

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 March 31, 2019
- 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 79,071,514 shares of common stock outstanding as of May 13, 2019.

## TABLE OF CONTENTS

### PART I — FINANCIAL INFORMATION

|         |   |    |
|---------|---|----|
| Item 1. | Condensed Consolidated Financial Statements:  |    |
|         | Condensed Consolidated Balance Sheets   | 1  |
|         | Condensed Consolidated Statements of Operations                                       | 2  |
|         | Condensed Consolidated Statements of Changes in Net Assets                            | 3  |
|         | Condensed Consolidated Statements of Cash Flows                                       | 4  |
|         | Condensed Consolidated Schedules of Investments                                       | 5  |
|         | Notes to the Condensed Consolidated Financial Statements                              | 29 |
| Item 2. | Management's Discussion and Analysis of Financial Condition and Results of Operations | 62 |
| Item 3. | Quantitative and Qualitative Disclosures About Market Risk                            | 87 |
| Item 4. | Controls and Procedures   | 88 |

### PART II — OTHER INFORMATION

|            |   |    |
|------------|---|----|
| Item 1.    | Legal Proceedings   | 89 |
| Item 1A.   | Risk Factors  | 89 |
| Item 2.    | Unregistered Sales of Equity Securities and Use of Proceeds | 89 |
| Item 3.    | Defaults Upon Senior Securities                             | 89 |
| Item 4.    | Mine Safety Disclosures                                     | 89 |
| Item 5.    | Other Information   | 89 |
| Item 6.    | Exhibits  | 90 |
| Signatures |   | 91 |

## 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)

|  | March 31, 2019<br>(Unaudited) | December 31, 2018   |
|--|-------------------------------|---------------------|
| <b>ASSETS</b>  |                               |                     |
| Portfolio investments at fair value:   |                               |                     |
| Non-Control/Non-Affiliate investments (amortized cost: \$929,741 and \$932,495 as of March 31, 2019 and December 31, 2018, respectively)                                 | \$ 902,841                    | \$ 901,518          |
| Affiliate investments (amortized cost: \$140,763 and \$143,372 as of March 31, 2019 and December 31, 2018, respectively)   | 151,053                       | 149,323             |
| Control investments (amortized cost: \$42,946 and \$45,821 as of March 31, 2019 and December 31, 2018, respectively)   | 56,234                        | 55,727              |
| Total portfolio investments (amortized cost: \$1,113,450 and \$1,121,688 as of March 31, 2019 and December 31, 2018, respectively)                                       | 1,110,128                     | 1,106,568           |
| Cash and cash equivalents  | 18,313                        | 21,757              |
| Interest receivable  | 8,256                         | 9,292               |
| Receivable for securities sold   | 809                           | 918                 |
| Prepaid and other assets   | 4,318                         | 4,038               |
| Deferred financing costs (net of accumulated amortization of \$1,979 and \$1,642 as of March 31, 2019 and December 31, 2018, respectively)                               | 4,527                         | 4,857               |
| <b>Total assets</b>  | <b>\$ 1,146,351</b>           | <b>\$ 1,147,430</b> |
| <b>LIABILITIES</b>   |                               |                     |
| Accounts payable and other liabilities   | \$ 2,192                      | \$ 2,456            |
| Stockholder distributions payable  | 4,673                         | 4,676               |
| Base management and incentive fees payable   | 7,125                         | 5,854               |
| Due to affiliates  | 105                           | 57                  |
| Directors' fees payable  | 26                            | 21                  |
| Payable for securities purchased   | 1,837                         | —                   |
| Credit facilities payable  | 500,000                       | 509,000             |
| <b>Total liabilities</b>   | <b>515,958</b>                | <b>522,064</b>      |
| Commitments and Contingencies (Note 12)  |                               |                     |
| <b>NET ASSETS</b>  |                               |                     |
| Common stock, \$.001 par value; 150,000,000 shares authorized, 78,547,196 and 78,584,824 issued and outstanding as of March 31, 2019 and December 31, 2018, respectively | 79                            | 79                  |
| Additional paid-in capital   | 678,219                       | 678,627             |
| Total accumulated earnings (loss)  | (47,905)                      | (53,340)            |
| <b>Total net assets</b>  | <b>630,393</b>                | <b>625,366</b>      |
| <b>Total liabilities and net assets</b>  | <b>\$ 1,146,351</b>           | <b>\$ 1,147,430</b> |
| <b>Net asset value per share</b>   | <b>\$ 8.03</b>                | <b>\$ 7.96</b>      |

*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)

|   | <b>Three Months Ended</b> |                           |
|---|---------------------------|---------------------------|
|   | <b>March 31,<br/>2019</b> | <b>March 31,<br/>2018</b> |
| <b>INVESTMENT INCOME:</b>   |                           |                           |
| From non-control/non-affiliate investments:   |                           |                           |
| Interest income   | \$ 23,499                 | \$ 20,257                 |
| Fee income  | 307                       | 268                       |
| Dividend income   | 327                       | 303                       |
| From affiliate investments:   |                           |                           |
| Interest income   | 2,602                     | 1,764                     |
| Fee income  | 37                        | 49                        |
| Dividend income   | 396                       | 475                       |
| From control investments:   |                           |                           |
| Interest income   | 123                       | 156                       |
| Fee income  | 17                        | 17                        |
| Dividend income   | 1,853                     | 695                       |
| Total investment income   | 29,161                    | 23,984                    |
| <b>EXPENSES:</b>  |                           |                           |
| Interest expense  | 7,107                     | 5,128                     |
| Base management and incentive fees  | 7,125                     | 5,694                     |
| Internal administrative services expenses   | 758                       | 804                       |
| Offering costs  | 95                        | 103                       |
| Professional fees   | 316                       | 268                       |
| Insurance   | 48                        | 48                        |
| Other general and administrative  | 516                       | 443                       |
| Expenses before fee and expense waivers   | 15,965                    | 12,488                    |
| Waiver of incentive fees  | —                         | —                         |
| Waiver of internal administrative services expenses                                 | (758)                     | (804)                     |
| Total expenses, net of fee and expense waivers                                      | 15,207                    | 11,684                    |
| Net investment income before taxes  | 13,954                    | 12,300                    |
| Income tax expense, including excise tax  | 58                        | 102                       |
| <b>NET INVESTMENT INCOME</b>  | <b>13,896</b>             | <b>12,198</b>             |
| <b>NET REALIZED GAIN (LOSS) ON INVESTMENTS</b>                                      |                           |                           |
| Non-Control/Non-Affiliate investments   | (1,631)                   | (8,157)                   |
| Affiliate investments   | (5,508)                   | 912                       |
| Control investments   | —                         | —                         |
| Total net realized loss on investments  | (7,139)                   | (7,245)                   |
| <b>NET REALIZED INCOME</b>  | <b>6,757</b>              | <b>4,953</b>              |
| <b>NET CHANGE IN UNREALIZED APPRECIATION (DEPRECIATION) ON INVESTMENTS</b>          |                           |                           |
| Non-Control/Non-Affiliate investments   | 4,331                     | 9,463                     |
| Affiliate investments   | 3,626                     | 492                       |
| Control investments   | 4,106                     | 649                       |
| Total net change in unrealized appreciation on investments                          | 12,063                    | 10,604                    |
| <b>NET INCREASE IN NET ASSETS RESULTING FROM OPERATIONS</b>                         | <b>\$ 18,820</b>          | <b>\$ 15,557</b>          |
| <b>PER SHARE INFORMATION - BASIC AND DILUTED</b>                                    |                           |                           |
| NET INVESTMENT INCOME PER SHARE   | \$ 0.18                   | \$ 0.15                   |
| NET REALIZED INCOME PER SHARE   | \$ 0.09                   | \$ 0.06                   |
| NET INCREASE IN NET ASSETS RESULTING FROM OPERATIONS PER SHARE (EARNINGS PER SHARE) | \$ 0.24                   | \$ 0.19                   |
| WEIGHTED AVERAGE SHARES OUTSTANDING – BASIC AND DILUTED                             | 78,819,746                | 79,846,665                |

*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)**

|   | Three Months Ended<br>March 31, 2019 | Three Months Ended<br>March 31, 2018 |
|---|--------------------------------------|--------------------------------------|
| <b>Change in Net Assets from Operations:</b>                          |                                      |                                      |
| Net investment income   | \$ 13,896                            | \$ 12,198                            |
| Net realized loss on investments                                      | (7,139)                              | (7,245)                              |
| Net change in unrealized appreciation on investments                  | 12,063                               | 10,604                               |
| Net increase in net assets resulting from operations                  | 18,820                               | 15,557                               |
| <b>Change in Net Assets from Stockholders' Distributions:</b>         |                                      |                                      |
| Net decrease in net assets resulting from stockholders' distributions | (13,606)                             | (13,803)                             |
| <b>Change in Net Assets from Capital Share Transactions:</b>          |                                      |                                      |
| Reinvestment of stockholder distributions                             | 6,366                                | 6,929                                |
| Repurchase of common stock  | (6,553)                              | (9,406)                              |
| Net decrease in net assets resulting from capital share transactions  | (187)                                | (2,477)                              |
| Total Increase (Decrease) in Net Assets                               | 5,027                                | (723)                                |
| Net Assets at beginning of the period                                 | 625,366                              | 647,789                              |
| Net Assets at end of the period                                       | \$ 630,393                           | \$ 647,066                           |
| NAV per share at end of the period                                    | \$ 8.03                              | \$ 8.17                              |
| Distributions declared per share                                      | \$ 0.17                              | \$ 0.17                              |
| Common shares outstanding, beginning of the period                    | 78,584,824                           | 79,511,731                           |
| Issuance of common shares pursuant to distribution reinvestment plan  | 782,543                              | 836,401                              |
| Repurchase of common shares   | (820,171)                            | (1,147,067)                          |
| Common shares outstanding, end of the period                          | 78,547,196                           | 79,201,065                           |

*See notes to the condensed consolidated financial statements.*

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

|  | <b>Three Months Ended<br/>March 31, 2019</b> | <b>Three Months Ended<br/>March 31, 2018</b> |
|--|--|--|
| <b>CASH FLOWS FROM OPERATING ACTIVITIES</b>  |  |  |
| Net increase in net assets resulting from operations   | \$ 18,820                                    | \$ 15,557                                    |
| Adjustments to reconcile net increase in net assets resulting from operations to net cash generated from (used in) operating activities: |  |  |
| Principal repayments received and proceeds from sales of investments in portfolio companies  | 39,036                                       | 133,039                                      |
| Investments in portfolio companies   | (34,152)                                     | (181,813)                                    |
| Net change in unrealized (appreciation) on portfolio investments   | (12,063)                                     | (10,604)                                     |
| Net realized loss on sale of portfolio investments   | 7,139  | 7,245  |
| Amortization of deferred financing costs   | 337  | 334  |
| Amortization of deferred offering costs  | 95   | 103  |
| Accretion of unearned income   | (1,562)                                      | (2,167)                                      |
| Net payment-in-kind interest accrual   | (1,169)                                      | (212)  |
| Changes in other assets and liabilities:   |  |  |
| Interest receivable  | 1,036  | 916  |
| Prepaid and other assets   | 518  | 4,647  |
| Base management and incentive fees payable   | 1,271  | 12   |
| Due to affiliates  | 48   | (8)  |
| Directors' fees payable  | 5  | (2)  |
| Accounts payable and other liabilities   | 88   | 29   |
| Net cash generated from (used in) operating activities   | <u>19,447</u>                                | <u>(32,924)</u>                              |
| <b>CASH FLOWS FROM FINANCING ACTIVITIES</b>  |  |  |
| Redemption of common stock   | (6,553)                                      | (9,406)                                      |
| Payment of offering costs  | (95)   | (103)  |
| Payment of stockholder distributions   | (7,243)                                      | (6,889)                                      |
| Repayments on credit facilities payable  | (31,000)                                     | (100,000)                                    |
| Proceeds from credit facilities payable  | 22,000                                       | 128,000                                      |
| Net cash generated from (used in) financing activities   | <u>(22,891)</u>                              | <u>11,602</u>                                |
| <b>Net decrease in cash and cash equivalents</b>   | <b>(3,444)</b>                               | <b>(21,322)</b>                              |
| <b>CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD</b>  | <b>21,757</b>                                | <b>45,791</b>                                |
| <b>CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD</b>  | <b><u>\$ 18,313</u></b>                      | <b><u>\$ 24,469</u></b>                      |

*See notes to the condensed consolidated financial statements.*

**HMS Income Fund, Inc.**  
**Consolidated Schedule of Investments**  
**As of March 31, 2019**  
**(dollars in thousands)**

| Portfolio Company (1) (3)   | Business Description                                     | Type of Investment (2) (3)  | Index Rate (22) | Principal (7) | Cost (7)         | Fair Value (26)  |
|---|--|---|-----------------|---------------|------------------|------------------|
| <b>Control Investments (6)</b>  |  |   |                 |               |                  |                  |
| 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 7.00% (Floor 1.00%), Current Coupon 9.49%, Secured Debt (Maturity - December 31, 2023) (8)   | 1 month LIBOR   | 5,663         | 5,639            | 5,663            |
|   |  | Member Units (2,896 units) (16)   | —               | —             | 6,435            | 20,337           |
|   |  |   |                 |               | 12,074           | 26,000           |
| HMS-ORIX SLF LLC (9) (15)   | Investment Partnership                                   | Membership Interests (Fully diluted 60.00%) (16)  | —               | —             | 30,000           | 29,362           |
| <b>Subtotal Control Investments (6) (5% of total investments at fair value)</b> |  |   |                 |               | <b>\$ 42,946</b> | <b>\$ 56,234</b> |
| <b>Affiliate Investments (4)</b>  |  |   |                 |               |                  |                  |
| AFG Capital Group, LLC (10) (13)  | Provider of Rent-to-Own Financing Solutions and Services | Member Units (46 units) (16)  | —               | \$ —          | \$ 300           | \$ 1,092         |
|   |  | Warrants (10 equivalent units, Expiration - November 7, 2024)   | —               | —             | 65               | 260              |
|   |  |   |                 |               | 365              | 1,352            |
| 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   | 2,356         | 2,319            | 2,319            |
|   |  | Preferred Member Units (737 units) (16)   | —               | —             | 1,070            | 1,070            |
|   |  |   |                 |               | 3,389            | 3,389            |
| Centre Technologies Holdings, LLC (10) (13)                                     | Provider of IT Hardware Services and Software Solutions  | LIBOR Plus 9.00% (Floor 2.00%), Current Coupon 11.50%, Secured Debt (Maturity - January 4, 2024) (8)    | 1 month LIBOR   | 3,060         | 2,995            | 3,001            |
|   |  | Preferred Member Units (3,174 units)  | —               | —             | 1,460            | 1,460            |
|   |  |   |                 |               | 4,455            | 4,461            |
| Chamberlin HoldCo, LLC (10) (13)  | Roofing and waterproofing specialty subcontractor        | LIBOR Plus 10.00% (Floor 1.00%), Current Coupon 12.75%, Secured Debt (Maturity - February 23, 2023) (8) | 1 month LIBOR   | 5,051         | 4,938            | 4,938            |
|   |  | Member Units (1,087 units) (16)   | —               | —             | 2,860            | 5,280            |
|   |  | Member Units (Chamberlin Langfield Real Estate, LLC) (1 unit)   | —               | —             | 183              | 183              |
|   |  |   |                 |               | 7,981            | 10,401           |
| Charlotte Russe, Inc.   | Fast-Fashion Retailer to Young Women                     | Common Stock (14,973 shares)  | —               | —             | 2,470            | —                |
| Charps, LLC (10) (13)   | Pipeline Maintenance and Construction                    | 11.50% Secured Debt (Maturity - February 3, 2022)   | None            | 2,808         | 2,763            | 2,808            |
|   |  | Preferred Member Units (400 units) (16)   | —               | —             | 100              | 938              |
|   |  |   |                 |               | 2,863            | 3,746            |
| Clad-Rex Steel, LLC (10) (13)   | Specialty Manufacturer of Vinyl-Clad Metal               | LIBOR Plus 9.00% (Floor 1.00%), Current Coupon 11.49%, Secured Debt (Maturity - December 20, 2021) (8)  | 1 month LIBOR   | 3,020         | 2,982            | 3,020            |
|   |  | Member Units (179 units) (16)   | —               | —             | 1,820            | 2,653            |
|   |  | 10.00% Secured Debt (Clad-Rex Steel RE Investor, LLC) (Maturity - December 19, 2036)                    | None            | 289           | 286              | 286              |
|   |  | Member Units (Clad-Rex Steel RE Investor, LLC) (200 units)  | —               | —             | 53               | 88               |
|   |  |   |                 |               | 5,141            | 6,047            |
| Copper Trail Energy Fund I, LP (9) (15)   | Investment Partnership                                   | LP Interests (Copper Trail Energy Fund I, LP) (Fully diluted 12.4%)                                     | —               | —             | 3,306            | 3,930            |
| Digital Products Holdings LLC (10) (13)   | Designer and Distributor of Consumer Electronics         | LIBOR Plus 10.00% (Floor 1.00%), Current Coupon 12.50%, Secured Debt (Maturity - March 31, 2023) (8)    | 1 month LIBOR   | 6,352         | 6,243            | 6,243            |
|   |  | Preferred Member Units (863 units) (16)   | —               | —             | 2,116            | 1,991            |
|   |  |   |                 |               | 8,359            | 8,234            |

**HMS Income Fund, Inc.**  
**Consolidated Schedule of Investments**  
**As of March 31, 2019**  
**(dollars in thousands)**

| Portfolio Company (1) (3)                            | Business Description   | Type of Investment (2) (3)  | Index Rate (22) | Principal (7) | Cost (7) | Fair Value (26) |
|--|--|---|-----------------|---------------|----------|-----------------|
| <b>Direct Marketing Solutions, Inc. (10) (13)</b>    | Provider of Omni-Channel Direct Marketing Services                     | LIBOR Plus 11.00% (Floor 1.00%), Current Coupon 13.50%, Secured Debt (Maturity - February 13, 2023) (8) | 1 month LIBOR   | \$ 4,445      | \$ 4,342 | \$ 4,350        |
|  |  | Preferred Stock (2,100 shares)  | —               | —             | 2,100    | 4,038           |
|  |  |   |                 |               | 6,442    | 8,388           |
| <b>Freeport Financial Funds (9) (15)</b>             | Investment Partnership   | LP Interests (Freeport First Lien Loan Fund III, LP) (Fully diluted 6.0%) (16)                          | —               | —             | 9,756    | 9,581           |
| <b>Gamber-Johnson Holdings, LLC (10) (13)</b>        | Manufacturer of Ruggedized Computer Mounting Systems                   | LIBOR Plus 7.50% (Floor 2.00%), Current Coupon 9.99%, Secured Debt (Maturity - June 24, 2021) (8)       | 1 month LIBOR   | 5,155         | 5,089    | 5,155           |
|  |  | Member Units (2,155 units) (16)   | —               | —             | 3,711    | 11,365          |
|  |  |   |                 |               | 8,800    | 16,520          |
| <b>Guerdon Modular Holdings, Inc. (10) (13)</b>      | Multi-Family and Commercial Modular Construction Company               | 13.00% Secured Debt (Maturity - March 31, 2019)   | None            | 3,147         | 3,129    | 3,005           |
|  |  | Common Stock (53,008 shares)  | —               | —             | 746      | —               |
|  |  | Class B Preferred Stock (101,250 shares)  | —               | —             | 285      | —               |
|  |  |   |                 |               | 4,160    | 3,005           |
| <b>Gulf Publishing Holdings, LLC (10) (13)</b>       | Energy Industry Focused Media and Publishing                           | 12.50% Secured Debt (Maturity - April 29, 2021)   | None            | 3,134         | 3,102    | 3,102           |
|  |  | LIBOR Plus 9.50% (Floor 1.00%), Current Coupon 11.99%, Secured Debt (Maturity - September 30, 2020) (8) | 1 month LIBOR   | 20            | 20       | 20              |
|  |  | Member Units (920 units)  | —               | —             | 920      | 1,082           |
|  |  |   |                 |               | 4,042    | 4,204           |
| <b>Harris Preston Fund Investments (9) (15) (16)</b> | Investment Partnership   | LP Interests (HPEP 3, LP) (Fully diluted 8.2%)  | —               | —             | 1,971    | 1,971           |
|  |  | LP Interests (2717 MH, LP) (Fully diluted 49.3%)  | —               | —             | 2,235    | 2,328           |
|  |  |   |                 |               | 4,206    | 4,299           |
| <b>Hawk Ridge Systems, LLC (9) (10) (13)</b>         | Value-Added Reseller of Engineering Design and Manufacturing Solutions | 10.00% Secured Debt (Maturity - December 2, 2021)   | None            | 3,350         | 3,309    | 3,350           |
|  |  | Preferred Member Units (56 units) (16)  | —               | —             | 713      | 1,815           |
|  |  | Preferred Member Units (HRS Services, ULC) (56 units) (16)  | —               | —             | 38       | 95              |
|  |  |   |                 |               | 4,060    | 5,260           |
| <b>KMC Investor, LLC (10) (13)</b>                   | Precision Metal Parts Manufacturing                                    | 11.50% Secured Debt (Maturity - October 31, 2023) (8)   | None            | 7,000         | 6,796    | 6,803           |
|  |  | 9.00% Secured Debt (Maturity October 31, 2048)  | None            | 1,000         | 990      | 990             |
|  |  | Member Units (145 units)  | —               | —             | 248      | 248             |
|  |  | Member Units (KMC RE Investor, LLC) (200 units) (16)  | —               | —             | 3,060    | 3,060           |
|  |  |   |                 |               | 11,094   | 11,101          |
| <b>Market Force Information, Inc. (10) (13)</b>      | Provider of Customer Experience Management Services                    | LIBOR Plus 11.00% (Floor 1.00%), Current Coupon 13.63%, Secured Debt (Maturity - July 28, 2022) (8)     | 3 month LIBOR   | 5,700         | 5,622    | 5,622           |
|  |  | LIBOR Plus 7.00% (Floor 1.00%), Current Coupon 9.63%, Secured Debt (Maturity - July 28, 2022) (8)       | 3 month LIBOR   | 140           | 140      | 140             |
|  |  | Member Units (170,000 units)  | —               | —             | 3,675    | 2,797           |
|  |  |   |                 |               | 9,437    | 8,559           |
| <b>M.H. Corbin Holding LLC (10) (13)</b>             | Manufacturer and Distributor of Traffic Safety Products                | 5.00% Current / 5.00% PIK Secured Debt (Maturity - March 15, 2022)                                      | None            | 2,135         | 2,107    | 2,135           |
|  |  | Preferred Member Units (16,500 units)   | —               | —             | 1,100    | 1,192           |
|  |  | Common Units (1,000 units)  | —               | —             | 1,500    | 5               |
|  |  |   |                 |               | 4,707    | 3,332           |



**HMS Income Fund, Inc.**  
**Consolidated Schedule of Investments**  
**As of March 31, 2019**  
**(dollars in thousands)**

| Portfolio Company (1) (3)   | Business Description  | Type of Investment (2) (3)   | Index Rate (22) | Principal (7) | Cost (7)   | Fair Value (26) |
|---|---|--|-----------------|---------------|------------|-----------------|
| Mystic Logistics Holdings, LLC (10) (13)                                    | Logistics and Distribution Services Provider for Large Volume Mailers             | 12.00% Secured Debt (Maturity - August 15, 2019)   | None            | \$ 1,877      | \$ 1,868   | \$ 1,872        |
|   |   | Common Stock (1,468 shares)  | —               | —             | 680        | 178             |
|   |   |  |                 |               | 2,548      | 2,050           |
| NexRev, LLC (10) (13)   | Provider of Energy Efficiency Products & Services                                 | 11.00% Secured Debt (Maturity - February 28, 2023)   | None            | 4,359         | 4,280      | 4,288           |
|   |   | Preferred Member Units (21,600,000 units)  | —               | —             | 1,720      | 1,720           |
|   |   |  |                 |               | 6,000      | 6,008           |
| NuStep, LLC (10) (13)   | Designer, Manufacturer and Distributor of Fitness Equipment                       | 12.00% Secured Debt (Maturity - January 31, 2022)  | None            | 5,150         | 5,078      | 5,079           |
|   |   | Preferred Member Units (102 units)   | —               | —             | 2,550      | 2,550           |
|   |   |  |                 |               | 7,628      | 7,629           |
| SI East, LLC (10) (13)  | Rigid Industrial Packaging Manufacturing  | 10.25% Secured Debt (Maturity - August 31, 2023)   | None            | 11,750        | 11,579     | 11,582          |
|   |   | Preferred Member Units (52 units)  | —               | —             | 2,000      | 2,000           |
|   |   |  |                 |               | 13,579     | 13,582          |
| Tedder Acquisition, LLC (10) (13)   | Manufacturer of Firearm Holsters and Accessories                                  | 12.00% Secured Debt (Maturity - August 31, 2023)   | None            | 4,100         | 3,988      | 3,988           |
|   |   | 12.00% Secured Debt (Maturity - August 31, 2020)   | None            | 120           | 118        | 118             |
|   |   | Preferred Member Units (110 units)   | —               | —             | 1,869      | 1,869           |
|   |   |  |                 |               | 5,975      | 5,975           |
| Subtotal Affiliate Investments (4) (13% of total investments at fair value) |   |  |                 |               | \$ 140,763 | \$ 151,053      |
| Non-Control/Non-Affiliate Investments (5)                                   |   |  |                 |               |            |                 |
| AAC Holdings Inc. (8)   | Substance Abuse Treatment Service Provider  | LIBOR Plus 6.75% (Floor 1.00%), Current Coupon 11.49%, Secured Debt (Maturity - June 30, 2023)         | 3 month LIBOR   | \$ 14,405     | \$ 14,017  | \$ 13,325       |
|   |   | LIBOR Plus 11.00% (Floor 1.00%), Current Coupon 13.49%, Secured Debt (Maturity - March 31, 2020) (12)  | 3 month LIBOR   | 1,855         | 1,683      | 1,837           |
|   |   |  |                 |               | 15,700     | 15,162          |
| Adams Publishing Group, LLC (8) (11)  | Local Newspaper Operator  | LIBOR Plus 7.00% (Floor 1.00%), Current Coupon 10.30%, Secured Debt (Maturity - July 3, 2023)          | 3 month LIBOR   | 7,718         | 7,567      | 7,577           |
|   |   | PRIME Plus 4.00% (Floor 1.00%), Current Coupon 9.50%, Secured Debt (Maturity - July 3, 2023)           | PRIME           | 5,000         | 4,915      | 4,915           |
|   |   |  |                 |               | 12,482     | 12,492          |
| 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 8.75%, Secured Debt (Maturity - July 26, 2023)          | 1 month LIBOR   | 16,374        | 16,296     | 16,374          |
| Aethon United BR, LP (8) (11)   | Oil & Gas Exploration & Production  | LIBOR Plus 6.75% (Floor 1.00%), Current Coupon 9.24%, Secured Debt (Maturity - September 8, 2023) (14) | 1 month LIBOR   | 4,063         | 4,013      | 4,063           |
| Allen Media, LLC (8)  | Operator of Cable Television Networks   | LIBOR Plus 6.50% (Floor 1.00%), Current Coupon 9.14%, Secured Debt (Maturity - August 30, 2023)        | 3 month LIBOR   | 16,928        | 16,480     | 16,442          |
| Allflex Holdings III Inc. (8)   | Manufacturer of Livestock Identification Products                                 | LIBOR Plus 7.00% (Floor 1.00%), Current Coupon 9.49%, Secured Debt (Maturity - July 19, 2021) (14)     | 1 month LIBOR   | 13,232        | 13,321     | 13,232          |
| American Nuts, LLC (8) (11)   | Roaster, Mixer and Packager of Bulk Nuts and Seeds                                | LIBOR Plus 9.50% (Floor 1.00%), Current Coupon 12.30%, Secured Debt (Maturity - April 10, 2023)        | 3 month LIBOR   | 12,291        | 12,056     | 11,931          |
| American Scaffold Holdings, Inc. (8) (11)                                   | Marine Scaffolding Service Provider   | LIBOR Plus 6.50% (Floor 1.00%), Current Coupon 9.10%, Secured Debt (Maturity - March 31, 2022)         | 3 month LIBOR   | 6,563         | 6,504      | 6,530           |
| American Teleconferencing Services, Ltd. (8)                                | Provider of Audio Conferencing and Video Collaboration Solutions                  | LIBOR Plus 6.50% (Floor 1.00%), Current Coupon 9.24%, Secured Debt (Maturity - December 8, 2021)       | 2 month LIBOR   | 14,374        | 13,778     | 9,433           |

**HMS Income Fund, Inc.**  
**Consolidated Schedule of Investments**  
**As of March 31, 2019**  
**(dollars in thousands)**

| Portfolio Company (1) (3)                | Business Description  | Type of Investment (2) (3)  | Index Rate (22) | Principal (7) | Cost (7) | Fair Value (26) |
|--|---|---|-----------------|---------------|----------|-----------------|
| Apex Linen Service, Inc. (10) (13)       | Industrial Launderers   | 16.00% Secured Debt (Maturity - October 30, 2022)   | None            | \$ 3,604      | \$ 3,562 | \$ 3,562        |
|  |   | LIBOR Plus 9.00% (Floor 1.00%), Current Coupon 11.49%, Secured Debt (Maturity - October 30, 2022) (8) | 1 month LIBOR   | 600           | 600      | 600             |
|  |   |   |                 |               | 4,162    | 4,162           |
| APTIM Corp                               | Engineering, Construction and Procurement   | 7.75% Secured Debt (Maturity - June 15, 2025)   | None            | 6,952         | 6,185    | 5,370           |
| Arcus Hunting, LLC (8) (11)              | Manufacturer of Bowhunting and Archery Products and Accessories                       | LIBOR Plus 7.00% (Floor 1.00%), Current Coupon 9.80%, Secured Debt (Maturity - November 13, 2019)     | 1 month LIBOR   | 6,764         | 6,741    | 6,764           |
| Arise Holdings, Inc. (11)                | Tech-enabled business process outsourcing   | Preferred Stock (1,000,000 shares)  | —               | —             | 1,000    | 1,704           |
| ASC Ortho Management Company, LLC (11)   | Provider of Orthopedic Services   | LIBOR Plus 7.50% (Floor 1.00%), Current Coupon 10.30%, Secured Debt (Maturity - August 31, 2023) (8)  | 3 month LIBOR   | 4,631         | 4,537    | 4,485           |
|  |   | 13.25% PIK Secured Debt (Maturity - December 1, 2023) (14)  | None            | 1,625         | 1,586    | 1,589           |
|  |   |   |                 |               | 6,123    | 6,074           |
| ATI Investment Sub, Inc. (8)             | Manufacturer of Solar Tracking Systems  | LIBOR Plus 7.25% (Floor 1.00%), Current Coupon 9.75%, Secured Debt (Maturity - June 22, 2021)         | 1 month LIBOR   | 3,634         | 3,572    | 3,383           |
| ATX Networks Corp. (8) (9)               | Provider of Radio Frequency Management Equipment                                      | LIBOR Plus 6.00% (Floor 1.00%), Current Coupon 8.60%, Secured Debt (Maturity - June 11, 2021)         | 3 month LIBOR   | 13,945        | 13,804   | 13,248          |
| BarFly Ventures, LLC (11)                | Casual Restaurant Group   | 12.00% Secured Debt (Maturity - August 31, 2020)  | None            | 3,395         | 3,365    | 3,342           |
|  |   | Warrants (.410 equivalent units, Expiration - August 31, 2025)  | —               | —             | 158      | 137             |
|  |   | Options (.99 equivalent units)  | —               | —             | 202      | 313             |
|  |   |   |                 |               | 3,725    | 3,792           |
| BBB Tank Services, LLC (10) (13)         | Maintenance, Repair and Construction Services to the Above-Ground Storage Tank Market | LIBOR Plus 11.00% (Floor 1.00%), Current Coupon 13.49%, Secured Debt (Maturity - April 8, 2021)       | None            | 1,100         | 1,094    | 1,066           |
|  |   | Preferred Stock (28,280 units)  | —               | —             | 28       | 29              |
|  |   | Member Units (200,000 units)  | —               | —             | 200      | 58              |
|  |   |   |                 |               | 1,322    | 1,153           |
| Berry Aviation, Inc. (11)                | Airline Charter Service Operator  | 10.50% Current / 1.50% PIK, Secured Debt (Maturity - January 6, 2024) (14)                            | None            | 4,496         | 4,435    | 4,496           |
|  |   | Preferred Member Units (Berry Acquisition, LLC) (1,548,387 units, 8.00% cumulative) (16)              | —               | —             | 1,548    | 1,640           |
|  |   |   |                 |               | 5,983    | 6,136           |
| BigName Commerce, LLC (8) (11)           | Provider of Envelopes and Complimentary Stationery Products                           | LIBOR Plus 7.25% (Floor 1.00%), Current Coupon 9.84%, Secured Debt (Maturity - May 11, 2022)          | 1 month LIBOR   | 2,443         | 2,423    | 2,408           |
| Binswanger Enterprises, LLC (8) (11)     | Glass Repair and Installation Service Provider  | LIBOR Plus 8.00% (Floor 1.00%), Current Coupon 10.62%, Secured Debt (Maturity - March 9, 2022)        | 3 month LIBOR   | 14,175        | 13,991   | 14,175          |
|  |   | Member Units (1,050,000 units)  | —               | —             | 1,050    | 1,230           |
|  |   |   |                 |               | 15,041   | 15,405          |
| Bluestem Brands, Inc. (8)                | Multi-Channel Retailer of General Merchandise   | LIBOR Plus 7.50% (Floor 1.00%), Current Coupon 10.24%, Secured Debt (Maturity - November 6, 2020)     | 3 month LIBOR   | 11,995        | 11,901   | 8,862           |
| Boccella Precast Products, LLC (10) (13) | Manufacturer of Precast Hollow Core Concrete  | LIBOR Plus 10.00% (Floor 1.00%), Current Coupon 12.80%, Secured Debt (Maturity - June 30, 2022) (8)   | 3 month LIBOR   | 3,931         | 3,861    | 3,931           |
|  |   | Member Units (540,000 units) (16)   | —               | —             | 540      | 1,228           |
|  |   |   |                 |               | 4,401    | 5,159           |

