Advisers entered into conditional income incentive fee waiver agreements (the “2016-2018 Conditional Income Incentive Fee Waiver Agreements”), most recently on October 31, 2018, pursuant to which, for a period from January 1, 2016 through September 30, 2018, the Advisers would waive payments in respect of the “subordinated incentive fee on income,” as such term is defined in the Investment Advisory Agreement, upon the occurrence of any event that, in the Advisers’ sole discretion, causes such waiver to be deemed necessary. The 2016-2018 Conditional Income Incentive Fee Waiver Agreements may require the Company to repay previously waived reimbursement of Expense Support Payments or base management fees or incentive fees previously waived by the Advisers under certain circumstances and to the extent eligible for repayment.

Previously waived fees and Expense Support Payments are potentially subject to repayment by the Company, if at all, within a period not to exceed three years from the date of each respective fee waiver or Expense Support Payment. Thus, in any quarter where a surplus exists and the conditions described below are satisfied, the surplus will be available, subject to approval of the Company’s board of directors, to reimburse waived fees and Expense Support Payments as follows:

1. First, to reimburse Expense Support Payments, beginning with the earliest expenses eligible for reimbursement; and
2. Second, to reimburse all waived fees, beginning with the earliest fees eligible for reimbursement.

Reimbursement of previously waived fees will only be permitted with the approval of the Company’s board of directors and if the operating expense ratio is equal to or less than the operating expense ratio at the time the corresponding fees were waived or Expense Support Payments were made and if the annualized rate of regular cash distributions to stockholders is equal to or greater than the annualized rate of the regular cash distributions at the time the corresponding fees were waived.

For the three months ended September 30, 2018 and 2017, the Company incurred base management fees of approximately \$5.9 million and \$5.6 million, respectively, and the Advisers did not waive any base management fees in either period. For each of the three months ended September 30, 2018 and 2017, the Company did not incur any capital gains incentive fees in either period, and incurred subordinated incentive fees on income of approximately \$3.2 million and \$0, respectively, all of which were waived by the Advisers.

For the nine months ended September 30, 2018 and 2017, the Company incurred base management fees of approximately \$17.3 million and \$16.1 million, respectively, and the Advisers did not waive any base management fees in either period. For the nine months ended September 30, 2018 and 2017, the Company did not incur any capital gains incentive fees in either period, and incurred subordinated incentive fees on income of approximately \$3.4 million and \$2.3 million, respectively, all of which were waived by the Advisers.

For the nine months ended September 30, 2018 and 2017, the Company did not record an accrual for any previously waived fees. Any future reimbursement of previously waived fees to the Advisers will not be accrued until the reimbursement of the waived fees becomes probable and estimable, which will be upon approval of the Company’s board of directors. To date, none of the previously waived fees has been approved by the Company’s board of directors for reimbursement.

The table below presents the fees waived by the Advisers and the timing of potential reimbursement of waived fees (dollars in thousands). Previously waived fees will only be reimbursed with the approval of the Company’s board of directors and if the “Operating Expense Ratio” (as described in footnote 3 to the table below) is equal to or less than the Company’s operating expense ratio at the time the corresponding fees were waived and if the annualized rate of the Company’s regular cash distributions to stockholders is equal to or greater than the annualized rate of the Company’s regular cash distributions at the time the corresponding fees were waived.

Quarter Ended	Management Fee ⁽¹⁾		Subordinated Incentive Fee ⁽¹⁾		Capital Gain Incentive Fee ⁽¹⁾		Expense Support ⁽¹⁾		Operating Expense Ratio ⁽³⁾	Annualized Distribution Rate ⁽⁴⁾	Eligible to be Repaid Through ⁽⁵⁾
	Waivers	Repaid to Adviser ⁽²⁾	Waivers	Repaid to Adviser ⁽²⁾	Waivers	Repaid to Adviser ⁽²⁾	Payments	Repaid to Adviser ⁽²⁾			
12/31/2015	\$ —	\$ —	\$ 1,159	\$ —	\$ —	\$ —	\$ —	\$ —	2.27%	\$0.70	12/31/2018
3/31/2016	\$ —	\$ —	\$ 493	\$ —	\$ —	\$ —	\$ —	\$ —	1.83%	\$0.70	3/31/2019
6/30/2016	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	1.76%	\$0.70	6/30/2019
9/30/2016	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	1.73%	\$0.70	9/30/2019
12/31/2016	\$ —	\$ —	\$ 1,196	\$ —	\$ —	\$ —	\$ —	\$ —	1.68%	\$0.70	12/31/2019
3/31/2017	\$ —	\$ —	\$ 1,495	\$ —	\$ —	\$ —	\$ —	\$ —	1.68%	\$0.70	3/31/2020
6/30/2017	\$ —	\$ —	\$ 823	\$ —	\$ —	\$ —	\$ —	\$ —	1.67%	\$0.70	6/30/2020
9/30/2017	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	1.91%	\$0.70	9/30/2020

Quarter Ended	Management Fee ⁽¹⁾		Subordinated Incentive Fee ⁽¹⁾		Capital Gain Incentive Fee ⁽¹⁾		Expense Support ⁽¹⁾		Operating Expense Ratio ⁽³⁾	Annualized Distribution Rate ⁽⁴⁾	Eligible to be Repaid Through ⁽⁵⁾
	Waivers	Repaid to Adviser ⁽²⁾	Waivers	Repaid to Adviser ⁽²⁾	Waivers	Repaid to Adviser ⁽²⁾	Payments	Repaid to Adviser ⁽²⁾			
12/31/2017	\$ —	\$ —	\$ 711	\$ —	\$ —	\$ —	\$ —	\$ —	1.82%	\$0.70	12/31/2020
3/31/2018	\$ —	\$ —	\$ 15	\$ —	\$ —	\$ —	\$ —	\$ —	1.80%	\$0.70	3/31/2021
6/30/2018	\$ —	\$ —	\$ 139	\$ —	\$ —	\$ —	\$ —	\$ —	1.96%	\$0.70	6/30/2021
9/30/2018	\$ —	\$ —	\$ 3,231	\$ —	\$ —	\$ —	\$ —	\$ —	2.01%	\$0.70	9/30/2021

- (1) Fees waived pursuant to the Conditional Fee Waiver Agreement and the 2016-2018 Conditional Income Incentive Fee Waiver Agreements.
- (2) Subject to the approval of the Company's board of directors, in future periods previously waived fees may be paid to the Advisers, if the Company's cumulative net increase in net assets resulting from operations exceeds the amount of cumulative distributions paid to stockholders. The previously waived fees are potentially subject to repayment by the Company, if at all, within a period not to exceed three years from the date of each respective fee waiver. To date, none of the previously waived fees and Expense Support Payments have been approved for reimbursement by the Company's board of directors.
- (3) The "Operating Expense Ratio" is calculated on a quarterly basis as a percentage of average net assets and includes all expenses borne by the Company, except for base management and incentive fees and administrative expenses waived by the Advisers and organizational and offering expenses.
- (4) "Annualized Distribution Rate" equals \$0.00191781 per share, per day based on the distributions declared by the Company's board of directors.
- (5) Prior to December 31, 2015, the Advisers waived total management fees of \$2.8 million, total subordinated incentive fees of \$2.0 million and total capital gain incentive fees of \$8,000. Due to the passage of time, such waived fees are not eligible for repayment under the applicable fee waiver agreements.

Pursuant to the Investment Advisory Agreement and Sub-Advisory Agreement, the Company is required to pay or reimburse the Advisers for administrative services expenses, which include all costs and expenses related to the Company's day-to-day administration and management not related to advisory services, whether such administrative services were performed by a third party service provider or affiliates of the Advisers ("Internal Administrative Services"). The Advisers do not earn any profit under their provision of administrative services to the Company. For the three months ended September 30, 2018 and 2017, the Company incurred, and the Advisers waived the reimbursement of, Internal Administrative Services expenses of approximately \$623,000 and \$694,000, respectively. For the nine months ended September 30, 2018 and 2017, the Company incurred, and the Advisers waived the reimbursements of, Internal Administrative Services expenses of approximately \$2.0 million and \$2.2 million, respectively. The Company and the Advisers entered into an expense support and conditional reimbursement agreement, as amended from time to time, which extends the period for waiver of reimbursement of Internal Administrative Services expenses accrued pursuant to the Investment Advisory Agreement and the Sub-Advisory Agreement through December 31, 2018. Since inception, the Advisers waived the reimbursement of total Internal Administrative Services expenses of \$12.4 million. Waived Internal Administrative Services expenses are not subject to future reimbursement.

The table below outlines fees incurred and expense reimbursements payable to the Adviser, the Sub-Adviser and their respective affiliates for the three and nine months ended September 30, 2018 and 2017 and amounts unpaid as of September 30, 2018 and December 31, 2017 (dollars in thousands).

Type and Recipient	Incurred		Incurred		Unpaid as of	
	Three Months Ended September 30,		Nine Months Ended September 30,		September 30, 2018	December 31, 2017
	2018	2017	2018	2017		
Incentive Fees on Income - the Adviser, Sub-Adviser ⁽¹⁾	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —
Offering Costs - the Adviser, Sub-Adviser	101	272	308	1,000	—	—
Other ⁽²⁾ - the Adviser	155	81	488	551	38	59
Selling Commissions - Dealer Manager	—	501	—	2,368	—	—
Dealer Manager Fee - Dealer Manager	—	307	—	1,307	—	—
Due to Affiliates					\$ 38	\$ 59
Base Management Fees - the Adviser, Sub-Adviser	\$ 5,904	\$ 5,648	\$ 17,335	\$ 16,101	\$ 5,904	\$ 5,682

(1) Net of amounts waived by the Advisers.

(2) Includes amounts the Adviser paid on behalf of the Company such as general and administrative services expenses.

Offering Costs

In accordance with the Investment Advisory Agreement and the Sub-Advisory Agreement, the Company reimburses the Advisers for any offering costs that are paid on the Company's behalf, which consist of, among other costs, actual legal, accounting, bona fide out-of-pocket itemized and detailed due diligence costs, printing, filing fees, transfer agent costs, postage, escrow fees, advertising and sales literature and other costs incurred in connection with an offering of the Company including the Company's distribution reinvestment plan. Pursuant to the terms of the Investment Advisory Agreement and the Sub-Advisory Agreement,

the Company expects to reimburse the Advisers for such costs incurred on the Company's behalf on a monthly basis, up to a maximum aggregate amount of 1.5% of the gross stock offering proceeds. The Advisers are responsible for the payment of offering costs to the extent they exceed 1.5% of the aggregate gross stock offering proceeds.

As of September 30, 2018, the Company has reimbursed the Advisers approximately \$12.1 million since inception for offering costs. As of September 30, 2018, the Advisers carried a balance of approximately \$1.1 million for offering costs incurred on the Company's behalf, net of reimbursement payments from the Company.

Note 11 – Share Repurchase Plan

Since inception of the share repurchase program, the Company funded the repurchase of \$64.6 million in shares of common stock. For the nine months ended September 30, 2018 and 2017, the Company funded \$27.6 million and \$14.0 million, respectively, for shares of common stock tendered for repurchase under the plan approved by the board of directors. Since inception of the share repurchase program, the Company has funded all redemption requests validly tendered and not withdrawn.

For the Quarter Ended	Repurchase Date	Shares Repurchased	Percentage of Shares Tendered that were Repurchased	Repurchase Price per Share	Aggregate Consideration for Repurchased Shares
March 31, 2018	March 22, 2018	1,147,067.15	100%	\$ 8.20	\$ 9,405,951
June 30, 2018	May 31, 2018	1,242,890.47	100%	\$ 8.17	\$ 10,154,415
September 30, 2018	August 31, 2018 / September 12, 2018 / October 25, 2018	982,248.25	100%	\$ 8.15	\$ 8,005,323

On August 10, 2018, the Company's board of directors determined that it was desirable and in the best interest of the Company to modify the manner in which the amount of shares to be repurchased pursuant to the Company's share repurchase program during each calendar quarter is calculated. Beginning with the Company's tender offer in its fourth fiscal quarter of 2018, the amount of shares of the Company's common stock to be repurchased during any calendar quarter will be equal to the lesser of (i) the number of shares of common stock the Company can repurchase with the proceeds it received from the issuance of common stock under the Company's distribution reinvestment plan during the prior calendar quarter or (ii) 2.5% of the weighted average number of shares of common stock outstanding in the prior four calendar quarters. All other provisions of the Company's share repurchase program remained unchanged.

Note 12 – Commitments and Contingencies

As of September 30, 2018, the Company had a total of approximately \$39.9 million in outstanding commitments comprising (i) 33 commitments to fund revolving loans that had not been fully drawn or term loans that had not been funded and (ii) four capital commitments that had not been fully called. The Company recognized unrealized depreciation of approximately \$212,000 on the outstanding unfunded loan commitments and no unrealized appreciation or depreciation on the outstanding unfunded capital commitments during the nine months ended September 30, 2018. As of December 31, 2017, the Company had a total of approximately \$45.4 million in outstanding commitments comprising (i) 28 commitments to fund revolving loans that had not been fully drawn or term loans that had not been funded and (ii) four capital commitments that had not been fully called. The Company recognized unrealized appreciation of \$14,000 on the outstanding unfunded loan commitments and no unrealized appreciation or depreciation on the outstanding unfunded capital commitments during the year ended December 31, 2017.