**HMS Income Fund, Inc.**  
**Consolidated Schedule of Investments**  
**As of March 31, 2019**  
**(dollars in thousands)**

| Portfolio Company (1) (3)                           | Business Description   | Type of Investment (2) (3)  | Index Rate (22) | Principal (7) | Cost (7)      | Fair Value (26) |
|---|--|---|-----------------|---------------|---------------|-----------------|
| <b>Brightwood Capital Fund Investments (9) (15)</b> | Investment Partnership   | LP Interests (Brightwood Capital Fund III, LP) (Fully diluted 1.60%) (16)                           | —               | \$ —          | \$ 4,075      | \$ 3,488        |
|   |  | LP Interests (Brightwood Capital Fund IV, LP) (Fully diluted 0.80%) (16)                            | —               | —             | 5,037         | 5,126           |
|   |  |   |                 |               | <u>9,112</u>  | <u>8,614</u>    |
| <b>Buca C, LLC (10) (13)</b>                        | Casual Restaurant Group  | LIBOR Plus 9.25% (Floor 1.00%), Current Coupon 11.73%, Secured Debt (Maturity - June 30, 2020) (8)  | 1 month LIBOR   | 12,670        | 12,595        | 12,595          |
|   |  | Preferred Member Units (4 units, 6.00% cumulative) (16)   | —               | —             | 2,866         | 2,997           |
|   |  |   |                 |               | <u>15,461</u> | <u>15,592</u>   |
| <b>Cadence Aerospace, LLC (8) (11)</b>              | Aerospace Manufacturing  | LIBOR Plus 6.50% (Floor 1.00%), Current Coupon 9.10%, Secured Debt (Maturity - November 14, 2023)   | 3 month LIBOR   | 19,420        | 19,259        | 19,420          |
| <b>CAI Software, LLC (10) (13)</b>                  | Provider of Specialized Enterprise Resource Planning Software  | 12.00% Secured Debt (Maturity - December 7, 2023)   | None            | 2,720         | 2,719         | 2,720           |
|   |  | Member Units (16,742 units) (16)  | —               | —             | 188           | 679             |
|   |  |   |                 |               | <u>2,907</u>  | <u>3,399</u>    |
| <b>Cenveo Corporation</b>                           | Provider of Commercial Printing, Envelopes, Labels, Printed Office Products                                | LIBOR Plus 9.00% (Floor 1.00%), Current Coupon 11.49%, Secured Debt (Maturity - June 7, 2023) (8)   | 1 month LIBOR   | 4,995         | 4,636         | 4,645           |
|   |  | Common Stock (138,889 shares)   | —               | —             | 4,163         | 1,979           |
|   |  |   |                 |               | <u>8,799</u>  | <u>6,624</u>    |
| <b>Clarius BIGS, LLC (11) (18)</b>                  | Prints & Advertising Film Financing  | 15.00% PIK Secured Debt (Maturity - January 5, 2015) (18)   | None            | 2,128         | 1,870         | 32              |
|   |  | 20.00% PIK Secured Debt (Maturity - January 5, 2015) (18)   | None            | 770           | 677           | 12              |
|   |  |   |                 |               | <u>2,547</u>  | <u>44</u>       |
| <b>Clickbooth.com, LLC (8) (11)</b>                 | Provider of Digital Advertising Performance Marketing Solutions  | LIBOR Plus 8.50% (Floor 1.00%), Current Coupon 11.31%, Secured Debt (Maturity - December 5, 2022)   | 3 month LIBOR   | 2,908         | 2,860         | 2,906           |
| <b>Construction Supply Investments, LLC (11)</b>    | Distribution Platform of Specialty Construction Materials to Professional Concrete and Masonry Contractors | LIBOR Plus 6.00% (Floor 1.00%), Current Coupon 8.50%, Secured Debt (Maturity - June 30, 2023) (8)   | 1 month LIBOR   | 14,968        | 14,902        | 14,932          |
|   |  | Member units (42,207 units)   | —               | —             | 4,221         | 5,050           |
|   |  |   |                 |               | <u>19,123</u> | <u>19,982</u>   |
| <b>CTVSH, PLLC (8) (11) (13)</b>                    | Emergency Care and Specialty Service Animal Hospital   | LIBOR Plus 8.00% (Floor 1.00%), Current Coupon 10.63%, Secured Debt (Maturity - August 3, 2022)     | 1 month LIBOR   | 2,675         | 2,635         | 2,675           |
| <b>Datacom, LLC (10) (13) (18)</b>                  | Technology and Telecommunications Provider   | 10.50% PIK Secured Debt (Maturity - May 30, 2019) (18)  | None            | 1,384         | 1,377         | 1,082           |
|   |  | 8.00% Secured Debt (Maturity - May 30, 2018) (18)   | None            | 200           | 200           | 188             |
|   |  | Class A Preferred Member Units (1,530 units)  | —               | —             | 144           | —               |
|   |  | Class B Preferred Member Units (717 units)  | —               | —             | 670           | —               |
|   |  |   |                 |               | <u>2,391</u>  | <u>1,270</u>    |
| <b>Digital River, Inc. (8)</b>                      | Provider of Outsourced e-Commerce Solutions and Services   | LIBOR Plus 6.00% (Floor 1.00%), Current Coupon 8.60%, Secured Debt (Maturity - February 12, 2021)   | 3 month LIBOR   | 9,779         | 9,718         | 9,534           |
| <b>DTE Enterprises, LLC (11)</b>                    | Industrial Powertrain Repair and Services  | LIBOR Plus 7.50% (Floor 1.50%), Current Coupon 10.00%, Secured Debt (Maturity - April 13, 2023) (8) | 1 month LIBOR   | 11,992        | 11,783        | 11,992          |
|   |  | Class AA Preferred Member Units (non-voting) (16)   | —               | —             | 778           | 797             |
|   |  | Class A Preferred Member Units (776,316 units) (16)   | —               | —             | 776           | 1,440           |
|   |  |   |                 |               | <u>13,337</u> | <u>14,229</u>   |
| <b>Dynamic Communities, LLC (8) (11)</b>            | Developer of Business Events and Online Community Groups   | LIBOR Plus 8.00% (Floor 1.00%), Current Coupon 10.59%, Secured Debt (Maturity - July 17, 2023)      | 3 month LIBOR   | 5,530         | 5,430         | 5,383           |
| <b>Elite SEM, Inc. (8) (11)</b>                     | Provider of Digital Marketing Agency Services  | LIBOR Plus 8.44% (Floor 1.00%), Current Coupon 11.01%, Secured Debt (Maturity - February 1, 2022)   | 3 month LIBOR   | 6,875         | 6,757         | 6,857           |

**HMS Income Fund, Inc.**  
**Consolidated Schedule of Investments**  
**As of March 31, 2019**  
**(dollars in thousands)**

| Portfolio Company (1) (3)   | Business Description   | Type of Investment (2) (3)  | Index Rate (22) | Principal (7) | Cost (7)  | Fair Value (26) |
|---|--|---|-----------------|---------------|-----------|-----------------|
| <b>Epic Y-Grade Services, LP (8)</b>                                | NGL Transportation & Storage   | LIBOR Plus 5.50% (Floor 1.00%), Current Coupon 8.00%, Secured Debt (Maturity - June 13, 2024)                               | 1 month LIBOR   | \$ 17,500     | \$ 17,186 | \$ 17,106       |
| <b>Evergreen Skills Lux S.á r.l. (d/b/a Skillsoft) (8) (9)</b>      | Technology-Based Performance Support Solutions   | LIBOR Plus 8.25% (Floor 1.00%), Current Coupon 10.75%, Secured Debt (Maturity - April 28, 2022) (14)                        | 1 month LIBOR   | 10,900        | 10,605    | 4,524           |
| <b>Felix Investments Holdings II, LLC (8) (11)</b>                  | Oil and Gas Exploration and Production   | LIBOR Plus 6.50% (Floor 1.00%), Current Coupon 9.20%, Secured Debt (Maturity - August 9, 2022)                              | 3 month LIBOR   | 5,000         | 4,931     | 4,971           |
| <b>Flavors Holdings, Inc. (8)</b>                                   | Global Provider of Flavoring and Sweetening Products and Solutions                     | LIBOR Plus 5.75% (Floor 1.00%), Current Coupon 8.35%, Secured Debt (Maturity - April 3, 2020)                               | 3 month LIBOR   | 11,481        | 11,241    | 10,735          |
| <b>GoWireless Holdings, Inc. (8)</b>                                | Provider of Wireless Telecommunications Carrier Services                               | LIBOR Plus 6.50% (Floor 1.00%), Current Coupon 9.00%, Secured Debt (Maturity - December 22, 2024)                           | 3 month LIBOR   | 15,533        | 15,408    | 15,241          |
| <b>Good Source Solutions, Inc. (8) (11)</b>                         | Specialized Food Distributor   | LIBOR Plus 6.00% (Floor 1.00%), Current Coupon 8.60%, Secured Debt (Maturity - June 29, 2023)                               | 3 month LIBOR   | 5,000         | 4,954     | 4,952           |
| <b>HDC/HW Intermediate Holdings, LLC (8) (11)</b>                   | Managed Services and Hosting Provider  | LIBOR Plus 7.50% (Floor 1.00%), Current Coupon 10.11%, Secured Debt (Maturity - December 21, 2023)                          | 3 month LIBOR   | 1,794         | 1,757     | 1,758           |
| <b>Hoover Group, Inc. (8) (9) (11)</b>                              | Provider of Storage Tanks and Related Products to the Energy and Petrochemical Markets | LIBOR Plus 7.25% (Floor 1.00%), Current Coupon 9.90%, Secured Debt (Maturity - January 28, 2021)                            | 3 month LIBOR   | 14,659        | 14,117    | 14,219          |
|   |  | LIBOR Plus 6.00% (Floor 1.00%), Current Coupon 8.66%, Secured Debt (Maturity - January 28, 2020)                            | 3 month LIBOR   | 6,050         | 5,695     | 5,679           |
|   |  |   |                 |               | 19,812    | 19,898          |
| <b>Hunter Defense Technologies, Inc. (8) (11)</b>                   | Provider of Military and Commercial Shelters and Systems                               | LIBOR Plus 7.00% (Floor 1.00%), Current Coupon 9.60%, Secured Debt (Maturity - March 29, 2023)                              | 3 month LIBOR   | 8,696         | 8,561     | 8,696           |
| <b>HW Temps LLC (10) (13)</b>                                       | Temporary Staffing Solutions   | 8.00% Secured Debt (Maturity - March 29, 2023)  | None            | 2,740         | 2,673     | 2,408           |
| <b>Hydrofarm Holdings, LLC (8) (11)</b>                             | Wholesaler of Horticultural Products   | LIBOR Plus 10.00%, Current Coupon 3.75% / 8.74% PIK, Current Coupon Plus PIK 12.49%, Secured Debt (Maturity - May 12, 2022) | 1 month LIBOR   | 7,145         | 7,028     | 5,666           |
| <b>iEnergizer Limited (8) (9)</b>                                   | Provider of Business Outsourcing Solutions   | LIBOR Plus 6.00% (Floor 1.25%), Current Coupon 8.50%, Secured Debt (Maturity - May 1, 2019)                                 | 1 month LIBOR   | 11,244        | 11,252    | 11,258          |
| <b>Implus Footcare, LLC (8) (11)</b>                                | Provider of Footwear and Related Accessories   | LIBOR Plus 6.75% (Floor 1.00%), Current Coupon 9.35%, Secured Debt (Maturity - April 30, 2021)                              | 3 month LIBOR   | 17,106        | 16,969    | 17,106          |
| <b>Independent Pet Partners Intermediate Holdings, LLC (8) (11)</b> | Omnichannel Retailer of Specialty Pet Products   | LIBOR Plus 9.00% (Floor 1.00%), Current Coupon 11.80%, Secured Debt (Maturity - November 19, 2023) (14)                     | 6 month LIBOR   | 10,946        | 10,732    | 10,727          |
|   |  | Member Units (1,191,667 units)  | —               | —             | 1,192     | 1,192           |
|   |  |   |                 |               | 11,924    | 11,919          |
| <b>Industrial Services Acquisitions, LLC (11)</b>                   | Industrial Cleaning Services   | 6.00% Current / 7.00% PIK, Current Coupon 13.00%, Unsecured Debt (Maturity - December 17, 2022) (17)                        | None            | 11,398        | 11,203    | 11,398          |
|   |  | 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     | 887             |
|   |  |   |                 |               | 13,505    | 12,487          |
| <b>Inn of the Mountain Gods Resort and Casino</b>                   | Hotel & Casino Owner & Operator  | 9.25% Secured Debt (Maturity - November 30, 2020) (14)  | None            | 8,179         | 8,179     | 8,098           |
| <b>Intermedia Holdings, Inc. (8)</b>                                | Unified Communications as a Service  | LIBOR Plus 6.00% (Floor 1.00%), Current Coupon 8.50%, Secured Debt (Maturity - July 19, 2025)                               | 1 month LIBOR   | 11,543        | 11,435    | 11,571          |
| <b>Isagenix International, LLC (8)</b>                              | Direct Marketer of Health and Wellness Products  | LIBOR Plus 5.75% (Floor 1.00%), Current Coupon 8.35%, Secured Debt (Maturity - June 14, 2025)                               | 3 month LIBOR   | 6,187         | 6,130     | 5,553           |

**HMS Income Fund, Inc.**  
**Consolidated Schedule of Investments**  
**As of March 31, 2019**  
**(dollars in thousands)**

| Portfolio Company (1) (3)                           | Business Description  | Type of Investment (2) (3)   | Index Rate (22) | Principal (7) | Cost (7)  | Fair Value (26) |
|---|---|--|-----------------|---------------|-----------|-----------------|
| <b>Jacent Strategic Merchandising, LLC (8) (11)</b> | General Merchandise Distribution  | LIBOR Plus 7.50% (Floor 1.00%), Current Coupon 9.98%, Secured Debt (Maturity - September 16, 2020)     | 1 month LIBOR   | \$ 10,161     | \$ 10,074 | \$ 10,109       |
| <b>Jackmont Hospitality, Inc. (8) (11)</b>          | Franchisee of Casual Dining Restaurants   | LIBOR Plus 6.75% (Floor 1.00%), Current Coupon 9.25%, Secured Debt (Maturity - May 26, 2021)           | 1 month LIBOR   | 8,276         | 8,263     | 8,276           |
| <b>Joerns Healthcare, LLC (8)</b>                   | Manufacturer and Distributor of Health Care Equipment & Supplies                    | LIBOR Plus 6.00% (Floor 1.00%), Current Coupon 8.63%, Secured Debt (Maturity - May 9, 2020)            | 3 month LIBOR   | 11,119        | 11,034    | 9,340           |
| <b>Kellermeyer Bergensons Services, LLC (8)</b>     | Outsourced Janitorial Services to Retail/Grocery Customers                          | LIBOR Plus 8.50% (Floor 1.00%), Current Coupon 11.25%, Secured Debt (Maturity - April 29, 2022) (14)   | 3 month LIBOR   | 14,700        | 14,638    | 14,829          |
| <b>Knight Energy Services LLC (11)</b>              | Oil and Gas Equipment and Services  | 8.50% Secured Debt (Maturity - February 9, 2024)   | None            | 776           | 776       | 776             |
|   |   | Class A-2 Shares (25,692 units)  | —               | —             | 1,843     | 1,843           |
|   |   |  |                 |               | 2,619     | 2,619           |
| <b>Larchmont Resources, LLC</b>                     | Oil & Gas Exploration & Production  | LIBOR Plus 9.00% (Floor 1.00%) PIK, 11.61% PIK Secured Debt (Maturity - August 7, 2020) (8)            | 3 month LIBOR   | 3,898         | 3,898     | 3,800           |
|   |   | Member units (Larchmont Intermediate Holdco, LLC) (4,806 units)  | —               | —             | 601       | 1,201           |
|   |   |  |                 |               | 4,499     | 5,001           |
| <b>Laredo Energy VI, LP (8) (11)</b>                | Oil and Gas Exploration and Production  | LIBOR Plus 10.50% (Floor 2.00%), Current Coupon 13.36%, Secured Debt (Maturity - November 19, 2021)    | 3 month LIBOR   | 8,532         | 8,289     | 8,289           |
| <b>Logix Acquisition Company, LLC (8) (11)</b>      | Competitive Local Exchange Carrier  | LIBOR Plus 5.75% (Floor 1.00%), Current Coupon 8.25%, Secured Debt (Maturity - December 22, 2024) (23) | 1 month LIBOR   | 9,603         | 9,520     | 9,675           |
| <b>LSF9 Atlantis Holdings, LLC (8)</b>              | Provider of Wireless Telecommunications Carrier Services                            | LIBOR Plus 6.00% (Floor 1.00%), Current Coupon 8.48%, Secured Debt (Maturity - May 1, 2023)            | 1 month LIBOR   | 13,388        | 13,306    | 12,492          |
| <b>Lulu's Fashion Lounge, LLC (8)(11)</b>           | Fast Fashion E-Commerce Retailer  | LIBOR Plus 7.00% (Floor 1.00%), Current Coupon 9.50%, Secured Debt (Maturity - August 28, 2022)        | 1 month LIBOR   | 6,051         | 5,911     | 5,870           |
| <b>Meisler Operating, LLC (10) (13)</b>             | Provider of Short Term Trailer and Container Rental                                 | LIBOR Plus 7.25% (Floor 1.00%), Current Coupon 10.04%, Secured Debt (Maturity - June 7, 2022) (8)      | 3 month LIBOR   | 6,060         | 5,939     | 5,945           |
|   |   | Member Units (Milton Meisler Holdings, LLC) (12,139 units)   | —               | —             | 1,214     | 1,680           |
|   |   |  |                 |               | 7,153     | 7,625           |
| <b>MHVC Acquisition Corp. (8)</b>                   | Provider of Differentiated Information Solutions, Systems Engineering and Analytics | LIBOR Plus 5.25% (Floor 1.00%), Current Coupon 7.75%, Secured Debt (Maturity - April 29, 2024)         | 1 month LIBOR   | 7,840         | 7,798     | 7,566           |
| <b>Mills Fleet Farm Group, LLC (8) (11)</b>         | Omnichannel Retailer of Work, Farm and Lifestyle Merchandise                        | LIBOR Plus 6.25% (Floor 1.00%), Current Coupon 8.75%, Secured Debt (Maturity - October 24, 2024)       | 1 month LIBOR   | 14,963        | 14,679    | 14,963          |
| <b>Mobileum, Inc. (8) (11)</b>                      | Provider of Big Data Analytics to Telecom Service Providers                         | LIBOR Plus 10.25% (Floor 0.75%), Current Coupon 12.86%, Secured Debt (Maturity - May 1, 2022) (14)     | 3 month LIBOR   | 7,500         | 7,434     | 7,434           |
| <b>New Era Technology, Inc. (8) (11)</b>            | Managed Services and Hosting Provider   | LIBOR Plus 6.50% (Floor 1.00%), Current Coupon 9.13%, Secured Debt (Maturity - June 22, 2023)          | 3 month LIBOR   | 8,678         | 8,537     | 8,556           |
| <b>New Media Holdings II LLC (8) (9)</b>            | Local Newspaper Operator  | LIBOR Plus 6.25% (Floor 1.00%), Current Coupon 8.75%, Secured Debt (Maturity - July 14, 2022)          | 1 month LIBOR   | 9,694         | 9,606     | 9,657           |
| <b>NNE Partners, LLC (8) (11)</b>                   | Oil & Gas Exploration & Production  | LIBOR Plus 8.00%, (Floor 0.00%) Current Coupon 10.62%, Secured Debt (Maturity - March 2, 2022)         | 3 month LIBOR   | 20,417        | 20,283    | 20,417          |
| <b>North American Lifting Holdings, Inc. (8)</b>    | Crane Service Provider  | LIBOR Plus 4.50% (Floor 1.00%), Current Coupon 7.10%, Secured Debt (Maturity - November 27, 2020)      | 3 month LIBOR   | 6,228         | 5,840     | 5,854           |
| <b>Novetta Solutions, LLC (8)</b>                   | Provider of Advanced Analytics Solutions for Defense Agencies                       | LIBOR Plus 5.00% (Floor 1.00%), Current Coupon 7.50%, Secured Debt (Maturity - October 17, 2022)       | 1 month LIBOR   | 14,939        | 14,629    | 14,668          |
| <b>NTM Acquisition Corp. (8)</b>                    | Provider of B2B Travel Information Content  | LIBOR Plus 6.25% (Floor 1.00%), Current Coupon 8.75%, Secured Debt (Maturity - June 7, 2022)           | 1 month LIBOR   | 4,035         | 4,007     | 3,975           |

**HMS Income Fund, Inc.**  
**Consolidated Schedule of Investments**  
**As of March 31, 2019**  
**(dollars in thousands)**

| Portfolio Company (1) (3)                                | Business Description  | Type of Investment (2) (3)   | Index Rate (22) | Principal (7) | Cost (7)  | Fair Value (26) |
|--|---|--|-----------------|---------------|-----------|-----------------|
| <b>Pasha Group (8)</b>                                   | Diversified Logistics and Transportation Provided             | LIBOR Plus 7.50% (Floor 1.00%), Current Coupon 10.07%, Secured Debt (Maturity - January 26, 2023)        | 2 month LIBOR   | \$ 10,449     | \$ 10,177 | \$ 10,534       |
| <b>Permian Holdco 2, Inc.</b>                            | Storage Tank Manufacturer                                     | 14.00% PIK Unsecured Debt (Maturity - October 15, 2021) (17)   | None            | 1,025         | 1,025     | 738             |
|  |   | 18.00% PIK Unsecured Debt (Maturity - June 30, 2022) (17)  | None            | 683           | 683       | 683             |
|  |   | Series A Preferred Shares (Permian Holdco 1, Inc.) (386,255 shares) (16)                                 | —               | —             | 1,997     | 825             |
|  |   | Common Shares (Permian Holdco 1, Inc.) (386,255 shares)  | —               | —             | —         | —               |
|  |   |  |                 |               | 3,705     | 2,246           |
| <b>Pier 1 Imports, Inc. (8)</b>                          | Decorative Home Furnishings Retailer                          | LIBOR Plus 3.50% (Floor 1.00%), Current Coupon 6.38%, Secured Debt (Maturity - April 30, 2021)           | 3 month LIBOR   | 7,435         | 7,173     | 4,015           |
| <b>PricewaterhouseCoopers Public Sector LLP (8) (14)</b> | Provider of Consulting Services to Governments                | LIBOR Plus 7.50%, Current Coupon 10.00%, Secured Debt (Maturity - May 1, 2026)                           | 1 month LIBOR   | 13,100        | 13,055    | 12,936          |
| <b>Prowler Acquisition Corporation (8)</b>               | Specialty Distributor to the Energy Sector                    | LIBOR Plus 4.50% (Floor 1.00%), Current Coupon 7.00%, Secured Debt (Maturity - January 28, 2020)         | 1 month LIBOR   | 12,248        | 11,739    | 12,309          |
| <b>Rise Broadband (8) (11)</b>                           | Fixed Wireless Broadband Provider                             | LIBOR Plus 8.00% (Floor 1.00%), Current Coupon 10.49%, Secured Debt (Maturity - May 2, 2023)             | 3 month LIBOR   | 14,850        | 14,722    | 14,850          |
| <b>RM Bidder, LLC (11)</b>                               | Scripted and Unscripted TV and Digital Programming Provider   | Common Stock (1,854 shares)  | —               | —             | 31        | 7               |
|  |   | Series A Warrants (124,915 equivalent units, Expiration - October 20, 2025)                              | —               | —             | 284       | —               |
|  |   | Series B Warrants (93,686 equivalent units, Expiration - October 20, 2025)                               | —               | —             | —         | —               |
|  |   |  |                 |               | 315       | 7               |
| <b>Salient Partners, LP (8) (11)</b>                     | Provider of Asset Management Services                         | LIBOR Plus 5.75% (Floor 1.00%), Current Coupon 8.25%, Secured Debt (Maturity - June 9, 2021)             | 1 month LIBOR   | 7,125         | 7,132     | 7,096           |
| <b>Slick Software Holdings LLC (10) (13)</b>             | Text Messaging Marketing Platform                             | 14.00% Secured Debt (Maturity - September 13, 2023)  | —               | 1,720         | 1,625     | 1,627           |
|  |   | Member units (17,500 units)  | —               | —             | 175       | 175             |
|  |   | Warrants (4,521 equivalent units, Expiration - September 13, 2028)                                       | —               | —             | 45        | 45              |
|  |   |  |                 |               | 1,845     | 1,847           |
| <b>Smart Modular Technologies, Inc. (8) (9) (11)</b>     | Provider of Specialty Memory Solutions                        | LIBOR Plus 6.25% (Floor 1.00%), Current Coupon 8.95%, Secured Debt (Maturity - August 9, 2022)           | 3 month LIBOR   | 19,000        | 18,807    | 19,095          |
| <b>Sorenson Communications, Inc. (8)</b>                 | Manufacturer of Communication Products for Hearing Impaired   | LIBOR Plus 5.75% (Floor 2.25%), Current Coupon 8.25%, Secured Debt (Maturity - April 30, 2020)           | 1 month LIBOR   | 2,908         | 2,901     | 2,879           |
| <b>STL Parent Corp (8)</b>                               | Manufacturer and Servicer of Tank and Hopper Railcars         | LIBOR Plus 7.00% (Floor 0.00%), Current Coupon 9.50%, Secured Debt (Maturity - December 5, 2022)         | 1 month LIBOR   | 11,925        | 11,532    | 11,567          |
| <b>Strike, LLC (8)</b>                                   | Pipeline Construction and Maintenance Services                | LIBOR Plus 8.00% (Floor 1.00%), Current Coupon 10.65%, Secured Debt (Maturity - November 30, 2022)       | 6 month LIBOR   | 8,875         | 8,691     | 8,842           |
| <b>TE Holdings, LLC</b>                                  | Oil & Gas Exploration & Production                            | Common Units (72,785 units)  | —               | —             | 728       | 36              |
| <b>Telequam Holdings, LLC (8)</b>                        | Cable and Telecom Services Provider                           | LIBOR Plus 8.50% (Floor 1.00%), Current Coupon 11.00%, Secured Debt (Maturity - April 12, 2024) (14)     | 1 month LIBOR   | 7,750         | 7,624     | 7,798           |
| <b>TGP Holdings III LLC (8)</b>                          | Outdoor Cooking & Accessories                                 | LIBOR Plus 8.50% (Floor 1.00%), Current Coupon 11.10%, Secured Debt (Maturity - September 25, 2025) (14) | 3 month LIBOR   | 5,000         | 5,000     | 4,800           |
| <b>TMC Merger Sub Corp (8)</b>                           | Refractory & Maintenance Services Provider                    | LIBOR Plus 6.75% (Floor 1.00%), Current Coupon 9.25%, Secured Debt (Maturity - October 31, 2022) (25)    | 1 month LIBOR   | 18,413        | 18,218    | 18,321          |
| <b>TOMS Shoes, LLC (8)</b>                               | Global Designer, Distributor, and Retailer of Casual Footwear | LIBOR Plus 5.50% (Floor 1.00%), Current Coupon 8.00%, Secured Debt (Maturity - October 30, 2020)         | 1 month LIBOR   | 4,800         | 4,651     | 3,804           |



**HMS Income Fund, Inc.**  
**Consolidated Schedule of Investments**  
**As of March 31, 2019**  
**(dollars in thousands)**

| Portfolio Company (1) (3)   | Business Description   | Type of Investment (2) (3)   | Index Rate (22) | Principal (7) | Cost (7)     | Fair Value (26) |
|---|--|--|-----------------|---------------|--------------|-----------------|
| Turning Point Brands, Inc. (8) (9) (11)   | Marketer/Distributor of Tobacco Products                     | LIBOR Plus 7.00% (Floor 0.00%), Current Coupon 9.48%, Secured Debt (Maturity - March 7, 2024) (14)   | 1 month LIBOR   | \$ 8,500      | \$ 8,427     | \$ 8,585        |
| TVG-I-E CMN Acquisition, LLC (8) (11)   | Organic Lead Generation for Online Postsecondary Schools     | LIBOR Plus 6.00%, (Floor 1.00%), Current Coupon 8.50%, Secured Debt (Maturity - November 3, 2021)  | 1 month LIBOR   | 19,377        | 19,096       | 19,377          |
| U.S. Telepacific Corp. (8)  | Provider of Communications and Managed Services              | LIBOR Plus 5.00% (Floor 1.00%), Current Coupon 7.60%, Secured Debt (Maturity - May 2, 2023)  | 3 month LIBOR   | 16,453        | 16,127       | 16,011          |
| VIP Cinema Holdings, Inc. (8)   | Supplier of Luxury Seating to the Cinema Industry            | LIBOR Plus 6.00% (Floor 1.00%), Current Coupon 8.50%, Secured Debt (Maturity - March 1, 2023)  | 1 month LIBOR   | 9,000         | 8,967        | 8,415           |
| Vistar Media, Inc. (11)   | Operator of Digital Out-of-Home Advertising Platform         | LIBOR Plus 10.00% (Floor 1.00%), Current Coupon 12.62%, Secured Debt (Maturity - February 16, 2022) (8)  | 3 month LIBOR   | 3,263         | 3,060        | 3,263           |
|   |  | Warrants (70,207 equivalent units, Expiration - February 17, 2027)   | —               | —             | 331          | 640             |
|   |  |  |                 |               | 3,391        | 3,903           |
| Volusion, LLC (10) (13)   | Provider of Online Software-as-a-Service eCommerce Solutions | 11.50% Secured Debt (Maturity - January 24, 2020)  | None            | 8,672         | 8,336        | 8,336           |
|   |  | 8.00% Unsecured Convertible Debt (Maturity - November 16, 2023)  | None            | 175           | 175          | 175             |
|   |  | Preferred Member Units (2,090,001 units)   | —               | —             | 6,000        | 6,000           |
|   |  | Warrants (784,866.80 equivalent units, Expiration - January 26, 2025)  | —               | —             | 1,104        | 810             |
|   |  |  |                 |               | 15,615       | 15,321          |
| Wireless Vision Holdings, LLC (8) (11)  | Provider of Wireless Telecommunications Carrier Services     | LIBOR Plus 9.91% (Floor 1.00%), Current Coupon 11.41% / 1.00% PIK, Current Coupon Plus PIK 12.41%, Secured Debt (Maturity - September 29, 2022) (23) | 1 month LIBOR   | 14,130        | 13,747       | 13,973          |
| YS Garments (8)   | Designer and Provider of Branded Activewear                  | LIBOR Plus 6.00% (Floor 1.00%), Current Coupon 8.41%, Secured Debt (Maturity - August 9, 2024)   | 1 month LIBOR   | 7,406         | 7,338        | 7,304           |
| Subtotal Non-Control/Non-Affiliate Investments (5) (81% of total portfolio investments at fair value) |  |  |                 |               | \$ 929,741   | \$ 902,841      |
| Total Portfolio Investments   |  |  |                 |               | \$ 1,113,450 | \$ 1,110,128    |
| <b>Short Term Investments (20)</b>  |  |  |                 |               |              |                 |
| Fidelity Institutional Money Market Funds (21)  | —  | Prime Money Market Portfolio, Class III Shares   | —               | —             | \$ 5,606     | \$ 5,606        |
| US Bank Money Market Account (21)   | —  | —  | —               | —             | 7,040        | 7,040           |
| Total Short Term Investments  |  |  |                 |               | \$ 12,646    | \$ 12,646       |