	Commitments and Contingencies (dollars in thousands)	
	September 30, 2018	December 31, 2017
Unfunded Loan Commitments		
Adams Publishing Group, LLC	\$ 3,035	\$ —
American Nuts, LLC	1,266	—
Apex Linen Services, Inc.	403	403
Arcus Hunting, LLC	60	976
ASC Ortho Management Company, LLC	750	—
BarFly Ventures, LLC	245	613
BBB Tank Services	37	—
BigName Holdings, LLC	29	101
Boccella Precast Products, LLC	360	500
CDHA Management, LLC	—	2,343
Chamberlin HoldCo, LLC	400	—

		Commitments and Contingencies	
		(dollars in thousands)	
		September 30, 2018	December 31, 2017
Unfunded Loan Commitments			
Charps, LLC	\$	600	\$ 1,000
Clad-Rex Steel, LLC		100	100
CTVSH, PLLC		200	200
Datacom, LLC		—	25
Direct Marketing Solutions, Inc.		400	—
DTE Enterprises, LLC		750	—
Dynamic Communities, LLC		250	—
Felix Investments Holdings II LLC		—	1,667
Gamber-Johnson Holdings, LLC		300	300
GST Autoleather Inc.		—	1,281
Guerdon Modular Holdings, Inc.		400	400
Hawk Ridge Systems, LLC		400	400
Hojeij Branded Foods, Inc.		1,588	1,923
Hoover Group, Inc.		2,113	—
Hostway Corporation		—	7
HW Temps LLC		200	200
Implus Footcare, LLC		42	—
LaMi Products, LLC		—	294
Market Force Information, Inc.		300	400
Meisler Operating, LLC		400	400
Mystic Logistics Holdings, LLC		200	200
New Era Technology, Inc.		479	—
NexRev, LLC		1,000	—
NNE Partners, LLC		2,042	5,542
NuStep, LLC		300	300
Permian Holdco 2, Inc.		—	97
PPC/Shift, LLC		—	500
Resolute Industrial LLC		—	5,750
SI East, LLC		2,500	—
Volusion LLC		1,961	—
Wireless Vision Holdings, LLC		2,100	2,084
Unfunded Capital Commitments			
Brightwood Capital Fund III, LP		1,000	1,000
Brightwood Capital Fund IV, LP		8,000	9,000
Copper Trail Energy Fund I LP		1,754	2,500
Freeport Financial Funds		3,942	4,941
Total	\$	39,906	\$ 45,447

Note 13 – Subsequent Events

On October 10, 2018, the Company filed a tender offer statement on Schedule TO with the SEC to commence an offer by the Company to purchase, as approved by its board of directors, an estimated 825,530.42 shares of the Company's issued and outstanding common stock, par value \$0.001 per share, up to approximately \$6.7 million. The offer is for cash at a purchase price equal to the NAV per share to be determined within 48 hours of the repurchase date.

On October 31, 2018, the Company, the Adviser and the Sub-Adviser entered into a conditional income incentive fee agreement (the "Third Quarter 2018 Fee Waiver Agreement"), pursuant to which, for a period from July 1, 2018 through September 30, 2018, the Advisers would waive payments in respect of the "subordinated incentive fee on income," as such term is defined in the Investment Advisory Agreement, upon the occurrence of any event that, in the Advisers' sole discretion, causes such waiver to be deemed necessary. The Third Quarter 2018 Fee Waiver Agreement may require the Company to repay previously waived Expense Support Payments or waived base management fees or incentive fees under certain circumstances. The previously waived fees are potentially subject to repayment by the Company, if at all, within a period not to exceed three years from the date of each respective waiver.

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations.

The following discussion is based on the condensed consolidated financial statements as of September 30, 2018 (unaudited) and December 31, 2017 and for the three and nine months ended September 30, 2018 and 2017. Amounts as of December 31, 2017 included in the unaudited condensed consolidated financial statements have been derived from the Company's audited consolidated financial statements as of that date. This information should be read in conjunction with the accompanying unaudited condensed consolidated financial statements and the notes thereto, as well as the audited consolidated financial statements, notes and management's discussion and analysis of financial condition and results of operations included in our Annual Report on Form 10-K for the year ended December 31, 2017. Capitalized terms used in this Item 2 have the same meaning as in the accompanying condensed consolidated financial statements in Item 1 unless otherwise defined in this Report.

We refer to HMS Income Fund, Inc. as the "Company," and the use of "we," "our," "us" or similar pronouns in this Report refers to HMS Income Fund, Inc.

Forward-Looking Statements

Some of the statements in this Report constitute forward-looking statements because they relate to future events or our future performance or financial condition. The forward-looking statements contained in this Report may include statements as to:

- our future operating results;
- our business prospects and the prospects of our current and prospective portfolio companies;
- the impact of the investments that we expect to make;
- the ability of our portfolio companies to achieve their objectives;
- our expected financings and investments;
- the adequacy of our cash resources and working capital;
- the timing of cash flows, if any, from the operations of our portfolio companies;
- changes in political, economic or industry conditions, the interest rate environment or conditions affecting the financial and capital markets, which could result in changes to the value of our assets;
- the impact of increased competition;
- our contractual arrangements and relationships with third parties;
- the dependence of our future success on the general economy, including general economic trends, and its impact on the industries in which we invest;
- the relative and absolute performance of our investment adviser, HMS Adviser LP (the "Adviser"), a Texas limited partnership, including in identifying suitable investments for us;
- our ability to make distributions to our stockholders;
- the effects of applicable legislation and regulations and changes thereto; and
- the impact of future acquisitions and divestitures.

In addition, words such as "anticipate," "believe," "expect" and "intend" indicate a forward-looking statement, although not all forward-looking statements include these words. The forward-looking statements contained in this Report involve risks and uncertainties.

Our actual results could differ materially from those implied or expressed in the forward-looking statements for any reason, including the factors set forth in "Part II-Item 1A. Risk Factors" and elsewhere in this Report and set forth in our annual report on Form 10-K for the year ended December 31, 2017 and our Quarterly Report on Form 10-Q for the quarter ended March 31, 2018. Other factors that could cause actual results to differ materially include:

- changes in the economy;
- risks associated with possible disruption in our operations or the economy generally; and
- future changes in laws or regulations and conditions in our operating areas.

We have based the forward-looking statements included in this Report on information available to us on the date of this Report. Except as required by the federal securities laws, we assume no obligation to revise or update any forward-looking statements, whether as a result of new information, future events or otherwise.

You are advised to consult any additional disclosures that we may make directly to you or through reports that we in the future may file with the Securities and Exchange Commission (the "SEC"), including annual reports on Form 10-K, quarterly reports on Form 10-Q and current reports on Form 8-K. The forward-looking statements and projections contained in this Report are excluded from the safe harbor protection provided by Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended (the "Exchange Act").

OVERVIEW

We are a specialty finance company sponsored by Hines Interests Limited Partnership (“Hines”) that makes debt and equity investments in middle market (“Middle Market”) companies, which we define as companies with annual revenues generally between \$10 million and \$3 billion and in lower middle market (“LMM”) companies, which we define as companies with annual revenues generally between \$10 million and \$150 million. We are an externally managed, non-diversified closed-end management investment company that has elected to be treated as a business development company (“BDC”) under the Investment Company Act of 1940, as amended (the “1940 Act”). We are, therefore, required to comply with certain regulatory requirements. We have elected to be treated for U.S. federal income tax purposes as a regulated investment company (“RIC”), under Subchapter M of the Internal Revenue Code of 1986, as amended (the “Code”).

Our primary investment objective is to generate current income through debt and equity investments. A secondary objective is to generate long-term capital appreciation through equity and equity-related investments, including warrants, convertible securities and other rights to acquire equity securities. Our portfolio strategy is to invest primarily in illiquid debt and equity securities issued by LMM companies and Middle Market companies in private placements and negotiated transactions, which are traded in private over-the-counter markets for institutional investors. We will also invest in, and a significant portion of our assets are invested in, customized direct secured and unsecured loans to and equity securities of LMM companies, referred to as LMM securities. Typically, our investments in LMM companies require us to co-invest with Main Street Capital Corporation, a New York Stock Exchange listed BDC (“Main Street”), and/or its affiliates as a result of our sub-advisory relationship described below. We categorize some of our investments in LMM companies and Middle Market companies as private loan (“Private Loan”) portfolio investments. Private Loan investments, often referred to in the debt markets as “club deals,” are investments, generally in debt instruments, that we originate on a collaborative basis with other investment funds. Private Loan investments are typically similar in size, structure, terms and conditions to investments we hold in our LMM portfolio and Middle Market portfolio. Our portfolio also includes other portfolio (“Other Portfolio”) investments primarily consisting of our investment in HMS-ORIX SLF LLC (“HMS-ORIX”) and investments managed by third parties, which differ from the typical profiles for our other types of investments.

We previously registered for sale up to 150,000,000 shares of common stock pursuant to a registration statement on Form N-2 (File No. 333-178548) which was initially declared effective by the SEC on June 4, 2012 (the “Initial Offering”). The Initial Offering terminated on December 1, 2015. We raised approximately \$601.2 million in the Initial Offering, including proceeds from the dividend reinvestment plan of approximately \$22.0 million. We also registered for sale up to \$1,500,000,000 worth of shares of common stock (the “Offering”) pursuant to a new registration statement on Form N-2 (File No. 333-204659), as amended. With the approval of our board of directors, we closed the Offering to new investors effective September 30, 2017. Through September 30, 2018, we raised approximately \$204.7 million in the Offering, including proceeds from the distribution reinvestment plan of approximately \$73.0 million.

Our business is managed by the Adviser, an affiliate of Hines, under an Investment Advisory and Administrative Services Agreement dated May 31, 2012 (as amended the “Investment Advisory Agreement”). We and the Adviser have retained MSC Adviser I, LLC (the “Sub-Adviser”), a wholly owned subsidiary of Main Street, as our investment sub-adviser pursuant to an Investment Sub-Advisory Agreement (the “Sub-Advisory Agreement”) to identify, evaluate, negotiate and structure prospective investments, make investment and portfolio management recommendations for approval by the Adviser, monitor our investment portfolio and provide certain ongoing administrative services to the Adviser. The Adviser and the Sub-Adviser are collectively referred to as the “Advisers,” and each is registered under the Investment Advisers Act of 1940, as amended. Upon the execution of the Sub-Advisory Agreement, Main Street became our affiliate. Our board of directors most recently reapproved the Investment Advisory Agreement and the Sub-Advisory Agreement on May 10, 2018. We have engaged Hines Securities, Inc. (the “Dealer Manager”), an affiliate of the Adviser, to serve as the Dealer Manager for our offerings, if any.

As part of our Other Portfolio investments, we co-invest in broadly-syndicated loans with ORIX Funds Corp. (“Orix”) through our investment in HMS-ORIX, which is organized as a Delaware limited liability company. Pursuant to the terms of the limited liability company agreement and through representation on the HMS-ORIX Board of Managers, we and Orix each have 50% voting control of HMS-ORIX and together will agree on all portfolio and investment decisions as well as all other significant actions for HMS-ORIX. We do not operationally control HMS-ORIX, and, accordingly, we do not consolidate the operations of HMS-ORIX within our consolidated financial statements.

As a BDC, we are subject to certain regulatory restrictions in making our investments, including limitations on our ability to co-invest with certain affiliates, including Main Street. However, we received exemptive relief from the SEC, that permits us, subject to certain conditions, to co-invest with Main Street and/or its affiliates in certain transactions originated by Main Street and/or our Advisers. The exemptive relief permits us, and certain of our directly or indirectly wholly owned subsidiaries on one hand, and Main Street and/or certain of its affiliates on the other hand, to co-invest in the same investment opportunities where such investment may otherwise be prohibited under Section 57(a)(4) of the 1940 Act. In addition, we may continue to co-invest with Main Street

and/or its affiliates in syndicated deals and secondary loan market purchases in accordance with applicable regulatory guidance or interpretations where price is the only negotiated point.

As of September 30, 2018, we had investments in 50 Middle Market debt investments, 45 Private Loan debt investments, 37 LMM debt investments, 35 LMM equity investments, six Middle Market equity investments, 15 Private Loan equity investments and eight Other Portfolio investments with an aggregate fair value of approximately \$1,130.3 million, a cost basis of approximately \$1,121.0 million and a weighted average effective annual yield of approximately 9.2%. The weighted average annual yield was calculated using the effective interest rates for all investments at September 30, 2018, including accretion of original issue discount and amortization of premium to par value, the amortization of fees received in connection with transactions, and assumes zero yield for investments on non-accrual status. Approximately 80.7% and 9.4% of our total portfolio investments (at fair value, excluding our Other Portfolio investments) were secured by first priority liens and second priority liens, respectively, on portfolio company assets with the remainder in unsecured debt investments and equity investments.

The level of new portfolio investment activity will fluctuate from period to period based upon our view of the current economic fundamentals, our ability to identify new investment opportunities that meet our investment criteria and our ability to close on the identified transactions. The level of new investment activity and associated interest and fee income will directly impact future investment income. While we intend to grow our investment income over the long-term, our operating results may be more limited during depressed economic periods. However, we intend to appropriately manage our cost structure and liquidity position based on applicable economic conditions and our investment outlook. The level of realized gains or losses and unrealized appreciation or depreciation will also fluctuate depending upon portfolio activity and the performance of our individual portfolio companies. The changes in realized gains and losses and unrealized appreciation or depreciation could have a material impact on our operating results.

Investment Income

We have generated, and plan to continue to generate, investment income primarily in the form of interest on the debt securities that we hold, dividends and other distributions with respect to any equity interests that we hold and capital gains, if any, on our investments. In addition, we may generate revenue in the form of commitment, origination, structuring or diligence fees, monitoring fees, and possibly consulting fees and performance-based fees. All such fees will be generated in connection with our investments and recognized as earned or as additional yield over the life of the debt investment. To date our investment income has been interest income on debt investments, accretion of original issue discounts, dividend income, amortization of premiums and fees received from transactions, net realized appreciation (depreciation) and net change in unrealized appreciation (depreciation).

Expenses

On both a short-term and long-term basis, our primary use of funds will be investments in portfolio companies and cash distributions to our stockholders. Our primary operating expenses will be debt service payments, general and administrative expenses, and payment of advisory fees under the Investment Advisory Agreement. The investment advisory fees paid to our Adviser (and the fees paid by our Adviser to our Sub-Adviser pursuant to the Sub-Advisory Agreement) will compensate our Advisers for their work in identifying, evaluating, negotiating, executing, monitoring and servicing our investments.

We bear all other expenses of our operations and transactions, including fees and expenses relating to:

- corporate and organizational expenses relating to offerings of our common stock, subject to certain limitations;
- the cost of calculating our net asset value (“NAV”), including the cost of any third-party valuation services;
- the cost of effecting sales and repurchases of shares of our common stock and other securities;
- fees payable to third parties relating to, or associated with, monitoring our financial and legal affairs, making investments, and valuing investments, including fees and expenses associated with performing due diligence reviews of prospective investments;
- interest payable on debt, if any, including any hedging costs;
- investment advisory fees;
- transfer agent and custodial fees;
- fees and expenses associated with marketing efforts;
- federal and state registration fees;
- federal, state and local taxes;
- independent directors’ fees and expenses, including travel expenses;
- costs of director and stockholder meetings, proxy statements, stockholders’ reports and notices;
- cost of fidelity bond, directors and officers/errors and omissions liability insurance and other insurance premiums;

- direct costs such as printing of stockholder reports and advertising or sales materials, mailing, long distance telephone, and staff;
- fees and expenses associated with independent audits and outside legal costs, including compliance with the Sarbanes-Oxley Act of 2002, the 1940 Act, and other applicable federal and state securities laws and regulations;
- costs associated with our reporting and compliance obligations under the 1940 Act and other applicable federal and state securities laws and regulations;
- brokerage commissions for our investments;
- all other expenses incurred by our Advisers in performing their obligations, subject to the limitations included in the Investment Advisory Agreement and Sub-Advisory Agreement; and
- all other expenses incurred by us or any administrator in connection with administering our business, including payments under any administration agreement that will be based upon our allocable portion of overhead and other expenses incurred by any administrator in performing its obligations under any proposed administration agreement, including rent and our allocable portion of the costs of compensation and related expenses of our Chief Compliance Officer and Chief Financial Officer and their respective staffs.

During periods of asset growth, we expect our general and administrative expenses to be relatively stable or decline as a percentage of total assets and increase during periods of asset declines.

Base Management Fee, Incentive Fee Waiver Agreements and Administrative Services Expense Reimbursement Waiver Agreements

From time to time, our Advisers may waive certain fees and expense reimbursements accrued under the Investment Advisory Agreement and the Sub-Advisory Agreement, as applicable. Under certain circumstances, we may reimburse such waived fees within three years from the date of each respective fee reimbursement waiver. See Note 10 - *Related Party Transactions and Arrangements - Advisory Agreements and Conditional Fee and Expense Reimbursement Waivers* to our condensed consolidated financial statements included elsewhere in this Report for additional information on our fee and expense reimbursement waivers.

CRITICAL ACCOUNTING POLICIES

Each of our critical accounting policies involves the use of estimates that require management to make assumptions that are subjective in nature. Management relies on its experience, collects historical and current market data, and analyzes these assumptions in order to arrive at what it believes to be reasonable estimates. In addition, application of these accounting policies involves the exercise of judgments regarding assumptions as to future uncertainties. Actual results could materially differ from these estimates. A disclosure of our critical accounting policies is included in our Annual Report on Form 10-K for the year ended December 31, 2017 in Management's Discussion and Analysis of Financial Condition and Results of Operations. There have been no changes to our critical accounting policies during 2018, except to the extent described below.

Basis of Presentation and Consolidation

Our condensed consolidated financial statements have been prepared in accordance with the instructions to Form 10-Q and accounting principles generally accepted in the United States of America and include the accounts of our wholly owned consolidated subsidiaries: HMS Funding I LLC ("HMS Funding"), HMS Equity Holding, LLC ("HMS Equity Holding") and HMS Equity Holding II, Inc. ("HMS Equity Holding II"). All intercompany accounts and transactions have been eliminated in consolidation. Under the 1940 Act rules, regulations pursuant to Articles 6, 10 and 12 of Regulation S-X and Topic 946, *Financial Services - Investment Companies* of the Accounting Standards Codification, as amended (the "ASC"), of the Financial Accounting Standards Board ("FASB"), we are precluded from consolidating portfolio company investments, including those in which we have a controlling interest, unless the portfolio company is a wholly owned investment company. An exception to this general principle occurs if we own a controlled operating company whose purpose is to provide services to us such as an investment adviser or transfer agent. None of our investments qualify for this exception. Therefore, our portfolio company investments, including those in which we have a controlling interest, are carried on the Consolidated Balance Sheet at fair value with changes to fair value recognized as "Net Change in Unrealized Appreciation (Depreciation)" on the Consolidated Statements of Operations until the investment is realized, usually upon exit, resulting in any gain or loss on exit being recognized as a realized gain or loss. However, in the event that any controlled subsidiary exceeds the tests of significance set forth in Rules 3-09 or 4-08(g) of Regulation S-X, we will include required financial information for such subsidiary in the notes or as an attachment to our condensed consolidated financial statements.

PORTFOLIO INVESTMENT COMPOSITION

Our Middle Market portfolio investments primarily consist of direct or secondary purchases of interest-bearing debt securities in companies that are generally larger in size than the LMM companies included in our LMM portfolio. While our Middle Market debt investments are generally secured by a first priority lien, 16.9% of the fair value of our Middle Market portfolio, as of September 30, 2018, is secured by second priority liens.

As of September 30, 2018, LMM portfolio consists of debt investments secured by a first priority lien (63.5% of the total fair value of the LMM portfolio) on the assets of the portfolio companies and equity investments (36.5% of the total fair value of the LMM portfolio) in privately held LMM companies. The LMM debt investments generally mature between five and seven years from the original investment date. The LMM equity investments represent an equity position or the right to acquire an equity position through warrants.

As of September 30, 2018, Private Loan portfolio primarily consists of debt investments secured by first and second priority liens (89.3% and 4.8% of the total fair value of the Private Loan portfolio, respectively) on the assets of the portfolio companies, unsecured debt investments (2.7% of the total fair value of the Private Loan portfolio) and equity investments (3.2% of the total fair value of the Private Loan portfolio) in Private Loan companies. The Private Loan debt investments typically have stated terms between three and seven years from the original investment date. The Private Loan equity investments represent an equity position or the right to acquire an equity position through warrants.

Our Other Portfolio investments primarily consist of our investment in HMS-ORIX (discussed in more detail below) and investments managed by third parties, which differ from the typical profiles for LMM, Middle Market and Private Loan portfolio investments. In the Other Portfolio investments, we may incur indirect fees and expenses in connection with investments managed by third parties, such as investments in other investment companies or private funds.

During the nine months ended September 30, 2018, we funded investment purchases of approximately \$476.5 million and had four investments under contract to purchase as of September 30, 2018 for an aggregate purchase price of approximately \$16.9 million, which settled or were scheduled to settle after September 30, 2018. We also received proceeds from sales and repayments of existing portfolio investments of approximately \$386.1 million, including \$175.3 million in sales. Additionally, we had three investments under contract to sell as of September 30, 2018, for approximately \$17.3 million, which represented the contract sales price. The combined result of these transactions increased our portfolio, on a cost basis, by approximately \$56.7 million, or 5.3%, and the number of portfolio investments by 20 or 11.4%, compared to the portfolio as of December 31, 2017. As of September 30, 2018, the largest investment in an individual portfolio company represented approximately 2.7% of our portfolio's fair value, with remaining investments in any individual portfolio company ranging from 0.0% to 1.8%. The average investment in our portfolio is approximately \$5.8 million or 0.5% of our total portfolio as of September 30, 2018. Our portfolio extends across individual portfolio investments, geographic regions, and industries. Further, our total portfolio's investment composition (excluding our Other Portfolio investments) at fair value comprises 80.7% first lien debt securities and 9.4% second lien debt securities, with the remainder in unsecured debt investments and equity investments. First lien debt securities have priority over subordinated debt owed by the issuer with respect to the collateral pledged as security for the loan. Due to the relative priority of payment of first lien investments, these generally have lower yields than lower priority, less secured investments.

During the nine months ended September 30, 2017, we made investment purchases of approximately \$470.9 million and had two investments under contract to purchase as of September 30, 2017 for an aggregate purchase price of approximately \$9.8 million, which settled after September 30, 2017. We also received proceeds from sales and repayments of existing portfolio investments of approximately \$370.9 million including \$40.8 million in sales and had two investments under contract to sell as of September 30, 2017 for approximately \$12.8 million, which represented the contract sales price.

The result of these transactions further diversified our geographic and industry concentrations and based upon our investment rating system, which is described further below, the weighted average rating of our LMM was approximately 2.5 and 2.7 as of September 30, 2018 and December 31, 2017, respectively. Lastly, the overall weighted average effective yield on our investment portfolio increased from 8.9% as of December 31, 2017 to 9.2% as of September 30, 2018.

Summaries of the composition of our total investment portfolio at cost and fair value are shown in the following tables (this information excludes Other Portfolio investments):

	September 30, 2018				December 31, 2017			
	LMM	Private Loan	Middle Market	Total	LMM	Private Loan	Middle Market	Total
Cost:								
First Lien Secured Debt	70.6%	89.1%	81.2%	82.4%	69.8%	92.5%	83.1%	84.3%
Second Lien Secured Debt	—	4.7	16.6	9.5	—	1.5	16.2	9.6
Unsecured Debt	—	2.8	0.2	1.1	—	3.3	0.1	1.1
Equity	28.7	3.2	2.0	6.8	29.2	2.5	0.6	4.8
Equity warrants	0.7	0.2	—	0.2	1.0	0.2	—	0.2
Total	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%

	September 30, 2018				December 31, 2017			
	LMM	Private Loan	Middle Market	Total	LMM	Private Loan	Middle Market	Total
Fair Value:								
First Lien Secured Debt	63.5%	89.3%	80.8%	80.7%	64.7%	92.4%	82.1%	83.0%
Second Lien Secured Debt	—	4.8	16.9	9.4	—	1.5	17.0	9.8
Unsecured Debt	—	2.7	0.2	1.1	—	3.4	0.1	1.1
Equity	36.0	3.0	2.1	8.6	34.3	2.5	0.8	5.9
Equity warrants	0.5	0.2	—	0.2	1.0	0.2	—	0.2
Total	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%

For the tables showing our total investment portfolio composition by geographic region and by industry, see Note 3 - *Fair Value Hierarchy for Investments - Portfolio Investment Composition* to our condensed consolidated financial statements included elsewhere in this Report.

Investment in HMS-ORIX

We co-invest in broadly-syndicated loans with Orix through our investment in HMS-ORIX, which is organized as a Delaware limited liability company. Pursuant to the terms of the limited liability company agreement and through representation on the HMS-ORIX Board of Managers, we and Orix each have 50% voting control of HMS-ORIX and together will agree on all portfolio and investment decisions as well as all other significant actions for HMS-ORIX. We do not operationally control HMS-ORIX, and, accordingly, we do not consolidate the operations of HMS-ORIX within our consolidated financial statements. As of September 30, 2018, we and Orix have committed to provide, and have funded, an aggregate of \$50.0 million of equity to HMS-ORIX, \$30.0 million (60% of the equity) from us and \$20.0 million (40% of the equity) from Orix.

As of September 30, 2018 and December 31, 2017, HMS-ORIX had total assets of \$151.5 million and \$142.9 million, respectively, and HMS-ORIX's portfolio consisted of 85 and 74 broadly-syndicated loans, respectively, all of which were secured by first-priority liens, generally in industries similar to those in which we may directly invest.

On April 5, 2017, HMS-ORIX closed on a \$100.0 million credit facility with Bank of America, N.A. The facility has a maturity date of April 5, 2020. Borrowings under the facility bear interest at a rate equal to LIBOR plus 1.65% per annum. As of September 30, 2018 and December 31, 2017, \$93.3 million and \$86.5 million, respectively, was outstanding under this facility. Borrowings under the facility are secured by substantially all of the assets of HMS-ORIX. If we were to include our pro-rata share of the borrowings under the HMS-ORIX credit facility as leverage on our balance sheet as of September 30, 2018, our asset coverage ratio as of such date would have been 207%, assuming our unfunded commitments are treated as senior securities.

The following table presents a summary of HMS-ORIX's portfolio as of September 30, 2018 and December 31, 2017 (dollars in thousands):

	As of		As of	
	September 30,		December 31,	
	2018		2017	
Total debt investments ⁽¹⁾	\$	143,895	\$	138,908
Weighted average effective yield on loans ⁽²⁾		5.49%		4.95%
Largest loan to a single borrower ⁽¹⁾	\$	3,470	\$	3,496
Total of 10 largest loans to borrowers ⁽¹⁾	\$	30,960	\$	30,790

(1) At principal amount.

(2) Weighted average effective yield is calculated based on the investments at the end of each period and includes accretion of original issue discounts and amortization of premiums, and the amortization of fees received in connection with transactions. Investments, if any, on non-accrual status are assumed to have a zero yield in the calculation of weighted average effective yield.

The following table presents a listing of HMS-ORIX's individual loan investments as of September 30, 2018:

HMS-ORIX
Loan Portfolio
As of September 30, 2018
(dollars in thousands)

Portfolio Company	Industry	Type of Investment	Principal	Cost	Fair Value
Acrisure, LLC	Insurance	LIBOR (2 months) + 4.25%, Current Coupon 6.59%, Secured Debt (Maturity - November 22, 2023)	\$ 2,099	\$ 2,104	\$ 2,110
Advantage Sales & Marketing Inc.	Commercial Services & Supplies	LIBOR (1 month) + 3.25%, Current Coupon 5.49%, Secured Debt (Maturity - July 23, 2021)	1,975	1,934	1,824
Air Medical Group Holdings, Inc.	Health Care Providers & Services	LIBOR (1 month) + 3.25%, Current Coupon 5.38%, Secured Debt (Maturity - April 28, 2022)	1,975	1,966	1,947
AlixPartners, LLP	Asset Management	LIBOR (3 months) + 2.75%, Current Coupon 4.99%, Secured Debt (Maturity - April 4, 2024)	995	995	1,001
American Seafoods Group LLC	Food Products	LIBOR (1 month) + 2.75%, Current Coupon 5.00%, Secured Debt (Maturity - August 21, 2023)	1,456	1,450	1,451
Ancestry.com Operations Inc.	Internet Software & Services	LIBOR (1 month) + 3.25%, Current Coupon 5.50%, Secured Debt (Maturity - October 19, 2023)	1,300	1,311	1,307
Arch Coal, Inc.	Metals & Mining	LIBOR (1 month) + 2.75%, Current Coupon 4.99%, Secured Debt (Maturity - March 7, 2024)	1,970	1,976	1,974
Asurion, LLC	Insurance	LIBOR (1 month) + 3.00%, Current Coupon 5.08%, Secured Debt (Maturity - November 3, 2023)	1,264	1,264	1,275
		LIBOR (1 month) + 3.00%, Current Coupon 5.08%, Secured Debt (Maturity - November 4, 2024)	324	323	327
		LIBOR (1 month) + 3.00%, Current Coupon 4.97%, Secured Debt (Maturity - December 22, 2023)	2,955	2,971	2,973
			4,543	4,558	4,575
BCP Renaissance Parent L.L.C.	Oil, Gas & Consumable Fuels	LIBOR (3 months) + 3.50%, Current Coupon 5.84%, Secured Debt (Maturity - October 31, 2024)	600	601	605