(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, 2018 and March 31, 2019 along with transactions during the three months ended March 31, 2019 in these affiliated investments were as follows (in thousands):

| Portfolio Company          | Fair Value<br>at<br>December<br>31, 2018 | Three Months Ended March 31, 2019 |                               |                               | Fair Value<br>at March<br>31, 2019 | Three Months Ended March 31, 2019 |                    |               |                    |
|----------------------------|--|-----------------------------------|-------------------------------|-------------------------------|------------------------------------|-----------------------------------|--------------------|---------------|--------------------|
|                            |  | Gross<br>Additions<br>(Cost)      | Gross<br>Reductions<br>(Cost) | Net Unrealized<br>Gain (Loss) |                                    | Net<br>Realized<br>Gain<br>(Loss) | Interest<br>Income | Fee<br>Income | Dividend<br>Income |
| Affiliate Investments      |  |                                   |                               |                               |                                    |                                   |                    |               |                    |
| AFG Capital Group, LLC     |  |                                   |                               |                               |                                    |                                   |                    |               |                    |
| Member units               | \$ 995                                   | \$ —                              | \$ —                          | \$ 97                         | \$ 1,092                           | \$ —                              | \$ —               | \$ —          | \$ —               |
| Warrants                   | 237                                      | —                                 | —                             | 23                            | 260                                | —                                 | —                  | —             | —                  |
| Brewer Crane Holdings, LLC |  |                                   |                               |                               |                                    |                                   |                    |               |                    |
| Term loan                  | 2,347                                    | 3                                 | (31)                          | —                             | 2,319                              | —                                 | 76                 | —             | —                  |
| Preferred member units     | 1,070                                    | —                                 | —                             | —                             | 1,070                              | —                                 | —                  | —             | —                  |

| Portfolio Company                              | Fair Value<br>at<br>December<br>31, 2018 | Three Months Ended March 31, 2019 |                               |                               | Fair Value<br>at March<br>31, 2019 | Three Months Ended March 31, 2019 |                    |               |                    |
|--|--|-----------------------------------|-------------------------------|-------------------------------|------------------------------------|-----------------------------------|--------------------|---------------|--------------------|
|  |  | Gross<br>Additions<br>(Cost)      | Gross<br>Reductions<br>(Cost) | Net Unrealized<br>Gain (Loss) |                                    | Net<br>Realized<br>Gain<br>(Loss) | Interest<br>Income | Fee<br>Income | Dividend<br>Income |
| Centre Technologies Holdings, LLC              |  |                                   |                               |                               |                                    |                                   |                    |               |                    |
| Term loan                                      | \$ —                                     | \$ 3,062                          | \$ (67)                       | \$ 6                          | \$ 3,001                           | \$ —                              | \$ 89              | \$ 7          | \$ —               |
| Preferred member units                         | —  | 1,460                             | —                             | —                             | 1,460                              | —                                 | —                  | —             | —                  |
| Chamberlin HoldCo, LLC                         |  |                                   |                               |                               |                                    |                                   |                    |               |                    |
| Term loan                                      | 4,933                                    | 5                                 | —                             | —                             | 4,938                              | —                                 | 167                | 15            | —                  |
| Member units                                   | 4,735                                    | —                                 | —                             | 545                           | 5,280                              | —                                 | —                  | —             | 36                 |
| Member units                                   | 183                                      | —                                 | —                             | —                             | 183                                | —                                 | —                  | —             | —                  |
| Charlotte Russe, Inc.                          |  |                                   |                               |                               |                                    |                                   |                    |               |                    |
| Term loan                                      | 3,090                                    | —                                 | (6,236)                       | 3,146                         | —                                  | (5,430)                           | (84)               | —             | —                  |
| Common stock                                   | —  | —                                 | —                             | —                             | —                                  | —                                 | —                  | —             | —                  |
| Charps, LLC                                    |  |                                   |                               |                               |                                    |                                   |                    |               |                    |
| Term loan                                      | 2,975                                    | 6                                 | (167)                         | (6)                           | 2,808                              | —                                 | 89                 | —             | —                  |
| Preferred member units                         | 568                                      | —                                 | —                             | 370                           | 938                                | —                                 | —                  | —             | 30                 |
| Clad-Rex Steel, LLC                            |  |                                   |                               |                               |                                    |                                   |                    |               |                    |
| Term loan                                      | 3,020                                    | 3                                 | —                             | (3)                           | 3,020                              | —                                 | 90                 | —             | —                  |
| Member units                                   | 2,653                                    | —                                 | —                             | —                             | 2,653                              | —                                 | —                  | —             | 13                 |
| Term loan (Clad-Rex Steel RE Investor, LLC)    | 288                                      | —                                 | (2)                           | —                             | 286                                | —                                 | 7                  | —             | —                  |
| Member units (Clad-Rex Steel RE Investor, LLC) | 88                                       | —                                 | —                             | —                             | 88                                 | —                                 | —                  | —             | —                  |
| Copper Trail Energy Fund I, LP                 |  |                                   |                               |                               |                                    |                                   |                    |               |                    |
| LP interests                                   | —  | 4,029                             | —                             | (99)                          | 3,930                              | —                                 | —                  | 6             | (250)              |
| Digital Products Holdings LLC                  |  |                                   |                               |                               |                                    |                                   |                    |               |                    |
| Term loan                                      | 6,320                                    | 6                                 | (83)                          | —                             | 6,243                              | —                                 | 206                | —             | —                  |
| Preferred member units                         | 2,116                                    | —                                 | —                             | (125)                         | 1,991                              | —                                 | —                  | —             | 25                 |
| Direct Marketing Solutions, Inc.               |  |                                   |                               |                               |                                    |                                   |                    |               |                    |
| Term loan                                      | 4,404                                    | 5                                 | (59)                          | —                             | 4,350                              | —                                 | 154                | —             | —                  |
| Preferred stock                                | 3,725                                    | —                                 | —                             | 313                           | 4,038                              | —                                 | —                  | —             | —                  |
| Freeport Financial Funds                       |  |                                   |                               |                               |                                    |                                   |                    |               |                    |
| LP interests                                   | 10,980                                   | —                                 | (1,399)                       | —                             | 9,581                              | —                                 | —                  | —             | 255                |
| Gamber-Johnson Holdings, LLC                   |  |                                   |                               |                               |                                    |                                   |                    |               |                    |
| Term loan                                      | 5,371                                    | 7                                 | (216)                         | (7)                           | 5,155                              | —                                 | 139                | —             | —                  |
| Common stock                                   | 11,365                                   | —                                 | —                             | —                             | 11,365                             | —                                 | —                  | —             | 214                |
| Guerdon Modular Holdings, Inc.                 |  |                                   |                               |                               |                                    |                                   |                    |               |                    |
| Term loan                                      | 3,001                                    | 5                                 | —                             | (1)                           | 3,005                              | —                                 | 108                | —             | —                  |
| Common stock                                   | —  | —                                 | —                             | —                             | —                                  | —                                 | —                  | —             | —                  |
| Class B preferred units                        | —  | —                                 | —                             | —                             | —                                  | —                                 | —                  | —             | —                  |
| Gulf Publishing Holdings, LLC                  |  |                                   |                               |                               |                                    |                                   |                    |               |                    |
| Term loan                                      | 3,131                                    | 4                                 | (33)                          | —                             | 3,102                              | —                                 | 102                | —             | —                  |
| Term loan                                      | —  | 20                                | —                             | —                             | 20                                 | —                                 | —                  | —             | —                  |
| Member units                                   | 1,030                                    | —                                 | —                             | 52                            | 1,082                              | —                                 | —                  | —             | —                  |
| Harris Preston Fund Investments                |  |                                   |                               |                               |                                    |                                   |                    |               |                    |
| LP interests (HPEP 3, LP)                      | 1,733                                    | 238                               | —                             | —                             | 1,971                              | —                                 | —                  | —             | —                  |
| LP interests (2717 HM, LP)                     | 1,133                                    | 1,195                             | —                             | —                             | 2,328                              | —                                 | —                  | —             | —                  |
| Hawk Ridge Systems, LLC                        |  |                                   |                               |                               |                                    |                                   |                    |               |                    |
| Term loan                                      | 3,575                                    | 6                                 | (225)                         | (6)                           | 3,350                              | —                                 | 99                 | —             | —                  |
| Preferred member units                         | 1,815                                    | —                                 | —                             | —                             | 1,815                              | —                                 | —                  | —             | 56                 |
| Preferred member units (HRS Services, ULC)     | 95                                       | —                                 | —                             | —                             | 95                                 | —                                 | —                  | —             | —                  |
| HWT, LLC                                       |  |                                   |                               |                               |                                    |                                   |                    |               |                    |
| Term Loan                                      | 2,484                                    | 391                               | (2,875)                       | —                             | —                                  | —                                 | —                  | —             | —                  |
| Member units                                   | 986                                      | —                                 | (986)                         | —                             | —                                  | (47)                              | —                  | 9             | (8)                |
| KMC Investor, LLC                              |  |                                   |                               |                               |                                    |                                   |                    |               |                    |
| Term loan                                      | 6,795                                    | 8                                 | —                             | —                             | 6,803                              | —                                 | 209                | —             | —                  |
| Term loan                                      | 259                                      | 1                                 | (266)                         | 6                             | —                                  | —                                 | 2                  | —             | —                  |
| Term loan                                      | 991                                      | —                                 | (1)                           | —                             | 990                                | —                                 | 23                 | —             | —                  |
| Member units                                   | 248                                      | —                                 | —                             | —                             | 248                                | —                                 | —                  | —             | —                  |
| Member units (KMC RE Investor, LLC)            | 3,060                                    | —                                 | —                             | —                             | 3,060                              | —                                 | —                  | —             | 12                 |
| Market Force Information, Inc.                 |  |                                   |                               |                               |                                    |                                   |                    |               |                    |
| Term loan                                      | 5,617                                    | 5                                 | —                             | —                             | 5,622                              | —                                 | 201                | —             | —                  |
| Term loan                                      | 50                                       | 140                               | (50)                          | —                             | 140                                | —                                 | —                  | —             | —                  |
| Member units                                   | 3,275                                    | —                                 | —                             | (478)                         | 2,797                              | —                                 | —                  | —             | —                  |



| Portfolio Company                | Fair Value at December 31, 2018 | Three Months Ended March 31, 2019    |  |   | Fair Value at March 31, 2019 | Three Months Ended March 31, 2019 |                 |              |                 |
|----------------------------------|---------------------------------|--------------------------------------|--|---|------------------------------|-----------------------------------|-----------------|--------------|-----------------|
|                                  |                                 | Gross Additions <sup>**</sup> (Cost) | Gross Reductions <sup>***</sup> (Cost) | Net Unrealized Gain (Loss) <sup>***</sup> |                              | Net Realized Gain (Loss)          | Interest Income | Fee Income   | Dividend Income |
| M.H. Corbin Holding, LLC         |                                 |                                      |  |   |                              |                                   |                 |              |                 |
| Term loan                        | \$ 2,934                        | \$ 188                               | \$ (1,114)                             | \$ 127                                    | \$ 2,135                     | \$ 10                             | \$ 129          | \$ —         | \$ —            |
| Member units                     | —                               | 1,100                                | —                                      | 92  | 1,192                        | —                                 | —               | —            | —               |
| Member units                     | 250                             | —                                    | —                                      | (245)                                     | 5                            | —                                 | —               | —            | —               |
| Mystic Logistics Holdings, LLC   |                                 |                                      |  |   |                              |                                   |                 |              |                 |
| Term loan                        | 1,877                           | 4                                    | (7)                                    | (2)                                       | 1,872                        | —                                 | 61              | —            | —               |
| Common stock                     | 52                              | 1                                    | —                                      | 125                                       | 178                          | —                                 | —               | —            | —               |
| NexRev, LLC                      |                                 |                                      |  |   |                              |                                   |                 |              |                 |
| Term loan                        | 4,322                           | 4                                    | —                                      | (38)                                      | 4,288                        | —                                 | 131             | —            | —               |
| Preferred member units           | 1,972                           | —                                    | —                                      | (252)                                     | 1,720                        | —                                 | —               | —            | 5               |
| NuStep, LLC                      |                                 |                                      |  |   |                              |                                   |                 |              |                 |
| Term loan                        | 5,073                           | 6                                    | —                                      | —   | 5,079                        | —                                 | 161             | —            | —               |
| Preferred member units           | 2,550                           | —                                    | —                                      | —   | 2,550                        | —                                 | —               | —            | —               |
| SI East, LLC                     |                                 |                                      |  |   |                              |                                   |                 |              |                 |
| Term loan                        | 11,582                          | 8                                    | —                                      | (8)                                       | 11,582                       | —                                 | 311             | —            | —               |
| Preferred member units           | 2,000                           | —                                    | —                                      | —   | 2,000                        | —                                 | —               | —            | —               |
| Soft Touch Medical Holdings, LLC |                                 |                                      |  |   |                              |                                   |                 |              |                 |
| Member units                     | —                               | —                                    | —                                      | —   | —                            | (41)                              | —               | —            | —               |
| Tedder Acquisition, LLC          |                                 |                                      |  |   |                              |                                   |                 |              |                 |
| Term loan                        | 3,983                           | 5                                    | —                                      | —   | 3,988                        | —                                 | 128             | —            | —               |
| Term loan                        | 118                             | —                                    | —                                      | —   | 118                          | —                                 | 4               | —            | —               |
| Preferred member units           | 1,869                           | —                                    | —                                      | —   | 1,869                        | —                                 | —               | —            | —               |
|                                  | <u>\$ 149,323</u>               | <u>\$ 11,915</u>                     | <u>\$ (13,817)</u>                     | <u>\$ 3,632</u>                           | <u>\$ 151,053</u>            | <u>\$ (5,508)</u>                 | <u>\$ 2,602</u> | <u>\$ 37</u> | <u>\$ 396</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.

\*\*\* Net unrealized gain (loss) does not include unrealized appreciation (depreciation) on unfunded commitments.

(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, 2018 and March 31, 2019 along with transactions during the three months ended March 31, 2019 in these Control investments were as follows (in thousands):

| Portfolio Company              | Fair Value at December 31, 2018 | Three Months Ended March 31, 2019 |                            |                            | Fair Value at March 31, 2019 | Three Months Ended March 31, 2019 |                 |            |                 |      |
|--------------------------------|---------------------------------|-----------------------------------|----------------------------|----------------------------|------------------------------|-----------------------------------|-----------------|------------|-----------------|------|
|                                |                                 | Gross Additions (Cost)**          | Gross Reductions (Cost)*** | Net Unrealized Gain (Loss) |                              | Net Realized Gain (Loss)          | Interest Income | Fee Income | Dividend Income |      |
| Control Investments            |                                 |                                   |                            |                            |                              |                                   |                 |            |                 |      |
| Copper Trail Energy Fund I, LP |                                 |                                   |                            |                            |                              |                                   |                 |            |                 |      |
| LP interests                   | \$ 4,468                        | \$ 23                             | \$ (4,491)                 | \$ —                       | \$ —                         | \$ —                              | \$ —            | \$ —       | \$ —            | \$ — |
| CTMH, LP                       |                                 |                                   |                            |                            |                              |                                   |                 |            |                 |      |
| LP interests                   | 872                             | —                                 | —                          | —                          | 872                          | —                                 | —               | —          | —               | —    |
| GRT Rubber Technologies, LLC   |                                 |                                   |                            |                            |                              |                                   |                 |            |                 |      |
| Term loan                      | 4,797                           | 868                               | —                          | (2)                        | 5,663                        | —                                 | 123             | —          | —               | —    |
| Member units                   | 19,239                          | —                                 | —                          | 1,098                      | 20,337                       | —                                 | —               | 17         | 1,307           | —    |
| HMS-ORIX SLF LLC*              |                                 |                                   |                            |                            |                              |                                   |                 |            |                 |      |
| Membership interests           | 26,351                          | 1                                 | —                          | 3,010                      | 29,362                       | —                                 | —               | —          | —               | 546  |
|                                | \$ 55,727                       | \$ 892                            | \$ (4,491)                 | \$ 4,106                   | \$ 56,234                    | \$ —                              | \$ 123          | \$ 17      | \$ 1,853        | \$ — |

\* 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 March 31, 2019, approximately 12.9% 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 March 31, 2019. Settlement occurred or is scheduled to occur after March 31, 2019.
- (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 March 31, 2019.
- (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 March 31, 2019 was approximately 0.30% at US Bank Money Market Account and 2.08% at Fidelity Institutional Money Market Funds.
- (22) The 1, 2, 3, and 6-month London Interbank Offered Rate ("LIBOR") were 2.49%, 2.56%, 2.60% and 2.66%, respectively, as of March 31, 2019. The actual LIBOR for each loan listed may not be the applicable LIBOR as of March 31, 2019, as the loan may have been priced or repriced based on a LIBOR prior to March 31, 2019. The prime rate was 5.50% as of March 31, 2019.
- (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**  
**12/31/2018**  
**(dollars in thousands)**

| Portfolio Company (1) (3)   | Business Description                                     | Type of Investment (2) (3)  | Index Rate (22) | Principal (7) | Cost (7)         | Fair Value (26)  |
|---|--|---|-----------------|---------------|------------------|------------------|
| <b>Control Investments (6)</b>  |  |   |                 |               |                  |                  |
| <b>Copper Trail Energy Fund I, LP (9) (15)</b>                                  | Investment Partnership                                   | LP Interests (Copper Trail Energy Fund I, LP) (Fully diluted 30.10%) (16)                               | —               | \$ —          | \$ 3,745         | \$ 4,468         |
| <b>CTMH, LP (9) (15)</b>  | Investment Partnership                                   | LP Interests (CTMH, LP) (Fully diluted 38.80%)  | —               | —             | 872              | 872              |
| <b>GRT Rubber Technologies, LLC (10) (13)</b>                                   | Manufacturer of Engineered Rubber Products               | LIBOR Plus 7.00% (Floor 1.00%), Current Coupon 9.35%, Secured Debt (Maturity - December 31, 2023) (8)   | 1 month LIBOR   | 4,797         | 4,770            | 4,797            |
|   |  | Member Units (2,896 units) (16)   | —               | —             | 6,434            | 19,239           |
|   |  |   |                 |               | 11,204           | 24,036           |
| <b>HMS-ORIX SLF LLC (9) (15)</b>  | Investment Partnership                                   | Membership Interests (Fully diluted 60.00%) (16)  | —               | —             | 30,000           | 26,351           |
| <b>Subtotal Control Investments (6) (5% of total investments at fair value)</b> |  |   |                 |               | <b>\$ 45,821</b> | <b>\$ 55,727</b> |
| <b>Affiliate Investments (4)</b>  |  |   |                 |               |                  |                  |
| <b>AFG Capital Group, LLC (10) (13)</b>   | Provider of Rent-to-Own Financing Solutions and Services | Member Units (46 units) (16)  | —               | \$ —          | \$ 300           | \$ 995           |
|   |  | Warrants (10 equivalent units, Expiration - November 7, 2024)   | —               | —             | 65               | 237              |
|   |  |   |                 |               | 365              | 1,232            |
| <b>Brewer Crane Holdings, LLC (10) (13)</b>                                     | Provider of Crane Rental and Operating Services          | LIBOR Plus 10.00% (Floor 1.00%), Current Coupon 12.35%, Secured Debt (Maturity - January 9, 2023) (8)   | 1 month LIBOR   | 2,387         | 2,347            | 2,347            |
|   |  | Preferred Member Units (737 units) (16)   | —               | —             | 1,070            | 1,070            |
|   |  |   |                 |               | 3,417            | 3,417            |
| <b>Chamberlin Holding, LLC (10) (13)</b>  | Roofing and Waterproofing Specialty Subcontractor        | LIBOR Plus 10.00% (Floor 1.00%), Current Coupon 12.75%, Secured Debt (Maturity - February 23, 2023) (8) | 1 month LIBOR   | 5,051         | 4,933            | 4,933            |
|   |  | Member Units (1,087 units) (16)   | —               | —             | 2,860            | 4,735            |
|   |  | Member Units (Langfield RE, LLC) (1 unit) (16)  | —               | —             | 183              | 183              |
|   |  |   |                 |               | 7,976            | 9,851            |
|   |  |   |                 |               |                  |                  |
| <b>Charlotte Russe, Inc.</b>  | Fast-Fashion Retailer to Young Women                     | 8.50% Secured Debt (Maturity - February 2, 2023)  | None            | 6,237         | 6,237            | 3,090            |
|   |  | Common Stock (14,973 shares)  | —               | —             | 2,470            | —                |
|   |  |   |                 |               | 8,707            | 3,090            |
| <b>Charps, LLC (10) (13)</b>  | Pipeline Maintenance and Construction                    | 12.00% Secured Debt (Maturity - February 3, 2022)   | None            | 2,975         | 2,922            | 2,975            |
|   |  | Preferred Member Units (400 units) (16)   | —               | —             | 100              | 568              |
|   |  |   |                 |               | 3,022            | 3,543            |
| <b>Clad-Rex Steel, LLC (10) (13)</b>  | Specialty Manufacturer of Vinyl-Clad Metal               | LIBOR Plus 9.00% (Floor 1.00%), Current Coupon 11.35%, Secured Debt (Maturity - December 20, 2021) (8)  | 1 month LIBOR   | 3,020         | 2,979            | 3,020            |
|   |  | Member Units (179 units) (16)   | —               | —             | 1,820            | 2,653            |
|   |  | 10.00% Secured Debt (Clad-Rex Steel RE Investor, LLC) (Maturity - December 19, 2036)                    | None            | 291           | 288              | 288              |
|   |  | Member Units (Clad-Rex Steel RE Investor, LLC) (200 units)  | —               | —             | 53               | 88               |
|   |  |   |                 |               | 5,140            | 6,049            |
| <b>Digital Products Holdings LLC (10) (13)</b>                                  | Designer and Distributor of Consumer Electronics         | LIBOR Plus 10.00% (Floor 1.00%), Current Coupon 12.38%, Secured Debt (Maturity - March 31, 2023) (8)    | 1 month LIBOR   | 6,435         | 6,320            | 6,320            |
|   |  | Preferred Member Units (863 units) (16)   | —               | —             | 2,116            | 2,116            |
|   |  |   |                 |               | 8,436            | 8,436            |
| <b>Direct Marketing Solutions, Inc. (10) (13)</b>                               | Provider of Omni-Channel Direct Marketing Services       | LIBOR Plus 11.00% (Floor 1.00%), Current Coupon 13.38%, Secured Debt (Maturity - February 13, 2023) (8) | 1 month LIBOR   | 4,503         | 4,396            | 4,404            |
|   |  | Preferred Stock (2,100 shares)  | —               | —             | 2,100            | 3,725            |
|   |  |   |                 |               | 6,496            | 8,129            |

**HMS Income Fund, Inc.**  
**Consolidated Schedule of Investments**  
**12/31/2018**  
**(dollars in thousands)**

| Portfolio Company (1) (3)                       | Business Description   | Type of Investment (2) (3)  | Index Rate (22) | Principal (7) | Cost (7)  | Fair Value (26) |
|---|--|---|-----------------|---------------|-----------|-----------------|
| <b>Freeport Financial Funds (9) (15)</b>        | Investment Partnership   | LP Interests (Freeport First Lien Loan Fund III, LP) (Fully diluted 6.00%) (16)                     | —               | \$ —          | \$ 11,155 | \$ 10,980       |
| <b>Gamber-Johnson Holdings, LLC (10) (13)</b>   | Manufacturer of Ruggedized Computer Mounting Systems                   | LIBOR Plus 7.50% (Floor 2.00%), Current Coupon 9.85%, Secured Debt (Maturity - June 24, 2021) (8)   | 1 month LIBOR   | 5,371         | 5,299     | 5,371           |
|   |  | Member Units (2,155 units) (16)   | —               | —             | 3,711     | 11,365          |
|   |  |   |                 |               | 9,010     | 16,736          |
| <b>Guerdon Modular Holdings, Inc. (10) (13)</b> | Multi-Family and Commercial Modular Construction Company               | 13.00% Secured Debt (Maturity - March 1, 2019)  | None            | 3,147         | 3,124     | 3,001           |
|   |  | Common Stock (53,008 shares)  | —               | —             | 746       | —               |
|   |  | Class B Preferred Stock (101,250 shares)  | —               | —             | 285       | —               |
|   |  |   |                 |               | 4,155     | 3,001           |
| <b>Gulf Publishing Holdings, LLC (10) (13)</b>  | Energy Industry Focused Media and Publishing                           | 12.50% Secured Debt (Maturity - April 29, 2021)   | None            | 3,166         | 3,131     | 3,131           |
|   |  | Member Units (920 units)  | —               | —             | 920       | 1,030           |
|   |  |   |                 |               | 4,051     | 4,161           |
| <b>Harris Preston Fund Investments (9) (15)</b> | Investment Partnership   | LP Interests (HPEP 3, LP) (Fully diluted 8.20%) (16)  | —               | —             | 1,733     | 1,733           |
|   |  | LP Interests (2717 MH, LP) (Fully diluted 49.30%) (16)  | —               | —             | 1,040     | 1,133           |
|   |  |   |                 |               | 2,773     | 2,866           |
| <b>Hawk Ridge Systems, LLC (9) (10) (13)</b>    | Value-Added Reseller of Engineering Design and Manufacturing Solutions | 10.50% Secured Debt (Maturity - December 2, 2021)   | None            | 3,575         | 3,526     | 3,575           |
|   |  | Preferred Member Units (56 units) (16)  | —               | —             | 713       | 1,815           |
|   |  | Preferred Member Units (HRS Services, ULC) (56 units) (16)  | —               | —             | 38        | 95              |
|   |  |   |                 |               | 4,277     | 5,485           |
|   |  |   |                 |               |           |                 |
| <b>HW Temps LLC (10) (13)</b>                   | Temporary Staffing Solutions   | LIBOR Plus 13.00% (Floor 1.00%), Current Coupon 15.35%, Secured Debt (Maturity - July 2, 2020) (8)  | 1 month LIBOR   | 2,494         | 2,469     | 2,484           |
|   |  | Preferred Member Units (800 units) (16)   | —               | —             | 986       | 986             |
|   |  |   |                 |               | 3,455     | 3,470           |
| <b>KMC Investor, LLC (10) (13)</b>              | Precision Metal Parts Manufacturing                                    | 11.50% Secured Debt (Maturity - October 31, 2023)   | None            | 7,000         | 6,795     | 6,795           |
|   |  | 11.50% Secured Debt (Maturity - October 31, 2020)   | None            | 266           | 259       | 259             |
|   |  | 9.00% Secured Debt (Maturity - October 31, 2048)  | None            | 1,001         | 991       | 991             |
|   |  | Member Units (145 units)  | —               | —             | 248       | 248             |
|   |  | Member Units (KMC RE Investor, LLC) (200 units)   | —               | —             | 3,060     | 3,060           |
|   |  |   |                 |               | 11,353    | 11,353          |
| <b>Market Force Information, Inc. (10) (13)</b> | Provider of Customer Experience Management Services                    | LIBOR Plus 11.00% (Floor 1.00%), Current Coupon 13.74%, Secured Debt (Maturity - July 28, 2022) (8) | 1 month LIBOR   | 5,700         | 5,617     | 5,617           |
|   |  | LIBOR Plus 7.00% (Floor 1.00%), Current Coupon 9.74%, Secured Debt (Maturity - July 28, 2022) (8)   | 1 month LIBOR   | 50            | 50        | 50              |
|   |  | Member Units (170,000 units)  | —               | —             | 3,675     | 3,275           |
|   |  |   |                 |               | 9,342     | 8,942           |
| <b>M.H. Corbin Holding LLC (10) (13)</b>        | Manufacturer and Distributor of Traffic Safety Products                | 10.00% Current / 3.00% PIK Secured Debt (Maturity - August 31, 2020) (18)                           | None            | 3,066         | 3,032     | 2,934           |
|   |  | Preferred Member Units (1,000 units)  | —               | —             | 1,500     | 250             |
|   |  |   |                 |               | 4,532     | 3,184           |
| <b>Mystic Logistics Holdings, LLC (10) (13)</b> | Logistics and Distribution Services Provider for Large Volume Mailers  | 12.00% Secured Debt (Maturity - August 15, 2019)  | None            | 1,884         | 1,871     | 1,877           |
|   |  | Common Stock (1,468 shares) (16)  | —               | —             | 680       | 52              |
|   |  |   |                 |               | 2,551     | 1,929           |

**HMS Income Fund, Inc.**  
**Consolidated Schedule of Investments**  
**12/31/2018**  
**(dollars in thousands)**

| Portfolio Company (1) (3)   | Business Description  | Type of Investment (2) (3)   | Index Rate (22) | Principal (7) | Cost (7)   | Fair Value (26) |
|---|---|--|-----------------|---------------|------------|-----------------|
| NexRev, LLC (10) (13)   | Provider of Energy Efficiency Products & Services                                 | 11.00% Secured Debt (Maturity - February 28, 2023)   | None            | \$ 4,360      | \$ 4,276   | \$ 4,322        |
|   |   | Preferred Member Units (21,600,000 units) (16)   | —               | —             | 1,720      | 1,972           |
|   |   |  |                 |               | 5,996      | 6,294           |
| NuStep, LLC (10) (13)   | Designer, Manufacturer and Distributor of Fitness Equipment                       | 12.00% Secured Debt (Maturity - January 31, 2022)  | None            | 5,150         | 5,072      | 5,073           |
|   |   | Preferred Member Units (102 units)   | —               | —             | 2,550      | 2,550           |
|   |   |  |                 |               | 7,622      | 7,623           |
| SI East, LLC (10) (13)  | Rigid Industrial Packaging Manufacturing  | 10.25% Secured Debt (Maturity - August 31, 2023)   | None            | 11,750        | 11,571     | 11,582          |
|   |   | Preferred Member Units (52 units)  | —               | —             | 2,000      | 2,000           |
|   |   |  |                 |               | 13,571     | 13,582          |
| Tedder Acquisition, LLC (10) (13)   | Manufacturer of Firearm Holsters and Accessories                                  | 12.00% Secured Debt (Maturity - August 31, 2023)   | None            | 4,100         | 3,983      | 3,983           |
|   |   | 12.00% Secured Debt (Maturity - August 31, 2020)   | None            | 120           | 118        | 118             |
|   |   | Preferred Member Units (110 units)   | —               | —             | 1,869      | 1,869           |
|   |   |  |                 |               | 5,970      | 5,970           |
| Subtotal Affiliate Investments (4) (13% of total investments at fair value) |   |  |                 |               | \$ 143,372 | \$ 149,323      |
| Non-Control/Non-Affiliate Investments (5)                                   |   |  |                 |               |            |                 |
| AAC Holdings Inc. (8)   | Substance Abuse Treatment Service Provider  | LIBOR Plus 6.75% (Floor 1.00%), Current Coupon 9.28%, Secured Debt (Maturity - June 30, 2023)          | 3 month LIBOR   | \$ 14,500     | \$ 14,245  | \$ 14,463       |
| Adams Publishing Group, LLC (8) (11)  | Local Newspaper Operator  | LIBOR Plus 7.50% (Floor 1.00%), Current Coupon 9.93%, Secured Debt (Maturity - July 3, 2023)           | 3 month LIBOR   | 8,108         | 7,942      | 7,942           |
|   |   | PRIME Plus 4.00% (Floor 1.00%), Current Coupon 9.50%, Secured Debt (Maturity - July 3, 2023)           | PRIME           | 4,250         | 4,160      | 4,160           |
|   |   |  |                 |               | 12,102     | 12,102          |
| 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 8.77%, Secured Debt (Maturity - July 26, 2023)          | 1 month LIBOR   | 16,416        | 16,319     | 15,306          |
| Aethon United BR, LP (8) (11)   | Oil & Gas Exploration & Production  | LIBOR Plus 6.75% (Floor 1.00%), Current Coupon 9.14%, Secured Debt (Maturity - September 8, 2023) (14) | 1 month LIBOR   | 4,063         | 4,011      | 3,817           |
| Allen Media, LLC (8)  | Operator of Cable Television Networks   | LIBOR Plus 6.50% (Floor 1.00%), Current Coupon 9.21%, Secured Debt (Maturity - August 30, 2023)        | 3 month LIBOR   | 17,142        | 16,671     | 16,650          |
| Allflex Holdings III Inc. (8)   | Manufacturer of Livestock Identification Products                                 | LIBOR Plus 7.00% (Floor 1.00%), Current Coupon 9.48%, Secured Debt (Maturity - July 19, 2021) (14)     | 3 month LIBOR   | 13,232        | 13,321     | 13,125          |
| American Nuts, LLC (8) (11)   | Roaster, Mixer and Packager of Bulk Nuts and Seeds                                | LIBOR Plus 8.50% (Floor 1.00%), Current Coupon 10.90%, Secured Debt (Maturity - April 10, 2023)        | 3 month LIBOR   | 11,194        | 10,965     | 10,475          |
|   |   | LIBOR Plus 8.50% (Floor 1.00%), PIK 9.50%, Secured Debt (Maturity - April 10, 2023)                    | 1 month LIBOR   | 1,125         | 1,107      | 1,107           |
|   |   |  |                 |               | 12,072     | 11,582          |
| American Scaffold Holdings, Inc. (8) (11)                                   | Marine Scaffolding Service Provider   | LIBOR Plus 6.50% (Floor 1.00%), Current Coupon 9.30%, Secured Debt (Maturity - March 31, 2022)         | 3 month LIBOR   | 6,656         | 6,593      | 6,623           |
| American Teleconferencing Services, Ltd. (8)                                | Provider of Audio Conferencing and Video Collaboration Solutions                  | LIBOR Plus 6.50% (Floor 1.00%), Current Coupon 9.09%, Secured Debt (Maturity - December 8, 2021)       | 3 month LIBOR   | 14,586        | 13,938     | 12,180          |
| Apex Linen Service, Inc. (10) (13)  | Industrial Launderers   | 16.00% Secured Debt (Maturity - October 30, 2022)  | None            | 3,604         | 3,560      | 3,560           |
|   |   | LIBOR Plus 9.00% (Floor 1.00%), Current Coupon 11.35%, Secured Debt (Maturity - October 30, 2022) (8)  | 1 month LIBOR   | 600           | 600        | 600             |
|   |   |  |                 |               | 4,160      | 4,160           |

**HMS Income Fund, Inc.**  
**Consolidated Schedule of Investments**  
**12/31/2018**  
**(dollars in thousands)**

| Portfolio Company (1) (3)                           | Business Description  | Type of Investment (2) (3)   | Index Rate (22) | Principal (7) | Cost (7) | Fair Value (26) |
|---|---|--|-----------------|---------------|----------|-----------------|
| <b>APTIM Corp</b>                                   | Engineering, Construction and Procurement   | 7.75% Secured Debt (Maturity - June 15, 2025)  | None            | \$ 6,952      | \$ 6,163 | \$ 5,284        |
| <b>Arcus Hunting, LLC (8) (11)</b>                  | Manufacturer of Bowhunting and Archery Products and Accessories                       | LIBOR Plus 7.00% (Floor 1.00%), Current Coupon 9.40%, Secured Debt (Maturity - November 13, 2019)                            | 1 month LIBOR   | 7,493         | 7,459    | 7,492           |
| <b>Arise Holdings, Inc. (11)</b>                    | Tech-Enabled Business Process Outsourcing   | Preferred Stock (1,000,000 shares)   | —               | —             | 1,000    | 1,704           |
| <b>ASC Ortho Management Company, LLC (11)</b>       | Provider of Orthopedic Services   | LIBOR Plus 7.50% (Floor 1.00%), Current Coupon 9.90%, Secured Debt (Maturity - August 31, 2023) (8)                          | 3 month LIBOR   | 4,660         | 4,560    | 4,574           |
|   |   | 13.25% PIK Secured Debt (Maturity - December 1, 2023) (14)   | None            | 1,571         | 1,532    | 1,532           |
|   |   |  |                 |               | 6,092    | 6,106           |
| <b>ATI Investment Sub, Inc. (8)</b>                 | Manufacturer of Solar Tracking Systems  | LIBOR Plus 7.25% (Floor 1.00%), Current Coupon 9.76%, Secured Debt (Maturity - June 22, 2021)                                | 1 month LIBOR   | 4,135         | 4,062    | 3,718           |
| <b>ATX Networks Corp. (8) (9)</b>                   | 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   | 13,982        | 13,827   | 13,284          |
| <b>BarFly Ventures, LLC (11)</b>                    | Casual Restaurant Group   | 12.00% Secured Debt (Maturity - August 31, 2020)   | None            | 3,395         | 3,362    | 3,339           |
|   |   | Warrants (.410 equivalent units, Expiration - August 31, 2025)   | —               | —             | 158      | 137             |
|   |   | Options (.99 equivalent units)   | —               | —             | 202      | 313             |
|   |   |  |                 |               | 3,722    | 3,789           |
| <b>BBB Tank Services, LLC (10) (13)</b>             | Maintenance, Repair and Construction Services to the Above-Ground Storage Tank Market | LIBOR Plus 11.00% (Floor 1.00%), Current Coupon 13.35%, Secured Debt (Maturity - April 8, 2021) (8)                          | 1 month LIBOR   | 1,000         | 992      | 962             |
|   |   | Preferred Stock (non-voting)   | —               | —             | 28       | 28              |
|   |   | Member Units (200,000 units)   | —               | —             | 200      | 58              |
|   |   |  |                 |               | 1,220    | 1,048           |
| <b>Berry Aviation, Inc. (11)</b>                    | Charter Airline Services  | 10.50% Current / 1.50% PIK, Secured Debt (Maturity - January 6, 2024) (14)   | None            | 4,480         | 4,417    | 4,438           |
|   |   | Preferred Member Units (Berry Acquisition, LLC) (1,548,387 units, 8.00% cumulative) (16)                                     | —               | —             | 1,548    | 1,609           |
|   |   |  |                 |               | 5,965    | 6,047           |
| <b>BigName Commerce, LLC (8) (11)</b>               | Provider of Envelopes and Complimentary Stationery Products                           | LIBOR Plus 7.25% (Floor 1.00%), Current Coupon 9.65%, Secured Debt (Maturity - May 11, 2022)                                 | 1 month LIBOR   | 2,462         | 2,441    | 2,370           |
| <b>Binswanger Enterprises, LLC (11)</b>             | Glass Repair and Installation Service Provider  | LIBOR Plus 8.00% (Floor 1.00%), Current Coupon 10.74%, Secured Debt (Maturity - March 9, 2022) (8)                           | 3 month LIBOR   | 14,270        | 14,073   | 13,651          |
|   |   | Member Units (1,050,000 units)   | —               | —             | 1,050    | 1,330           |
|   |   |  |                 |               | 15,123   | 14,981          |
| <b>Bluestem Brands, Inc. (8)</b>                    | Multi-Channel Retailer of General Merchandise   | LIBOR Plus 7.50% (Floor 1.00%), Current Coupon 10.02%, Secured Debt (Maturity - November 6, 2020)                            | 3 month LIBOR   | 12,198        | 12,087   | 7,888           |
| <b>Boccella Precast Products, LLC (10) (13)</b>     | Manufacturer of Precast Hollow Core Concrete  | LIBOR Plus 10.00% (Floor 1.00%), Current Coupon 12.40%, Secured Debt (Maturity - June 30, 2022) (8)                          | 1 month LIBOR   | 3,931         | 3,856    | 3,931           |
|   |   | Member Units (540,000 units) (16)  | —               | —             | 540      | 1,270           |
|   |   |  |                 |               | 4,396    | 5,201           |
| <b>Brightwood Capital Fund Investments (9) (15)</b> | Investment Partnership  | LP Interests (Brightwood Capital Fund III, LP) (Fully diluted 1.60%) (16)  | —               | —             | 4,075    | 3,421           |
|   |   | LP Interests (Brightwood Capital Fund IV, LP) (Fully diluted 0.80%) (16)   | —               | —             | 4,037    | 4,126           |
|   |   |  |                 |               | 8,112    | 7,547           |