HMS-ORIX
Loan Portfolio
As of September 30, 2018
(dollars in thousands)

Portfolio Company	Industry	Type of Investment	Principal	Cost	Fair Value
BMC Software Finance, Inc.	Software	LIBOR (3 months) + 4.25%, Current Coupon 6.55%, Secured Debt (Maturity - September 1, 2025)	\$ 2,800	\$ 2,772	\$ 2,831
		LIBOR (1 month) + 3.25%, Current Coupon 5.49%, Secured Debt (Maturity - September 12, 2022)	3,132	3,153	3,167
			5,932	5,925	5,998
Builders FirstSource, Inc.	Building Products	LIBOR (1 month) + 3.00%, Current Coupon 5.39%, Secured Debt (Maturity - February 29, 2024)	2,955	2,952	2,964
Calpine Corporation	Independent Power and Renewable Electricity Producers	LIBOR (3 months) + 2.50%, Current Coupon 4.89%, Secured Debt (Maturity - January 15, 2023)	1,975	1,981	1,977
CDS U.S. Intermediate Holdings, Inc.	Recreation Facilities & Services	LIBOR (1 month) + 3.75%, Current Coupon 6.14%, Secured Debt (Maturity - July 8, 2022)	975	977	961
CHS/Community Health Systems, Inc.	Healthcare Providers & Services	LIBOR (3 months) + 3.25%, Current Coupon 5.56%, Secured Debt (Maturity - January 27, 2021)	1,460	1,457	1,444
ClubCorp Holdings, Inc.	Real Estate Management & Development	LIBOR (3 months) + 2.75%, Current Coupon 5.14%, Secured Debt (Maturity - September 18, 2024)	1,959	1,950	1,953
CPI International, Inc.	Aerospace & Defense	LIBOR (1 month) + 3.50%, Current Coupon 5.74%, Secured Debt (Maturity - July 26, 2024)	1,980	1,980	1,987
Cyxtera DC Holdings, Inc.	Communications	LIBOR (3 months) + 3.00%, Current Coupon 5.11%, Secured Debt (Maturity - May 1, 2024)	2,963	2,972	2,971
Deerfield Holdings Corporation	Diversified Financial Services	LIBOR (1 month) + 3.25%, Current Coupon 5.49%, Secured Debt (Maturity - February 13, 2025)	2,985	2,981	2,991
Diamond Resorts International, Inc.	Hotels, Restaurants & Leisure	LIBOR (1 month) + 3.75%, Current Coupon 5.99%, Secured Debt (Maturity - September 1, 2023)	2,136	2,163	2,089
EFS Cogen Holdings I LLC	Utilities	LIBOR (3 months) + 3.25%, Current Coupon 5.64%, Secured Debt (Maturity - June 28, 2023)	1,835	1,845	1,831
Encapsys LLC	Chemicals	LIBOR (1 month) + 3.25%, Current Coupon 5.49%, Secured Debt (Maturity - November 7, 2024)	995	996	1,002
Endo Luxembourg Finance Company I S.a.r.l.	Pharmaceuticals	LIBOR (1 month) + 4.25%, Current Coupon 6.50%, Secured Debt (Maturity - April 29, 2024)	1,975	1,991	1,991
Envision Healthcare Corporation	Healthcare Providers & Services	LIBOR (1 month) + 3.00%, Current Coupon 5.25%, Secured Debt (Maturity - December 1, 2023)	1,415	1,415	1,410
Everi Payments Inc.	Leisure Products	LIBOR (3 months) + 3.00%, Current Coupon 5.24%, Secured Debt (Maturity - May 9, 2024)	1,975	1,969	1,989
Exgen Renewables IV, LLC	Electrical Production	LIBOR (3 months) + 3.00%, Current Coupon 5.32%, Secured Debt (Maturity - November 29, 2024)	294	294	297
Financial & Risk	Diversified Financial Services	LIBOR (1 month) + 3.75%, Current Coupon 6.07%, Secured Debt (Maturity - October 1, 2025)	1,425	1,424	1,424
First American Payment Systems, L.P.	Diversified Financial Services	LIBOR (1 month) + 4.75%, Current Coupon 6.87%, Secured Debt (Maturity - January 5, 2024)	904	913	911
Fitness International, LLC	Hotels, Restaurants & Leisure	LIBOR (1 month) + 3.25%, Current Coupon 5.49%, Secured Debt (Maturity - April 18, 2025)	1,584	1,606	1,590

HMS-ORIX
Loan Portfolio
As of September 30, 2018
(dollars in thousands)

Portfolio Company	Industry	Type of Investment	Principal	Cost	Fair Value
Flex Acquisition Company Inc	Containers & Packaging	LIBOR (3 months) + 3.00%, Current Coupon 5.34%, Secured Debt (Maturity - December 29, 2023)	\$ 1,980	\$ 1,988	\$ 1,981
Flexera Software LLC	Software	LIBOR (1 month) + 3.25%, Current Coupon 5.50%, Secured Debt (Maturity - February 26, 2025)	1,522	1,518	1,528
Gardner Denver, Inc.	Machinery	LIBOR (1 month) + 2.75%, Current Coupon 4.99%, Secured Debt (Maturity - July 30, 2024)	1,596	1,603	1,606
Golden Nugget, Inc.	Hotels, Restaurants & Leisure	LIBOR (1 month) + 2.75%, Current Coupon 4.90%, Secured Debt (Maturity - October 4, 2023)	1,951	1,951	1,960
GrafTech Finance Inc.	Diversified Financial Services	LIBOR (1 month) + 3.50%, Current Coupon 5.74%, Secured Debt (Maturity - February 12, 2025)	1,975	1,956	1,991
Greatbatch Ltd.	Health Care Equipment & Supplies	LIBOR (1 month) + 3.00%, Current Coupon 5.14%, Secured Debt (Maturity - October 27, 2022)	2,083	2,093	2,099
GYP Holdings III Corp.	Trading Companies & Distributors	LIBOR (1 month) + 2.75%, Current Coupon 4.99%, Secured Debt (Maturity - June 2, 2025)	3,456	3,481	3,453
Harbor Freight Tools USA, Inc.	Specialty Retail	LIBOR (1 month) + 2.50%, Current Coupon 4.74%, Secured Debt (Maturity - August 18, 2023)	1,945	1,952	1,949
HD Supply Waterworks, Ltd.	Trading Companies & Distributors	LIBOR (6 months) + 3.00%, Current Coupon 5.31%, Secured Debt (Maturity - August 1, 2024)	139	139	140
Horizon Pharma, Inc.	Pharmaceuticals	LIBOR (1 month) + 3.25%, Current Coupon 5.50%, Secured Debt (Maturity - March 29, 2024)	1,925	1,941	1,943
Huntsman Holdings LLC	Chemicals	LIBOR (3 months) + 5.00%, Current Coupon 7.24%, Secured Debt (Maturity - September 25, 2024)	1,980	1,941	2,002
IG Investments Holdings, LLC	Construction	LIBOR (1 month) + 3.50%, Current Coupon 5.74%, Secured Debt (Maturity - May 23, 2025)	1,980	1,992	2,000
IRB Holding Corp.	Hotels, Restaurants & Leisure	LIBOR (1 month) + 3.25%, Current Coupon 5.46%, Secured Debt (Maturity - February 5, 2025)	398	398	399
KBR, Inc.	Construction	LIBOR (1 month) + 3.75%, Current Coupon 5.99%, Secured Debt (Maturity - April 25, 2025)	1,247	1,241	1,262
KMG Chemicals, Inc.	Chemicals	LIBOR (1 month) + 2.75%, Current Coupon 4.99%, Secured Debt (Maturity - June 17, 2024)	737	734	741
KUEHG Corp.	Educational Services	LIBOR (1 month) + 3.75%, Current Coupon 6.14%, Secured Debt (Maturity - February 21, 2025)	2,464	2,471	2,481
LANDesk Group, Inc.	Software	LIBOR (1 month) + 4.25%, Current Coupon 6.33%, Secured Debt (Maturity - January 22, 2024)	986	991	995
Learfield Communications LLC	Media	LIBOR (1 month) + 3.25%, Current Coupon 5.50%, Secured Debt (Maturity - December 1, 2023)	1,975	1,991	2,000
MA FinanceCo., LLC	Electric Equipment, Instruments & Components	LIBOR (1 month) + 2.50%, Current Coupon 4.74%, Secured Debt (Maturity - June 21, 2024)	385	385	384
Mallinckrodt International Finance S.A.	Pharmaceuticals	LIBOR (6 months) + 3.00%, Current Coupon 5.52%, Secured Debt (Maturity - February 24, 2025)	995	993	997
McDermott International, Inc.	Oil, Gas & Consumable Fuels	LIBOR (1 month) + 5.00%, Current Coupon 7.08%, Secured Debt (Maturity - May 12, 2025)	995	976	1,010

HMS-ORIX
Loan Portfolio
As of September 30, 2018
(dollars in thousands)

Portfolio Company	Industry	Type of Investment	Principal	Cost	Fair Value
Mohegan Tribal Gaming Authority	Hotels, Restaurants & Leisure	LIBOR (1 month) + 4.00%, Current Coupon 6.24%, Secured Debt (Maturity - October 13, 2023)	\$ 1,919	\$ 1,934	\$ 1,816
MPH Acquisition Holdings LLC	Health Care Technology	LIBOR (3 months) + 2.75%, Current Coupon 5.14%, Secured Debt (Maturity - June 7, 2023)	2,664	2,695	2,672
NAB Holdings, LLC	IT Services	LIBOR (3 months) + 3.00%, Current Coupon 5.39%, Secured Debt (Maturity - July 1, 2024)	1,980	1,971	1,961
Ortho-Clinical Diagnostics, Inc	Life Sciences Tools & Services	LIBOR (1 month) + 3.25%, Current Coupon 5.49%, Secured Debt (Maturity - June 30, 2025)	1,955	1,950	1,964
PI UK Holdco II Limited	Specialty Finance	LIBOR (1 month) + 3.50%, Current Coupon 5.74%, Secured Debt (Maturity - January 3, 2025)	2,985	2,964	2,982
Rackspace Hosting, Inc.	Internet Software & Services	LIBOR (3 months) + 3.00%, Current Coupon 5.35%, Secured Debt (Maturity - November 3, 2023)	3,259	3,281	3,221
Radiate Holdco, LLC	Media	LIBOR (1 month) + 3.00%, Current Coupon 5.24%, Secured Debt (Maturity - February 1, 2024)	2,551	2,528	2,550
Red Ventures, LLC	Direct Marketing Services	LIBOR (1 month) + 4.00%, Current Coupon 6.24%, Secured Debt (Maturity - November 8, 2024)	1,635	1,624	1,656
Savage Enterprises, LLC	Transportation and Logistics	LIBOR (1 month) + 4.50%, Current Coupon 6.60%, Secured Debt (Maturity - August 1, 2025)	1,129	1,107	1,146
Scientific Games International, Inc.	Leisure Products	LIBOR (1 month) + 2.75%, Current Coupon 4.99%, Secured Debt (Maturity - August 14, 2024)	895	896	894
Seattle SpinCo, Inc.	Electric Equipment, Instruments & Components	LIBOR (3 months) + 2.50%, Current Coupon 4.74%, Secured Debt (Maturity - June 21, 2024)	2,600	2,603	2,596
SeaWorld Parks & Entertainment, Inc.	Hotels, Restaurants & Leisure	LIBOR (3 months) + 3.00%, Current Coupon 5.24%, Secured Debt (Maturity - April 1, 2024)	1,970	1,972	1,970
SRS Distribution Inc.	Trading Companies & Distributors	LIBOR (3 months) + 3.25%, Current Coupon 5.44%, Secured Debt (Maturity - May 23, 2025)	1,200	1,197	1,193
SS&C Technologies, Inc.	Software	LIBOR (1 month) + 2.25%, Current Coupon 4.49%, Secured Debt (Maturity - April 16, 2025)	560	559	561
		LIBOR (1 month) + 2.25%, Current Coupon 4.49%, Secured Debt (Maturity - April 16, 2025)	217	217	218
			777	776	779
Staples, Inc.	Distributors	LIBOR (3 months) + 4.00%, Current Coupon 6.34%, Secured Debt (Maturity - September 12, 2024)	1,985	1,981	1,990
Starfruit Finco B.V.	Chemicals	LIBOR (1 month) + 3.25%, Current Coupon 5.57%, Secured Debt (Maturity - October 1, 2025)	1,250	1,247	1,257
Telenet Financing USD LLC	Diversified Telecommunications Services	LIBOR (1 month) + 2.25%, Current Coupon 4.41%, Secured Debt (Maturity - August 17, 2026)	1,655	1,653	1,650
Transdigm, Inc.	Aerospace & Defense	LIBOR (1 month) + 2.50%, Current Coupon 4.74%, Secured Debt (Maturity - June 9, 2023)	1,970	1,977	1,980
		LIBOR (1 month) + 2.50%, Current Coupon 4.74%, Secured Debt (Maturity - August 22, 2024)	993	990	997
			2,963	2,967	2,977

HMS-ORIX
Loan Portfolio
As of September 30, 2018
(dollars in thousands)

Portfolio Company	Industry	Type of Investment	Principal	Cost	Fair Value
Travelport Finance (Luxembourg) S.A.R.L.	Internet Software & Services	LIBOR (3 months) + 2.50%, Current Coupon 4.81%, Secured Debt (Maturity - March 17, 2025)	\$ 1,243	\$ 1,238	\$ 1,245
Traverse Midstream Partners LLC	Oil, Gas & Consumable Fuels	LIBOR (3 months) + 4.00%, Current Coupon 6.34%, Secured Debt (Maturity - September 27, 2024)	781	784	788
UFC Holdings, LLC	Media	LIBOR (3 months) + 3.25%, Current Coupon 5.50%, Secured Debt (Maturity - August 18, 2023)	1,975	1,985	1,989
Ultra Resources, Inc.	Oil, Gas & Consumable Fuels	LIBOR (1 month) + 3.00%, Current Coupon 5.17%, Secured Debt (Maturity - April 12, 2024)	2,000	2,002	1,808
Utz Quality Foods, LLC	Commercial Services & Supplies	LIBOR (1 month) + 3.50%, Current Coupon 5.74%, Secured Debt (Maturity - November 21, 2024)	1,588	1,587	1,595
Valeant Pharmaceuticals International, Inc.	Pharmaceuticals	LIBOR (1 month) + 3.00%, Current Coupon 5.10%, Secured Debt (Maturity - June 2, 2025)	1,420	1,426	1,429
Vertafore, Inc.	Software	LIBOR (1 month) + 3.25%, Current Coupon 5.49%, Secured Debt (Maturity - June 4, 2025)	2,500	2,488	2,514
Vertiv Group Corporation	Electrical Equipment	LIBOR (3 months) + 4.00%, Current Coupon 6.31%, Secured Debt (Maturity - November 30, 2023)	1,555	1,567	1,547
Vistra Operations Company LLC	Electric Utilities	LIBOR (1 month) + 2.25%, Current Coupon 4.49%, Secured Debt (Maturity - December 14, 2023)	1,970	1,980	1,977
Web.com Group, Inc.	Internet Software and Services	LIBOR (3 months) + 3.75%, Current Coupon 6.07%, Secured Debt (Maturity - September 17, 2025)	1,000	1,000	1,008
West Corporation	Diversified Telecommunications Services	LIBOR (1 month) + 3.50%, Current Coupon 5.74%, Secured Debt (Maturity - October 10, 2024)	648	648	644
		LIBOR (1 month) + 4.00%, Current Coupon 6.24%, Secured Debt (Maturity - October 10, 2024)	1,024	1,015	1,022
			1,672	1,663	1,666
WideOpenWest Finance, LLC	Diversified Telecommunications Services	LIBOR (1 month) + 3.25%, Current Coupon 5.41%, Secured Debt (Maturity - August 18, 2023)	3,470	3,478	3,410
Total Loan Portfolio				\$ 143,965	\$ 143,745

The following table presents a listing of HMS-ORIX's individual loan investments as of December 31, 2017:

HMS-ORIX
Loan Portfolio
As of December 31, 2017
(dollars in thousands)

Portfolio Company	Industry	Type of Investment	Principal	Cost	Fair Value
Acosta, Inc.	Commercial Services and Supplies	LIBOR (1 month) + 3.25%, Current Coupon 4.82%, Secured Debt (Maturity - September 26, 2021)	\$ 2,000	\$ 1,881	\$ 1,766
Acrisure, LLC	Insurance	LIBOR (2 months) + 4.25%, Current Coupon 5.65%, Secured Debt (Maturity - November 22, 2023)	2,115	2,122	2,139
Advantage Sales & Marketing Inc.	Commercial Services and Supplies	LIBOR (1 month) + 3.25%, Current Coupon 4.63%, Secured Debt (Maturity - July 23, 2021)	1,990	1,938	1,945

HMS-ORIX
Loan Portfolio
As of December 31, 2017
(dollars in thousands)

Portfolio Company	Industry	Type of Investment	Principal	Cost	Fair Value
Air Medical Group Holdings Inc	Health Care Providers & Services	LIBOR (6 months) + 4.00%, Current Coupon 5.67%, Secured Debt (Maturity - April 28, 2022)	\$ 1,990	\$ 1,981	\$ 1,993
Albany Molecular Research, Inc.	Life Sciences Tools & Services	LIBOR (1 month) + 3.25%, Current Coupon 4.82%, Secured Debt (Maturity - August 28, 2024)	100	100	99
Alphabet Holding Company, Inc.	Food Products	LIBOR (1 month) + 3.50%, Current Coupon 5.07%, Secured Debt (Maturity - September 26, 2024)	1,995	1,985	1,935
American Seafoods Group LLC	Food Products	Prime + 2.25%, Current Coupon 6.75%, Secured Debt (Maturity - August 21, 2023)	1,500	1,493	1,513
Ancestry.com Operations Inc.	Internet Software & Services	LIBOR (1 month) + 3.25%, Current Coupon 4.66%, Secured Debt (Maturity - October 19, 2023)	1,995	2,013	2,007
Arch Coal, Inc.	Metals & Mining	LIBOR (1 month) + 3.25%, Current Coupon 4.82%, Secured Debt (Maturity - March 7, 2024)	1,985	1,992	2,004
AshCo, Inc.	Specialty Retail	LIBOR (3 months) + 5.00%, Current Coupon 6.57%, Secured Debt (Maturity - September 25, 2024)	1,995	1,951	1,993
Asurion, LLC	Insurance	LIBOR (1 month) + 3.00%, Current Coupon 4.57%, Secured Debt (Maturity - November 3, 2023)	1,312	1,312	1,320
Atkore International, Inc.	Electric Equipment, Instruments & Components	LIBOR (3 months) + 3.00%, Current Coupon 4.70%, Secured Debt (Maturity - December 22, 2023)	2,977	3,005	2,999
BCP Renaissance Parent L.L.C.	Oil, Gas & Consumable Fuels	LIBOR (3 months) + 4.00%, Current Coupon 5.38%, Secured Debt (Maturity - October 31, 2024)	600	602	608
BMC Software Finance, Inc.	Software	LIBOR (1 month) + 3.25%, Current Coupon 4.82%, Secured Debt (Maturity - September 12, 2022)	3,156	3,181	3,163
Builders FirstSource, Inc.	Building Products	LIBOR (1 month) + 3.00%, Current Coupon 4.69%, Secured Debt (Maturity - February 29, 2024)	2,977	2,974	2,993
Calpine Corporation	Independent Power and Renewable Electricity Producers	LIBOR (3 months) + 2.50%, Current Coupon 4.20%, Secured Debt (Maturity - January 15, 2023)	1,990	1,997	1,991
CHS/Community Health Systems, Inc.	Health Care Providers & Services	LIBOR (3 months) + 3.00%, Current Coupon 4.48%, Secured Debt (Maturity - January 27, 2021)	1,613	1,608	1,543
ClubCorp Holdings, Inc.	Real Estate Management & Development	LIBOR (3 months) + 3.25%, Current Coupon 4.94%, Secured Debt (Maturity - September 18, 2024)	1,959	1,949	1,969
Colorado Buyer Inc	Technology Hardware, Storage & Peripherals	LIBOR (3 months) + 3.00%, Current Coupon 4.38%, Secured Debt (Maturity - May 1, 2024)	2,985	2,995	3,008
Confie Seguros Holding II Co.	Insurance	LIBOR (1 month) + 5.25%, Current Coupon 6.73%, Secured Debt (Maturity - April 19, 2022)	1,985	1,992	1,987
CPI International, Inc.	Aerospace & Defense	LIBOR (1 month) + 3.50%, Current Coupon 5.07%, Secured Debt (Maturity - July 26, 2024)	1,995	1,995	2,011
Diamond Resorts International, Inc.	Hotels, Restaurants & Leisure	LIBOR (1 month) + 4.50%, Current Coupon 6.07%, Secured Debt (Maturity - September 1, 2023)	2,152	2,179	2,173

HMS-ORIX
Loan Portfolio
As of December 31, 2017
(dollars in thousands)

Portfolio Company	Industry	Type of Investment	Principal	Cost	Fair Value
Duff & Phelps Corporation	Diversified Financial Services	LIBOR (3 months) + 3.25%, Current Coupon 4.94%, Secured Debt (Maturity - October 15, 2024)	\$ 491	\$ 494	\$ 493
		LIBOR (3 months) + 3.25%, Current Coupon 4.63%, Secured Debt (Maturity - December 4, 2024)	2,728	2,724	2,737
			3,219	3,218	3,230
EFS Cogen Holdings I LLC	Electric Utilities	LIBOR (3 months) + 3.25%, Current Coupon 4.95%, Secured Debt (Maturity - June 28, 2023)	1,904	1,917	1,925
Encapsys LLC	Chemicals	LIBOR (1 month) + 3.25%, Current Coupon 4.82%, Secured Debt (Maturity - November 7, 2024)	1,000	1,001	1,006
Endo Luxembourg Finance Company I S.a.r.l.	Pharmaceuticals	LIBOR (1 month) + 4.25%, Current Coupon 5.88%, Secured Debt (Maturity - April 29, 2024)	1,990	2,009	2,005
Envision Healthcare Corporation	Health Care Providers & Services	LIBOR (1 month) + 3.00%, Current Coupon 4.57%, Secured Debt (Maturity - December 1, 2023)	2,481	2,481	2,491
Everi Payments Inc.	Leisure Products	LIBOR (3 months) + 3.50%, Current Coupon 4.98%, Secured Debt (Maturity - May 9, 2024)	1,990	1,983	2,013
Exgen Renewables IV, LLC	Electrical Production	LIBOR (3 months) + 3.00%, Current Coupon 4.47%, Secured Debt (Maturity - November 29, 2024)	300	299	304
First American Payment Systems, L.P.	Diversified Financial Services	LIBOR (1 month) + 5.75%, Current Coupon 7.14%, Secured Debt (Maturity - January 5, 2024)	952	963	958
Fitness International, LLC	Hotels, Restaurants & Leisure	LIBOR (1 month) + 3.50%, Current Coupon 5.19%, Secured Debt (Maturity - July 1, 2020)	1,735	1,757	1,760
Flex Acquisition Company Inc	Containers & Packaging	LIBOR (3 months) + 3.00%, Current Coupon 4.34%, Secured Debt (Maturity - December 29, 2023)	1,995	2,004	2,008
Flexera Software LLC	Software	LIBOR (1 month) + 3.50%, Current Coupon 4.83%, Secured Debt (Maturity - April 2, 2020)	1,995	2,013	2,008
Gardner Denver, Inc.	Machinery	LIBOR (1 month) + 2.75%, Current Coupon 4.44%, Secured Debt (Maturity - July 30, 2024)	1,995	2,005	2,004
Golden Nugget, Inc.	Hotels, Restaurants & Leisure	LIBOR (1 month) + 3.25%, Current Coupon 4.66%, Secured Debt (Maturity - October 4, 2023)	1,990	1,990	2,008
Greatbatch Ltd.	Health Care Equipment & Supplies	LIBOR (1 month) + 3.25%, Current Coupon 4.66%, Secured Debt (Maturity - October 27, 2022)	2,763	2,780	2,788
GYP Holdings III Corp.	Trading Companies & Distributors	LIBOR (1 month) + 3.00%, Current Coupon 4.38%, Secured Debt (Maturity - March 31, 2023)	3,483	3,506	3,502
Harbor Freight Tools USA, Inc.	Specialty Retail	LIBOR (1 month) + 3.25%, Current Coupon 4.82%, Secured Debt (Maturity - August 18, 2023)	1,980	1,987	1,996
HD Supply Waterworks, Ltd.	Trading Companies & Distributors	LIBOR (6 months) + 3.00%, Current Coupon 4.46%, Secured Debt (Maturity - August 1, 2024)	140	140	141
Horizon Pharma, Inc.	Pharmaceuticals	LIBOR (1 month) + 3.25%, Current Coupon 4.75%, Secured Debt (Maturity - March 29, 2024)	1,990	2,009	2,001
IG Investments Holdings, LLC	Professional Services	LIBOR (1 month) + 3.50%, Current Coupon 5.19%, Secured Debt (Maturity - October 29, 2021)	1,990	2,002	1,992

HMS-ORIX
Loan Portfolio
As of December 31, 2017
(dollars in thousands)

Portfolio Company	Industry	Type of Investment	Principal	Cost	Fair Value
Jackson Hewitt Tax Service Inc.	Diversified Financial Services	LIBOR (1 month) + 7.00%, Current Coupon 8.38%, Secured Debt (Maturity - July 30, 2020)	\$ 1,939	\$ 1,868	\$ 1,922
KMG Chemicals, Inc.	Chemicals	LIBOR (1 month) + 2.75%, Current Coupon 4.32%, Secured Debt (Maturity - June 17, 2024)	863	859	868
KUEHG Corp.	Educational Services	LIBOR (1 month) + 3.75%, Current Coupon 5.44%, Secured Debt (Maturity - August 12, 2022)	2,482	2,489	2,493
LANDesk Group, Inc.	Software	LIBOR (1 month) + 4.25%, Current Coupon 5.82%, Secured Debt (Maturity - January 22, 2024)	993	999	947
Learfield Communications LLC	Media	LIBOR (1 month) + 3.25%, Current Coupon 4.82%, Secured Debt (Maturity - December 1, 2023)	1,990	2,009	2,007
MA FinanceCo., LLC	Electric Equipment, Instruments & Components	LIBOR (1 month) + 2.75%, Current Coupon 4.32%, Secured Debt (Maturity - June 21, 2024)	387	387	388
Mohegan Tribal Gaming Authority	Hotels, Restaurants & Leisure	LIBOR (1 month) + 4.00%, Current Coupon 5.57%, Secured Debt (Maturity - October 13, 2023)	1,985	2,003	2,006
MPH Acquisition Holdings LLC	Health Care Technology	LIBOR (3 months) + 3.00%, Current Coupon 4.69%, Secured Debt (Maturity - June 7, 2023)	2,896	2,935	2,905
NAB Holdings, LLC	IT Services	LIBOR (3 months) + 3.25%, Current Coupon 4.82%, Secured Debt (Maturity - July 1, 2024)	1,990	1,981	2,000
Ortho-Clinical Diagnostics, Inc	Life Sciences Tools & Services	LIBOR (1 month) + 3.75%, Current Coupon 5.44%, Secured Debt (Maturity - June 30, 2021)	1,985	1,980	1,992
PODS, LLC	Transportation & Logistics	LIBOR (1 month) + 3.00%, Current Coupon 4.40%, Secured Debt (Maturity - December 6, 2024)	1,995	1,994	2,010
Rackspace Hosting, Inc.	Electric Equipment, Instruments & Components	LIBOR (3 months) + 3.00%, Current Coupon 4.38%, Secured Debt (Maturity - November 3, 2023)	3,284	3,309	3,286
Radiate Holdco, LLC	Media	LIBOR (3 months) + 3.00%, Current Coupon 4.38%, Secured Debt (Maturity - February 1, 2024)	2,570	2,544	2,547
Red Ventures, LLC	Direct Marketing Services	LIBOR (1 month) + 4.00%, Current Coupon 5.57%, Secured Debt (Maturity - November 8, 2024)	1,995	1,981	1,996
Scientific Games International, Inc.	Leisure Products	LIBOR (1 month) + 3.25%, Current Coupon 4.67%, Secured Debt (Maturity - August 14, 2024)	399	401	403
Seattle Spin Co.	Electric Equipment, Instruments & Components	LIBOR (3 months) + 2.75%, Current Coupon 4.32%, Secured Debt (Maturity - June 21, 2024)	2,613	2,616	2,618
SeaWorld Parks & Entertainment, Inc.	Hotels, Restaurants & Leisure	LIBOR (3 months) + 3.00%, Current Coupon 4.69%, Secured Debt (Maturity - April 1, 2024)	1,985	1,987	1,966
Signode Industrial Group US Inc.	Machinery	LIBOR (1 month) + 2.75%, Current Coupon 4.32%, Secured Debt (Maturity - April 30, 2021)	2,773	2,792	2,785
Staples, Inc.	Distributors	LIBOR (3 months) + 4.00%, Current Coupon 5.49%, Secured Debt (Maturity - September 12, 2024)	2,000	1,995	1,965
Telenet Financing USD LLC	Diversified Telecommunications Services	LIBOR (1 month) + 2.50%, Current Coupon 3.92%, Secured Debt (Maturity - March 2, 2026)	1,655	1,655	1,663