**HMS Income Fund, Inc.**  
**Consolidated Schedule of Investments**  
**12/31/2018**  
**(dollars in thousands)**

| Portfolio Company (1) (3)                        | Business Description   | Type of Investment (2) (3)  | Index Rate (22) | Principal (7) | Cost (7)  | Fair Value (26) |
|--|--|---|-----------------|---------------|-----------|-----------------|
| <b>Buca C, LLC (10) (13)</b>                     | Casual Restaurant Group  | LIBOR Plus 9.25% (Floor 1.00%), Current Coupon 11.63%, Secured Debt (Maturity - June 30, 2020) (8)  | 1 month LIBOR   | \$ 12,735     | \$ 12,648 | \$ 12,648       |
|  |  | Preferred Member Units (4 units, 6.00% cumulative) (16)   | —               | —             | 2,866     | 2,955           |
|  |  |   |                 |               | 15,514    | 15,603          |
| <b>Cadence Aerospace, LLC (8) (11)</b>           | Aerospace Manufacturing  | LIBOR Plus 6.50% (Floor 1.00%), Current Coupon 9.06%, Secured Debt (Maturity - November 14, 2023)   | 3 month LIBOR   | 19,469        | 19,301    | 18,244          |
| <b>CAI Software, LLC (10) (13)</b>               | Provider of Specialized Enterprise Resource Planning Software  | 12.00% Secured Debt (Maturity - December 7, 2023)   | None            | 2,720         | 2,715     | 2,720           |
|  |  | Member Units (16,742 units) (16)  | —               | —             | 188       | 679             |
|  |  |   |                 |               | 2,903     | 3,399           |
| <b>Cenveo Corporation</b>                        | Provider of Digital Marketing Agency Services  | LIBOR Plus 9.00% (Floor 1.00%), Current Coupon 11.54%, Secured Debt (Maturity - June 7, 2023) (8)   | 2 month LIBOR   | 4,995         | 4,618     | 4,742           |
|  |  | Common Stock (138,889 shares)   | —               | —             | 4,163     | 2,153           |
|  |  |   |                 |               | 8,781     | 6,895           |
| <b>Clarius BIGS, LLC (11) (18)</b>               | Prints & Advertising Film Financing  | 15.00% PIK Secured Debt (Maturity - January 5, 2015) (18)   | None            | 2,128         | 1,870     | 32              |
|  |  | 20.00% PIK Secured Debt (Maturity - January 5, 2015) (18)   | None            | 770           | 677       | 12              |
|  |  |   |                 |               | 2,547     | 44              |
| <b>Clickbooth.com, LLC (8) (11)</b>              | Provider of Digital Advertising Performance Marketing Solutions  | LIBOR Plus 8.50% (Floor 1.00%), Current Coupon 10.90%, Secured Debt (Maturity - December 5, 2022)   | 3 month LIBOR   | 2,925         | 2,876     | 2,750           |
| <b>Construction Supply Investments, LLC (11)</b> | Distribution Platform of Specialty Construction Materials to Professional Concrete and Masonry Contractors | LIBOR Plus 6.00% (Floor 1.00%), Current Coupon 8.62%, Secured Debt (Maturity - June 30, 2023) (8)   | 2 month LIBOR   | 15,422        | 15,351    | 15,384          |
|  |  | Member units (42,207 units)   | —               | —             | 4,221     | 4,290           |
|  |  |   |                 |               | 19,572    | 19,674          |
| <b>CTVSH, PLLC (8) (11) (13)</b>                 | Emergency Care and Specialty Service Animal Hospital   | LIBOR Plus 8.00% (Floor 1.00%), Current Coupon 10.74%, Secured Debt (Maturity - August 3, 2022)     | 1 month LIBOR   | 2,813         | 2,768     | 2,735           |
| <b>Datacom, LLC (10) (13) (18)</b>               | 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     | 1,082           |
|  |  | 8.00% Secured Debt (Maturity - May 30, 2018) (18)   | None            | 200           | 200       | 188             |
|  |  | Class A Preferred Member Units (1,530 units)  | —               | —             | 144       | —               |
|  |  | Class B Preferred Member Units (717 units)  | —               | —             | 670       | —               |
|  |  |   |                 |               | 2,391     | 1,270           |
| <b>Digital River, Inc. (8)</b>                   | Provider of Outsourced e-Commerce Solutions and Services   | LIBOR Plus 6.00% (Floor 1.00%), Current Coupon 8.78%, Secured Debt (Maturity - February 12, 2021)   | 3 month LIBOR   | 9,779         | 9,710     | 9,681           |
| <b>DTE Enterprises, LLC (11)</b>                 | Industrial Powertrain Repair and Services  | LIBOR Plus 7.50% (Floor 1.00%), Current Coupon 10.12%, Secured Debt (Maturity - April 13, 2023) (8) | 3 month LIBOR   | 12,491        | 12,263    | 11,593          |
|  |  | Class AA Preferred Member Units (non-voting) (16)   | —               | —             | 758       | 778             |
|  |  | Class A Preferred Member Units (776,316 units) (16)   | —               | —             | 776       | 1,300           |
|  |  |   |                 |               | 13,797    | 13,671          |
| <b>Dynamic Communities, LLC (8) (11)</b>         | Developer of Business Events and Online Community Groups   | LIBOR Plus 8.00% (Floor 1.00%), Current Coupon 10.80%, Secured Debt (Maturity - July 17, 2023)      | 3 month LIBOR   | 5,565         | 5,460     | 5,462           |
| <b>Elite SEM, Inc. (8) (11)</b>                  | Provider of Digital Marketing Agency Services  | LIBOR Plus 8.50% (Floor 1.00%), Current Coupon 11.27%, Secured Debt (Maturity - February 1, 2022)   | 3 month LIBOR   | 6,875         | 6,749     | 6,749           |
| <b>Epic Y-Grade Services, LP (8)</b>             | NGL Transportation & Storage   | LIBOR Plus 5.50% (Floor 1.00%), Current Coupon 8.02%, Secured Debt (Maturity - June 13, 2024)       | 1 month LIBOR   | 17,500        | 17,174    | 16,625          |

**HMS Income Fund, Inc.**  
**Consolidated Schedule of Investments**  
**12/31/2018**  
**(dollars in thousands)**

| Portfolio Company (1) (3)                                | Business Description   | Type of Investment (2) (3)  | Index Rate (22) | Principal (7) | Cost (7)  | Fair Value (26) |
|--|--|---|-----------------|---------------|-----------|-----------------|
| 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 10.77%, Secured Debt (Maturity - April 28, 2022) (14)                        | 1 month LIBOR   | \$ 10,900     | \$ 10,585 | \$ 6,123        |
| Extreme Reach, Inc. (8)                                  | Integrated TV and Video Advertising Platform   | LIBOR Plus 6.25% (Floor 1.00%), Current Coupon 8.78%, Secured Debt (Maturity - February 7, 2020)                            | 1 month LIBOR   | 16,152        | 16,145    | 16,065          |
| Felix Investments Holdings II, LLC (8) (11)              | Oil and Gas Exploration and Production   | LIBOR Plus 6.50% (Floor 1.00%), Current Coupon 9.10%, Secured Debt (Maturity - August 9, 2022)                              | 3 month LIBOR   | 3,333         | 3,279     | 3,141           |
| Flavors Holdings, Inc. (8)                               | Global Provider of Flavoring and Sweetening Products and Solutions                     | LIBOR Plus 5.75% (Floor 1.00%), Current Coupon 8.55%, Secured Debt (Maturity - April 3, 2020)                               | 3 month LIBOR   | 11,666        | 11,367    | 10,849          |
| GI KBS Merger Sub LLC (8)                                | Outsourced Janitorial Service Provider   | LIBOR Plus 8.50% (Floor 1.00%), Current Coupon 11.02%, Secured Debt (Maturity - April 29, 2022) (14)                        | 3 month LIBOR   | 14,700        | 14,634    | 14,828          |
| Good Source Solutions, Inc. (8) (11)                     | Specialized Food Distributor   | LIBOR Plus 8.34% (Floor 1.00%), Current Coupon 11.14%, Secured Debt (Maturity - June 29, 2023)                              | 3 month LIBOR   | 5,000         | 4,952     | 4,952           |
| GoWireless Holdings, Inc. (8)                            | Provider of Wireless Telecommunications Carrier Services                               | LIBOR Plus 6.50% (Floor 1.00%), Current Coupon 9.02%, Secured Debt (Maturity - December 22, 2024)                           | 3 month LIBOR   | 15,740        | 15,609    | 15,313          |
| HDC/HW Intermediate Holdings, LLC (8) (11)               | Managed Services and Hosting Provider  | LIBOR Plus 7.50% (Floor 1.00%), Current Coupon 10.29%, Secured Debt (Maturity - December 21, 2023)                          | 3 month LIBOR   | 1,799         | 1,759     | 1,763           |
| 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 9.90%, Secured Debt (Maturity - January 28, 2021)                            | 3 month LIBOR   | 14,697        | 14,089    | 13,815          |
|  |  | LIBOR Plus 6.00% (Floor 1.00%), Current Coupon 8.71%, Secured Debt (Maturity - January 28, 2020)                            | 3 month LIBOR   | 5,125         | 4,664     | 4,657           |
|  |  |   |                 |               | 18,753    | 18,472          |
| Hunter Defense Technologies, Inc. (8) (11)               | Provider of Military and Commercial Shelters and Systems                               | LIBOR Plus 7.00% (Floor 1.00%), Current Coupon 9.80%, Secured Debt (Maturity - March 29, 2023)                              | 3 month LIBOR   | 8,811         | 8,531     | 8,262           |
| Hydrofarm Holdings, LLC (8) (11)                         | Wholesaler of Horticultural Products   | LIBOR Plus 10.00%, Current Coupon 3.62% / 8.61% PIK, Current Coupon Plus PIK 12.30%, Secured Debt (Maturity - May 12, 2022) | 1 month LIBOR   | 7,214         | 7,084     | 5,643           |
| iEnergizer Limited (8) (9)                               | Provider of Business Outsourcing Solutions   | LIBOR Plus 6.00% (Floor 1.25%), Current Coupon 8.53%, Secured Debt (Maturity - May 1, 2019)                                 | 1 month LIBOR   | 12,086        | 12,050    | 12,101          |
| Implus Footcare, LLC (8) (11)                            | Provider of Footwear and Related Accessories   | LIBOR Plus 6.75% (Floor 1.00%), Current Coupon 9.55%, Secured Debt (Maturity - April 30, 2021)                              | 3 month LIBOR   | 17,153        | 17,000    | 16,762          |
| Independent Pet Partners Intermediate Holdings, LLC (11) | Omnichannel Retailer of Specialty Pet Products   | LIBOR Plus 9.00% (Floor 1.00%), Current Coupon 11.90%, Secured Debt (Maturity - November 19, 2023) (8)                      | 6 month LIBOR   | 1,589         | 1,557     | 1,557           |
|  |  | Member Units (1,191,667 units)  | —               | —             | 1,192     | 1,192           |
|  |  |   |                 |               | 2,749     | 2,749           |
| 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            | 11,198        | 11,048    | 10,246          |
|  |  | 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             |
|  |  |   |                 |               | 13,350    | 10,938          |
| 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     | 7,882           |
| Intermedia Holdings, Inc. (8)                            | Unified Communications as a Service  | LIBOR Plus 6.00% (Floor 1.00%), Current Coupon 8.52%, Secured Debt (Maturity - July 19, 2025)                               | 1 month LIBOR   | 11,571        | 11,461    | 11,557          |
| Isagenix International, LLC (8)                          | Direct Marketer of Health and Wellness Products  | LIBOR Plus 5.75% (Floor 1.00%), Current Coupon 8.55%, Secured Debt (Maturity - June 14, 2025)                               | 3 month LIBOR   | 6,268         | 6,208     | 6,095           |
| JAB Wireless, Inc. (8) (11)                              | Fixed Wireless Broadband Provider  | LIBOR Plus 8.00% (Floor 1.00%), Current Coupon 10.39%, Secured Debt (Maturity - May 2, 2023)                                | 1 month LIBOR   | 14,888        | 14,753    | 13,987          |



**HMS Income Fund, Inc.**  
**Consolidated Schedule of Investments**  
**12/31/2018**  
**(dollars in thousands)**

| Portfolio Company (1) (3)                           | Business Description  | Type of Investment (2) (3)   | Index Rate (22) | Principal (7) | Cost (7)  | Fair Value (26) |
|---|---|--|-----------------|---------------|-----------|-----------------|
| <b>Jacent Strategic Merchandising, LLC (8) (11)</b> | General Merchandise Distribution  | LIBOR Plus 7.50% (Floor 1.00%), Current Coupon 10.27%, Secured Debt (Maturity - September 16, 2020)    | 3 month LIBOR   | \$ 10,740     | \$ 10,641 | \$ 10,688       |
| <b>Jackmont Hospitality, Inc. (8) (11)</b>          | Franchisee of Casual Dining Restaurants   | LIBOR Plus 6.75% (Floor 1.00%), Current Coupon 9.26%, Secured Debt (Maturity - May 26, 2021)           | 1 month LIBOR   | 8,329         | 8,314     | 8,329           |
| <b>Jacuzzi Brands LLC (8)</b>                       | Manufacturer of Bath and Spa Products   | LIBOR Plus 7.00% (Floor 1.00%), Current Coupon 9.52%, Secured Debt (Maturity - June 28, 2023)          | 1 month LIBOR   | 5,775         | 5,681     | 5,746           |
| <b>Joerns Healthcare, LLC (8)</b>                   | Manufacturer and Distributor of Health Care Equipment & Supplies                    | LIBOR Plus 6.00% (Floor 1.00%), Current Coupon 8.71%, Secured Debt (Maturity - May 9, 2020)            | 3 month LIBOR   | 11,119        | 11,016    | 9,965           |
| <b>Knight Energy Services LLC (11)</b>              | Oil and Gas Equipment & Services  | 8.50% Secured Debt (Maturity - February 9, 2024)   | None            | 760           | 760       | 760             |
|   |   | Class A-2 Shares (25,692 units)  | —               | —             | 1,843     | 1,843           |
|   |   |  |                 |               | 2,603     | 2,603           |
| <b>Larchmont Resources, LLC (9)</b>                 | Oil & Gas Exploration & Production  | LIBOR Plus 9.00% (Floor 1.00%) PIK, 11.77% PIK, Secured Debt (Maturity - August 7, 2020) (8)           | 3 month LIBOR   | 3,898         | 3,898     | 3,820           |
|   |   | Member units (Larchmont Intermediate Holdco, LLC) (4,806 units)  | —               | —             | 601       | 1,201           |
|   |   |  |                 |               | 4,499     | 5,021           |
| <b>Logix Acquisition Company, LLC (8) (11)</b>      | Competitive Local Exchange Carrier  | LIBOR Plus 5.75% (Floor 1.00%), Current Coupon 8.27%, Secured Debt (Maturity - December 22, 2024) (23) | 1 month LIBOR   | 9,628         | 9,542     | 9,532           |
| <b>LSF9 Atlantis Holdings, LLC (8)</b>              | Provider of Wireless Telecommunications Carrier Services                            | LIBOR Plus 6.00% (Floor 1.00%), Current Coupon 8.38%, Secured Debt (Maturity - May 1, 2023)            | 1 month LIBOR   | 13,475        | 13,390    | 12,863          |
| <b>Lulu's Fashion Lounge, LLC (8) (11)</b>          | Fast Fashion E-Commerce Retailer  | LIBOR Plus 7.00% (Floor 1.00%), Current Coupon 9.52%, Secured Debt (Maturity - August 28, 2022)        | 1 month LIBOR   | 6,179         | 6,028     | 5,994           |
| <b>Meisler Operating, LLC (10) (13)</b>             | Provider of Short Term Trailer and Container Rental                                 | LIBOR Plus 8.50% (Floor 1.00%), Current Coupon 10.90%, Secured Debt (Maturity - June 7, 2022) (8)      | 1 month LIBOR   | 5,120         | 5,015     | 5,022           |
|   |   | Member Units (Milton Meisler Holdings, LLC) (12,139 units)   | —               | —             | 1,214     | 1,445           |
|   |   |  |                 |               | 6,229     | 6,467           |
| <b>MHVC Acquisition Corp. (8)</b>                   | Provider of Differentiated Information Solutions, Systems Engineering and Analytics | LIBOR Plus 5.25% (Floor 1.00%), Current Coupon 8.06%, Secured Debt (Maturity - April 29, 2024)         | 3 month LIBOR   | 7,860         | 7,817     | 7,664           |
| <b>Mills Fleet Farm Group LLC (8) (11)</b>          | Omnichannel Retailer of Work, Farm and Lifestyle Merchandise                        | LIBOR Plus 6.25% (Floor 1.00%), Current Coupon 8.77%, Secured Debt (Maturity - October 24, 2024)       | 1 month LIBOR   | 15,000        | 14,707    | 15,000          |
| <b>Mobileum, Inc. (8) (11)</b>                      | Provider of Big Data Analytics to Telecom Service Providers                         | LIBOR Plus 10.25% (Floor 0.75%), Current Coupon 13.06%, Secured Debt (Maturity - May 1, 2022) (14)     | 2 month LIBOR   | 7,500         | 7,429     | 7,429           |
| <b>New Era Technology, Inc. (8) (11)</b>            | Managed Services and Hosting Provider   | LIBOR Plus 6.50% (Floor 1.00%), Current Coupon 8.99%, Secured Debt (Maturity - June 22, 2023)          | 1 month LIBOR   | 7,654         | 7,518     | 7,616           |
| <b>New Media Holdings II LLC (8) (9)</b>            | Local Newspaper Operator  | LIBOR Plus 6.25% (Floor 1.00%), Current Coupon 8.77%, Secured Debt (Maturity - July 14, 2022)          | 1 month LIBOR   | 9,718         | 9,622     | 9,645           |
| <b>NNE Partners, LLC (8) (11)</b>                   | Oil & Gas Exploration & Production  | LIBOR Plus 8.00%, Current Coupon 10.74%, Secured Debt (Maturity - March 2, 2022)                       | 3 month LIBOR   | 20,417        | 20,271    | 19,572          |
| <b>North American Lifting Holdings, Inc. (8)</b>    | Crane Service Provider  | LIBOR Plus 4.50% (Floor 1.00%), Current Coupon 7.30%, Secured Debt (Maturity - November 27, 2020)      | 3 month LIBOR   | 6,244         | 5,803     | 5,701           |
| <b>Novetta Solutions, LLC (8)</b>                   | Provider of Advanced Analytics Solutions for Defense Agencies                       | LIBOR Plus 5.00% (Floor 1.00%), Current Coupon 7.53%, Secured Debt (Maturity - October 17, 2022)       | 1 month LIBOR   | 14,977        | 14,648    | 14,602          |
| <b>NTM Acquisition Corp. (8)</b>                    | Provider of B2B Travel Information Content  | LIBOR Plus 6.25% (Floor 1.00%), Current Coupon 8.96%, Secured Debt (Maturity - June 7, 2022)           | 3 month LIBOR   | 4,092         | 4,060     | 4,051           |
| <b>Pasha Group (8)</b>                              | Diversified Logistics and Transportation Provided                                   | LIBOR Plus 7.50% (Floor 1.00%), Current Coupon 10.06%, Secured Debt (Maturity - January 26, 2023)      | 2 month LIBOR   | 10,938        | 10,642    | 11,006          |

**HMS Income Fund, Inc.**  
**Consolidated Schedule of Investments**  
**12/31/2018**  
**(dollars in thousands)**

| Portfolio Company (1) (3)                            | Business Description  | Type of Investment (2) (3)   | Index Rate (22) | Principal (7) | Cost (7) | Fair Value (26) |
|--|---|--|-----------------|---------------|----------|-----------------|
| <b>Permian Holdco 2, Inc.</b>                        | Storage Tank Manufacturer                                     | 14.00% PIK Unsecured Debt (Maturity - October 15, 2021) (17)   | None            | \$ 990        | \$ 990   | \$ 990          |
|  |   | Series A Preferred Shares (Permian Holdco 1, Inc.) (386,255 shares)                                      | —               | —             | 1,997    | 2,299           |
|  |   | Common Shares (Permian Holdco 1, Inc.) (386,255 shares)  | —               | —             | —        | —               |
|  |   |  |                 |               | 2,987    | 3,289           |
| <b>Pernix Therapeutics Holdings, Inc. (11)</b>       | Pharmaceutical Royalty  | 12.00% Secured Debt (Maturity - August 1, 2020)  | None            | 2,652         | 2,639    | 1,782           |
| <b>Pier 1 Imports, Inc. (8)</b>                      | Decorative Home Furnishings Retailer                          | LIBOR Plus 3.50% (Floor 1.00%), Current Coupon 6.38%, Secured Debt (Maturity - April 30, 2021)           | 3 month LIBOR   | 7,455         | 7,164    | 5,358           |
| <b>PricewaterhouseCoopers Public Sector LLP (8)</b>  | Provider of Consulting Services to Governments                | LIBOR Plus 7.50%, Current Coupon 9.74%, Secured Debt (Maturity - May 1, 2026) (14)                       | 1 month LIBOR   | 13,100        | 13,054   | 13,166          |
| <b>Prowler Acquisition Corporation (8)</b>           | Specialty Distributor to the Energy Sector                    | LIBOR Plus 4.50% (Floor 1.00%), Current Coupon 7.30%, Secured Debt (Maturity - January 28, 2020)         | 3 month LIBOR   | 12,280        | 11,624   | 12,096          |
| <b>Resolute Industrial, LLC (11)</b>                 | HVAC Equipment Rental and Remanufacturing                     | Class A units (601 units)  | —               | —             | 750      | 920             |
| <b>RM Bidder, LLC (11)</b>                           | Scripted and Unscripted TV and Digital Programming Provider   | Common Stock (1,854 shares)  | —               | —             | 31       | 7               |
|  |   | Series A Warrants (124,915 equivalent units, Expiration - October 20, 2025)                              | —               | —             | 284      | —               |
|  |   | Series B Warrants (93,686 equivalent units, Expiration - October 20, 2025)                               | —               | —             | —        | —               |
|  |   |  |                 |               | 315      | 7               |
| <b>Salient Partners, LP (8) (11)</b>                 | Provider of Asset Management Services                         | LIBOR Plus 5.75% (Floor 1.00%), Current Coupon 8.27%, Secured Debt (Maturity - June 9, 2021)             | 1 month LIBOR   | 7,313         | 7,300    | 7,300           |
| <b>Slick Software Holdings LLC (10) (13)</b>         | Text Messaging Marketing Platform                             | 14.00% Secured Debt (Maturity - September 13, 2023)  | None            | 1,800         | 1,703    | 1,703           |
|  |   | Member units (17,500 units)  | —               | —             | 175      | 175             |
|  |   | Warrants (4,521 equivalent units, Expiration - September 13, 2028)                                       | —               | —             | 45       | 45              |
|  |   |  |                 |               | 1,923    | 1,923           |
| <b>Smart Modular Technologies, Inc. (8) (9) (11)</b> | Provider of Specialty Memory Solutions                        | LIBOR Plus 6.25%, (Floor 1.00%), Current Coupon 8.86%, Secured Debt (Maturity - August 9, 2022)          | 3 month LIBOR   | 19,000        | 18,793   | 19,095          |
| <b>Sorenson Communications, Inc. (8)</b>             | Manufacturer of Communication Products for Hearing Impaired   | LIBOR Plus 5.75% (Floor 2.25%), Current Coupon 8.56%, Secured Debt (Maturity - April 30, 2020)           | 3 month LIBOR   | 2,916         | 2,908    | 2,905           |
| <b>STL Parent Corp. (8)</b>                          | Manufacturer and Servicer of Tank and Hopper Railcars         | LIBOR Plus 7.00%, Current Coupon 9.52%, Secured Debt (Maturity - December 5, 2022)                       | 1 month LIBOR   | 12,000        | 11,585   | 11,639          |
| <b>Strike, LLC (8)</b>                               | 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   | 9,000         | 8,803    | 9,011           |
| <b>TE Holdings, LLC</b>                              | Oil & Gas Exploration & Production                            | Common Units (72,785 units)  | —               | —             | 728      | 49              |
| <b>Teleguam Holdings, LLC (8)</b>                    | Cable and Telecom Services Provider                           | LIBOR Plus 8.50% (Floor 1.00%), Current Coupon 11.02%, Secured Debt (Maturity - April 12, 2024) (14)     | 1 month LIBOR   | 7,750         | 7,620    | 7,798           |
| <b>TGP Holdings III LLC (8)</b>                      | Outdoor Cooking & Accessories                                 | LIBOR Plus 8.50% (Floor 1.00%), Current Coupon 11.30%, Secured Debt (Maturity - September 25, 2025) (14) | 3 month LIBOR   | 5,000         | 5,000    | 4,850           |
| <b>TMC Merger Sub Corp (8)</b>                       | Refractory & Maintenance Services Provider                    | LIBOR Plus 6.75% (Floor 1.00%), Current Coupon 9.31%, Secured Debt (Maturity - October 31, 2022) (25)    | 1 month LIBOR   | 18,657        | 18,448   | 18,564          |
| <b>TOMS Shoes, LLC (8)</b>                           | Global Designer, Distributor, and Retailer of Casual Footwear | LIBOR Plus 5.50% (Floor 1.00%), Current Coupon 8.30%, Secured Debt (Maturity - October 30, 2020)         | 3 month LIBOR   | 4,813         | 4,641    | 3,798           |
| <b>Turning Point Brands, Inc. (8) (9) (11)</b>       | Marketer/Distributor of Tobacco Products                      | LIBOR Plus 7.00%, Current Coupon 9.46%, Secured Debt (Maturity - March 7, 2024) (14)                     | 1 month LIBOR   | 8,500         | 8,424    | 8,585           |
| <b>TVG-I-E CMN Acquisition, LLC (8) (11)</b>         | Organic Lead Generation for Online Postsecondary Schools      | LIBOR Plus 6.00%, (Floor 1.00%), Current Coupon 8.52%, Secured Debt (Maturity - November 3, 2021)        | 1 month LIBOR   | 19,504        | 19,197   | 19,455          |

**HMS Income Fund, Inc.**  
**Consolidated Schedule of Investments**  
**12/31/2018**  
**(dollars in thousands)**

| Portfolio Company (1) (3)   | Business Description   | Type of Investment (2) (3)   | Index Rate (22) | Principal (7) | Cost (7)     | Fair Value (26) |
|---|--|--|-----------------|---------------|--------------|-----------------|
| U.S. Telepacific Corp. (8)  | Provider of Communications and Managed Services              | LIBOR Plus 5.00% (Floor 1.00%), Current Coupon 7.80%, Secured Debt (Maturity - May 2, 2023)              | 3 month LIBOR   | \$ 16,453     | \$ 16,110    | \$ 15,449       |
| VIP Cinema Holdings, Inc. (8)   | Supplier of Luxury Seating to the Cinema Industry            | LIBOR Plus 6.00% (Floor 1.00%), Current Coupon 8.53%, Secured Debt (Maturity - March 1, 2023)            | 1 month LIBOR   | 9,125         | 9,090        | 8,960           |
| Vistar Media, Inc. (11)   | Operator of Digital Out-of-Home Advertising Platform         | LIBOR Plus 10.00% (Floor 1.00%), Current Coupon 12.74%, Secured Debt (Maturity - February 16, 2022) (8)  | 3 month LIBOR   | 3,263         | 3,046        | 2,987           |
|   |  | Warrants (70,207 equivalent units, Expiration - February 17, 2027)                                       | —               | —             | 331          | 790             |
|   |  |  |                 |               | 3,377        | 3,777           |
| Volusion, LLC (10) (13)   | Provider of Online Software-as-a-Service eCommerce Solutions | 11.50% Secured Debt (Maturity - January 24, 2020)  | None            | 8,260         | 7,843        | 7,843           |
|   |  | 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             |
|   |  |  |                 |               | 15,074       | 14,780          |
| Wireless Vision Holdings, LLC (8) (11)  | Provider of Wireless Telecommunications Carrier Services     | LIBOR Plus 8.91% (Floor 1.00%), Current Coupon 11.43%, Secured Debt (Maturity - September 29, 2022) (23) | 1 month LIBOR   | 14,198        | 13,932       | 13,338          |
| YS Garments, LLC (8)  | Designer and Provider of Branded Activewear                  | LIBOR Plus 6.00% (Floor 1.00%), Current Coupon 8.42%, Secured Debt (Maturity - August 9, 2024)           | 1 month LIBOR   | 7,453         | 7,382        | 7,379           |
| Subtotal Non-Control/Non-Affiliate Investments (5) (81% of total portfolio investments at fair value) |  |  |                 |               | \$ 932,495   | \$ 901,518      |
| Total Portfolio Investments   |  |  |                 |               | \$ 1,121,688 | \$ 1,106,568    |
| <b>Short Term Investments (20)</b>  |  |  |                 |               |              |                 |
| 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 portfolio investments, unless otherwise noted. All of the assets of 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 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, 2017 and December 31, 2018 along with transactions during the year ended December 31, 2018 in these affiliated investments were as follows (in thousands):

| Affiliate Investments            | Fair Value at December 31, 2017 | Twelve Months Ended December 31, 2018 |                         |                            | Fair Value at December 31, 2018 | Twelve Months Ended December 31, 2018 |                 |            |                 |
|----------------------------------|---------------------------------|---------------------------------------|-------------------------|----------------------------|---------------------------------|---------------------------------------|-----------------|------------|-----------------|
|                                  |                                 | Gross Additions (Cost)                | Gross Reductions (Cost) | Net Unrealized Gain (Loss) |                                 | Net Realized Gain (Loss)              | Interest Income | Fee Income | Dividend Income |
| AFG Capital Group, LLC           |                                 |                                       |                         |                            |                                 |                                       |                 |            |                 |
| Member units                     | \$ 897                          | \$ 1                                  | \$ —                    | \$ 97                      | \$ 995                          | \$ —                                  | \$ —            | \$ —       | \$ 10           |
| Warrants                         | 215                             | —                                     | —                       | 22                         | 237                             | —                                     | —               | —          | —               |
| Brewer Crane Holdings, LLC       |                                 |                                       |                         |                            |                                 |                                       |                 |            |                 |
| Term loan                        | —                               | 2,489                                 | (142)                   | —                          | 2,347                           | —                                     | 298             | —          | —               |
| Preferred member units           | —                               | 1,070                                 | —                       | —                          | 1,070                           | —                                     | —               | —          | 29              |
| Chamberlin Holding, LLC          |                                 |                                       |                         |                            |                                 |                                       |                 |            |                 |
| Term loan                        | —                               | 5,417                                 | (484)                   | —                          | 4,933                           | —                                     | 587             | 2          | —               |
| Member units                     | —                               | 2,861                                 | —                       | 1,874                      | 4,735                           | —                                     | —               | 35         | 354             |
| Member units (Langfield RE, LLC) | —                               | 183                                   | —                       | —                          | 183                             | —                                     | —               | —          | 183             |
| Charlotte Russe, Inc.            |                                 |                                       |                         |                            |                                 |                                       |                 |            |                 |
| Term loan                        | —                               | 6,285                                 | (49)                    | (3,146)                    | 3,090                           | —                                     | 492             | —          | —               |
| Common stock                     | —                               | 2,470                                 | —                       | (2,470)                    | —                               | —                                     | —               | —          | —               |