HMS-ORIX
Loan Portfolio
As of December 31, 2017
(dollars in thousands)

Portfolio Company	Industry	Type of Investment	Principal	Cost	Fair Value
Transdigm, Inc.	Aerospace & Defense	LIBOR (1 month) + 2.75%, Current Coupon 4.32%, Secured Debt (Maturity - June 9, 2023)	\$ 1,985	\$ 1,992	\$ 1,990
		LIBOR (1 month) + 3.00%, Current Coupon 4.57%, Secured Debt (Maturity - August 22, 2024)	1,000	998	1,006
			<u>2,985</u>	<u>2,990</u>	<u>2,996</u>
Travelport Finance (Luxembourg) S.A.R.L.	Internet Software & Services	LIBOR (3 months) + 2.75%, Current Coupon 4.17%, Secured Debt (Maturity - September 2, 2021)	1,901	1,901	1,903
Traverse Midstream Partners LLC	Oil, Gas & Consumable Fuels	LIBOR (3 months) + 4.00%, Current Coupon 5.85%, Secured Debt (Maturity - September 27, 2024)	781	784	793
UFC Holdings, LLC	Media	LIBOR (3 months) + 3.25%, Current Coupon 4.81%, Secured Debt (Maturity - August 18, 2023)	1,990	2,002	2,003
Ultra Resources, Inc.	Oil, Gas & Consumable Fuels	LIBOR (1 month) + 3.00%, Current Coupon 4.41%, Secured Debt (Maturity - April 12, 2024)	2,000	2,002	2,002
Utz Quality Foods, LLC	Commercial Services and Supplies	LIBOR (1 month) + 3.50%, Current Coupon 5.01%, Secured Debt (Maturity - November 21, 2024)	1,600	1,599	1,616
Valeant Pharmaceuticals International, Inc.	Pharmaceuticals	LIBOR (1 month) + 3.50%, Current Coupon 4.94%, Secured Debt (Maturity - April 1, 2022)	1,546	1,553	1,570
Vertiv Group Corporation	Electrical Equipment	LIBOR (3 months) + 4.00%, Current Coupon 5.35%, Secured Debt (Maturity - November 30, 2023)	1,555	1,569	1,556
Vistra Operations Company LLC	Electric Utilities	LIBOR (2 months) + 2.75%, Current Coupon 4.08%, Secured Debt (Maturity - December 14, 2023)	1,985	1,996	2,001
West Corporation	Diversified Telecommunications Services	LIBOR (1 month) + 4.00%, Current Coupon 5.35%, Secured Debt (Maturity - October 10, 2024)	1,032	1,022	1,036
WideOpenWest Finance, LLC	Diversified Telecommunications Services	LIBOR (1 month) + 3.25%, Current Coupon 4.75%, Secured Debt (Maturity - August 18, 2023)	3,496	3,506	3,470
Total Loan Portfolio				<u>\$ 139,017</u>	<u>\$ 139,012</u>

For the three months ended September 30, 2018 and 2017, we recognized approximately \$536,000 and \$0, respectively, of dividend income in respect of our investment in HMS-ORIX. For the nine months ended September 30, 2018 and for the period from inception (April 4, 2017) to September 30, 2017, we recognized approximately \$1.6 million and \$0, respectively, of dividend income in respect of our investment in HMS-ORIX.

The following tables show the summarized financial information for HMS-ORIX (dollars in thousands):

HMS-ORIX SLF LLC
Balance Sheet (Unaudited)
(dollars in thousands)

	As of September 30, 2018	As of December 31, 2017
Assets		
Portfolio investments at fair value (amortized cost: \$143,965 and \$139,017 as of September 30, 2018 and December 31, 2017, respectively)	\$ 143,745	\$ 139,012
Cash and cash equivalents	3,967	2,681
Receivable for securities sold	2,891	—
Interest receivable	268	306
Deferred financing costs, net	596	890
Other assets	31	15
Total assets	\$ 151,498	\$ 142,904
Liabilities		
Credit facilities payable	\$ 93,300	\$ 86,500
Payable for securities purchased	6,443	5,268
Distributions payable	893	—
Accounts payable and accrued expenses	79	64
Total liabilities	100,715	91,832
Net assets		
Members' equity	50,783	51,072
Total net assets	50,783	51,072
Total liabilities and net assets	\$ 151,498	\$ 142,904

HMS-ORIX SLF LLC
Statement of Operations (Unaudited)
(dollars in thousands)

	Three Months Ended		Nine Months Ended September 30, 2018	For the Period from Inception (April 4, 2017) through September 30, 2017
	September 30, 2018	September 30, 2017		
Investment income				
Interest income	\$ 1,944	\$ 1,554	\$ 5,566	\$ 2,048
Dividend income	—	—	—	—
Fee income	—	—	—	—
Other income	—	—	—	—
Total investment income	1,944	1,554	5,566	2,048
Expenses				
Interest expense	988	615	2,759	866
Other expenses	—	2	1	34
General and administrative expenses	20	24	67	45
Total expenses	1,008	641	2,827	945
Net investment income	936	913	2,739	1,103
Net realized loss from investments	(17)	(16)	(392)	(17)
Net realized income	919	897	2,347	1,086
Net change in unrealized appreciation (depreciation) on investments	1,013	—	15	(226)
Net increase in net assets resulting from operations	\$ 1,932	\$ 897	\$ 2,362	\$ 860

PORTFOLIO ASSET QUALITY

As of September 30, 2018, we owned a broad portfolio of 196 investments in 129 companies representing a wide range of industries. We believe that this broad portfolio adds to the structural protection of the portfolio, revenue sources, income, cash flows and dividends. The portfolio included the following:

- 50 debt investments in 50 Middle Market portfolio companies with an aggregate fair value of approximately \$482.2 million and a cost basis of approximately \$491.8 million. The Middle Market debt investments had a weighted average annual effective yield of approximately 9.4%, which is calculated assuming the investments on non-accrual status have a zero yield, and 82.6% of the Middle Market debt investments were secured by first priority liens. Further, 92.9% of the Middle Market debt investments contain variable rates, though a majority of the investments with variable rates are subject to contractual minimum base interest rates between 100 and 150 basis points.
- 45 debt investments in 40 Private Loan portfolio companies with an aggregate fair value of approximately \$377.6 million and a cost basis of approximately \$378.4 million. The Private Loan debt investments had a weighted average annual effective yield of approximately 9.9%, which is calculated assuming the investments on non-accrual status have a zero yield, and 92.3% of the Private Loan debt investments were secured by first priority liens. Further, 94.7% of the Private Loan debt investments contain variable rates, though a majority of the investments with variable rates are subject to contractual minimum base interest rates between 100 and 150 basis points.
- 37 debt investments in 28 LMM portfolio companies with an aggregate fair value of approximately \$123.5 million and a cost basis of approximately \$123.5 million. The LMM debt investments had a weighted average annual effective yield of approximately 12.6%, and 100.0% of the debt investments were secured by first priority liens. Also, 44.0% of the LMM debt investments are fixed rate investments with fixed interest rates between 4.2% and 17.0%. Also, 29 LMM debt investments, representing approximately 56.0% of the LMM debt investments have variable rates subject to a contractual minimum base interest rate of 100 basis points.
- 57 equity investments and seven equity warrant investments in 28 LMM portfolio companies, 10 Private Loan portfolio companies, five Middle Market portfolio companies and six Other Portfolio companies with an aggregate fair value of approximately \$147.1 million and a cost basis of approximately \$127.3 million.

Overall, as of September 30, 2018, our investment portfolio had a weighted average effective yield on our investments of approximately 9.2%, and 77.0% of our total portfolio's investments (including our Other Portfolio investments) were secured by first priority liens.

As of September 30, 2018, we had five investments in three portfolio companies that were on non-accrual status, which comprised approximately 0.3% of our total investment portfolio at fair value and 0.9% of the total investment portfolio at cost. As of December 31, 2017, we had four investments in three portfolio companies that were on non-accrual status, which comprised approximately 0.2% of the total investment portfolio at fair value and 0.9% of the total investment portfolio at cost. For those investments in which S&P credit ratings are available, which represents approximately 34.8% of the portfolio as of September 30, 2018, the portfolio had a weighted average effective credit rating of B.

We utilize a rating system developed by our Sub-Adviser to rate the performance of each of our LMM portfolio companies. The investment rating system takes into consideration various factors, including each investment's expected level of returns, collectability, comparisons to competitors and other industry participants, and the portfolio company's future outlook.

- Investment Rating 1 represents a LMM portfolio company that is performing in a manner which significantly exceeds expectations.
- Investment Rating 2 represents a LMM portfolio company that, in general, is performing above expectations.
- Investment Rating 3 represents a LMM portfolio company that is generally performing in accordance with expectations. All new LMM portfolio investments receive an initial Investment Rating 3.
- Investment Rating 4 represents a LMM portfolio company that is underperforming expectations, requiring increased monitoring and scrutiny by us.
- Investment Rating 5 represents a LMM portfolio company that is significantly underperforming, requiring heightened levels of monitoring and scrutiny by us and involves the recognition of significant unrealized depreciation on such investment.

The following table shows the distribution of our LMM portfolio investments on the 1 to 5 investment rating system of our Sub-Adviser at fair value as of September 30, 2018 and December 31, 2017 (dollars in thousands):

Investment Rating	September 30, 2018		December 31, 2017	
	Investments at Fair Value	Percentage of Total LMM Portfolio	Investments at Fair Value	Percentage of Total LMM Portfolio
1	\$ 50,607	26.0 %	\$ 2,940	2.2 %
2	5,303	2.7	47,155	34.8
3	123,453	63.5	79,655	58.7
4	15,236	7.8	5,439	4.0
5	—	—	468	0.3
Total	\$ 194,599	100.0%	\$ 135,657	100.0%

Based upon this investment rating system, the weighted average rating of our LMM portfolio at fair value was approximately 2.5 and 2.7 as of September 30, 2018 and December 31, 2017, respectively.

DISCUSSION AND ANALYSIS OF RESULTS OF OPERATIONS

RESULTS COMPARISONS FOR THE THREE MONTHS ENDED SEPTEMBER 30, 2018 AND SEPTEMBER 30, 2017

Total Investment Income, Operating Expenses, Net Assets

For the three months ended September 30, 2018 and 2017, our total investment income was approximately \$30.9 million and \$25.3 million, respectively, consisting predominately of interest income. The increase in interest income was primarily due to (i) the growth in our total portfolio resulting from borrowings under our amended and restated senior secured revolving credit facility (the “TIAA Credit Facility”) entered into by us, HMS Equity Holding and HMS Equity Holding II, our wholly owned subsidiaries, with TIAA, FSB (formerly EverBank Commercial Finance, Inc. prior to June 18, 2018) (“TIAA Bank”) as administrative agent and certain financial institutions as lenders, and the amended and restated credit agreement entered into by HMS Funding I, our wholly owned subsidiary, with Deutsche Bank AG, New York Branch as administrative agent (the “Deutsche Bank Credit Facility,” and, together with our TIAA Credit Facility, the “Credit Facilities”) and (ii) an increase in the weighted average annual effective yield on investments. As of September 30, 2018, our portfolio had a weighted average annual effective yield on investments of approximately 9.2% compared to 8.5% as of September 30, 2017, and our average investment portfolio for the three months ended September 30, 2018 was \$1,117.0 million compared to \$1,067.8 million for the three months ended September 30, 2017. Additionally, during the three months ended September 30, 2018 and 2017, we accreted approximately \$4.0 million and \$2.9 million, respectively, of unearned income into interest income. For information on the Credit Facilities, see Note 5 - *Borrowings* to our condensed consolidated financial statements included elsewhere in this report.

For the three months ended September 30, 2018 and 2017, we recognized \$781,000 and \$213,000, respectively, of non-recurring fee income received from our portfolio companies or other third parties, which accounted for approximately 2.5% and 0.8%, respectively, of our total investment income during such periods. Such fee income is transaction based and typically consists of prepayment fees, structuring fees, amendment and consent fees and other non-recurring fees. As such, future fee income is generally dependent on new direct origination investments and the occurrence of prepayments and other events at existing portfolio companies resulting in such fees.

For the three months ended September 30, 2018 and 2017, expenses, net of incentive fee and administrative services expense waivers, were approximately \$13.1 million and \$12.3 million, respectively. The increase in expenses is primarily due to an increase in interest expense of \$1.6 million, offset by a decrease in offering costs of \$0.8 million. Interest expense increased primarily due to an increase in our average borrowings of approximately \$53.5 million during the period and an increase in our cost of borrowing on the Credit Facilities. Average borrowings under the Credit Facilities were \$507.0 million for the three months ended September 30, 2018 compared to \$453.5 million for the three months ended September 30, 2017. As of September 30, 2018 and 2017, the annualized interest rate on our borrowings was 4.8% and 4.0%, respectively. Reimbursement of offering costs to our Adviser decreased due to the termination of our Offering effective September 30, 2017.