| Affiliate Investments                          | Fair Value at<br>December<br>31, 2017 | Twelve Months Ended December 31, 2018 |                               |                               | Fair Value at<br>December<br>31, 2018 | Twelve Months Ended December 31, 2018 |                    |               |                    |
|--|---------------------------------------|---------------------------------------|-------------------------------|-------------------------------|---------------------------------------|---------------------------------------|--------------------|---------------|--------------------|
|  |                                       | Gross<br>Additions<br>(Cost)          | Gross<br>Reductions<br>(Cost) | Net Unrealized<br>Gain (Loss) |                                       | Net<br>Realized<br>Gain (Loss)        | Interest<br>Income | Fee<br>Income | Dividend<br>Income |
| Charps, LLC                                    |                                       |                                       |                               |                               |                                       |                                       |                    |               |                    |
| Term loan                                      | \$ 4,500                              | \$ 50                                 | \$ (1,627)                    | \$ 52                         | \$ 2,975                              | \$ —                                  | \$ 537             | \$ —          | \$ —               |
| Term loan                                      | —                                     | 402                                   | (402)                         | —                             | —                                     | —                                     | 11                 | 2             | —                  |
| Preferred member units                         | 163                                   | 1                                     | —                             | 404                           | 568                                   | —                                     | —                  | —             | 62                 |
| Clad-Rex Steel, LLC                            |                                       |                                       |                               |                               |                                       |                                       |                    |               |                    |
| Term loan                                      | 3,320                                 | 16                                    | (298)                         | (18)                          | 3,020                                 | —                                     | 387                | —             | —                  |
| Member units                                   | 2,375                                 | 1                                     | (1)                           | 278                           | 2,653                                 | —                                     | —                  | —             | —                  |
| Term loan (Clad-Rex Steel RE Investor, LLC)    | 293                                   | —                                     | (5)                           | —                             | 288                                   | —                                     | 29                 | —             | —                  |
| Member units (Clad-Rex Steel RE Investor, LLC) | 70                                    | —                                     | —                             | 18                            | 88                                    | —                                     | —                  | —             | 152                |
| Digital Products Holdings, LLC                 |                                       |                                       |                               |                               |                                       |                                       |                    |               |                    |
| Term loan                                      | —                                     | 6,617                                 | (297)                         | —                             | 6,320                                 | —                                     | 620                | —             | —                  |
| Preferred member units                         | —                                     | 2,200                                 | (84)                          | —                             | 2,116                                 | —                                     | —                  | —             | 38                 |
| Direct Marketing Solutions, Inc.               |                                       |                                       |                               |                               |                                       |                                       |                    |               |                    |
| Term loan                                      | —                                     | 4,727                                 | (322)                         | (1)                           | 4,404                                 | —                                     | 572                | 3             | —                  |
| Preferred stock                                | —                                     | 2,100                                 | —                             | 1,625                         | 3,725                                 | —                                     | —                  | —             | —                  |
| Freeport Financial Funds                       |                                       |                                       |                               |                               |                                       |                                       |                    |               |                    |
| LP interests                                   | 8,506                                 | 2,597                                 | —                             | (123)                         | 10,980                                | —                                     | —                  | —             | 1,038              |
| Gamber-Johnson Holdings, LLC                   |                                       |                                       |                               |                               |                                       |                                       |                    |               |                    |
| Term loan                                      | 5,850                                 | 26                                    | (479)                         | (26)                          | 5,371                                 | —                                     | 656                | —             | 104                |
| Member units                                   | 5,843                                 | —                                     | —                             | 5,522                         | 11,365                                | —                                     | —                  | 12            | 322                |
| Guerdon Modular Holdings, Inc.                 |                                       |                                       |                               |                               |                                       |                                       |                    |               |                    |
| Term loan                                      | 2,660                                 | 516                                   | (37)                          | (138)                         | 3,001                                 | —                                     | 412                | —             | —                  |
| Term loan                                      | —                                     | 70                                    | (70)                          | —                             | —                                     | —                                     | 2                  | —             | —                  |
| Common stock                                   | —                                     | —                                     | —                             | —                             | —                                     | —                                     | —                  | —             | —                  |
| Class B preferred stock                        | —                                     | —                                     | —                             | —                             | —                                     | —                                     | —                  | —             | —                  |
| Gulf Publishing Holdings, LLC                  |                                       |                                       |                               |                               |                                       |                                       |                    |               |                    |
| Term loan                                      | 3,151                                 | 13                                    | (33)                          | —                             | 3,131                                 | —                                     | 415                | —             | —                  |
| Term loan                                      | 20                                    | 40                                    | (60)                          | —                             | —                                     | —                                     | 3                  | —             | —                  |
| Member units                                   | 1,210                                 | —                                     | (1)                           | (179)                         | 1,030                                 | —                                     | —                  | —             | —                  |
| 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                                 | 14                                    | —                             | (13)                          | 3,575                                 | —                                     | 396                | —             | —                  |
| Preferred member units                         | 950                                   | —                                     | —                             | 865                           | 1,815                                 | —                                     | —                  | —             | 102                |
| Preferred member units (HRS Services, ULC)     | 50                                    | 1                                     | —                             | 44                            | 95                                    | —                                     | —                  | —             | —                  |
| HW Temps, LLC                                  |                                       |                                       |                               |                               |                                       |                                       |                    |               |                    |
| Term loan                                      | 2,454                                 | 14                                    | —                             | 16                            | 2,484                                 | —                                     | 366                | —             | —                  |
| Preferred member units                         | 985                                   | 1                                     | —                             | —                             | 986                                   | —                                     | —                  | 35            | 8                  |
| KMC Investor, LLC                              |                                       |                                       |                               |                               |                                       |                                       |                    |               |                    |
| Term loan                                      | —                                     | 7,005                                 | (210)                         | —                             | 6,795                                 | —                                     | 144                | —             | —                  |
| Term loan                                      | —                                     | 266                                   | (7)                           | —                             | 259                                   | —                                     | 6                  | —             | —                  |
| Term loan                                      | —                                     | 1,002                                 | (11)                          | —                             | 991                                   | —                                     | 16                 | —             | —                  |
| Member units                                   | —                                     | 248                                   | —                             | —                             | 248                                   | —                                     | —                  | —             | —                  |
| Member units (KMC RE Investor, LLC)            | —                                     | 3,460                                 | (400)                         | —                             | 3,060                                 | —                                     | —                  | —             | —                  |
| Market Force Information, Inc.                 |                                       |                                       |                               |                               |                                       |                                       |                    |               |                    |
| Term loan                                      | 5,732                                 | 25                                    | (140)                         | —                             | 5,617                                 | —                                     | 795                | —             | —                  |
| Term loan                                      | —                                     | 170                                   | (120)                         | —                             | 50                                    | —                                     | 6                  | —             | —                  |
| Member units                                   | 3,675                                 | —                                     | —                             | (400)                         | 3,275                                 | —                                     | —                  | —             | —                  |
| M.H. Corbin Holding, LLC                       |                                       |                                       |                               |                               |                                       |                                       |                    |               |                    |
| Term loan                                      | 3,130                                 | 64                                    | (162)                         | (98)                          | 2,934                                 | —                                     | 461                | —             | —                  |
| Preferred member units                         | 1,500                                 | —                                     | —                             | (1,250)                       | 250                                   | —                                     | —                  | 35            | —                  |
| Mystic Logistics Holdings, LLC                 |                                       |                                       |                               |                               |                                       |                                       |                    |               |                    |
| Term loan                                      | 1,916                                 | 14                                    | (58)                          | 5                             | 1,877                                 | —                                     | 247                | —             | —                  |
| Common stock                                   | 1,705                                 | 1                                     | —                             | (1,654)                       | 52                                    | —                                     | —                  | —             | —                  |
| NexRev, LLC                                    |                                       |                                       |                               |                               |                                       |                                       |                    |               |                    |
| Term loan                                      | —                                     | 4,381                                 | (98)                          | 39                            | 4,322                                 | —                                     | 404                | —             | —                  |
| Preferred member units                         | —                                     | 1,720                                 | —                             | 252                           | 1,972                                 | —                                     | —                  | 3             | 15                 |
| NuStep, LLC                                    |                                       |                                       |                               |                               |                                       |                                       |                    |               |                    |
| Term loan                                      | 5,048                                 | 25                                    | —                             | —                             | 5,073                                 | —                                     | 653                | —             | —                  |
| Preferred member units                         | 2,550                                 | 1                                     | (1)                           | —                             | 2,550                                 | —                                     | —                  | —             | —                  |

| Affiliate Investments           | Twelve Months Ended December 31, 2018 |                        |                         |                            | Fair Value at December 31, 2018 | Twelve Months Ended December 31, 2018 |                 |               |                 |
|---------------------------------|---------------------------------------|------------------------|-------------------------|----------------------------|---------------------------------|---------------------------------------|-----------------|---------------|-----------------|
|                                 | Fair Value at December 31, 2017       | Gross Additions (Cost) | Gross Reductions (Cost) | Net Unrealized Gain (Loss) |                                 | Net Realized Gain (Loss)              | Interest Income | Fee Income    | Dividend Income |
| SI East, LLC                    |                                       |                        |                         |                            |                                 |                                       |                 |               |                 |
| Term loan                       | \$ —                                  | \$ 12,311              | \$ (727)                | \$ (2)                     | \$ 11,582                       | \$ —                                  | \$ 431          | \$ —          | \$ —            |
| Preferred member units          | —                                     | 2,000                  | —                       | —                          | 2,000                           | —                                     | —               | 3             | —               |
| SoftTouch Medical Holdings, LLC |                                       |                        |                         |                            |                                 |                                       |                 |               |                 |
| Term loan                       | 1,260                                 | 10                     | (1,260)                 | (10)                       | —                               | —                                     | 26              | —             | —               |
| Member units                    | 1,781                                 | —                      | (870)                   | (911)                      | —                               | 903                                   | —               | 11            | 134             |
| Tedder Acquisition, LLC         |                                       |                        |                         |                            |                                 |                                       |                 |               |                 |
| Term loan                       | —                                     | 4,106                  | (123)                   | —                          | 3,983                           | —                                     | 174             | —             | —               |
| Term loan                       | —                                     | 120                    | (2)                     | —                          | 118                             | —                                     | 3               | —             | —               |
| Preferred member units          | —                                     | 1,869                  | —                       | —                          | 1,869                           | —                                     | —               | —             | —               |
|                                 | <u>\$ 76,862</u>                      | <u>\$ 80,274</u>       | <u>\$ (8,580)</u>       | <u>\$ 767</u>              | <u>\$ 149,323</u>               | <u>\$ 903</u>                         | <u>\$ 9,149</u> | <u>\$ 141</u> | <u>\$ 2,551</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.

\*\*\* Net unrealized gain (loss) does not include unrealized appreciation (depreciation) on unfunded commitments.

(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, 2017 and December 31, 2018 along with transactions during the year ended December 31, 2018 in these Control investments were as follows (in thousands):

| Control Investments            | Twelve Months Ended December 31, 2018 |                        |                         |                            | Fair Value at December 31, 2018 | Twelve Months Ended December 31, 2018 |                 |              |                 |
|--------------------------------|---------------------------------------|------------------------|-------------------------|----------------------------|---------------------------------|---------------------------------------|-----------------|--------------|-----------------|
|                                | Fair Value at December 31, 2017       | Gross Additions (Cost) | Gross Reductions (Cost) | Net Unrealized Gain (Loss) |                                 | Net Realized Gain (Loss)              | Interest Income | Fee Income   | Dividend Income |
| Copper Trail Energy Fund I, LP |                                       |                        |                         |                            |                                 |                                       |                 |              |                 |
| LP interests                   | \$ 2,500                              | \$ 1,245               | \$ —                    | \$ 723                     | \$ 4,468                        | \$ —                                  | \$ —            | \$ 13        | \$ 307          |
| CTMH, LP                       |                                       |                        |                         |                            |                                 |                                       |                 |              |                 |
| LP interests                   | —                                     | 872                    | —                       | —                          | 872                             | —                                     | —               | —            | —               |
| GRT Rubber Technologies, LLC   |                                       |                        |                         |                            |                                 |                                       |                 |              |                 |
| Term loan                      | 5,715                                 | 30                     | (917)                   | (31)                       | 4,797                           | —                                     | 609             | —            | —               |
| Member units                   | 10,821                                | —                      | —                       | 8,418                      | 19,239                          | —                                     | —               | 69           | 1,347           |
| HMS-ORIX SLF LLC*              |                                       |                        |                         |                            |                                 |                                       |                 |              |                 |
| Membership interests           | 30,643                                | —                      | —                       | (4,292)                    | 26,351                          | —                                     | —               | —            | 2,132           |
|                                | <u>\$ 49,679</u>                      | <u>\$ 2,147</u>        | <u>\$ (917)</u>         | <u>\$ 4,818</u>            | <u>\$ 55,727</u>                | <u>\$ —</u>                           | <u>\$ 609</u>   | <u>\$ 82</u> | <u>\$ 3,786</u> |

\* 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, 2018, approximately 12.7% of the Company's investments were considered non-qualifying.

(10) Investment is classified as a Lower Middle Market 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, 2018. Settlement occurred or is scheduled to occur after December 31, 2018. 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, 2018.

- (19) Maturity date is under on-going negotiations with the portfolio company and other lenders, if applicable.
- (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, 2018 was approximately 0.03% at US Bank Money Market Account and 2.10% at Fidelity Institutional Money Market Funds.
- (22) The 1, 2, 3 and 6 month LIBOR rates were 2.50%, 2.61%, 2.81% and 2.88%, respectively, as of December 31, 2018. The actual LIBOR rate for each loan listed may not be the applicable LIBOR rate as of December 31, 2018, as the loan may have been priced or repriced based on a LIBOR rate prior to or subsequent to December 31, 2018. The prime rate was 5.50% as of December 31, 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 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. (collectively 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 debt securities issued by 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 distribution 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 and declared effective by the SEC on May 1, 2017. With the approval of the Company’s board of directors, the Company closed the Offering to new investors effective September 30, 2017. Through March 31, 2019, the Company raised approximately \$217.6 million in the Offering, including proceeds from the distribution reinvestment plan of approximately \$85.9 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 California Holdings LP (“HMS California Holdings”) is a wholly owned subsidiary of the Company that was organized as a Delaware limited partnership. HMS California Holdings GP LLC (“HMS California Holdings GP”) is a wholly owned subsidiary of the Company that was organized as a Delaware limited liability company. 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. Two of the Company’s wholly owned subsidiaries, HMS Equity Holding and HMS Equity Holding II, have elected to be taxable entities and 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 the Company’s 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 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, 2018 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 (as amended) for the year ended December 31, 2018, which was filed with the SEC on March 8, 2019.

### *Reclassifications*

Certain reclassifications have been made to prior period amounts to conform to the current period financial statement presentation with no effect on our previously reported net income, net asset value or cash flows from operations.

### *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 March 31, 2019, the Company had five debt investments in three portfolio companies that were more than 90 days past due, including four debt investments in two portfolio companies that were on non-accrual status. The debt investments on non-accrual status comprised approximately 0.1% of the Company’s total investment portfolio at fair value and 0.4% of the total investment



portfolio at cost. 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 March 31, 2019, the Company is not aware of any other material changes to the creditworthiness of the borrowers underlying its debt investments.

As of December 31, 2018, the Company had six debt investments in four portfolio companies that were more than 90 days past due, including five debt investments in three portfolio companies which were on non-accrual status. The debt investments on non-accrual status comprised approximately 0.4% of the Company's total investment portfolio at fair value and 0.6% of the total investment portfolio at cost. Each of these portfolio companies experienced a significant decline in credit quality after the Company acquired its investments, 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 March 31, 2019 and December 31, 2018, the Company held 28 and 24 investments, respectively, which contained a PIK provision. As of March 31, 2019, four of the 28 investments with PIK provisions were on non-accrual status. No PIK interest was recorded on these four non-accrual investments during the three months ended March 31, 2019. As of December 31, 2018, four of the 24 investments with PIK provisions were on non-accrual status. No PIK interest was recorded on these investments during the year ended December 31, 2018. For the three months ended March 31, 2019 and 2018, the Company capitalized \$1.2 million and \$212,000, 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 March 31, 2019 and 2018, the Company recognized \$361,000 and \$334,000, respectively, of non-recurring fee income received from its portfolio companies or other third parties, which accounted for approximately 1.2% and 1.4%, 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 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.

In August 2018, the SEC adopted rules (the "SEC Release") that require disclosure of changes in net assets within a registrant's Form 10-Q filing on a quarter-to-date and year-to-date basis for both the current year and prior year comparative periods. The Company adopted the new requirement to present changes in shareholders' equity in interim financial statements within Form 10-Q filings. The compliance date for the SEC Release was for all filings, as applicable, on or after November 5, 2018. The adoption of this rule did not have a material impact on the Company's condensed consolidated financial statements.

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 March 31, 2019 and December 31, 2018, the Company’s investment portfolio was comprised of debt securities, equity investments and Other Portfolio investments. The fair value determination for these investments primarily consisted of unobservable (Level 3) inputs.

As of March 31, 2019 and December 31, 2018, 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 March 31, 2019 and December 31, 2018.

As of March 31, 2019 and December 31, 2018, the Company’s Middle Market portfolio investments consisted primarily of Middle Market 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 March 31, 2019 and December 31, 2018.

As of March 31, 2019 and December 31, 2018, 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 March 31, 2019 and December 31, 2018.

As of March 31, 2019 and December 31, 2018, 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 March 31, 2019 and December 31, 2018.

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 March 31, 2019 according to the fair value hierarchy (dollars in thousands):

|                                      | Fair Value Measurements |         |              |              |
|--------------------------------------|-------------------------|---------|--------------|--------------|
|                                      | Level 1                 | Level 2 | Level 3      | Total        |
| First lien secured debt investments  | \$ —                    | \$ —    | \$ 844,077   | \$ 844,077   |
| Second lien secured debt investments | —                       | —       | 92,384       | 92,384       |
| Unsecured debt investments           | —                       | —       | 12,819       | 12,819       |
| Equity investments <sup>(1)</sup>    | —                       | —       | 160,848      | 160,848      |
| Total                                | \$ —                    | \$ —    | \$ 1,110,128 | \$ 1,110,128 |

(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, 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  | \$ —                    | \$ —    | \$ 846,427   | \$ 846,427   |
| Second lien secured debt investments | —                       | —       | 93,573       | 93,573       |
| Unsecured debt investments           | —                       | —       | 11,236       | 11,236       |
| Equity investments <sup>(1)</sup>    | —                       | —       | 155,332      | 155,332      |
| Total                                | \$ —                    | \$ —    | \$ 1,106,568 | \$ 1,106,568 |

(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 March 31, 2019 (dollars in thousands):

|  | Fair Value Measurements |         |              |              |
|--|-------------------------|---------|--------------|--------------|
|  | Level 1                 | Level 2 | Level 3      | Total        |
| LMM portfolio investments                  | \$ —                    | \$ —    | \$ 217,179   | \$ 217,179   |
| Private Loan investments                   | —                       | —       | 435,716      | 435,716      |
| Middle Market investments                  | —                       | —       | 400,575      | 400,575      |
| Other Portfolio investments <sup>(1)</sup> | —                       | —       | 56,658       | 56,658       |
| Total                                      | \$ —                    | \$ —    | \$ 1,110,128 | \$ 1,110,128 |

(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, 2018 (dollars in thousands):

|  | Fair Value Measurements |         |              |              |
|--|-------------------------|---------|--------------|--------------|
|  | Level 1                 | Level 2 | Level 3      | Total        |
| LMM portfolio investments                  | \$ —                    | \$ —    | \$ 210,274   | \$ 210,274   |
| Private Loan investments                   | —                       | —       | 408,939      | 408,939      |
| Middle Market investments                  | —                       | —       | 434,271      | 434,271      |
| Other Portfolio investments <sup>(1)</sup> | —                       | —       | 53,084       | 53,084       |
| Total                                      | \$ —                    | \$ —    | \$ 1,106,568 | \$ 1,106,568 |

(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, as amended, for the year ended December 31, 2018, which was filed with the SEC on March 8, 2019) 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 March 31, 2019 (dollars in thousands):

|  | Fair Value          | Valuation Technique                  | Significant Unobservable Inputs | Range           | Weighted Average <sup>(2)</sup> |
|--|---------------------|--------------------------------------|---------------------------------|-----------------|---------------------------------|
| LMM equity investments                     | \$ 83,067           | Discounted Cash Flows                | WACC                            | 11.8% - 17.5%   | 13.8%                           |
|  |                     | Market Approach/<br>Enterprise Value | EBITDA Multiples <sup>(1)</sup> | 4.5x - 8.5x     | 6.7x                            |
| LMM debt investments                       | 134,112             | Discounted Cash Flows                | Expected Principal Recovery     | 97.0% - 100.0%  | 99.9%                           |
|  |                     |                                      | Risk Adjusted Discount Factor   | 8.3% - 20.5%    | 11.7%                           |
| Private Loan debt investments              | 310,932             | Discounted Cash Flows                | Expected Principal Recovery     | 1.5% - 100.0%   | 100.0%                          |
|  |                     |                                      | Risk Adjusted Discount Factor   | 4.3% - 20.2%    | 8.1%                            |
|  | 107,702             | Market Approach                      | Third Party Quotes              | 93.9% - 101.0%  | 99.2%                           |
| Private Loan equity investments            | 17,082              | Market Approach/<br>Enterprise Value | EBITDA Multiples <sup>(1)</sup> | 4.9x - 9.5x     | 7.0x                            |
|  |                     | Discounted Cash Flows                | WACC                            | 11.6% - 14.3%   | 12.7%                           |
| Middle Market debt investments             | 6,641               | Discounted Cash Flows                | Expected Principal Recovery     | 100.0% - 100.0% | 100.0%                          |
|  |                     |                                      | Risk Adjusted Discount Factor   | 11.9% - 30.8%   | 32.2%                           |
|  | 389,893             | Market Approach                      | Third Party Quotes              | 41.5% - 100.9%  | 94.4%                           |
| Middle Market equity investments           | 4,041               | Market Approach                      | Third Party Quotes              | \$0.5 - \$250.0 | \$102.7                         |
|  |                     | Discounted Cash Flows                | WACC                            | 17.3% - 18.0%   | 17.3%                           |
|  |                     | Market Approach/<br>Enterprise Value | EBITDA Multiples <sup>(1)</sup> | 3.9x - 5.5x     | 5.5x                            |
| Other Portfolio investments <sup>(3)</sup> | 56,658              | Market Approach                      | NAV <sup>(1)</sup>              | 87.2% - 118.9%  | 99.5%                           |
|  | <u>\$ 1,110,128</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, 2018 (dollars in thousands):

|  | Fair Value          | Valuation Technique                  | Significant Unobservable Inputs | Range            | Weighted Average <sup>(2)</sup> |
|--|---------------------|--------------------------------------|---------------------------------|------------------|---------------------------------|
| LMM equity investments                     | \$ 79,641           | Discounted Cash Flows                | WACC                            | 11.8% - 17.5%    | 13.7%                           |
|  |                     | Market Approach/<br>Enterprise Value | EBITDA Multiples <sup>(1)</sup> | 4.3x - 8.5x      | 6.6x                            |
| LMM debt investments                       | 130,633             | Discounted Cash Flows                | Expected Principal Recovery     | 97.0% - 100.0%   | 99.9%                           |
|  |                     |                                      | Risk Adjusted Discount Factor   | 9.6% - 20.0%     | 12.5%                           |
| Private Loan debt investments              | 285,733             | Discounted Cash Flows                | Expected Principal Recovery     | 1.5% - 100.0%    | 99.8%                           |
|  |                     |                                      | Risk Adjusted Discount Factor   | 5.8% - 30.3%     | 10.2%                           |
|  | 106,301             | Market Approach                      | Third Party Quotes              | 90.9% - 101.0%   | 98.6%                           |
| Private Loan equity investments            | 16,905              | Market Approach/<br>Enterprise Value | EBITDA Multiples <sup>(1)</sup> | 4.9x - 9.5x      | 6.9x                            |
|  |                     | Discounted Cash Flows                | WACC                            | 11.4% - 14.2%    | 12.7%                           |
| Middle Market debt investments             | 428,569             | Market Approach                      | Third Party Quotes              | 56.2% - 100.9%   | 95.3%                           |
| Middle Market equity investments           | 5,702               | Market Approach                      | Third Party Quotes              | \$0.68 - \$250.0 | \$98.1                          |
|  |                     | Discounted Cash Flows                | WACC                            | 16.1% - 18.0%    | 16.1%                           |
|  |                     | Market Approach/<br>Enterprise Value | EBITDA Multiples <sup>(1)</sup> | 3.9x - 5.5x      | 5.5x                            |
| Other Portfolio investments <sup>(3)</sup> | 53,084              | Market Approach                      | NAV <sup>(1)</sup>              | 85.5% - 119.3%   | 95.3%                           |
|  | <u>\$ 1,106,568</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 three months ended March 31, 2019 (dollars in thousands):

| Type of Investment             | January 1,<br>2019 Fair<br>Value | PIK<br>Interest<br>Accrual | New<br>Investments <sup>(1)</sup> | Sales/<br>Repayments | Net Change in<br>Unrealized<br>Appreciation<br>(Depreciation) <sup>(2)</sup> | Net Realized<br>Gain (Loss) | March 31,<br>2019 Fair<br>Value |
|--------------------------------|----------------------------------|----------------------------|-----------------------------------|----------------------|--|-----------------------------|---------------------------------|
| LMM Equity                     | \$ 79,641                        | \$ —                       | \$ 2,560                          | \$ (938)             | \$ 1,851   | \$ (47)                     | \$ 83,067                       |
| LMM Debt                       | 130,633                          | 169                        | 6,158                             | (2,637)              | (221)  | 10                          | 134,112                         |
| Private Loan Equity            | 16,905                           | —                          | 19                                | (1,340)              | 907  | 591                         | 17,082                          |
| Private Loan Debt              | 392,034                          | 928                        | 23,299                            | (6,080)              | 10,716   | (2,263)                     | 418,634                         |
| Middle Market Debt             | 428,569                          | 72                         | 3,059                             | (26,870)             | (2,866)  | (5,430)                     | 396,534                         |
| Middle Market Equity           | 5,702                            | —                          | —                                 | —                    | (1,661)  | —                           | 4,041                           |
| Other Portfolio <sup>(3)</sup> | 53,084                           | —                          | 2,456                             | (1,860)              | 2,978  | —                           | 56,658                          |
| Total                          | <u>\$ 1,106,568</u>              | <u>\$ 1,169</u>            | <u>\$ 37,551</u>                  | <u>\$ (39,725)</u>   | <u>\$ 11,704</u>   | <u>\$ (7,139)</u>           | <u>\$ 1,110,128</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 three months ended March 31, 2018 (dollars in thousands):

| Type of Investment             | January 1, 2018 Fair Value | PIK Interest Accrual | New Investments <sup>(1)</sup> | Sales/Repayments    | Net Change in Unrealized Appreciation (Depreciation) <sup>(2)</sup> | Net Realized Gain (Loss) | March 31, 2018 Fair Value |
|--------------------------------|----------------------------|----------------------|--------------------------------|---------------------|---|--------------------------|---------------------------|
| LMM Equity                     | \$ 47,876                  | \$ —                 | \$ 8,161                       | \$ (1,782)          | \$ 1,554  | \$ 912                   | \$ 56,721                 |
| LMM Debt                       | 87,781                     | 18                   | 17,809                         | (2,885)             | (90)  | —                        | 102,633                   |
| Private Loan Equity            | 8,612                      | —                    | 1,202                          | —                   | (981)   | —                        | 8,833                     |
| Private Loan Debt              | 306,770                    | 21                   | 61,925                         | (23,191)            | (164)   | 69                       | 345,430                   |
| Middle Market Debt             | 545,217                    | 173                  | 82,437                         | (131,623)           | 10,600  | (8,226)                  | 498,578                   |
| Middle Market Equity           | 4,575                      | —                    | 2,470                          | —                   | (373)   | —                        | 6,672                     |
| Other Portfolio <sup>(3)</sup> | 48,608                     | —                    | 90                             | —                   | 76  | —                        | 48,774                    |
| Total                          | <u>\$ 1,049,439</u>        | <u>\$ 212</u>        | <u>\$ 174,094</u>              | <u>\$ (159,481)</u> | <u>\$ 10,622</u>  | <u>\$ (7,245)</u>        | <u>\$ 1,067,641</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 three months ended March 31, 2019 and 2018 included in the Condensed Consolidated Statements of Operations that related to Level 3 assets still held as of March 31, 2019 and 2018 was approximately \$11.4 million and \$(2.4) million, respectively. For the three months ended March 31, 2019 and 2018, there were no transfers between Level 2 and Level 3 portfolio investments.

#### Portfolio Investment Composition

The composition of the Company's investments as of March 31, 2019, 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  | \$ 862,744          | 77.5%                              | \$ 844,077                | 76.0%                                    |
| Second lien secured debt investments | 98,317              | 8.8                                | 92,384                    | 8.3                                      |
| Unsecured debt investments           | 12,911              | 1.2                                | 12,819                    | 1.2                                      |
| Equity investments <sup>(1)</sup>    | 137,491             | 12.3                               | 158,956                   | 14.3                                     |
| Equity warrants                      | 1,987               | 0.2                                | 1,892                     | 0.2                                      |
| Total                                | <u>\$ 1,113,450</u> | <u>100.0%</u>                      | <u>\$ 1,110,128</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, 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  | \$ 873,331          | 77.8%                              | \$ 846,427                | 76.5%                                    |
| Second lien secured debt investments | 98,281              | 8.8                                | 93,573                    | 8.4                                      |
| Unsecured debt investments           | 12,038              | 1.1                                | 11,236                    | 1.0                                      |
| Equity investments <sup>(1)</sup>    | 136,051             | 12.1                               | 153,313                   | 13.9                                     |
| Equity warrants                      | 1,987               | 0.2                                | 2,019                     | 0.2                                      |
| Total                                | <u>\$ 1,121,688</u> | <u>100.0%</u>                      | <u>\$ 1,106,568</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 March 31, 2019, 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):

|                   | <b>Investments at<br/>Cost</b> | <b>Cost Percentage of<br/>Total Portfolio</b> | <b>Investments at<br/>Fair Value</b> | <b>Fair Value<br/>Percentage of<br/>Total Portfolio</b> |
|-------------------|--------------------------------|---|--------------------------------------|---|
| Northeast         | \$ 143,343                     | 13.6%   | \$ 135,374                           | 12.9%   |
| Southeast         | 181,414                        | 17.2  | 191,491                              | 18.2  |
| West              | 223,024                        | 21.1  | 217,203                              | 20.6  |
| Southwest         | 238,095                        | 22.5  | 235,385                              | 22.3  |
| Midwest           | 237,642                        | 22.5  | 241,713                              | 22.9  |
| Non-United States | 32,680                         | 3.1   | 32,304                               | 3.1   |
| <b>Total</b>      | <b>\$ 1,056,198</b>            | <b>100.0%</b>                                 | <b>\$ 1,053,470</b>                  | <b>100.0%</b>   |

The composition of the Company's investments by geographic region as of December 31, 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):

|                   | <b>Investments at<br/>Cost</b> | <b>Cost Percentage of<br/>Total Portfolio</b> | <b>Investments at<br/>Fair Value</b> | <b>Fair Value<br/>Percentage of<br/>Total Portfolio</b> |
|-------------------|--------------------------------|---|--------------------------------------|---|
| Northeast         | \$ 153,513                     | 14.4%   | \$ 146,819                           | 13.9%   |
| Southeast         | 171,384                        | 16.1  | 181,182                              | 17.2  |
| West              | 230,843                        | 21.7  | 221,012                              | 21.0  |
| Southwest         | 242,402                        | 22.8  | 238,221                              | 22.6  |
| Midwest           | 233,392                        | 21.9  | 233,067                              | 22.1  |
| Non-United States | 33,497                         | 3.1   | 33,183                               | 3.2   |
| <b>Total</b>      | <b>\$ 1,065,031</b>            | <b>100.0%</b>                                 | <b>\$ 1,053,484</b>                  | <b>100.0%</b>   |



The composition of the Company's total investments by industry as of March 31, 2019 and December 31, 2018, 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     |                   |
|--|----------------|-------------------|----------------|-------------------|
|  | March 31, 2019 | December 31, 2018 | March 31, 2019 | December 31, 2018 |
| Commercial Services and Supplies       | 6.8%           | 6.7%              | 6.4%           | 6.3%              |
| Media                                  | 6.2            | 5.5               | 6.2            | 5.5               |
| Oil, Gas, and Consumable Fuels         | 5.7            | 4.7               | 5.8            | 4.7               |
| Internet Software and Services         | 5.0            | 4.9               | 5.0            | 5.0               |
| Construction and Engineering           | 4.9            | 4.9               | 5.1            | 5.1               |
| IT Services                            | 4.8            | 5.8               | 4.8            | 5.9               |
| Aerospace and Defense                  | 4.8            | 4.7               | 4.8            | 4.6               |
| Diversified Telecommunication Services | 4.6            | 4.6               | 4.4            | 4.4               |
| Communications Equipment               | 4.2            | 4.1               | 3.7            | 3.8               |
| Machinery                              | 4.0            | 4.0               | 5.4            | 5.3               |
| Energy Equipment and Services          | 3.6            | 3.4               | 3.5            | 3.5               |
| Hotels, Restaurants, and Leisure       | 3.4            | 3.4               | 3.4            | 3.4               |
| Specialty Retail                       | 3.4            | 3.1               | 2.9            | 2.5               |
| Distributors                           | 3.2            | 3.2               | 3.1            | 3.1               |
| Food Products                          | 2.9            | 2.9               | 2.8            | 2.9               |
| Leisure Equipment and Products         | 2.8            | 3.4               | 2.7            | 3.4               |
| Computers and Peripherals              | 2.6            | 2.6               | 3.4            | 3.4               |
| Diversified Consumer Services          | 2.3            | 2.3               | 1.6            | 1.8               |
| Health Care Providers and Services     | 2.2            | 2.8               | 2.1            | 2.8               |
| Construction Materials                 | 2.2            | 2.3               | 2.4            | 2.4               |
| Road & Rail                            | 1.8            | 1.7               | 1.8            | 1.7               |
| Internet and Catalog Retail            | 1.7            | 1.7               | 1.4            | 1.3               |
| Software                               | 1.6            | 1.7               | 1.9            | 1.9               |
| Food & Staples Retailing               | 1.6            | 1.6               | 1.6            | 1.6               |
| Professional Services                  | 1.5            | 1.6               | 1.4            | 1.6               |
| Trading Companies and Distributors     | 1.5            | 1.5               | 1.6            | 1.4               |
| Wireless Telecommunication Services    | 1.4            | 1.4               | 1.4            | 1.3               |
| Containers and Packaging               | 1.3            | 1.3               | 1.3            | 1.3               |
| Household Durables                     | 1.2            | 1.3               | 1.2            | 1.3               |
| Textiles, Apparel & Luxury Goods       | 1.1            | 1.1               | 1.1            | 1.0               |
| Transportation Infrastructure          | 1.0            | 1.0               | 1.0            | 1.0               |
| Other <sup>(1)</sup>                   | 4.7            | 4.8               | 4.8            | 4.8               |
| 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 have sole control of significant actions of 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 March 31, 2019 and December 31, 2018, HMS-ORIX had total assets of \$176.0 million and \$162.5 million, respectively, and HMS-ORIX's portfolio consisted of 114 and 107 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 March 31, 2019 and December 31, 2018, 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 “Initial HMS-ORIX Credit Facility”). The Initial HMS-ORIX Credit Facility had a maturity date of April 5, 2020, and borrowings under the facility accrued interest at a rate equal to LIBOR plus 1.65% per annum.