For the three months ended September 30, 2018, the net increase in net assets resulting from operations (gross of stockholder distributions declared) was approximately \$23.8 million. The increase was attributable to (i) net investment income of approximately \$17.8 million and (ii) net change in unrealized appreciation on investments of approximately \$14.9 million, offset by realized losses on investments of approximately \$8.9 million.

For the three months ended September 30, 2017, the net increase in net assets resulting from operations (gross of stockholder distributions declared) was approximately \$8.7 million. The increase was primarily attributable to (i) net investment income of approximately \$13.0 million and (ii) realized gains of approximately \$0.7 million, offset by net change in unrealized depreciation on investments of approximately \$5.1 million.

RESULTS COMPARISONS FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2018 AND SEPTEMBER 30, 2017

Total Investment Income, Operating Expenses, Net Assets

For the nine months ended September 30, 2018 and 2017, our total investment income was approximately \$85.0 million and \$76.2 million, respectively, consisting predominately of interest income. The increase in interest income was primarily due to (i) the growth in our total portfolio resulting from borrowings under the Credit Facilities and (ii) an increase in the weighted average annual effective yield on investments. As of September 30, 2018, the portfolio had a weighted average annual effective yield on investments of approximately 9.2% compared to 8.5% as of September 30, 2017, and our average investment portfolio for the nine months ended September 30, 2018 was \$1,087.8 million compared to \$1,021.0 million for the nine months ended September 30, 2017. Additionally, during the nine months ended September 30, 2018 and 2017, we accreted approximately \$11.4 million and \$10.8 million, respectively, of unearned income into interest income.

For the nine months ended September 30, 2018 and 2017, we recognized \$1.8 million and \$1.9 million, respectively, of non-recurring fee income received from our portfolio companies or other third parties, which accounted for approximately 2.2% and 2.5%, respectively, of our total investment income during such period. Such fee income is transaction based and typically consists of prepayment fees, structuring fees, amendment and consent fees and other non-recurring fees. As such, future fee income is generally dependent on new direct origination investments and the occurrence of prepayments and other events at existing portfolio companies resulting in such fees.

For the nine months ended September 30, 2018 and 2017, expenses, net of incentive fee and administrative services expense waivers, were approximately \$37.6 million and \$33.0 million, respectively. The increase in expenses is primarily due to (i) an increase in interest expense of \$4.5 million and (ii) an increase in base management fees and incentive fees (net of fee waivers) of \$1.2 million, offset by a decrease in offering costs of approximately \$1.4 million. Base management fees and incentive fees (net of fee waivers) increased primarily due to an increase in our average gross assets. Interest expense increased primarily due to an increase in our average borrowings of approximately \$49.0 million during the period and an increase in our cost of borrowing on the Credit Facilities. Average borrowings under the Credit Facilities were \$475.5 million for the nine months ended September 30, 2018 compared to \$426.5 million for the nine months ended September 30, 2017. As of September 30, 2018 and 2017, the annualized interest rate on borrowings was 4.8% and 4.0%, respectively.

For the nine months ended September 30, 2018, the net increase in net assets resulting from operations (gross of stockholder distributions declared) was approximately \$51.6 million. The increase was attributable to (i) net investment income of approximately \$47.4 million and (ii) net unrealized appreciation on investments of approximately \$24.0 million, offset by realized losses on investments of approximately \$19.8 million.

For the nine months ended September 30, 2017, the net increase in net assets resulting from operations (gross of stockholder distributions declared) was approximately \$39.4 million. The increase was attributable to (i) net investment income of approximately \$43.2 million and (ii) net realized gains of approximately \$3.4 million, offset by unrealized depreciation on investments of approximately \$7.2 million. The realized gains were primarily the result of the exit of one Private Loan equity investment and one Other Portfolio investment.

FINANCIAL CONDITION, LIQUIDITY AND CAPITAL RESOURCES

Overview

As of September 30, 2018, we had approximately \$23.7 million in cash and cash equivalents, which we held in various custodial accounts. In addition, as of September 30, 2018, we had \$60.0 million in capacity available under the Credit Facilities, in the aggregate. To seek to enhance our returns, we intend to continue to employ leverage as market conditions permit and at the discretion of our Adviser, but in no event will leverage employed exceed 50% of the value of our total assets, which is the maximum we are allowed to borrow under the 1940 Act. See “*Financial Condition, Liquidity and Capital Resources - Financing Arrangements.*”

As of September 30, 2018, we had 33 senior secured loan investments and four equity investments with aggregate unfunded commitments of \$39.9 million. We believe that we maintain sufficient cash and cash equivalents on hand and available borrowings to fund such unfunded commitments should the need arise.

We currently generate cash primarily from interest and fees earned on our investments, principal repayments and proceeds from the sales of our investments and the net proceeds of the issuance of shares under our distribution reinvestment plan.

Prior to investing in securities of portfolio companies, we invest the net proceeds from the issuance of shares of common stock under our distribution reinvestment plan and from sales and pay-downs of existing investments primarily in cash, cash equivalents, U.S. government securities, repurchase agreements and high-quality debt instruments maturing in one year or less from the time of investment, consistent with our BDC election and our election to be taxed as a RIC.

Liquidity and Capital Resources

Cash Flows

For the nine months ended September 30, 2018, we experienced a net decrease in cash and cash equivalents of approximately \$22.1 million. During that period, approximately \$52.9 million of cash was used in our operating activities, which principally consisted of the purchase of new portfolio investments of \$476.5 million and accretion of unearned income of \$11.4 million, offset by principal repayments from and sales of investments in portfolio companies of \$386.1 million and a net increase in net assets resulting from operations of approximately \$51.6 million. During the nine months ended September 30, 2018, approximately \$30.8 million was generated from financing activities, which principally consisted of a net \$80.0 million increase in borrowings under the Credit Facilities, offset by \$27.6 million in cash used for the redemption of our common stock and \$21.3 million in cash distributions paid to stockholders.

For the nine months ended September 30, 2017, we experienced a net increase in cash and cash equivalents of approximately \$16.0 million. During that period, approximately \$68.5 million of cash was used in our operating activities, which principally consisted of the purchase of new portfolio investments of \$470.9 million and accretion of unearned income of \$10.8 million, offset by principal repayments from and sales of investments in portfolio companies of \$370.9 million and a net increase in net assets resulting from operations of approximately \$39.4 million. During the nine months ended September 30, 2017, approximately \$84.5 million was generated from financing activities, which principally consisted of \$41.6 million in net stock offering proceeds received and a net \$77.0 million increase in borrowings under the Credit Facilities, offset by \$19.5 million in cash distributions paid to stockholders and \$14.0 million in cash used for the redemption of our common stock.

Continuous Public Offering

With the approval of our board of directors, we closed the Offering to new investors effective September 30, 2017. During the nine months ended September 30, 2018, we raised proceeds of \$20.5 million from our distribution reinvestment plan.

During the nine months ended September 30, 2017, we raised proceeds of \$66.6 million from the Offering, including proceeds from our distribution reinvestment plan, and incurred \$3.7 million for selling commissions and Dealer Manager fees. We also incurred an obligation for \$1.0 million of costs related to the Offering during the period.

Distributions

The following table reflects the cash distributions per share that we have declared on our common stock during the nine months ended September 30, 2018 and 2017 (dollars in thousands except per share amounts).

	Distributions	
	Per Share	Amount
2018		
Three months ended September 30, 2018	\$ 0.17	\$ 13,938
Three months ended June 30, 2018	\$ 0.18	\$ 13,855
Three months ended March 31, 2018	\$ 0.17	\$ 13,803
2017		
Three months ended September 30, 2017	\$ 0.17	\$ 13,910
Three months ended June 30, 2017	\$ 0.18	\$ 13,438
Three months ended March 31, 2017	\$ 0.17	\$ 12,922

On September 14, 2018, with the authorization of our board of directors, we declared distributions to our stockholders for the period of October 2018 through December 2018. These distributions have been, or will be, calculated based on stockholders of record each day from October 1, 2018 through December 31, 2018 in an amount equal to \$0.00191781 per share, per day. Distributions are paid on the first business day following the completion of each month to which they relate.

For the years ending December 31, 2017, 2016 and 2015, respectively, the tax characteristics of distributions paid to shareholders were as follow (amounts in thousands):

Tax Characteristics of Distributions	Year Ended December 31,					
	2017		2016		2015	
Ordinary income	\$ 52,473	96.43%	\$ 44,848	93.90%	\$ 34,085	99.68%
Capital gain distributions	1,941	3.57	2,913	6.10	110	0.32
Total	\$ 54,414	100.00%	\$ 47,761	100.00%	\$ 34,195	100.00%

The determination of the tax attributes of our distributions is made annually at the end of our taxable year, based upon our taxable income for the full taxable year and distributions paid for the full taxable year. Therefore, a determination made on an interim basis may not be representative of the actual tax attributes of distributions for a full year. If we had determined the tax attributes of our distributions taxable year-to-date as of September 30, 2018, 100% would be from our current and accumulated earnings and profits. However, there can be no certainty to stockholders that this determination is representative of what the actual tax attributes of our fiscal and taxable years ending December 31, 2018 distributions to stockholders will be. The actual tax characteristics of distributions to stockholders will be reported to the Internal Revenue Service and stockholders subject to information reporting after the close of each calendar year on Form 1099-DIV.

We have adopted an “opt in” distribution reinvestment plan for our stockholders. As a result, if we make a distribution, our stockholders will receive distributions in cash unless they specifically “opt in” to the distribution reinvestment plan so as to have their cash distributions reinvested in additional shares of our common stock.

We may fund our cash distributions from any sources of funds legally available, including stock offering proceeds, if any, borrowings, net investment income from operations, capital gains proceeds from the sale of assets, non-capital gains proceeds from the sale of assets, dividends or other distributions paid to us on account of preferred and common equity investments in portfolio companies and fee waivers from our Advisers. We have not established any limit on the extent to which we may use borrowings or stock offering proceeds to fund distributions. Our distributions may exceed our earnings. As a result, a portion of the distributions we make may represent a return of capital for U.S. federal income tax purposes.

The timing and amount of any future distributions to stockholders are subject to applicable legal restrictions and the sole discretion of our board of directors.

In order to satisfy the Code’s requirements applicable to entities subject to tax as RICs, we are required to distribute substantially all of our taxable income to our stockholders on an annual basis. However, we may elect to spill over certain excess undistributed taxable income from one taxable year into the next taxable year, which may require us to incur a 4% nondeductible U.S. federal excise tax on such excess undistributed taxable income. In order to avoid the imposition of the 4% nondeductible excise tax, we need to distribute, in respect of each calendar year dividends for U.S. federal income tax purposes of an amount at least equal to the sum of (1) 98.0% of our net ordinary income (taking into account certain deferrals and elections) for the calendar year, (2) 98.2% of our capital gain in excess of capital loss, or capital gain net income, adjusted for certain ordinary losses, generally for the one-year period ending on October 31 of such calendar year (or, if we so elect, for the calendar year) and (3) any net ordinary income and capital gain net income for the preceding calendar years that was not distributed during such calendar years and on which we incurred no U.S. federal income tax.

Financing Arrangements

We anticipate that we will continue to fund our investment activities through existing cash, capital raised from our stock offerings, if any, proceeds from our dividend reinvestment plan and borrowings on the Credit Facilities. However, with the approval of our board of directors, we closed the Offering to new investors effective September 30, 2017. Our primary uses of funds in both the short-term and long-term are expected to be investments in portfolio companies, operating expenses and cash distributions to holders of our common stock.

As of September 30, 2018, we had \$120.0 million outstanding and no availability under our TIAA Credit Facility, and \$390.0 million outstanding and \$60.0 million available under the Deutsche Bank Credit Facility, both of which we estimated approximated fair value. Availability under each of the Credit Facilities is subject to certain limitations and the asset coverage restrictions under the 1940 Act. For further information on our Credit Facilities, including key terms and financial covenants, refer to Note 5 - *Borrowings* to the consolidated financial statements included in our Annual Report on Form 10-K for the year ended December 31, 2017 as well as Note 5 - *Borrowings* to the condensed consolidated financial statements included elsewhere in this Report.

As a BDC, we have historically been able to issue “senior securities,” including borrowing money from banks or other financial institutions, only in amounts such that our asset coverage, as defined in the 1940 Act, equals at least 200% after such incurrence

or issuance. In March 2018, the Small Business Credit Availability Act (the “SBCAA”) was enacted into law. The SBCAA, among other things, amended the 1940 Act to reduce the asset coverage requirement applicable to BDCs from 200% to 150% so long as the BDC meets certain disclosure requirements, obtains certain approval and, in the case of unlisted BDCs, makes an offer to repurchase shares held by its stockholders as of the date of the requisite approval. Effectiveness of the reduced asset coverage requirements to a BDC requires approval by either (1) a “required majority” (as defined in Section 57(o) of the 1940 Act) of such BDC’s board of directors with effectiveness one year after the date of such approval or (2) a majority of the votes cast at a special or annual meeting of such BDC’s stockholders at which a quorum is present, which is effective the day after such stockholder approval. The Company has not requested or obtained either such approval. As of September 30, 2018, our asset coverage ratio under BDC regulations was 218% when assuming our unfunded commitments are treated as senior securities. As of December 31, 2017, our asset coverage ratio under BDC regulations was 236% when assuming our unfunded commitments are treated as senior securities.

Although in the past we have been able to secure access to potential additional liquidity, through proceeds from the Offering and also by entering into the Credit Facilities, there is no assurance that equity or debt capital will be available to us in the future on favorable terms, or at all.

Related-Party Transactions and Agreements

We have entered into agreements with our Adviser, our Sub-Adviser and our Dealer Manager, whereby we pay certain fees and reimbursements to these entities. These included payments to our Dealer Manager for selling commissions and the Dealer Manager fee and include payments to our Adviser for reimbursement of offering costs. In addition, we make payments for certain services that include the identification, execution, and management of our investments and also the management of our day-to-day operations provided to us by our Adviser and Sub-Adviser, pursuant to various agreements that we have entered into. See Note 10 - *Related Party Transactions and Arrangements* to the financial statements included elsewhere in this Report for additional information regarding related party transactions.

Contractual Obligations

As of September 30, 2018, we had \$510.0 million in borrowings outstanding under the Credit Facilities. Our TIAA Credit Facility will mature March 6, 2020, with two one-year extension options, subject to lender approval, and the Deutsche Bank Credit Facility will mature on November 20, 2022. See Note 5 - *Borrowings* to the financial statements included elsewhere in this Report for a description of the Credit Facilities.