On November 20, 2018, HMS-ORIX closed on a \$170.0 million credit facility with Citibank, N.A. (the “Refinanced HMS-ORIX Credit Facility”). The proceeds from the Refinanced HMS-ORIX Credit Facility were used to pay off the outstanding balance on the Initial HMS-ORIX Credit Facility, which was subsequently terminated. The reinvestment period for the Refinanced HMS-ORIX Credit Facility is scheduled to expire on September 6, 2019, and the maturity date is nine months after expiration of the reinvestment period (unless terminated earlier pursuant to the terms of the Refinanced HMS-ORIX Credit Facility). Borrowings under the Refinanced HMS-ORIX Credit Facility bear interest at a rate equal to the three-month LIBOR plus 1.15%. As of March 31, 2019 and December 31, 2018, \$123.1 million and \$98.8 million, respectively, of advances were outstanding under the Refinanced HMS-ORIX Credit 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 March 31, 2019 and December 31, 2018 (dollars in thousands):

|  | As of March 31,<br>2019 | As of December<br>31, 2018 |
|--|-------------------------|----------------------------|
| Total debt investments <sup>(1)</sup>                    | \$ 170,325              | \$ 165,025                 |
| Weighted average effective yield on loans <sup>(2)</sup> | 5.91%                   | 5.82%                      |
| Largest loan to a single borrower <sup>(1)</sup>         | \$ 3,452                | \$ 3,461                   |
| Total of 10 largest loans to borrowers <sup>(1)</sup>    | \$ 30,228               | \$ 30,430                  |

(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 March 31, 2019:

**HMS-ORIX**  
**Loan Portfolio**  
**As of March 31, 2019**  
**(dollars in thousands)**

| Portfolio Company                | Industry                          | Type of Investment  | Principal | Cost     | Fair Value |
|----------------------------------|-----------------------------------|---|-----------|----------|------------|
| Acrisure, LLC                    | Insurance                         | LIBOR (2 months) + 4.25%, Current Coupon 6.88%, Secured Debt (Maturity - November 22, 2023) | \$ 2,486  | \$ 2,482 | \$ 2,478   |
| Advantage Sales & Marketing Inc. | Commercial Services and Supplies  | LIBOR (1 month) + 3.25%, Current Coupon 5.75%, Secured Debt (Maturity - July 23, 2021)      | 1,965     | 1,914    | 1,701      |
| Air Medical Group Holdings, Inc. | Healthcare Providers and Services | LIBOR (1 month) + 3.25%, Current Coupon 5.74%, Secured Debt (Maturity - April 28, 2022)     | 1,965     | 1,956    | 1,875      |
| AlixPartners, LLP                | Professional Services             | LIBOR (3 months) + 2.75%, Current Coupon 5.25%, Secured Debt (Maturity - April 4, 2024)     | 990       | 990      | 988        |
| American Seafoods Group LLC      | Food Products                     | Prime + 1.75%, Current Coupon 7.25%, Secured Debt (Maturity - August 21, 2023)              | 1,435     | 1,428    | 1,422      |
| Ancestry.com Operations Inc.     | Internet Software and Services    | LIBOR (1 month) + 3.25%, Current Coupon 5.75%, Secured Debt (Maturity - October 19, 2023)   | 1,293     | 1,306    | 1,291      |
| Arch Coal, Inc.                  | Metals and Mining                 | LIBOR (1 month) + 2.75%, Current Coupon 5.25%, Secured Debt (Maturity - March 7, 2024)      | 1,960     | 1,967    | 1,962      |

**HMS-ORIX**  
**Loan Portfolio**  
**As of March 31, 2019**  
**(dollars in thousands)**

| Portfolio Company                    | Industry   | Type of Investment   | Principal | Cost     | Fair Value |
|--------------------------------------|--|--|-----------|----------|------------|
| Asurion, LLC                         | Insurance  | LIBOR (1 month) + 3.00%, Current Coupon 5.50%, Secured Debt (Maturity - November 3, 2023)    | \$ 1,258  | \$ 1,258 | \$ 1,256   |
|                                      |  | LIBOR (1 month) + 3.00%, Current Coupon 5.50%, Secured Debt (Maturity - November 4, 2024)    | 323       | 321      | 322        |
|                                      |  |  | 1,581     | 1,579    | 1,578      |
| Atkore International, Inc.           | Electric Equipment, Instruments and Components       | LIBOR (3 months) + 2.75%, Current Coupon 5.36%, Secured Debt (Maturity - December 22, 2023)  | 2,887     | 2,905    | 2,866      |
| Barracuda Networks                   | Internet Software and Services                       | LIBOR (3 months) + 3.25%, Current Coupon 5.74%, Secured Debt (Maturity - February 12, 2025)  | 997       | 972      | 992        |
| Bass Pro Group, LLC                  | Specialty Retail                                     | LIBOR (3 months) + 5.00%, Current Coupon 7.50%, Secured Debt (Maturity - September 25, 2024) | 1,970     | 1,926    | 1,945      |
| Bausch Health Companies Inc.         | Healthcare Providers and Services                    | LIBOR (1 month) + 3.00%, Current Coupon 5.48%, Secured Debt (Maturity - June 2, 2025)        | 1,347     | 1,353    | 1,344      |
| BCP Renaissance Parent L.L.C.        | Oil, Gas and Consumable Fuels                        | LIBOR (3 months) + 3.50%, Current Coupon 6.24%, Secured Debt (Maturity - October 31, 2024)   | 596       | 597      | 595        |
| Boxer Parent Company, Inc.           | Software   | LIBOR (3 months) + 4.25%, Current Coupon 6.85%, Secured Debt (Maturity - October 2, 2025)    | 2,793     | 2,767    | 2,751      |
| Boyd Gaming Corporation              | Hotel, Restaurant and Leisure                        | LIBOR (1 week) + 2.25%, Current Coupon 4.66%, Secured Debt (Maturity - September 15, 2023)   | 1,247     | 1,206    | 1,239      |
| Builders FirstSource, Inc.           | Building Products                                    | LIBOR (1 month) + 3.00%, Current Coupon 5.60%, Secured Debt (Maturity - February 29, 2024)   | 2,940     | 2,936    | 2,867      |
| Caesars Resort Collection, LLC       | Hotel, Restaurant and Leisure                        | LIBOR (1 month) + 2.75%, Current Coupon 5.25%, Secured Debt (Maturity - December 23, 2024)   | 1,244     | 1,208    | 1,234      |
| Calpine Corporation                  | Independent Power and Renewable Electricity Provider | LIBOR (3 months) + 2.50%, Current Coupon 5.11%, Secured Debt (Maturity - January 15, 2023)   | 1,964     | 1,971    | 1,963      |
| CareerBuilder                        | Internet Software and Services                       | LIBOR (3 months) + 6.75%, Current Coupon 9.35%, Secured Debt (Maturity - July 31, 2023)      | 1,449     | 1,449    | 1,451      |
| CDS U.S. Intermediate Holdings, Inc. | Hotel, Restaurant and Leisure                        | LIBOR (1 month) + 3.75%, Current Coupon 6.25%, Secured Debt (Maturity - July 8, 2022)        | 970       | 972      | 904        |
| CenturyLink Inc.                     | Diversified Telecommunication Services               | LIBOR (1 month) + 2.75%, Current Coupon 5.25%, Secured Debt (Maturity - January 31, 2025)    | 995       | 942      | 979        |
| Citgo Petroleum Corporation          | Oil, Gas and Consumable Fuels                        | LIBOR (3 months) + 3.50%, Current Coupon 6.30%, Secured Debt (Maturity - July 29, 2021)      | 695       | 690      | 694        |
| ClubCorp Holdings, Inc.              | Real Estate Management and Development               | LIBOR (3 months) + 2.75%, Current Coupon 5.35%, Secured Debt (Maturity - September 18, 2024) | 1,959     | 1,949    | 1,867      |
| Compass Power Generation, L.L.C.     | Independent Power and Renewable Electricity Provider | LIBOR (1 month) + 3.50%, Current Coupon 6.00%, Secured Debt (Maturity - December 20, 2024)   | 1,262     | 1,262    | 1,263      |
| Creative Artists Agency, LLC         | Entertainment  | LIBOR (1 month) + 3.50%, Current Coupon 6.00%, Secured Debt (Maturity - July 26, 2024)       | 1,970     | 1,970    | 1,945      |
|                                      |  | LIBOR (1 month) + 3.00%, Current Coupon 5.49%, Secured Debt (Maturity - February 15, 2024)   | 995       | 981      | 993        |
|                                      |  |  | 2,965     | 2,951    | 2,938      |

**HMS-ORIX**  
**Loan Portfolio**  
**As of March 31, 2019**  
**(dollars in thousands)**

| Portfolio Company                          | Industry   | Type of Investment  | Principal | Cost     | Fair Value |
|--|--|---|-----------|----------|------------|
| Cyxtera DC Holdings, Inc.                  | Technology Hardware, Storage and Peripherals         | LIBOR (3 months) + 3.00%, Current Coupon 5.60%, Secured Debt (Maturity - May 1, 2024)       | \$ 2,948  | \$ 2,958 | \$ 2,900   |
| Deerfield Holdings Corporation             | Diversified Financial Services                       | LIBOR (1 month) + 3.25%, Current Coupon 5.75%, Secured Debt (Maturity - February 13, 2025)  | 2,970     | 2,966    | 2,919      |
| Diamond Resorts International, Inc.        | Hotel, Restaurant and Leisure                        | LIBOR (1 month) + 3.75%, Current Coupon 6.25%, Secured Debt (Maturity - September 1, 2023)  | 2,125     | 2,152    | 2,053      |
| EFS Cogen Holdings I LLC                   | Electric Utilities                                   | LIBOR (3 months) + 3.25%, Current Coupon 5.86%, Secured Debt (Maturity - June 28, 2023)     | 1,816     | 1,829    | 1,808      |
| Eldorado Resorts, Inc.                     | Hotel, Restaurant and Leisure                        | LIBOR (1 month) + 2.25%, Current Coupon 4.88%, Secured Debt (Maturity - April 17, 2024)     | 1,000     | 969      | 993        |
| Encapsys LLC                               | Chemicals  | LIBOR (1 month) + 3.25%, Current Coupon 5.75%, Secured Debt (Maturity - November 7, 2024)   | 990       | 991      | 978        |
| Endo Luxembourg Finance Company I S.a.r.l. | Pharmaceuticals                                      | LIBOR (1 month) + 4.25%, Current Coupon 6.75%, Secured Debt (Maturity - April 29, 2024)     | 1,965     | 1,983    | 1,940      |
| Everi Payments Inc.                        | Leisure Products                                     | LIBOR (3 months) + 3.00%, Current Coupon 5.50%, Secured Debt (Maturity - May 9, 2024)       | 1,965     | 1,958    | 1,963      |
| Exgen Renewables IV, LLC                   | Independent Power and Renewable Electricity Provider | LIBOR (3 months) + 3.00%, Current Coupon 5.63%, Secured Debt (Maturity - November 29, 2024) | 294       | 294      | 276        |
| Financial & Risk US Holdings, Inc.         | Software   | LIBOR (1 month) + 3.75%, Current Coupon 6.25%, Secured Debt (Maturity - October 1, 2025)    | 1,421     | 1,420    | 1,384      |
| First American Payment Systems, L.P.       | Diversified Financial Services                       | LIBOR (1 month) + 4.75%, Current Coupon 7.39%, Secured Debt (Maturity - January 5, 2024)    | 883       | 893      | 883        |
| Fitness International, LLC                 | Hotel, Restaurant and Leisure                        | LIBOR (1 month) + 3.25%, Current Coupon 5.75%, Secured Debt (Maturity - April 18, 2025)     | 2,034     | 2,045    | 2,021      |
| Flex Acquisition Company Inc               | Containers and Packaging                             | LIBOR (1 month) + 3.00%, Current Coupon 5.49%, Secured Debt (Maturity - December 29, 2023)  | 1,970     | 1,979    | 1,931      |
| Flexera Software LLC                       | Software   | LIBOR (1 month) + 3.25%, Current Coupon 5.75%, Secured Debt (Maturity - February 26, 2025)  | 1,514     | 1,511    | 1,510      |
| Gardner Denver, Inc.                       | Machinery  | LIBOR (1 month) + 2.75%, Current Coupon 5.25%, Secured Debt (Maturity - July 30, 2024)      | 2,255     | 2,249    | 2,256      |
| Golden Nugget, Inc.                        | Hotel, Restaurant and Leisure                        | LIBOR (1 month) + 2.75%, Current Coupon 5.23%, Secured Debt (Maturity - October 4, 2023)    | 1,870     | 1,870    | 1,856      |
| Gray Television, Inc.                      | Broadcast Radio and Television                       | LIBOR (1 month) + 3.50%, Current Coupon 6.00%, Secured Debt (Maturity - February 12, 2025)  | 1,839     | 1,822    | 1,835      |
|  |  | LIBOR (1 month) + 2.50%, Current Coupon 4.98%, Secured Debt (Maturity - January 2, 2026)    | 285       | 280      | 284        |
|  |  |   | 2,124     | 2,102    | 2,119      |
| Greatbatch Ltd.                            | Pharmaceuticals                                      | LIBOR (1 month) + 3.00%, Current Coupon 5.49%, Secured Debt (Maturity - October 27, 2022)   | 1,934     | 1,945    | 1,933      |
| GYP Holdings III Corp.                     | Trading Companies and Distributors                   | LIBOR (1 month) + 2.75%, Current Coupon 5.25%, Secured Debt (Maturity - June 2, 2025)       | 3,439     | 3,464    | 3,355      |

**HMS-ORIX**  
**Loan Portfolio**  
**As of March 31, 2019**  
**(dollars in thousands)**

| Portfolio Company                   | Industry                      | Type of Investment   | Principal | Cost     | Fair Value |
|-------------------------------------|-------------------------------|--|-----------|----------|------------|
| Harbor Freight Tools USA, Inc.      | Specialty Retail              | LIBOR (1 month) + 2.50%, Current Coupon 5.00%, Secured Debt (Maturity - August 18, 2023)     | \$ 1,944  | \$ 1,950 | \$ 1,910   |
| Horizon Pharma, Inc.                | Pharmaceuticals               | LIBOR (1 month) + 3.00%, Current Coupon 5.50%, Secured Debt (Maturity - March 29, 2024)      | 1,219     | 1,230    | 1,221      |
| Hornblower Sub, LLC                 | Hotel, Restaurant and Leisure | LIBOR (3 months) + 4.50%, Current Coupon 7.10%, Secured Debt (Maturity - April 28, 2025)     | 1,995     | 1,989    | 1,999      |
| Hyland Software, Inc.               | Software                      | LIBOR (1 month) + 3.50%, Current Coupon 6.00%, Secured Debt (Maturity - July 1, 2024)        | 498       | 485      | 498        |
| Infiltrator Water Technologies, LLC | Specialty Retail              | LIBOR (3 months) + 3.50%, Current Coupon 6.10%, Secured Debt (Maturity - May 23, 2025)       | 1,970     | 1,982    | 1,967      |
| Invenergy Thermal Operating I LLC   | Renewable Energy Provider     | LIBOR (1 month) + 3.00%, Current Coupon 5.60%, Secured Debt (Maturity - May 27, 2022)        | 1,392     | 1,371    | 1,382      |
|                                     |                               | LIBOR (3 months) + 3.50%, Current Coupon 6.10%, Secured Debt (Maturity - August 28, 2025)    | 1,920     | 1,916    | 1,932      |
|                                     |                               |  | 3,312     | 3,287    | 3,314      |
| IRB Holding Corp.                   | Food Products                 | LIBOR (1 month) + 3.25%, Current Coupon 5.74%, Secured Debt (Maturity - February 5, 2025)    | 396       | 396      | 389        |
| Ivanti Software, Inc.               | Software                      | LIBOR (1 month) + 4.25%, Current Coupon 6.75%, Secured Debt (Maturity - January 22, 2024)    | 981       | 987      | 975        |
| KBR, Inc.                           | Aerospace and Defense         | LIBOR (1 month) + 3.75%, Current Coupon 6.25%, Secured Debt (Maturity - April 25, 2025)      | 1,987     | 1,979    | 1,993      |
| Kingpin Intermediate Holdings LLC   | Diversified Consumer Services | LIBOR (1 month) + 3.50%, Current Coupon 6.00%, Secured Debt (Maturity - July 3, 2024)        | 995       | 986      | 991        |
| KUEHG Corp.                         | Diversified Consumer Services | LIBOR (1 month) + 3.75%, Current Coupon 6.35%, Secured Debt (Maturity - February 21, 2025)   | 2,451     | 2,458    | 2,434      |
| Learfield Communications LLC        | Media                         | LIBOR (1 month) + 3.25%, Current Coupon 5.75%, Secured Debt (Maturity - December 1, 2023)    | 1,965     | 1,983    | 1,962      |
| MA FinanceCo., LLC                  | Software                      | LIBOR (1 month) + 2.50%, Current Coupon 5.00%, Secured Debt (Maturity - June 21, 2024)       | 383       | 384      | 377        |
| Match Group, Inc.                   | Media                         | LIBOR (6 months) + 3.00%, Current Coupon 5.69%, Secured Debt (Maturity - February 24, 2025)  | 676       | 674      | 647        |
|                                     |                               | LIBOR (3 months) + 2.50%, Current Coupon 5.08%, Secured Debt (Maturity - November 16, 2022)  | 2,000     | 1,998    | 1,998      |
|                                     |                               |  | 2,676     | 2,672    | 2,645      |
| McAfee, LLC                         | Software                      | LIBOR (3 months) + 3.75%, Current Coupon 6.25%, Secured Debt (Maturity - September 30, 2024) | 945       | 932      | 945        |
| McDermott International, Inc.       | Construction and Engineering  | LIBOR (1 month) + 5.00%, Current Coupon 7.50%, Secured Debt (Maturity - May 12, 2025)        | 990       | 971      | 954        |
| Metro-Goldwyn-Mayer Inc.            | Media                         | LIBOR (1 month) + 2.50%, Current Coupon 5.00%, Secured Debt (Maturity - July 3, 2025)        | 995       | 969      | 990        |

**HMS-ORIX**  
**Loan Portfolio**  
**As of March 31, 2019**  
**(dollars in thousands)**

| Portfolio Company                     | Industry                                       | Type of Investment   | Principal | Cost   | Fair Value |
|---------------------------------------|--|--|-----------|--------|------------|
| Micro Holding Corp.                   | Media  | LIBOR (1 month) + 2.50%, Current Coupon 4.99%, Secured Debt (Maturity - January 30, 2023)    | \$ 997    | \$ 971 | \$ 982     |
|                                       |  | LIBOR (3 months) + 3.75%, Current Coupon 6.24%, Secured Debt (Maturity - September 13, 2024) | 1,244     | 1,215  | 1,232      |
|                                       |  |  | 2,241     | 2,186  | 2,214      |
| Mohegan Tribal Gaming Authority       | Hotel, Restaurant and Leisure                  | LIBOR (1 month) + 4.00%, Current Coupon 6.50%, Secured Debt (Maturity - October 13, 2023)    | 1,909     | 1,927  | 1,818      |
| MPH Acquisition Holdings LLC          | Health Care Technology                         | LIBOR (3 months) + 2.75%, Current Coupon 5.35%, Secured Debt (Maturity - June 7, 2023)       | 2,569     | 2,604  | 2,499      |
| NAB Holdings, LLC                     | IT Services                                    | LIBOR (3 months) + 3.00%, Current Coupon 5.60%, Secured Debt (Maturity - July 1, 2024)       | 1,970     | 1,961  | 1,920      |
| National Mentor Holdings, Inc.        | Healthcare Facilities and Services             | LIBOR (1 month) + 4.25%, Current Coupon 6.75%, Secured Debt (Maturity - March 9, 2026)       | 1,883     | 1,870  | 1,891      |
|                                       |  | LIBOR (1 month) + 4.25%, Current Coupon 6.75%, Secured Debt (Maturity - March 9, 2026)       | 117       | 116    | 117        |
|                                       |  |  | 2,000     | 1,986  | 2,008      |
| Ortho-Clinical Diagnostics, Inc       | Life Sciences Tools and Services               | LIBOR (1 month) + 3.25%, Current Coupon 5.75%, Secured Debt (Maturity - June 30, 2025)       | 1,935     | 1,931  | 1,868      |
| Packaging Coordinators Midco Inc      | Healthcare Facilities and Services             | LIBOR (3 months) + 4.00%, Current Coupon 6.61%, Secured Debt (Maturity - June 30, 2023)      | 995       | 990    | 994        |
| Party City Holdings Inc.              | Specialty Retail                               | LIBOR (1 month) + 2.50%, Current Coupon 5.00%, Secured Debt (Maturity - August 19, 2022)     | 1,240     | 1,220  | 1,237      |
| Phoenix Guarantor Inc.                | Healthcare Facilities and Services             | LIBOR (1 month) + 4.50%, Current Coupon 6.98%, Secured Debt (Maturity - March 5, 2026)       | 917       | 903    | 905        |
| PI UK Holdco II Limited               | Diversified Financial Services                 | LIBOR (1 month) + 3.50%, Current Coupon 6.00%, Secured Debt (Maturity - January 3, 2025)     | 2,970     | 2,949  | 2,932      |
| Prime Security Services Borrower, LLC | Commercial Services and Supplies               | LIBOR (1 month) + 2.75%, Current Coupon 5.25%, Secured Debt (Maturity - May 2, 2022)         | 653       | 637    | 649        |
| Rackspace Hosting, Inc.               | Electric Equipment, Instruments and Components | LIBOR (3 months) + 3.00%, Current Coupon 5.74%, Secured Debt (Maturity - November 3, 2023)   | 3,242     | 3,266  | 3,061      |
| Radiate Holdco, LLC                   | Diversified Telecommunication Services         | LIBOR (1 month) + 3.00%, Current Coupon 5.50%, Secured Debt (Maturity - February 1, 2024)    | 2,538     | 2,514  | 2,509      |
| Radiology Partners, Inc.              | Healthcare Facilities and Services             | LIBOR (3 months) + 4.75%, Current Coupon 7.55%, Secured Debt (Maturity - July 9, 2025)       | 1,496     | 1,489  | 1,502      |
| Red Ventures, LLC                     | Professional Services                          | LIBOR (1 month) + 3.00%, Current Coupon 5.50%, Secured Debt (Maturity - November 8, 2024)    | 1,627     | 1,616  | 1,625      |
| Savage Enterprises, LLC               | Road and Rail                                  | LIBOR (1 month) + 4.50%, Current Coupon 6.99%, Secured Debt (Maturity - August 1, 2025)      | 1,024     | 1,004  | 1,027      |
| Scientific Games International, Inc.  | Leisure Products                               | LIBOR (2 months) + 2.75%, Current Coupon 5.33%, Secured Debt (Maturity - August 14, 2024)    | 890       | 891    | 869        |
| Seattle SpinCo, Inc.                  | Software                                       | LIBOR (3 months) + 2.50%, Current Coupon 5.00%, Secured Debt (Maturity - June 21, 2024)      | 2,587     | 2,590  | 2,548      |



**HMS-ORIX**  
**Loan Portfolio**  
**As of March 31, 2019**  
**(dollars in thousands)**

| Portfolio Company                        | Industry                               | Type of Investment   | Principal | Cost     | Fair Value |
|--|--|--|-----------|----------|------------|
| SeaWorld Parks & Entertainment, Inc.     | Hotel, Restaurant and Leisure          | LIBOR (3 months) + 3.00%, Current Coupon 5.50%, Secured Debt (Maturity - April 1, 2024)      | \$ 1,960  | \$ 1,962 | \$ 1,947   |
| ServiceMaster Company, LLC               | Home and Office Products               | LIBOR (1 month) + 2.50%, Current Coupon 5.00%, Secured Debt (Maturity - November 8, 2023)    | 651       | 648      | 650        |
| Sprint Communications, Inc.              | Diversified Telecommunication Services | LIBOR (1 month) + 3.00%, Current Coupon 5.50%, Secured Debt (Maturity - February 2, 2024)    | 499       | 492      | 491        |
| SRS Distribution Inc.                    | Trading Companies and Distributors     | LIBOR (3 months) + 3.25%, Current Coupon 5.75%, Secured Debt (Maturity - May 23, 2025)       | 1,194     | 1,191    | 1,147      |
| SS&C Technologies, Inc.                  | Software                               | LIBOR (1 month) + 2.25%, Current Coupon 4.75%, Secured Debt (Maturity - April 16, 2025)      | 200       | 199      | 198        |
|  |  | LIBOR (1 month) + 2.25%, Current Coupon 4.75%, Secured Debt (Maturity - April 16, 2025)      | 278       | 277      | 276        |
|  |  |  | 478       | 476      | 474        |
| Staples, Inc.                            | Distributors                           | LIBOR (3 months) + 4.00%, Current Coupon 6.49%, Secured Debt (Maturity - September 12, 2024) | 1,975     | 1,970    | 1,961      |
| Starfruit US Holdco LLC                  | Chemicals                              | LIBOR (1 month) + 3.25%, Current Coupon 5.74%, Secured Debt (Maturity - October 1, 2025)     | 1,250     | 1,247    | 1,240      |
| Telenet Financing USD LLC                | Diversified Telecommunication Services | LIBOR (1 month) + 2.25%, Current Coupon 4.73%, Secured Debt (Maturity - August 17, 2026)     | 1,655     | 1,653    | 1,635      |
| Transdigm, Inc.                          | Aerospace and Defense                  | LIBOR (1 month) + 2.50%, Current Coupon 5.00%, Secured Debt (Maturity - June 9, 2023)        | 1,960     | 1,967    | 1,925      |
|  |  | LIBOR (1 month) + 2.50%, Current Coupon 5.00%, Secured Debt (Maturity - August 22, 2024)     | 988       | 985      | 968        |
|  |  |  | 2,948     | 2,952    | 2,893      |
| Travelport Finance (Luxembourg) S.A.R.L. | Internet Software and Services         | LIBOR (3 months) + 2.50%, Current Coupon 5.18%, Secured Debt (Maturity - March 17, 2025)     | 1,232     | 1,226    | 1,232      |
| UFC Holdings, LLC                        | Media                                  | LIBOR (3 months) + 3.25%, Current Coupon 5.75%, Secured Debt (Maturity - August 18, 2023)    | 1,960     | 1,971    | 1,960      |
| USS Ultimate Holdings Inc                | Consumer Services                      | LIBOR (1 month) + 3.75%, Current Coupon 6.25%, Secured Debt (Maturity - August 26, 2024)     | 597       | 588      | 596        |
| Utz Quality Foods, LLC                   | Food Products                          | LIBOR (1 month) + 3.50%, Current Coupon 6.00%, Secured Debt (Maturity - November 21, 2024)   | 1,580     | 1,579    | 1,580      |
| VeriFone Systems, Inc.                   | Hardware                               | LIBOR (1 month) + 4.00%, Current Coupon 6.68%, Secured Debt (Maturity - August 20, 2025)     | 499       | 489      | 493        |
| Vertafore, Inc.                          | Software                               | LIBOR (1 month) + 3.25%, Current Coupon 5.75%, Secured Debt (Maturity - July 2, 2025)        | 2,494     | 2,482    | 2,463      |
| Verviv Group Corporation                 | Electrical Equipment                   | LIBOR (3 months) + 4.00%, Current Coupon 6.63%, Secured Debt (Maturity - November 30, 2023)  | 1,555     | 1,569    | 1,467      |
| VFH Parent LLC                           | Diversified Financial Services         | LIBOR (3 months) + 3.50%, Current Coupon 6.13%, Secured Debt (Maturity - March 2, 2026)      | 1,000     | 995      | 1,004      |
| Vistra Operations Company LLC            | Electric Utilities                     | LIBOR (1 month) + 2.25%, Current Coupon 4.75%, Secured Debt (Maturity - December 14, 2023)   | 1,960     | 1,971    | 1,955      |

**HMS-ORIX**  
**Loan Portfolio**  
**As of March 31, 2019**  
**(dollars in thousands)**

| Portfolio Company                             | Industry                                  | Type of Investment   | Principal         | Cost              | Fair Value        |
|---|---|--|-------------------|-------------------|-------------------|
| Wand NewCo 3, Inc.                            | Automobiles                               | LIBOR (1 month) + 3.50%, Current<br>Coupon 5.98%, Secured Debt<br>(Maturity - February 5, 2026)  | \$ 1,200          | \$ 1,189          | \$ 1,203          |
| Web.Com Group, Inc.                           | Internet Software and Services            | LIBOR (3 months) + 3.75%, Current<br>Coupon 6.24%, Secured Debt<br>(Maturity - October 10, 2025) | 909               | 908               | 900               |
| West Corporation                              | Diversified Telecommunication<br>Services | LIBOR (3 months) + 3.50%, Current<br>Coupon 6.13%, Secured Debt<br>(Maturity - October 10, 2024) | 645               | 644               | 602               |
|   |   | LIBOR (3 months) + 4.00%, Current<br>Coupon 6.63%, Secured Debt<br>(Maturity - October 10, 2024) | 1,019             | 1,009             | 963               |
|   |   |  | 1,664             | 1,653             | 1,565             |
| WideOpenWest Finance, LLC                     | Media                                     | LIBOR (1 month) + 3.25%, Current<br>Coupon 5.74%, Secured Debt<br>(Maturity - August 18, 2023)   | 3,452             | 3,462             | 3,355             |
| William Morris Endeavor<br>Entertainment, LLC | Recreation Facilities and Services        | LIBOR (1 month) + 2.75%, Current<br>Coupon 5.36%, Secured Debt<br>(Maturity - May 16, 2025)      | 636               | 607               | 601               |
| Zekelman Industries, Inc                      | Manufacturing                             | LIBOR (1 month) + 2.25%, Current<br>Coupon 4.74%, Secured Debt<br>(Maturity - June 14, 2021)     | 1,000             | 987               | 993               |
| <b>Total Loan Portfolio</b>                   |   |  | <b>\$ 170,325</b> | <b>\$ 169,827</b> | <b>\$ 167,819</b> |

The following table presents a listing of HMS-ORIX's individual loan investments as of December 31, 2018:

**HMS-ORIX**  
**Loan Portfolio**  
**As of December 31, 2018**  
**(dollars in thousands)**

| Portfolio Company                | Industry                           | Type of Investment  | Principal | Cost     | Fair Value |
|----------------------------------|------------------------------------|---|-----------|----------|------------|
| Acrisure, LLC                    | Insurance                          | LIBOR (2 months) + 4.25%, Current<br>Coupon 6.77%, Secured Debt<br>(Maturity - November 22, 2023) | \$ 2,492  | \$ 2,487 | \$ 2,422   |
| Advantage Sales & Marketing Inc. | Commercial Services and Supplies   | LIBOR (1 month) + 3.25%, Current<br>Coupon 5.77%, Secured Debt<br>(Maturity - July 23, 2021)      | 1,970     | 1,913    | 1,752      |
| Air Medical Group Holdings, Inc. | Health Care Providers and Services | LIBOR (1 month) + 3.25%, Current<br>Coupon 5.68%, Secured Debt<br>(Maturity - April 28, 2022)     | 1,970     | 1,960    | 1,847      |
| AlixPartners, LLP                | Professional Services              | LIBOR (3 months) + 2.75%, Current<br>Coupon 5.27%, Secured Debt<br>(Maturity - April 4, 2024)     | 992       | 992      | 956        |
| American Seafoods Group LLC      | Food Products                      | LIBOR (1 month) + 2.75%, Current<br>Coupon 5.28%, Secured Debt<br>(Maturity - August 21, 2023)    | 1,435     | 1,428    | 1,382      |
| Ancestry.com Operations Inc.     | Internet Software and Services     | LIBOR (1 month) + 3.25%, Current<br>Coupon 5.78%, Secured Debt<br>(Maturity - October 19, 2023)   | 1,293     | 1,306    | 1,240      |
| Arch Coal, Inc.                  | Metals and Mining                  | LIBOR (1 month) + 2.75%, Current<br>Coupon 5.27%, Secured Debt<br>(Maturity - March 7, 2024)      | 1,965     | 1,972    | 1,916      |



**HMS-ORIX**  
**Loan Portfolio**  
**As of December 31, 2018**  
**(dollars in thousands)**

| Portfolio Company                    | Industry   | Type of Investment   | Principal | Cost     | Fair Value |
|--------------------------------------|--|--|-----------|----------|------------|
| Asurion, LLC                         | Insurance  | LIBOR (1 month) + 3.00%, Current Coupon 5.52%, Secured Debt (Maturity - November 3, 2023)    | \$ 1,261  | \$ 1,261 | \$ 1,212   |
|                                      |  | LIBOR (1 month) + 3.00%, Current Coupon 5.52%, Secured Debt (Maturity - November 4, 2024)    | 323       | 322      | 310        |
|                                      |  |  | 1,584     | 1,583    | 1,522      |
| Atkore International, Inc.           | Electric Equipment, Instruments and Components       | LIBOR (1 month) + 3.00%, Current Coupon 4.97%, Secured Debt (Maturity - December 22, 2023)   | 2,948     | 2,967    | 2,864      |
| Barracuda Networks                   | Internet Software and Services                       | LIBOR (1 month) + 3.25%, Current Coupon 5.72%, Secured Debt (Maturity - February 12, 2025)   | 1,000     | 974      | 956        |
| Bass Pro Group, LLC                  | Specialty Retail                                     | LIBOR (3 months) + 4.25%, Current Coupon 6.55%, Secured Debt (Maturity - September 25, 2024) | 1,975     | 1,929    | 1,898      |
| Bausch Health Companies Inc.         | Health Care Equipment and Supplies                   | LIBOR (1 month) + 3.00%, Current Coupon 5.38%, Secured Debt (Maturity - June 2, 2025)        | 1,402     | 1,408    | 1,342      |
| BCP Renaissance Parent L.L.C.        | Oil, Gas and Consumable Fuels                        | LIBOR (3 months) + 3.50%, Current Coupon 6.03%, Secured Debt (Maturity - October 31, 2024)   | 597       | 599      | 583        |
| Boxer Parent Company, Inc.           | Software   | LIBOR (3 months) + 4.25%, Current Coupon 7.05%, Secured Debt (Maturity - October 2, 2025)    | 2,800     | 2,772    | 2,708      |
| Boyd Gaming Corporation              | Hotels, Restaurants and Leisure                      | LIBOR (1 week) + 2.25%, Current Coupon 4.66%, Secured Debt (Maturity - September 15, 2023)   | 1,250     | 1,208    | 1,208      |
| Builders FirstSource, Inc.           | Building Products                                    | LIBOR (1 month) + 3.00%, Current Coupon 5.80%, Secured Debt (Maturity - February 29, 2024)   | 2,947     | 2,943    | 2,774      |
| Caesars Resort Collection, LLC       | Hotels, Restaurants and Leisure                      | LIBOR (1 month) + 2.75%, Current Coupon 5.27%, Secured Debt (Maturity - December 23, 2024)   | 1,247     | 1,210    | 1,201      |
| Calpine Corporation                  | Independent Power and Renewable Electricity Provider | LIBOR (3 months) + 2.50%, Current Coupon 5.31%, Secured Debt (Maturity - January 15, 2023)   | 1,970     | 1,977    | 1,881      |
| CareerBuilder                        | Internet Software and Services                       | LIBOR (3 months) + 6.75%, Current Coupon 9.14%, Secured Debt (Maturity - July 31, 2023)      | 1,500     | 1,500    | 1,493      |
| CDS U.S. Intermediate Holdings, Inc. | Hotels, Restaurants and Leisure                      | LIBOR (1 month) + 3.75%, Current Coupon 6.27%, Secured Debt (Maturity - July 8, 2022)        | 973       | 974      | 914        |
| CenturyLink, Inc.                    | Diversified Telecommunication Services               | LIBOR (1 month) + 2.75%, Current Coupon 5.27%, Secured Debt (Maturity - January 31, 2025)    | 997       | 943      | 934        |
| Citgo Petroleum Corporation          | Oil, Gas and Consumable Fuels                        | LIBOR (3 months) + 3.50%, Current Coupon 5.90%, Secured Debt (Maturity - July 29, 2021)      | 695       | 689      | 682        |
| ClubCorp Holdings, Inc.              | Real Estate Management and Development               | LIBOR (3 months) + 2.75%, Current Coupon 5.55%, Secured Debt (Maturity - September 18, 2024) | 1,959     | 1,949    | 1,852      |
| CPI International, Inc.              | Aerospace and Defense                                | LIBOR (1 month) + 3.50%, Current Coupon 6.01%, Secured Debt (Maturity - July 26, 2024)       | 1,975     | 1,975    | 1,919      |
| Creative Artists Agency LLC          | Entertainment  | LIBOR (1 month) + 3.00%, Current Coupon 5.47%, Secured Debt (Maturity - February 15, 2024)   | 997       | 983      | 966        |
| Cyxtera DC Holdings, Inc.            | Technology Hardware, Storage and Peripherals         | LIBOR (3 months) + 3.00%, Current Coupon 5.38%, Secured Debt (Maturity - May 1, 2024)        | 2,955     | 2,966    | 2,840      |

**HMS-ORIX**  
**Loan Portfolio**  
**As of December 31, 2018**  
**(dollars in thousands)**

| Portfolio Company                                 | Industry   | Type of Investment  | Principal | Cost     | Fair Value |
|---|--|---|-----------|----------|------------|
| <b>Deerfield Holdings Corporation</b>             | Diversified Financial Services                       | LIBOR (1 month) + 3.25%, Current Coupon 5.77%, Secured Debt (Maturity - February 13, 2025)  | \$ 2,978  | \$ 2,974 | \$ 2,827   |
| <b>Diamond Resorts International, Inc.</b>        | Hotels, Restaurants and Leisure                      | LIBOR (1 month) + 3.75%, Current Coupon 6.07%, Secured Debt (Maturity - September 1, 2023)  | 2,130     | 2,159    | 1,992      |
| <b>EFS Cogen Holdings I LLC</b>                   | Electric Utilities                                   | LIBOR (1 month) + 3.25%, Current Coupon 5.77%, Secured Debt (Maturity - June 28, 2023)      | 1,816     | 1,830    | 1,781      |
| <b>Eldorado Resorts, Inc.</b>                     | Hotels, Restaurants and Leisure                      | LIBOR (1 month) + 2.25%, Current Coupon 4.75%, Secured Debt (Maturity - April 17, 2024)     | 1,000     | 968      | 960        |
| <b>Encapsys LLC</b>                               | Chemicals  | LIBOR (1 month) + 3.25%, Current Coupon 5.77%, Secured Debt (Maturity - November 7, 2024)   | 993       | 994      | 970        |
| <b>Endo Luxembourg Finance Company I S.a.r.l.</b> | Pharmaceuticals                                      | LIBOR (1 month) + 4.25%, Current Coupon 6.81%, Secured Debt (Maturity - April 29, 2024)     | 1,970     | 1,989    | 1,862      |
| <b>Everi Payments Inc.</b>                        | Leisure Products                                     | LIBOR (3 months) + 3.00%, Current Coupon 5.52%, Secured Debt (Maturity - May 9, 2024)       | 1,970     | 1,963    | 1,917      |
| <b>Exgen Renewables IV, LLC</b>                   | Independent Power and Renewable Electricity Provider | LIBOR (3 months) + 3.00%, Current Coupon 5.71%, Secured Debt (Maturity - November 29, 2024) | 294       | 293      | 281        |
| <b>Financial &amp; Risk US Holdings, Inc.</b>     | Software   | LIBOR (1 month) + 3.75%, Current Coupon 6.27%, Secured Debt (Maturity - October 1, 2025)    | 1,425     | 1,424    | 1,363      |
| <b>First American Payment Systems, L.P.</b>       | Diversified Financial Services                       | LIBOR (1 month) + 4.75%, Current Coupon 7.29%, Secured Debt (Maturity - January 5, 2024)    | 889       | 900      | 885        |
| <b>Fitness International, LLC</b>                 | Hotels, Restaurants and Leisure                      | LIBOR (1 month) + 3.25%, Current Coupon 5.77%, Secured Debt (Maturity - April 18, 2025)     | 2,039     | 2,050    | 1,963      |
| <b>Flex Acquisition Company Inc</b>               | Containers and Packaging                             | LIBOR (3 months) + 3.00%, Current Coupon 5.35%, Secured Debt (Maturity - December 29, 2023) | 1,975     | 1,985    | 1,869      |
| <b>Flexera Software LLC</b>                       | Software   | LIBOR (1 month) + 3.25%, Current Coupon 5.78%, Secured Debt (Maturity - February 26, 2025)  | 1,518     | 1,514    | 1,468      |
| <b>Gardner Denver, Inc.</b>                       | Machinery  | LIBOR (1 month) + 2.75%, Current Coupon 5.27%, Secured Debt (Maturity - July 30, 2024)      | 2,316     | 2,309    | 2,242      |
| <b>Golden Nugget, Inc.</b>                        | Hotels, Restaurants and Leisure                      | LIBOR (1 month) + 2.75%, Current Coupon 5.19%, Secured Debt (Maturity - October 4, 2023)    | 1,875     | 1,875    | 1,811      |
| <b>GrafTech Finance Inc.</b>                      | Metals and Mining                                    | LIBOR (1 month) + 3.50%, Current Coupon 6.02%, Secured Debt (Maturity - February 12, 2025)  | 1,950     | 1,931    | 1,850      |
| <b>Gray Television, Inc.</b>                      | Broadcast Radio and Television                       | LIBOR (3 months) + 2.50%, Current Coupon 4.90%, Secured Debt (Maturity - January 2, 2026)   | 286       | 281      | 277        |
| <b>Greatbatch Ltd.</b>                            | Pharmaceuticals                                      | LIBOR (1 month) + 3.00%, Current Coupon 5.39%, Secured Debt (Maturity - October 27, 2022)   | 2,000     | 2,012    | 1,956      |
| <b>GYP Holdings III Corp.</b>                     | Trading Companies and Distributors                   | LIBOR (1 month) + 2.75%, Current Coupon 5.27%, Secured Debt (Maturity - June 2, 2025)       | 3,448     | 3,473    | 3,261      |
| <b>Harbor Freight Tools USA, Inc.</b>             | Specialty Retail                                     | LIBOR (1 month) + 2.50%, Current Coupon 5.02%, Secured Debt (Maturity - August 18, 2023)    | 1,944     | 1,951    | 1,841      |
| <b>HD Supply Waterworks, Ltd.</b>                 | Trading Companies and Distributors                   | LIBOR (6 months) + 3.00%, Current Coupon 5.71%, Secured Debt (Maturity - August 1, 2024)    | 139       | 138      | 134        |

**HMS-ORIX**  
**Loan Portfolio**  
**As of December 31, 2018**  
**(dollars in thousands)**

| Portfolio Company                                | Industry                        | Type of Investment   | Principal | Cost     | Fair Value |
|--|---------------------------------|--|-----------|----------|------------|
| Horizon Pharma, Inc.                             | Pharmaceuticals                 | LIBOR (1 month) + 3.00%, Current Coupon 5.56%, Secured Debt (Maturity - March 29, 2024)      | \$ 1,925  | \$ 1,944 | \$ 1,841   |
| Hyland Software, Inc.                            | Software                        | LIBOR (1 month) + 3.50%, Current Coupon 6.02%, Secured Debt (Maturity - July 1, 2024)        | 499       | 485      | 486        |
| IG Investments Holdings, LLC                     | Professional Services           | LIBOR (1 month) + 3.50%, Current Coupon 6.02%, Secured Debt (Maturity - May 23, 2025)        | 1,975     | 1,987    | 1,929      |
| Infiltrator Water Technologies, LLC              | Specialty Retail                | LIBOR (3 months) + 3.00%, Current Coupon 5.39%, Secured Debt (Maturity - May 27, 2022)       | 1,394     | 1,372    | 1,354      |
| Invenergy, LLC                                   | Renewable Energy Provider       | LIBOR (1 month) + 3.50%, Current Coupon 5.84%, Secured Debt (Maturity - August 28, 2025)     | 1,946     | 1,941    | 1,932      |
| IRB Holding Corp.                                | Food Products                   | LIBOR (1 month) + 3.25%, Current Coupon 5.68%, Secured Debt (Maturity - February 5, 2025)    | 397       | 397      | 380        |
| Ivanti Software, Inc.                            | Software                        | LIBOR (1 month) + 4.25%, Current Coupon 6.60%, Secured Debt (Maturity - January 22, 2024)    | 983       | 989      | 959        |
| KBR, Inc.  | Aerospace and Defense           | LIBOR (1 month) + 3.75%, Current Coupon 6.27%, Secured Debt (Maturity - April 25, 2025)      | 1,992     | 1,984    | 1,962      |
| Kingpin Intermediate Holdings LLC                | Diversified Consumer Services   | LIBOR (1 month) + 3.50%, Current Coupon 6.02%, Secured Debt (Maturity - July 3, 2024)        | 998       | 988      | 971        |
| KUEHG Corp.                                      | Diversified Consumer Services   | LIBOR (1 month) + 3.75%, Current Coupon 6.55%, Secured Debt (Maturity - February 21, 2025)   | 2,457     | 2,465    | 2,368      |
| Learfield Communications LLC                     | Media                           | LIBOR (1 month) + 3.25%, Current Coupon 5.78%, Secured Debt (Maturity - December 1, 2023)    | 1,970     | 1,989    | 1,923      |
| MA FinanceCo., LLC                               | Software                        | LIBOR (1 month) + 2.50%, Current Coupon 5.02%, Secured Debt (Maturity - June 21, 2024)       | 384       | 385      | 358        |
| Mallinckrodt International Finance S.A.          | Pharmaceuticals                 | LIBOR (6 months) + 3.00%, Current Coupon 5.62%, Secured Debt (Maturity - February 24, 2025)  | 993       | 991      | 921        |
| Match Group, Inc.                                | Media                           | LIBOR (2 months) + 2.50%, Current Coupon 5.09%, Secured Debt (Maturity - November 16, 2022)  | 2,000     | 1,998    | 1,990      |
| McAfee, LLC                                      | Software                        | LIBOR (3 months) + 3.75%, Current Coupon 6.10%, Secured Debt (Maturity - September 30, 2024) | 948       | 933      | 925        |
| McDermott International, Inc.                    | Construction and Engineering    | LIBOR (1 month) + 5.00%, Current Coupon 7.52%, Secured Debt (Maturity - May 12, 2025)        | 993       | 973      | 929        |
| Metro-Goldwyn-Mayer Inc.                         | Media                           | LIBOR (1 month) + 2.50%, Current Coupon 5.03%, Secured Debt (Maturity - July 3, 2025)        | 998       | 970      | 964        |
| Michaels Stores, Inc.                            | Specialty Retail                | LIBOR (1 month) + 2.50%, Current Coupon 4.97%, Secured Debt (Maturity - January 30, 2023)    | 1,000     | 973      | 960        |
| Micro Holding Corp. (MH Sub and Internet Brands) | Media                           | LIBOR (1 month) + 3.75%, Current Coupon 6.25%, Secured Debt (Maturity - September 13, 2024)  | 1,247     | 1,217    | 1,186      |
| Mohegan Tribal Gaming Authority                  | Hotels, Restaurants and Leisure | LIBOR (1 month) + 4.00%, Current Coupon 6.52%, Secured Debt (Maturity - October 13, 2023)    | 1,914     | 1,933    | 1,719      |
| MPH Acquisition Holdings LLC                     | Health Care Technology          | LIBOR (1 month) + 3.25%, Current Coupon 5.57%, Secured Debt (Maturity - June 7, 2023)        | 2,664     | 2,702    | 2,532      |

**HMS-ORIX**  
**Loan Portfolio**  
**As of December 31, 2018**  
**(dollars in thousands)**

| Portfolio Company                             | Industry                                       | Type of Investment   | Principal | Cost     | Fair Value |
|---|--|--|-----------|----------|------------|
| NAB Holdings, LLC                             | IT Services                                    | LIBOR (3 months) + 3.00%, Current Coupon 5.80%, Secured Debt (Maturity - July 1, 2024)       | \$ 1,975  | \$ 1,965 | \$ 1,885   |
| Ortho-Clinical Diagnostics, Inc               | Life Sciences Tools and Services               | LIBOR (1 month) + 3.25%, Current Coupon 5.76%, Secured Debt (Maturity - June 30, 2025)       | 1,945     | 1,940    | 1,809      |
| Packaging Coordinators Midco Inc              | Health Care Facilities and Services            | LIBOR (3 months) + 4.00%, Current Coupon 6.81%, Secured Debt (Maturity - June 30, 2023)      | 997       | 992      | 985        |
| Party City Holdings Inc.                      | Specialty Retail                               | LIBOR (1 month) + 2.50%, Current Coupon 5.03%, Secured Debt (Maturity - August 19, 2022)     | 1,245     | 1,224    | 1,205      |
| PI UK Holdco II Limited                       | Diversified Financial Services                 | LIBOR (1 month) + 3.50%, Current Coupon 6.02%, Secured Debt (Maturity - January 3, 2025)     | 2,978     | 2,956    | 2,893      |
| Prime Security Services, LLC (Protection One) | Commercial Services and Supplies               | LIBOR (1 month) + 2.75%, Current Coupon 5.09%, Secured Debt (Maturity - May 2, 2022)         | 654       | 638      | 628        |
| Rackspace Hosting, Inc.                       | Electric Equipment, Instruments and Components | LIBOR (3 months) + 3.00%, Current Coupon 5.58%, Secured Debt (Maturity - November 3, 2023)   | 3,251     | 3,276    | 2,884      |
| Radiate Holdco, LLC                           | Diversified Telecommunication Services         | LIBOR (1 month) + 3.00%, Current Coupon 5.52%, Secured Debt (Maturity - February 1, 2024)    | 2,544     | 2,519    | 2,408      |
| Red Ventures, LLC                             | Professional Services                          | LIBOR (1 month) + 3.00%, Current Coupon 5.52%, Secured Debt (Maturity - November 8, 2024)    | 1,631     | 1,619    | 1,590      |
| Savage Enterprises, LLC                       | Road and Rail                                  | LIBOR (1 month) + 4.50%, Current Coupon 6.88%, Secured Debt (Maturity - August 1, 2025)      | 1,097     | 1,076    | 1,085      |
| Scientific Games International, Inc.          | Leisure Products                               | LIBOR (2 months) + 2.75%, Current Coupon 5.25%, Secured Debt (Maturity - August 14, 2024)    | 892       | 893      | 840        |
| Seattle SpinCo, Inc.                          | Software                                       | LIBOR (3 months) + 2.50%, Current Coupon 5.02%, Secured Debt (Maturity - June 21, 2024)      | 2,593     | 2,597    | 2,422      |
| SeaWorld Parks & Entertainment, Inc.          | Hotels, Restaurants and Leisure                | LIBOR (3 months) + 3.75%, Current Coupon 6.07%, Secured Debt (Maturity - April 1, 2024)      | 1,965     | 1,967    | 1,881      |
| ServiceMaster Global Holdings, Inc.           | Home and Office Products                       | LIBOR (1 month) + 2.50%, Current Coupon 4.84%, Secured Debt (Maturity - November 8, 2023)    | 2,000     | 1,993    | 1,964      |
| Sprint Corporation                            | Diversified Telecommunication Services         | LIBOR (1 month) + 3.00%, Current Coupon 5.38%, Secured Debt (Maturity - February 2, 2024)    | 500       | 493      | 485        |
| SRS Distribution Inc.                         | Trading Companies and Distributors             | LIBOR (3 months) + 3.25%, Current Coupon 5.77%, Secured Debt (Maturity - May 23, 2025)       | 1,197     | 1,194    | 1,120      |
| SS&C European Holdings S.a.r.l.               | Software                                       | LIBOR (1 month) + 2.25%, Current Coupon 4.77%, Secured Debt (Maturity - April 16, 2025)      | 206       | 205      | 195        |
| SS&C Technologies, Inc.                       | Software                                       | LIBOR (1 month) + 2.25%, Current Coupon 4.77%, Secured Debt (Maturity - April 16, 2025)      | 543       | 541      | 514        |
| Staples, Inc.                                 | Distributors                                   | LIBOR (3 months) + 4.00%, Current Coupon 6.54%, Secured Debt (Maturity - September 12, 2024) | 1,980     | 1,975    | 1,903      |
| Starfruit US Holdco LLC                       | Chemicals                                      | LIBOR (1 month) + 3.25%, Current Coupon 5.60%, Secured Debt (Maturity - October 1, 2025)     | 1,250     | 1,247    | 1,204      |
| Telenet Financing USD LLC                     | Diversified Telecommunication Services         | LIBOR (1 month) + 2.25%, Current Coupon 4.71%, Secured Debt (Maturity - August 17, 2026)     | 1,655     | 1,653    | 1,580      |

**HMS-ORIX**  
**Loan Portfolio**  
**As of December 31, 2018**  
(dollars in thousands)

| Portfolio Company                          | Industry                               | Type of Investment   | Principal         | Cost              | Fair Value        |
|--|--|--|-------------------|-------------------|-------------------|
| Transdigm, Inc.                            | Aerospace and Defense                  | LIBOR (1 month) + 2.50%, Current Coupon 5.02%, Secured Debt (Maturity - June 9, 2023)        | \$ 1,965          | \$ 1,972          | \$ 1,859          |
|  |  | LIBOR (1 month) + 2.50%, Current Coupon 5.02%, Secured Debt (Maturity - August 22, 2024)     | 990               | 988               | 937               |
|  |  |  | 2,955             | 2,960             | 2,796             |
| Travelport Finance (Luxembourg) S.A.R.L.   | Internet Software and Services         | LIBOR (3 months) + 2.50%, Current Coupon 5.12%, Secured Debt (Maturity - March 17, 2025)     | 1,237             | 1,231             | 1,219             |
| Traverse Midstream Partners LLC            | Oil, Gas and Consumable Fuels          | LIBOR (3 months) + 4.00%, Current Coupon 6.60%, Secured Debt (Maturity - September 27, 2024) | 781               | 784               | 752               |
| UFC Holdings, LLC                          | Media                                  | LIBOR (3 months) + 3.25%, Current Coupon 5.78%, Secured Debt (Maturity - August 18, 2023)    | 1,965             | 1,977             | 1,920             |
| USS Ultimate Holdings, Inc. (United Site)  | Consumer Services                      | LIBOR (1 month) + 3.75%, Current Coupon 6.09%, Secured Debt (Maturity - August 26, 2024)     | 598               | 590               | 590               |
| Utz Quality Foods, LLC                     | Food Products                          | LIBOR (1 month) + 3.50%, Current Coupon 6.02%, Secured Debt (Maturity - November 21, 2024)   | 1,584             | 1,583             | 1,539             |
| VeriFone Systems, Inc.                     | Hardware                               | LIBOR (1 month) + 4.00%, Current Coupon 6.64%, Secured Debt (Maturity - August 20, 2025)     | 500               | 490               | 485               |
| Vertafore, Inc.                            | Software                               | LIBOR (1 month) + 3.25%, Current Coupon 6.05%, Secured Debt (Maturity - July 2, 2025)        | 2,500             | 2,488             | 2,384             |
| Vertiv Group Corporation                   | Electrical Equipment                   | LIBOR (3 months) + 4.00%, Current Coupon 6.71%, Secured Debt (Maturity - November 30, 2023)  | 1,555             | 1,570             | 1,420             |
| Vistra Operations Company LLC              | Electric Utilities                     | LIBOR (1 month) + 2.25%, Current Coupon 4.77%, Secured Debt (Maturity - December 14, 2023)   | 1,965             | 1,977             | 1,895             |
| Web.Com Group, Inc.                        | Internet Software and Services         | LIBOR (3 months) + 3.75%, Current Coupon 6.17%, Secured Debt (Maturity - October 10, 2025)   | 1,000             | 1,000             | 965               |
| West Corporation                           | Diversified Telecommunication Services | LIBOR (3 months) + 3.50%, Current Coupon 6.03%, Secured Debt (Maturity - October 10, 2024)   | 647               | 646               | 593               |
|  |  | LIBOR (3 months) + 4.00%, Current Coupon 6.53%, Secured Debt (Maturity - October 10, 2024)   | 1,021             | 1,011             | 941               |
|  |  |  | 1,668             | 1,657             | 1,534             |
| WideOpenWest Finance, LLC                  | Diversified Telecommunication Services | LIBOR (1 month) + 3.25%, Current Coupon 5.72%, Secured Debt (Maturity - August 18, 2023)     | 3,461             | 3,471             | 3,215             |
| William Morris Endeavor Entertainment, LLC | Recreation Facilities and Services     | LIBOR (3 months) + 2.75%, Current Coupon 5.28%, Secured Debt (Maturity - May 16, 2025)       | 638               | 608               | 608               |
| Zekelman Industries, Inc                   | Manufactured Goods                     | LIBOR (1 month) + 2.25%, Current Coupon 4.86%, Secured Debt (Maturity - June 14, 2021)       | 1,000             | 985               | 970               |
| <b>Total Loan Portfolio</b>                |  |  | <b>\$ 165,025</b> | <b>\$ 164,570</b> | <b>\$ 157,923</b> |

For the three months ended March 31, 2019 and 2018, the Company recognized approximately \$546,000 and \$525,000, 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**  
(dollars in thousands)

|  | As of March 31,<br>2019 | As of December 31,<br>2018 |
|--|-------------------------|----------------------------|
| <b>Assets</b>  |                         |                            |
| Portfolio investments at fair value (amortized cost: \$169,827 and \$164,570 as of March 31, 2019 and December 31, 2018, respectively) | \$ 167,819              | \$ 157,923                 |
| Cash and cash equivalents  | 7,440                   | 3,873                      |
| Receivable for securities sold   | —                       | —                          |
| Interest receivable  | 297                     | 197                        |
| Deferred financing costs, net  | 400                     | 497                        |
| Other assets   | 4                       | 30                         |
| <b>Total assets</b>  | <u>\$ 175,960</u>       | <u>\$ 162,520</u>          |
| <b>Liabilities</b>   |                         |                            |
| Credit facilities payable  | \$ 123,130              | \$ 98,818                  |
| Payable for securities purchased   | 1,987                   | 18,442                     |
| Distributions payable  | 911                     | 902                        |
| Accounts payable and accrued expenses  | 996                     | 439                        |
| <b>Total liabilities</b>   | <u>127,024</u>          | <u>118,601</u>             |
| <b>Net assets</b>  |                         |                            |
| <b>Members' equity</b>   | <u>48,936</u>           | <u>43,919</u>              |
| <b>Total net assets</b>  | <u>48,936</u>           | <u>43,919</u>              |
| <b>Total liabilities and net assets</b>  | <u>\$ 175,960</u>       | <u>\$ 162,520</u>          |

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

|  | Three Months Ended |                |
|--|--------------------|----------------|
|  | March 31, 2019     | March 31, 2018 |
| <b>Investment income</b>   |                    |                |
| Interest income  | \$ 2,548           | \$ 1,734       |
| Dividend income  | —                  | —              |
| Fee income   | —                  | —              |
| Other income   | —                  | —              |
| <b>Total investment income</b>   | <u>2,548</u>       | <u>1,734</u>   |
| <b>Expenses</b>  |                    |                |
| Interest expense   | 1,247              | 850            |
| Other expenses   | —                  | —              |
| General and administrative expenses  | 11                 | 21             |
| <b>Total expenses</b>  | <u>1,258</u>       | <u>871</u>     |
| <b>Net investment income</b>   | <u>1,290</u>       | <u>863</u>     |
| <b>Net realized loss from investments</b>                                  | <u>(1)</u>         | <u>(26)</u>    |
| <b>Net realized income</b>   | <u>1,289</u>       | <u>837</u>     |
| <b>Net change in unrealized appreciation (depreciation) on investments</b> | <u>4,639</u>       | <u>(59)</u>    |
| <b>Net increase in net assets resulting from operations</b>                | <u>\$ 5,928</u>    | <u>\$ 778</u>  |

**Note 5 — Borrowings**

A BDC 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, 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 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 and, as a result, remains subject to the 200% asset coverage requirement.

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 known as 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 and will mature March 6, 2020, with two one-year extension options, subject to lender approval. 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 March 31, 2019, the one-month LIBOR rate was 2.49%. Additionally, the Company pays an annual unused commitment fee of 0.30% 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 March 31, 2019, 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, as borrower, 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 March 31, 2019, 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 March 31, 2019, the one-month LIBOR was 2.49%. 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% per annum of the aggregate revolver commitments. As of March 31, 2019, the Company was not aware of any instances of noncompliance with covenants related to the Deutsche Bank Credit Facility.

As of March 31, 2019, the Company had borrowings of \$120.0 million outstanding on the TIAA Credit Facility and had borrowings of \$380.0 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 March 31, 2019 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 <sup>(1)</sup>          | \$ 120,000                                    | \$ 120,000        | \$ —        | \$ —              | \$ —          |
| Deutsche Bank Credit Facility <sup>(2)</sup> | 380,000                                       | —                 | —           | 380,000           | —             |
| <b>Total Credit Facilities</b>               | <b>\$ 500,000</b>                             | <b>\$ 120,000</b> | <b>\$ —</b> | <b>\$ 380,000</b> | <b>\$ —</b>   |

(1) At March 31, 2019, the Company had no availability under the TIAA Credit Facility.

(2) At March 31, 2019, \$70.0 million remained available under the Deutsche Bank Credit Facility; however, the Company’s borrowing ability is limited to the asset coverage 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 three months ended March 31, 2019 and 2018.

| <b>Per Share Data:</b>   | <b>Three Months Ended<br/>March 31, 2019</b> | <b>Three Months Ended<br/>March 31, 2018</b> |
|--|--|--|
| <b>NAV at beginning of period</b>  | \$ 7.96                                      | \$ 8.15                                      |
| <b>Results from Operations</b>   |  |  |
| Net investment income <sup>(1) (2)</sup>                                 | 0.18   | 0.15   |
| Net realized loss on investments <sup>(1) (2)</sup>                      | (0.09)                                       | (0.09)                                       |
| Net change in unrealized appreciation on investments <sup>(1) (2)</sup>  | 0.15   | 0.13   |
| Net increase in net assets resulting from operations                     | 0.24   | 0.19   |
| <b>Stockholder distributions <sup>(1) (3)</sup></b>                      |  |  |
| Distributions from net investment income <sup>(1) (2)</sup>              | (0.17)                                       | (0.17)                                       |
| Distributions from realized appreciation <sup>(1) (2)</sup>              | —  | —  |
| Net decrease in net assets resulting from stockholder distributions      | (0.17)                                       | (0.17)                                       |
| <b>Capital share transactions</b>  |  |  |
| Issuance of common stock above NAV, net of offering costs <sup>(1)</sup> | —  | —  |
| Net increase in net assets resulting from capital share transactions     | —  | —  |
| <b>NAV at end of the period</b>  | \$ 8.03                                      | \$ 8.17                                      |
| Shares of common stock outstanding at end of period                      | 78,547,196                                   | 79,201,065                                   |
| Weighted average shares of common stock outstanding                      | 78,819,746                                   | 79,846,665                                   |

(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.

|                                      | <b>Three Months Ended<br/>March 31, 2019</b> | <b>Three Months Ended<br/>March 31, 2018</b> |
|--------------------------------------|--|--|
|                                      | <b>(dollars in thousands)</b>                |  |
| Net assets at end of period          | \$ 630,393                                   | \$ 647,066                                   |
| Average net assets                   | \$ 627,880                                   | \$ 647,428                                   |
| Average Credit Facilities borrowings | \$ 504,500                                   | \$ 444,000                                   |

### Ratios to average net assets:

|   |       |        |
|---|-------|--------|
| Ratio of total expenses to average net assets <sup>(1)</sup>        | 2.43% | 1.82%  |
| Ratio of net investment income to average net assets <sup>(1)</sup> | 2.21% | 1.88%  |
| Portfolio turnover ratio  | 3.58% | 15.07% |
| Total return <sup>(2)</sup>   | 3.02% | 2.33%  |

(1) For the three months ended March 31, 2019 and 2018, the Advisers did not waive base management fees or subordinated incentive fees but waived reimbursement of internal administrative services expenses of approximately \$758,000 and \$804,000, respectively. The ratio is calculated by reducing the expenses to reflect the waiver of reimbursement of internal administrative services expenses in both periods presented. Excluding interest expense, the ratio of total expenses to average net assets for the three months ended March 31, 2019 and 2018 was 1.30% and 1.03%, respectively. See Note 10 — *Related Party Transactions and Arrangements* for further discussion of fee waivers provided by the Advisers.

(2) Total return is calculated as the change in NAV per share and stockholder distributions declared per share over the reporting period, divided by the NAV per share at the beginning of the 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 three months ended March 31, 2019 and 2018 (dollars in thousands except per share amounts).

|                                   | <b>Distributions</b> |               |
|-----------------------------------|----------------------|---------------|
|                                   | <b>Per Share</b>     | <b>Amount</b> |
| <b>2019</b>                       |                      |               |
| Three months ended March 31, 2019 | \$ 0.17              | \$ 13,606     |
| <b>2018</b>                       |                      |               |
| Three months ended March 31, 2018 | \$ 0.17              | \$ 13,803     |



On March 26, 2019, with the authorization of the Company's board of directors, the Company declared distributions to its stockholders for the period of April 2019 through June 2019. These distributions have been, or will be, calculated based on stockholders of record each day from April 1, 2019 through June 30, 2019 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 three months ended March 31, 2019 and 2018.

|   | Three Months Ended<br>March 31, 2019 |            | Three Months Ended<br>March 31, 2018 |            |
|---|--------------------------------------|------------|--------------------------------------|------------|
|   | (dollars in thousands)               |            |                                      |            |
| Source of Distribution  | Distribution<br>Amount               | Percentage | Distribution<br>Amount               | Percentage |
| Net realized income from operations (before waiver of incentive fees)         | \$ 6,757                             | 49.7%      | \$ 4,953                             | 35.9%      |
| Distributions in excess of net realized income from operations <sup>(1)</sup> | 6,849                                | 50.3       | 8,850                                | 64.1       |
| Total   | \$ 13,606                            | 100.0%     | \$ 13,803                            | 100.0%     |

(1) Includes adjustments made to GAAP-basis net investment income to arrive at taxable income available for distributions. See Note 8 — *Taxable Income* 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 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 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 later of eight-and-one-half months after the close of the taxable year in which such taxable income was generated or the extended due date for the timely filing of the tax return related to the tax year in which such taxable income was generated and paid to the shareholders in the 12-month period following the close of such taxable year and not later than the date of the first dividend payment of the same type of dividend made after such declaration. 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 its 2017 taxable year. As a result, the Company was subject to a 4% nondeductible, U.S. federal excise tax liability of approximately \$542,000. For the taxable year ended December 31, 2018, the Company distributed \$20.5 million, or \$0.260865 per share, of its taxable income in 2019, prior to filing of its U.S. federal income tax return for its 2018 taxable year. As a result, the Company was subject to a 4% nondeductible, U.S. federal excise tax liability of approximately \$766,000.

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 March 31, 2019. 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 2015 through 2017 taxable years remain subject to examination by U.S. federal and most state tax authorities.

Two of 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 three months ended March 31, 2019 and 2018 (dollars in thousands).

|  | <b>Three Months Ended<br/>March 31, 2019</b> | <b>Three Months Ended<br/>March 31, 2018</b> |
|--|--|--|
| Net increase in net assets resulting from operations   | \$ 18,820                                    | \$ 15,557                                    |
| Net change in unrealized (appreciation) depreciation   | (12,063)                                     | (10,604)                                     |
| Income tax provision   | 58   | 102  |
| Pre-tax book loss not consolidated for tax purposes  | 5,255  | 8,236  |
| Book income and tax income differences, including debt origination, structuring fees, dividends, realized gains and changes in estimates | 224  | 39   |
| Estimated taxable income <sup>(1)</sup>  | 12,294                                       | 13,330                                       |
| Taxable income earned in prior year and carried forward for distribution in current year   | 20,574                                       | 15,005                                       |
| Taxable income earned prior to period end and carried forward for distribution next period   | (23,935)                                     | (19,289)                                     |
| Dividend accrued as of period end and paid-in the following period   | 4,673  | 4,757  |
| Taxable income earned to be carried forward  | \$ (19,262)                                  | \$ (14,532)                                  |
| <b>Total distributions accrued or paid to common stockholders</b>  | <b>\$ 13,606</b>                             | <b>\$ 13,803</b>                             |

(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 Financial Statements. For the three months ended March 31, 2019 and 2018, the Company recognized a net income tax (benefit) provision of \$58,000 and \$102,000, respectively, related to deferred taxes (benefit) of \$1.1 million and \$4.3 million, respectively, and other taxes (benefit) of \$58,000 and \$102,000, respectively, offset by a valuation allowance of \$(1.1) million and \$(4.3) million, respectively. For the three months ended March 31, 2019 and 2018, the other taxes (benefit) included \$58,000 and \$102,000, respectively, related to accruals for state and other taxes.

As of March 31, 2019, the cost basis of the Company’s portfolio investments for tax purposes was \$1.1 billion, with such investments having an estimated net unrealized depreciation of \$3.3 million, composed of gross unrealized appreciation of \$42.1 million and gross unrealized depreciation of \$45.4 million. As of December 31, 2018, the cost basis of investments for tax purposes was \$1.1 billion, with such investments having an estimated net unrealized depreciation of \$151 million, composed of gross unrealized appreciation of \$37.5 million and gross unrealized depreciation of \$52.6 million.