A summary of our significant contractual payment obligations for the repayment of outstanding borrowings at September 30, 2018 is as follows:

	Payments Due By Period (dollars in thousands)				
	Total	Less than 1 year	1-3 years	3-5 years	After 5 years
TIAA Credit Facility ⁽¹⁾	\$ 120,000	\$ —	\$ 120,000	\$ —	\$ —
Deutsche Bank Credit Facility ⁽²⁾	390,000	—	—	390,000	—
Total Credit Facilities	\$ 510,000	\$ —	\$ 120,000	\$ 390,000	\$ —

(1) At September 30, 2018, we had no availability under our TIAA Credit Facility.

(2) At September 30, 2018, \$60.0 million remained available under the Deutsche Bank Credit Facility; however, our borrowing ability is limited to the asset coverage ratio restrictions imposed by the 1940 Act, as discussed above.

Off-Balance Sheet Arrangements

As of September 30, 2018, we had a total of approximately \$39.9 million in outstanding commitments comprised of (i) 33 commitments to fund revolving loans that had not been fully drawn or term loans that had not been funded and (ii) four capital commitments that had not been fully called. We recognized unrealized depreciation of approximately \$212,000 on our outstanding unfunded loan commitments and no unrealized appreciation or depreciation on our outstanding unfunded capital commitments during the nine months ended September 30, 2018. We reasonably believe that we maintain sufficient assets and available borrowings to adequately cover and allow us to satisfy our outstanding unfunded commitments should the need arise. At December 31, 2017, we had a total of approximately \$45.4 million in outstanding commitments comprised of (i) 28 commitments to fund revolving loans that had not been fully drawn or term loans that had not been funded and (ii) four capital commitments that had not been fully called. We recognized unrealized appreciation of approximately \$14,000 on our outstanding unfunded loan commitments and no unrealized appreciation or depreciation on our outstanding unfunded capital commitments during the year ended December 31, 2017. We had equity commitments of up to \$30.0 million to HMS-ORIX, which were fully funded as of each of September 30, 2018 and December 31, 2017.

Commitments and Contingencies

(dollars in thousands)

	September 30, 2018	December 31, 2017
Unfunded Loan Commitments		
Adams Publishing Group, LLC	\$ 3,035	\$ —
American Nuts, LLC	1,266	—
Apex Linen Services, Inc.	403	403
Arcus Hunting, LLC	60	976
ASC Ortho Management Company, LLC	750	—
BarFly Ventures, LLC	245	613
BBB Tank Services	37	—
BigName Holdings, LLC	29	101
Boccella Precast Products, LLC	360	500
CDHA Management, LLC	—	2,343
Chamberlin HoldCo, LLC	400	—
Charps, LLC	600	1,000
Clad-Rex Steel, LLC	100	100
CTVSH, PLLC	200	200
Datacom, LLC	—	25
Direct Marketing Solutions, Inc.	400	—
DTE Enterprises, LLC	750	—
Dynamic Communities, LLC	250	—
Felix Investments Holdings II LLC	—	1,667
Gamber-Johnson Holdings, LLC	300	300
GST Autoleather Inc.	—	1,281
Guerdon Modular Holdings, Inc.	400	400
Hawk Ridge Systems, LLC	400	400
Hojeij Branded Foods, Inc.	1,588	1,923
Hoover Group, Inc.	2,113	—
Hostway Corporation	—	7
HW Temps LLC	200	200
Implus Footcare, LLC	42	—
LaMi Products, LLC	—	294
Market Force Information, Inc.	300	400
Meisler Operating, LLC	400	400
Mystic Logistics Holdings, LLC	200	200
New Era Technology, Inc.	479	—
NexRev, LLC	1,000	—
NNE Partners, LLC	2,042	5,542
NuStep, LLC	300	300
Permian Holdco 2, Inc.	—	97
PPC/Shift, LLC	—	500
Resolute Industrial LLC	—	5,750
SI East , LLC	2,500	—
Volusion LLC	1,961	—
Wireless Vision Holdings, LLC	2,100	2,084
Unfunded Capital Commitments		
Brightwood Capital Fund III, LP	1,000	1,000
Brightwood Capital Fund IV, LP	8,000	9,000
Copper Trail Energy Fund I LP	1,754	2,500
Freeport Financial Funds	3,942	4,941
Total	\$ 39,906	\$ 45,447

Recent Developments and Subsequent Events

On October 10, 2018, we filed a tender offer statement on Schedule TO with the SEC to commence an offer by us to purchase, as approved by our board of directors, an estimated 825,530.42 shares of our issued and outstanding common stock, par value \$0.001 per share, at up to approximately \$6.7 million. The offer is for cash at a purchase price equal to the NAV per share to be determined within 48 hours of the repurchase date.

On October 31, 2018, we, the Adviser and the Sub-Adviser entered into a conditional income incentive fee agreement (the “Third Quarter 2018 Fee Waiver Agreement”), pursuant to which, for a period from July 1, 2018 through September 30, 2018, the Advisers would waive payments in respect of the “subordinated incentive fee on income,” as such term is defined in the Investment Advisory Agreement, upon the occurrence of any event that, in the Advisers’ sole discretion, causes such waiver to be deemed necessary. The Third Quarter 2018 Fee Waiver Agreement may require us to repay previously waived Expense Support Payments or waived base management fees or incentive fees under certain circumstances. The previously waived fees are potentially subject to repayment by us, if at all, within a period not to exceed three years from the date of each respective fee waiver.

Item 3. Quantitative and Qualitative Disclosures about Market Risk.

Quantitative and Qualitative Disclosures about Market Risk

We are subject to financial market risks, in particular changes in interest rates. Changes in interest rates may affect our interest income from portfolio investments, the fair value of our fixed income investments, and our cost of funding.

Our interest income will be affected by changes in various interest rates, including LIBOR and prime rates, to the extent any of our debt investments include floating interest rates. We generally invest in floating rate debt instruments, meaning that the interest rate payable on such instrument resets periodically based upon changes in a specified interest rate index, typically the one-month or three-month LIBOR. As of September 30, 2018, approximately 88.3% of our LMM, Private Loan, and Middle Market portfolio debt investments (based on cost) contained floating interest rates. As of September 30, 2018, the one-month LIBOR was approximately 2.26% and the three-month LIBOR was approximately 2.40%. However, many of our investments provide that the specified interest rate index on such instruments will never fall below a level, or floor, generally between 100 and 150 basis points regardless of the level of the specified index rate, which minimizes the negative impact to our interest income that would result from a decline in index rates.

In addition, any fluctuations in prevailing interest rates may affect the fair value of our fixed rate debt instruments and result in changes in unrealized gains and losses, and may also effect a net increase or decrease in net assets resulting from operations. Such changes in unrealized appreciation and depreciation will materialize into realized gains and losses if we sell our investments before their respective debt maturity dates.

Further, because we borrow money to make investments, our net investment income is partially dependent upon the difference between the interest rate at which we invest borrowed funds and the interest rate at which we borrow funds. In periods of rising interest rates and when we have borrowed capital with floating interest rates, our interest expense will increase, which will increase our financing costs and reduce our net investment income, especially to the extent we hold fixed-rate debt investments. As a result, there can be no assurance that a significant change in market interest rates will not have a material adverse effect on our net investment income.

The following table shows the approximate annualized increase or decrease (dollars in thousands) in the components of net investment income due to hypothetical interest rate index changes, assuming no changes in our investments and borrowings as of September 30, 2018.

Change in interest rates	Increase (Decrease) in Interest Income	Increase (Decrease) in Interest Expense	Net Increase (Decrease) in Net Investment Income
Down 100 basis points	\$ (8,769)	\$ (5,100)	\$ (3,669)
Down 50 basis points	(4,394)	(2,550)	(1,844)
Up 50 basis points	4,418	2,550	1,868
Up 100 basis points	8,836	5,100	3,736
Up 200 basis points	17,671	10,200	7,471
Up 300 basis points	26,507	15,300	11,207

Although we believe that this analysis is indicative of our existing sensitivity to interest rate changes, it does not adjust for changes in the credit market, credit quality, the size and composition of the assets in our portfolio and other business developments, including borrowing under the Credit Facilities or other borrowings, that could affect net increase in net assets resulting from operations, or net income. Accordingly, we can offer no assurances that actual results would not differ materially from the analysis above.

If deemed prudent, we may use interest rate risk management techniques in an effort to minimize our exposure to interest rate fluctuations. These techniques may include various interest rate hedging activities to the extent permitted by the 1940 Act. Adverse developments resulting from changes in interest rates or hedging transactions could have a material adverse effect on our business, financial condition and results of operations. As of September 30, 2018, we had not entered into any interest rate hedging arrangements.

Item 4. Controls and Procedures.

In accordance with the Exchange Act, Rules 13a-15 and 15d-15, we carried out an evaluation, under the supervision and with the participation of management, including our Chief Executive Officer and Chief Financial Officer, of the effectiveness of our disclosure controls and procedures as of the end of the period covered by this Report. Based on that evaluation, our Chief Executive Officer and Chief Financial Officer concluded that our disclosure controls and procedures were effective as of September 30, 2018 to provide reasonable assurance that information required to be disclosed in our reports filed or submitted under the Exchange Act is (i) recorded, processed, summarized and reported within the time periods specified in the SEC's rules and forms and (ii) accumulated and communicated to our management, including our Chief Executive Officer and Chief Financial Officer, as appropriate to allow timely decisions regarding required disclosure.

No change occurred in our internal controls over financial reporting (as defined in Rule 13a-15(f) of the Exchange Act), during the three months ended September 30, 2018 that has materially affected, or is reasonably likely to materially affect, our internal controls over financial reporting.

PART II — OTHER INFORMATION

Item 1. Legal Proceedings.

We are not currently subject to any material legal proceedings, nor, to our knowledge, is any material legal proceeding threatened against us. From time to time, we may be party to certain legal proceedings, including proceedings relating to the enforcement of our rights under contracts with our portfolio companies. While the outcome of any legal proceedings cannot be predicted with certainty, we do not expect that these proceedings will have a material adverse effect upon our financial condition or results of operations.

Item 1A. Risk Factors.

In addition to the other information set forth in this report, you should carefully consider the “Risk Factors” discussed in each of our annual report on Form 10-K for the year ended December 31, 2017 and our quarterly report on Form 10-Q for the quarter ended March 31, 2018, which could materially affect our business, financial condition and/or operating results. Additional risks and uncertainties not currently known to us or that we currently deem to be immaterial also may materially affect our business, financial condition and/or operating results.

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds.

Issuer Purchases of Equity Securities

Repurchases of our common stock pursuant to our tender offer are as follows:

Period	Total Number of Shares Purchased	Average Price Paid per Share	Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs	Maximum Number (or Approximate Dollar Value) of Shares that May Yet Be Purchased Under the Plans or Programs (in millions)
July 1, 2018 through July 31, 2018	—	\$ —	—	—
August 1, 2018 through August 31, 2018	970,635.65	8.15	970,635.65	—
September 1, 2018 through September 30, 2018	11,612.60	8.15	11,612.60	—
Total	<u>982,248.25</u>	8.15	<u>982,248.25</u>	—

Item 3. Defaults upon Senior Securities.

None.

Item 4. Mine Safety Disclosures.

Not applicable.

Item 5. Other Information.

Not applicable.

Item 6. Exhibits.

Exhibit No.	Description
10.1	Third Quarter 2018 Conditional Income Incentive Fee Waiver Agreement, dated as of October 31, 2018, by and among the Registrant, HMS Adviser LP and MSC Adviser I, LLC (Filed as Exhibit 10.1 to the Registrant's current report on Form 8-K, filed on October 31, 2018 (File No. 814-00939) and incorporated herein by reference).
31.1	Certification of Chief Executive Officer of the Registrant, pursuant to Rule 13a-14(a) of the Securities Exchange Act of 1934, as Adopted Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 (Filed herewith).
31.2	Certification of Chief Financial Officer of the Registrant, pursuant to Rule 13a-14(a) of the Securities Exchange Act of 1934, as Adopted Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 (Filed herewith).
32.1	Certification of Chief Executive Officer and Chief Financial Officer of the Registrant, pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 (Filed herewith).

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

HMS INCOME FUND, INC.

Date: November 14, 2018

By: /s/ SHERRI W. SCHUGART

Sherri W. Schugart

Chairman, Chief Executive Officer and
President

Date: November 14, 2018

By: /s/ RYAN T. SIMS

Ryan T. Sims

Chief Financial Officer and Secretary

**CERTIFICATION
PURSUANT TO SECTION 302 OF
THE SARBANES-OXLEY ACT OF 2002**

I, Sherri W. Schugart, Chief Executive Officer, certify that:

1. I have reviewed this quarterly report on Form 10-Q of HMS Income Fund, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: November 14, 2018

By: /s/ SHERRI W. SCHUGART

Sherri W. Schugart

Chairman, Chief Executive Officer
and President

**CERTIFICATION
PURSUANT TO SECTION 302 OF
THE SARBANES-OXLEY ACT OF 2002**

I, Ryan T. Sims, Chief Financial Officer, certify that:

1. I have reviewed this quarterly report on Form 10-Q of HMS Income Fund, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: November 14, 2018

By: /s/ RYAN T. SIMS

Ryan T. Sims

Chief Financial Officer and
Secretary

**WRITTEN STATEMENT OF CHIEF EXECUTIVE OFFICER AND
CHIEF FINANCIAL OFFICER PURSUANT TO SECTION 906 OF THE
SARBANES — OXLEY ACT OF 2002**

The undersigned, the Chief Executive Officer and the Chief Financial Officer of HMS Income Fund, Inc. (“the Company”), each hereby certifies that to his or her knowledge, on the date hereof:

(a) the Quarterly Report on Form 10-Q of the Company for the quarterly period ended September 30, 2018, filed on the date hereof with the Securities and Exchange Commission (the “Report”) fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(b) information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: November 14, 2018

By: /s/ SHERRI W. SCHUGART

Sherri W. Schugart

Chairman, Chief Executive
Officer and President

Date: November 14, 2018

By: /s/ RYAN T. SIMS

Ryan T. Sims

Chief Financial Officer and
Secretary