The net deferred tax assets at both March 31, 2019 and December 31, 2018 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 March 31, 2019 and December 31, 2018 (amounts in thousands):

|  | March 31, 2019 | December 31, 2018 |
|--|----------------|-------------------|
| <b>Deferred tax assets:</b>                          |                |                   |
| Net operating loss carryforwards                     | \$ 1,632       | \$ 1,861          |
| Foreign tax credit carryforwards                     | 10             | 10                |
| Capital loss carryforwards                           | 12,502         | 10,696            |
| Net basis differences in portfolio investments       | —              | —                 |
| Net unrealized depreciation of portfolio investments | —              | —                 |
| Total deferred tax assets                            | 14,144         | 12,567            |
| <b>Deferred tax liabilities:</b>                     |                |                   |
| Net basis differences in portfolio investments       | (1,813)        | (1,540)           |
| Net unrealized appreciation of portfolio investments | (3,936)        | (3,693)           |
| Other  | —              | —                 |
| Total deferred tax liabilities                       | (5,749)        | (5,233)           |
| Valuation allowance                                  | (8,395)        | (7,334)           |
| 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 was reduced to 21%, and the corporate alternative minimum tax was repealed. The reduced corporate income tax rate, which was effective for taxable years beginning after December 31, 2017, applied 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 of the Company 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, 2018, 2017 and 2016, respectively, the tax characteristics of distributions paid to shareholders were as follows (amounts in thousands):

| Tax Characteristics of Distributions | Year Ended December 31, |                |                  |                |                  |                |
|--------------------------------------|-------------------------|----------------|------------------|----------------|------------------|----------------|
|                                      | 2018                    |                | 2017             |                | 2016             |                |
| Ordinary income                      | \$ 50,274               | 90.56%         | \$ 52,473        | 96.43%         | \$ 44,848        | 93.90%         |
| Capital gain distributions           | 5,238                   | 9.44           | 1,941            | 3.57           | 2,913            | 6.10           |
| <b>Total distributions</b>           | <b>\$ 55,512</b>        | <b>100.00%</b> | <b>\$ 54,414</b> | <b>100.00%</b> | <b>\$ 47,761</b> | <b>100.00%</b> |

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 March 31, 2019, 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, 2019 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 three months ended March 31, 2019 and 2018 (dollars in thousands):

| <b>Supplemental Disclosure of Cash Flow Information</b>     | <b>Three Months Ended<br/>March 31, 2019</b> | <b>Three Months Ended<br/>March 31, 2018</b> |
|---|--|--|
| Cash paid for interest                                      | \$ 6,675                                     | \$ 4,779                                     |
| Cash paid for income taxes                                  | 924  | 463  |
| <b>Supplemental Disclosure of Non-Cash Flow Information</b> |  |  |
| Stockholder distributions declared and unpaid               | 4,673  | 4,757  |
| Stockholder distributions reinvested                        | 6,366  | 6,929  |
| Unpaid deferred financing costs                             | 7  | —  |

## Note 10 — Related Party Transactions and Arrangements

### *Advisory Agreements and Conditional Fee and Expense Reimbursement Waivers*

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 March 4, 2019, pursuant to which, for a period from January 1, 2016 through December 31, 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 base management fees or incentive fees previously waived by the Advisers under certain circumstances and to the extent eligible for repayment.

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. 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. Reimbursement of previously waived fees will only be permitted if the operating expense ratio is equal to or less than the operating expense ratio at the time the corresponding fees were waived 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 each of the three months ended March 31, 2019 and 2018, the Company incurred base management fees of approximately \$5.7 million and subordinated incentive fees on income of \$1.4 million and \$0, respectively. For each of the three months ended March 31, 2019 and 2018, the Company did not incur any capital gains incentive fees.

For the three months ended March 31, 2019 and 2018, 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 <sup>(1)</sup> |                                  | Subordinated Incentive Fee <sup>(1)</sup> |                                  | Operating Expense Ratio <sup>(3)</sup> | Annualized Distribution Rate <sup>(4)</sup> | Eligible to be Repaid Through <sup>(5)</sup> |
|---------------|-------------------------------|----------------------------------|---|----------------------------------|--|---|--|
|               | Waivers                       | Repaid to Adviser <sup>(2)</sup> | Waivers                                   | Repaid to Adviser <sup>(2)</sup> |  |   |  |
| 6/30/2016     | \$ —                          | \$ —                             | \$ —                                      | \$ —                             | 1.76%                                  | \$0.70                                      | 6/30/2019                                    |
| 9/30/2016     | \$ —                          | \$ —                             | \$ —                                      | \$ —                             | 1.73%                                  | \$0.70                                      | 9/30/2019                                    |
| 12/31/2016    | \$ —                          | \$ —                             | \$ 26                                     | \$ —                             | 1.68%                                  | \$0.70                                      | 12/31/2019                                   |
| 3/31/2017     | \$ —                          | \$ —                             | \$ 1,396                                  | \$ —                             | 1.68%                                  | \$0.70                                      | 3/31/2020                                    |
| 6/30/2017     | \$ —                          | \$ —                             | \$ 246                                    | \$ —                             | 1.67%                                  | \$0.70                                      | 6/30/2020                                    |
| 9/30/2017     | \$ —                          | \$ —                             | \$ —                                      | \$ —                             | 1.91%                                  | \$0.70                                      | 9/30/2020                                    |
| 12/31/2017    | \$ —                          | \$ —                             | \$ —                                      | \$ —                             | 1.82%                                  | \$0.70                                      | 12/31/2020                                   |
| 3/31/2018     | \$ —                          | \$ —                             | \$ —                                      | \$ —                             | 1.80%                                  | \$0.70                                      | 3/31/2021                                    |
| 6/30/2018     | \$ —                          | \$ —                             | \$ —                                      | \$ —                             | 1.96%                                  | \$0.70                                      | 6/30/2021                                    |
| 9/30/2018     | \$ —                          | \$ —                             | \$ 2,535                                  | \$ —                             | 2.01%                                  | \$0.70                                      | 9/30/2021                                    |
| 12/31/2018    | \$ —                          | \$ —                             | \$ 798                                    | \$ —                             | 2.32%                                  | \$0.70                                      | 12/31/2021                                   |

- (1) Fees waived pursuant to 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 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 March 31, 2016, the Advisers waived total management fees of \$2.8 million, total subordinated incentive fees of \$2.5 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 March 31, 2019 and 2018, the Company incurred, and the Advisers waived the reimbursements of, Internal Administrative Services expenses of approximately \$758,000 and \$804,000, 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 June 30, 2019. Since inception, the Advisers waived the reimbursement of total Internal Administrative Services expenses of \$13.8 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 months ended March 31, 2019 and 2018 and amounts unpaid as of March 31, 2019 and December 31, 2018 (dollars in thousands).

| Type and Recipient   | Incurred                     |        | Unpaid as of    |                 |
|--|------------------------------|--------|-----------------|-----------------|
|  | Three Months Ended March 31, |        | March 31,       | December 31,    |
|  | 2019                         | 2018   | 2019            | 2018            |
| Offering Costs - the Adviser, Sub-Adviser                          | \$ 95                        | \$ 103 | \$ —            | \$ —            |
| Other <sup>(2)</sup> - the Adviser                                 | 204                          | 176    | 105             | 57              |
| Selling Commissions - Dealer Manager                               | —                            | —      | —               | —               |
| Dealer Manager Fee - Dealer Manager                                | —                            | —      | —               | —               |
| <b>Due to Affiliates</b>   |                              |        | <b>\$ 105</b>   | <b>\$ 57</b>    |
| Base Management Fees - the Adviser, Sub-Adviser                    | 5,726                        | 5,694  | \$ 5,726        | \$ 5,854        |
| Incentive Fees on Income - the Adviser, Sub-Adviser <sup>(1)</sup> | 1,399                        | —      | 1,399           | —               |
| <b>Base Management and Incentive Fees Payable</b>                  |                              |        | <b>\$ 7,125</b> | <b>\$ 5,854</b> |

(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 March 31, 2019, the Company has reimbursed the Advisers approximately \$12.3 million since inception for offering costs. As of March 31, 2019, the Advisers carried a balance of approximately \$993,000 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 in 2015, the Company has funded the repurchase of \$77.8 million in shares of common stock. For the three months ended March 31, 2019 and 2018, the Company funded \$6.6 million and \$9.4 million, respectively, for shares of common stock tendered for repurchase under the plan approved by the board of directors.

| 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, 2019        | February 28, 2019 | 820,174.35         | 56.1%   | \$ 7.99                    | \$ 6,553,193                                   |

## Note 12 – Commitments and Contingencies

As of March 31, 2019, the Company had a total of approximately \$45.1 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 appreciation of approximately \$265,000 on the outstanding unfunded loan commitments and no unrealized appreciation or depreciation on the outstanding unfunded capital commitments during the three months ended March 31, 2019. As of December 31, 2018, the Company had a total of approximately \$62.5 million in outstanding commitments comprising (i) 36 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 \$132,000 on the outstanding unfunded loan commitments and no unrealized appreciation or depreciation on the outstanding unfunded capital commitments during the year ended December 31, 2018.

|                                   | Commitments and Contingencies<br>(dollars in thousands) |                   |
|-----------------------------------|---|-------------------|
|                                   | March 31, 2019  | December 31, 2018 |
| <b>Unfunded Loan Commitments</b>  |   |                   |
| Adams Publishing Group, LLC       | \$ 985  | \$ 1,735          |
| American Nuts, LLC                | 281   | 1,266             |
| Apex Linen Services, Inc.         | 403   | 403               |
| Arcus Hunting, LLC                | 1,374   | 904               |
| ASC Ortho Management Company, LLC | 750   | 750               |
| BarFly Ventures, LLC              | —   | 123               |
| BBB Tank Services                 | 100   | 200               |
| BigName Holdings, LLC             | 29  | 29                |
| Boccella Precast Products, LLC    | 500   | 500               |
| Centre Technologies Holdings, LLC | 600   | —                 |
| Chamberlin HoldCo, LLC            | 400   | 400               |
| Charps, LLC                       | 1,000   | 1,000             |
| Clad-Rex Steel, LLC               | —   | 100               |
| CTVSH, PLLC                       | 200   | 200               |
| Direct Marketing Solutions, Inc.  | 400   | 400               |
| DTE Enterprises, LLC              | 750   | 750               |
| Dynamic Communities, LLC          | 250   | 250               |
| Gamber-Johnson Holdings, LLC      | 300   | 300               |

|   |           | Commitments and Contingencies |                   |
|---|-----------|-------------------------------|-------------------|
|   |           | (dollars in thousands)        |                   |
|   |           | March 31, 2019                | December 31, 2018 |
| <b>Unfunded Loan Commitments</b>                    |           |                               |                   |
| GRT Rubber Technologies, LLC                        | \$        | 3,259                         | \$ 4,125          |
| Guerdon Modular Holdings, Inc.                      |           | 400                           | 400               |
| Hawk Ridge Systems, LLC                             |           | —                             | 400               |
| HDC/HW Intermediate Holdings, Inc.                  |           | 180                           | 180               |
| Hoover Group, Inc.                                  |           | 1,450                         | 2,375             |
| HW Temps LLC  |           | 200                           | 200               |
| Implus Footcare, LLC                                |           | —                             | 44                |
| Independent Pet Partners Intermediate Holdings, LLC |           | 12,888                        | 22,244            |
| Jacent Strategic Merchandising, LLC                 |           | 441                           | —                 |
| KMC Acquisition, LLC                                |           | 500                           | 500               |
| Laredo Energy VI, LP                                |           | 1,750                         | —                 |
| Market Force Information, Inc.                      |           | 260                           | 350               |
| Meisler Operating, LLC                              |           | 400                           | 400               |
| Mystic Logistics Holdings, LLC                      |           | 200                           | 200               |
| New Era Technology, Inc.                            |           | 479                           | 479               |
| NexRev, LLC   |           | 1,000                         | 1,000             |
| NuStep, LLC   |           | 300                           | 300               |
| SI East, LLC  |           | 2,500                         | 2,500             |
| Tedder Acquisition, LLC                             |           | 180                           | 180               |
| Volusion LLC  |           | —                             | 1,961             |
| Wireless Vision Holdings, LLC                       |           | —                             | 693               |
| <b>Unfunded Capital Commitments</b>                 |           |                               |                   |
| Brightwood Capital Fund III, LP                     |           | 1,000                         | 1,000             |
| Brightwood Capital Fund IV, LP                      |           | 5,000                         | 8,000             |
| Copper Trail Energy Fund I LP                       |           | 1,694                         | 1,754             |
| Freeport Financial Funds                            |           | 2,744                         | 3,942             |
| <b>Total</b>  | <b>\$</b> | <b>45,147</b>                 | <b>\$ 62,537</b>  |

### Note 13 – Subsequent Events

On April 12, 2019, 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 796,617.07 shares of the Company's issued and outstanding common stock up to approximately \$6.4 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 May 8, 2019, HMS-ORIX Holdings I LLC, a wholly owned subsidiary of HMS-ORIX, which holds all of the investments in broadly-syndicated loans held by HMS-ORIX, was merged (the "HMS-ORIX Holdings Merger") into Mariner CLO 7, Ltd., an exempted company incorporated under the laws of the Cayman Islands ("Mariner CLO"). In connection with the HMS-ORIX Holdings Merger, HMS-ORIX made certain distributions to its members. The Company used the cash proceeds it received from the HMS-ORIX Holdings Merger to purchase an aggregate principal amount of approximately \$25.9 million of the "Subordinated Notes" due in 2032 issued by Mariner CLO in connection with an offering of \$405.9 million aggregate principal amount of notes (the "CLO Offering"). The CLO Offering's Subordinated Notes are unsecured obligations of Mariner CLO, junior to the secured notes, and distributions to the holders of the Subordinated Notes will be made solely from distributions on the collateral held by Mariner CLO after all other payments required to be made to the holders of the secured notes have been made. The collateral for the notes issued by the Mariner CLO consists primarily of senior secured floating rate leveraged loans made to corporate and other business entities.

## 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 March 31, 2019 (unaudited) and December 31, 2018 and for the three months ended March 31, 2019 and 2018. Amounts as of December 31, 2018 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 (as amended) for the year ended December 31, 2018. 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 (as amended) for the year ended December 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 March 31, 2019, we raised approximately \$217.6 million in the Offering, including proceeds from the distribution reinvestment plan of approximately \$85.9 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. Please see *“Financial Condition, Liquidity and Capital Resources — Recent Developments and Subsequent Events”* for information regarding transaction involving HMS-ORIX.

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 March 31, 2019, we had investments in 44 Middle Market debt investments, 49 Private Loan debt investments, 38 LMM debt investments, 40 LMM equity investments, six Middle Market equity investments, 16 Private Loan equity investments and eight Other Portfolio investments with an aggregate fair value of approximately \$1,110.1 million, a cost basis of approximately \$1,113.5 million and a weighted average effective annual yield of approximately 9.6%. The weighted average annual yield was calculated using the effective interest rates for all investments at March 31, 2019, 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 80.1% and 8.8% 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 gain (loss) on investments and net change in unrealized appreciation (depreciation) on investments.

#### *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 (as amended) for the year ended December 31, 2018 in Management’s Discussion and Analysis of Financial Condition and Results of Operations. There have been no changes to our critical accounting policies during 2019, 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”), HMS Equity Holding II, Inc. (“HMS Equity Holding II”), HMS California Holdings LP (“HMS California Holdings”) and HMS California Holdings GP LLC (“HMS California Holdings GP”). All intercompany accounts and transactions have been eliminated in consolidation. Under 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 Investments” 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, 16.5% of the fair value of our Middle Market portfolio, as of March 31, 2019, is secured by second priority liens.

As of March 31, 2019, LMM portfolio consists of debt investments secured by a first priority lien (61.8% of the total fair value of the LMM portfolio) on the assets of the portfolio companies and equity investments (38.2% 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 March 31, 2019, Private Loan portfolio primarily consists of debt investments secured by first and second priority liens (87.5% and 6.0% of the total fair value of the Private Loan portfolio, respectively) on the assets of the portfolio companies, unsecured debt investments (2.6% of the total fair value of the Private Loan portfolio) and equity investments (3.9% 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 three months ended March 31, 2019, we funded investment purchases of approximately \$34.2 million and had one investment under contract to purchase as of March 31, 2019 for an aggregate purchase price of approximately \$1.8 million, which settled or was scheduled to settle after March 31, 2019. We also received proceeds from sales and repayments of existing portfolio investments of approximately \$39.0 million, including \$24.9 million in sales. Additionally, we had one investment under contract to sell as of March 31, 2019, for approximately \$809,000, which represented the contract sales price. The combined result of these transactions decreased our portfolio, on a cost basis, by approximately \$8.2 million, or 0.7%, and the number of portfolio investments by 1 or 0.5%, compared to the portfolio as of December 31, 2018. As of March 31, 2019, the largest investment in an individual portfolio company represented approximately 2.6% of our portfolio's fair value, with remaining investments in any individual portfolio company ranging from 0.0% to 2.3%. The average investment in our portfolio is approximately \$5.5 million or 0.5% of our total portfolio as of March 31, 2019. 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 80.1% first lien debt securities and 8.8% 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 three months ended March 31, 2018, we made investment purchases of approximately \$181.8 million and had six investments under contract to purchase as of March 31, 2018 for an aggregate purchase price of approximately \$19.4 million, which settled after March 31, 2018. We also received proceeds from sales and repayments of existing portfolio investments of approximately \$133.0 million including \$91.6 million in sales and had four investments under contract to sell as of March 31, 2018 for approximately \$28.6 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 as of both March 31, 2019 and December 31, 2018. See "Portfolio Asset Quality" below for a description of the system used to rate our investments. Lastly, the overall weighted average effective yield on our investment portfolio increased from 9.5% as of December 31, 2018 to 9.6% as of March 31, 2019.

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):

| <b>Cost:</b>             | <b>March 31, 2019</b> |                     |                      |              | <b>December 31, 2018</b> |                     |                      |              |
|--------------------------|-----------------------|---------------------|----------------------|--------------|--------------------------|---------------------|----------------------|--------------|
|                          | <b>LMM</b>            | <b>Private Loan</b> | <b>Middle Market</b> | <b>Total</b> | <b>LMM</b>               | <b>Private Loan</b> | <b>Middle Market</b> | <b>Total</b> |
| First Lien Secured Debt  | 70.4%                 | 87.9%               | 80.5%                | 81.7%        | 70.4%                    | 87.3%               | 81.8%                | 82.0%        |
| Second Lien Secured Debt | —                     | 5.9                 | 16.8                 | 9.3          | —                        | 6.2                 | 15.8                 | 9.2          |
| Unsecured Debt           | —                     | 2.6                 | 0.4                  | 1.2          | —                        | 2.6                 | 0.2                  | 1.1          |
| Equity                   | 29.0                  | 3.4                 | 2.3                  | 7.7          | 28.9                     | 3.7                 | 2.2                  | 7.5          |
| Equity warrants          | 0.6                   | 0.2                 | —                    | 0.1          | 0.7                      | 0.2                 | —                    | 0.2          |
| Total                    | 100.0%                | 100.0%              | 100.0%               | 100.0%       | 100.0%                   | 100.0%              | 100.0%               | 100.0%       |

| <b>Fair Value:</b>       | <b>March 31, 2019</b> |                     |                      |              | <b>December 31, 2018</b> |                     |                      |              |
|--------------------------|-----------------------|---------------------|----------------------|--------------|--------------------------|---------------------|----------------------|--------------|
|                          | <b>LMM</b>            | <b>Private Loan</b> | <b>Middle Market</b> | <b>Total</b> | <b>LMM</b>               | <b>Private Loan</b> | <b>Middle Market</b> | <b>Total</b> |
| First Lien Secured Debt  | 61.8%                 | 87.5%               | 82.1%                | 80.1%        | 62.1%                    | 87.1%               | 82.9%                | 80.3%        |
| Second Lien Secured Debt | —                     | 6.0                 | 16.5                 | 8.8          | —                        | 6.3                 | 15.6                 | 8.9          |
| Unsecured Debt           | —                     | 2.6                 | 0.4                  | 1.2          | —                        | 2.5                 | 0.2                  | 1.1          |
| Equity                   | 37.7                  | 3.7                 | 1.0                  | 9.7          | 37.4                     | 3.9                 | 1.3                  | 9.5          |
| Equity warrants          | 0.5                   | 0.2                 | —                    | 0.2          | 0.5                      | 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 have sole control of significant actions of HMS-ORIX, and, accordingly, we do not consolidate the operations of HMS-ORIX within our consolidated financial statements. As of March 31, 2019, 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 March 31, 2019 and December 31, 2018, HMS-ORIX had total assets of \$176.0 million and \$162.5 million, respectively, and HMS-ORIX's portfolio consisted of 114 and 107 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. As of March 31, 2019, 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 "Initial HMS-ORIX Credit Facility"). The Initial HMS-ORIX Credit Facility had a maturity date of April 5, 2020, and borrowings under the facility accrued interest at a rate equal to LIBOR plus 1.65% per annum.

On November 20, 2018, HMS-ORIX closed on a \$170.0 million credit facility with Citibank, N.A. (the "Refinanced HMS-ORIX Credit Facility"). The proceeds from the Refinanced HMS-ORIX Credit Facility were used to pay off the outstanding balance on the Initial HMS-ORIX Credit Facility, which was subsequently terminated. The reinvestment period for the Refinanced HMS-ORIX Credit Facility is scheduled to expire on September 6, 2019, and the maturity date is nine months after expiration of the reinvestment period (unless terminated earlier pursuant to the terms of the Refinanced HMS-ORIX Credit Facility). Borrowings under the Refinanced HMS-ORIX Credit Facility bear interest at a rate equal to the three-month LIBOR plus 1.15%. As of March 31, 2019 and December 31, 2018, \$123.1 million and \$98.8 million, respectively, were 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 March 31, 2019, our asset coverage ratio as of such date would have been 210%.

The following table presents a summary of HMS-ORIX's portfolio as of March 31, 2019 and December 31, 2018 (dollars in thousands):

|  | As of March 31,<br>2019 | As of December<br>31, 2018 |
|--|-------------------------|----------------------------|
| Total debt investments <sup>(1)</sup>                    | \$ 170,325              | \$ 165,025                 |
| Weighted average effective yield on loans <sup>(2)</sup> | 5.91%                   | 5.82%                      |
| Largest loan to a single borrower <sup>(1)</sup>         | \$ 3,452                | \$ 3,461                   |
| Total of 10 largest loans to borrowers <sup>(1)</sup>    | \$ 30,228               | \$ 30,430                  |

(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 March 31, 2019:

**HMS-ORIX**  
**Loan Portfolio**  
**As of March 31, 2019**  
**(dollars in thousands)**

| Portfolio Company                | Industry                                       | Type of Investment   | Principal | Cost     | Fair Value |
|----------------------------------|--|--|-----------|----------|------------|
| Acrisure, LLC                    | Insurance                                      | LIBOR (2 months) + 4.25%, Current Coupon 6.88%, Secured Debt (Maturity - November 22, 2023)  | \$ 2,486  | \$ 2,482 | \$ 2,478   |
| Advantage Sales & Marketing Inc. | Commercial Services and Supplies               | LIBOR (1 month) + 3.25%, Current Coupon 5.75%, Secured Debt (Maturity - July 23, 2021)       | 1,965     | 1,914    | 1,701      |
| Air Medical Group Holdings, Inc. | Healthcare Providers and Services              | LIBOR (1 month) + 3.25%, Current Coupon 5.74%, Secured Debt (Maturity - April 28, 2022)      | 1,965     | 1,956    | 1,875      |
| AlixPartners, LLP                | Professional Services                          | LIBOR (3 months) + 2.75%, Current Coupon 5.25%, Secured Debt (Maturity - April 4, 2024)      | 990       | 990      | 988        |
| American Seafoods Group LLC      | Food Products                                  | Prime + 1.75%, Current Coupon 7.25%, Secured Debt (Maturity - August 21, 2023)               | 1,435     | 1,428    | 1,422      |
| Ancestry.com Operations Inc.     | Internet Software and Services                 | LIBOR (1 month) + 3.25%, Current Coupon 5.75%, Secured Debt (Maturity - October 19, 2023)    | 1,293     | 1,306    | 1,291      |
| Arch Coal, Inc.                  | Metals and Mining                              | LIBOR (1 month) + 2.75%, Current Coupon 5.25%, Secured Debt (Maturity - March 7, 2024)       | 1,960     | 1,967    | 1,962      |
| Asurion, LLC                     | Insurance                                      | LIBOR (1 month) + 3.00%, Current Coupon 5.50%, Secured Debt (Maturity - November 3, 2023)    | 1,258     | 1,258    | 1,256      |
|                                  |  | LIBOR (1 month) + 3.00%, Current Coupon 5.50%, Secured Debt (Maturity - November 4, 2024)    | 323       | 321      | 322        |
|                                  |  |  | 1,581     | 1,579    | 1,578      |
| Atkore International, Inc.       | Electric Equipment, Instruments and Components | LIBOR (3 months) + 2.75%, Current Coupon 5.36%, Secured Debt (Maturity - December 22, 2023)  | 2,887     | 2,905    | 2,866      |
| Barracuda Networks               | Internet Software and Services                 | LIBOR (3 months) + 3.25%, Current Coupon 5.74%, Secured Debt (Maturity - February 12, 2025)  | 997       | 972      | 992        |
| Bass Pro Group, LLC              | Specialty Retail                               | LIBOR (3 months) + 5.00%, Current Coupon 7.50%, Secured Debt (Maturity - September 25, 2024) | 1,970     | 1,926    | 1,945      |
| Bausch Health Companies Inc.     | Healthcare Providers and Services              | LIBOR (1 month) + 3.00%, Current Coupon 5.48%, Secured Debt (Maturity - June 2, 2025)        | 1,347     | 1,353    | 1,344      |
| BCP Renaissance Parent L.L.C.    | Oil, Gas and Consumable Fuels                  | LIBOR (3 months) + 3.50%, Current Coupon 6.24%, Secured Debt (Maturity - October 31, 2024)   | 596       | 597      | 595        |

**HMS-ORIX**  
**Loan Portfolio**  
**As of March 31, 2019**  
**(dollars in thousands)**

| Portfolio Company                                 | Industry   | Type of Investment   | Principal    | Cost         | Fair Value   |
|---|--|--|--------------|--------------|--------------|
| <b>Boxer Parent Company, Inc.</b>                 | Software   | LIBOR (3 months) + 4.25%, Current Coupon 6.85%, Secured Debt (Maturity - October 2, 2025)    | \$ 2,793     | \$ 2,767     | \$ 2,751     |
| <b>Boyd Gaming Corporation</b>                    | Hotel, Restaurant and Leisure                        | LIBOR (1 week) + 2.25%, Current Coupon 4.66%, Secured Debt (Maturity - September 15, 2023)   | 1,247        | 1,206        | 1,239        |
| <b>Builders FirstSource, Inc.</b>                 | Building Products                                    | LIBOR (1 month) + 3.00%, Current Coupon 5.60%, Secured Debt (Maturity - February 29, 2024)   | 2,940        | 2,936        | 2,867        |
| <b>Caesars Resort Collection, LLC</b>             | Hotel, Restaurant and Leisure                        | LIBOR (1 month) + 2.75%, Current Coupon 5.25%, Secured Debt (Maturity - December 23, 2024)   | 1,244        | 1,208        | 1,234        |
| <b>Calpine Corporation</b>                        | Independent Power and Renewable Electricity Provider | LIBOR (3 months) + 2.50%, Current Coupon 5.11%, Secured Debt (Maturity - January 15, 2023)   | 1,964        | 1,971        | 1,963        |
| <b>CareerBuilder</b>                              | Internet Software and Services                       | LIBOR (3 months) + 6.75%, Current Coupon 9.35%, Secured Debt (Maturity - July 31, 2023)      | 1,449        | 1,449        | 1,451        |
| <b>CDS U.S. Intermediate Holdings, Inc.</b>       | Hotel, Restaurant and Leisure                        | LIBOR (1 month) + 3.75%, Current Coupon 6.25%, Secured Debt (Maturity - July 8, 2022)        | 970          | 972          | 904          |
| <b>CenturyLink Inc.</b>                           | Diversified Telecommunication Services               | LIBOR (1 month) + 2.75%, Current Coupon 5.25%, Secured Debt (Maturity - January 31, 2025)    | 995          | 942          | 979          |
| <b>Citgo Petroleum Corporation</b>                | Oil, Gas and Consumable Fuels                        | LIBOR (3 months) + 3.50%, Current Coupon 6.30%, Secured Debt (Maturity - July 29, 2021)      | 695          | 690          | 694          |
| <b>ClubCorp Holdings, Inc.</b>                    | Real Estate Management and Development               | LIBOR (3 months) + 2.75%, Current Coupon 5.35%, Secured Debt (Maturity - September 18, 2024) | 1,959        | 1,949        | 1,867        |
| <b>Compass Power Generation, L.L.C.</b>           | Independent Power and Renewable Electricity Provider | LIBOR (1 month) + 3.50%, Current Coupon 6.00%, Secured Debt (Maturity - December 20, 2024)   | 1,262        | 1,262        | 1,263        |
| <b>Creative Artists Agency, LLC</b>               | Entertainment  | LIBOR (1 month) + 3.50%, Current Coupon 6.00%, Secured Debt (Maturity - July 26, 2024)       | 1,970        | 1,970        | 1,945        |
|   |  | LIBOR (1 month) + 3.00%, Current Coupon 5.49%, Secured Debt (Maturity - February 15, 2024)   | 995          | 981          | 993          |
|   |  |  | <u>2,965</u> | <u>2,951</u> | <u>2,938</u> |
| <b>Cyxtera DC Holdings, Inc.</b>                  | Technology Hardware, Storage and Peripherals         | LIBOR (3 months) + 3.00%, Current Coupon 5.60%, Secured Debt (Maturity - May 1, 2024)        | 2,948        | 2,958        | 2,900        |
| <b>Deerfield Holdings Corporation</b>             | Diversified Financial Services                       | LIBOR (1 month) + 3.25%, Current Coupon 5.75%, Secured Debt (Maturity - February 13, 2025)   | 2,970        | 2,966        | 2,919        |
| <b>Diamond Resorts International, Inc.</b>        | Hotel, Restaurant and Leisure                        | LIBOR (1 month) + 3.75%, Current Coupon 6.25%, Secured Debt (Maturity - September 1, 2023)   | 2,125        | 2,152        | 2,053        |
| <b>EFS Cogen Holdings I LLC</b>                   | Electric Utilities                                   | LIBOR (3 months) + 3.25%, Current Coupon 5.86%, Secured Debt (Maturity - June 28, 2023)      | 1,816        | 1,829        | 1,808        |
| <b>Eldorado Resorts, Inc.</b>                     | Hotel, Restaurant and Leisure                        | LIBOR (1 month) + 2.25%, Current Coupon 4.88%, Secured Debt (Maturity - April 17, 2024)      | 1,000        | 969          | 993          |
| <b>Encapsys LLC</b>                               | Chemicals  | LIBOR (1 month) + 3.25%, Current Coupon 5.75%, Secured Debt (Maturity - November 7, 2024)    | 990          | 991          | 978          |
| <b>Endo Luxembourg Finance Company I S.a.r.l.</b> | Pharmaceuticals                                      | LIBOR (1 month) + 4.25%, Current Coupon 6.75%, Secured Debt (Maturity - April 29, 2024)      | 1,965        | 1,983        | 1,940        |

**HMS-ORIX**  
**Loan Portfolio**  
**As of March 31, 2019**  
**(dollars in thousands)**

| Portfolio Company                             | Industry   | Type of Investment  | Principal | Cost     | Fair Value |
|---|--|---|-----------|----------|------------|
| <b>Everi Payments Inc.</b>                    | Leisure Products                                     | LIBOR (3 months) + 3.00%, Current Coupon 5.50%, Secured Debt (Maturity - May 9, 2024)       | \$ 1,965  | \$ 1,958 | \$ 1,963   |
| <b>Exgen Renewables IV, LLC</b>               | Independent Power and Renewable Electricity Provider | LIBOR (3 months) + 3.00%, Current Coupon 5.63%, Secured Debt (Maturity - November 29, 2024) | 294       | 294      | 276        |
| <b>Financial &amp; Risk US Holdings, Inc.</b> | Software   | LIBOR (1 month) + 3.75%, Current Coupon 6.25%, Secured Debt (Maturity - October 1, 2025)    | 1,421     | 1,420    | 1,384      |
| <b>First American Payment Systems, L.P.</b>   | Diversified Financial Services                       | LIBOR (1 month) + 4.75%, Current Coupon 7.39%, Secured Debt (Maturity - January 5, 2024)    | 883       | 893      | 883        |
| <b>Fitness International, LLC</b>             | Hotel, Restaurant and Leisure                        | LIBOR (1 month) + 3.25%, Current Coupon 5.75%, Secured Debt (Maturity - April 18, 2025)     | 2,034     | 2,045    | 2,021      |
| <b>Flex Acquisition Company Inc</b>           | Containers and Packaging                             | LIBOR (1 month) + 3.00%, Current Coupon 5.49%, Secured Debt (Maturity - December 29, 2023)  | 1,970     | 1,979    | 1,931      |
| <b>Flexera Software LLC</b>                   | Software   | LIBOR (1 month) + 3.25%, Current Coupon 5.75%, Secured Debt (Maturity - February 26, 2025)  | 1,514     | 1,511    | 1,510      |
| <b>Gardner Denver, Inc.</b>                   | Machinery  | LIBOR (1 month) + 2.75%, Current Coupon 5.25%, Secured Debt (Maturity - July 30, 2024)      | 2,255     | 2,249    | 2,256      |
| <b>Golden Nugget, Inc.</b>                    | Hotel, Restaurant and Leisure                        | LIBOR (1 month) + 2.75%, Current Coupon 5.23%, Secured Debt (Maturity - October 4, 2023)    | 1,870     | 1,870    | 1,856      |
| <b>Gray Television, Inc.</b>                  | Broadcast Radio and Television                       | LIBOR (1 month) + 3.50%, Current Coupon 6.00%, Secured Debt (Maturity - February 12, 2025)  | 1,839     | 1,822    | 1,835      |
|   |  | LIBOR (1 month) + 2.50%, Current Coupon 4.98%, Secured Debt (Maturity - January 2, 2026)    | 285       | 280      | 284        |
|   |  |   | 2,124     | 2,102    | 2,119      |
| <b>Greatbatch Ltd.</b>                        | Pharmaceuticals                                      | LIBOR (1 month) + 3.00%, Current Coupon 5.49%, Secured Debt (Maturity - October 27, 2022)   | 1,934     | 1,945    | 1,933      |
| <b>GYP Holdings III Corp.</b>                 | Trading Companies and Distributors                   | LIBOR (1 month) + 2.75%, Current Coupon 5.25%, Secured Debt (Maturity - June 2, 2025)       | 3,439     | 3,464    | 3,355      |
| <b>Harbor Freight Tools USA, Inc.</b>         | Specialty Retail                                     | LIBOR (1 month) + 2.50%, Current Coupon 5.00%, Secured Debt (Maturity - August 18, 2023)    | 1,944     | 1,950    | 1,910      |
| <b>Horizon Pharma, Inc.</b>                   | Pharmaceuticals                                      | LIBOR (1 month) + 3.00%, Current Coupon 5.50%, Secured Debt (Maturity - March 29, 2024)     | 1,219     | 1,230    | 1,221      |
| <b>Hornblower Sub, LLC</b>                    | Hotel, Restaurant and Leisure                        | LIBOR (3 months) + 4.50%, Current Coupon 7.10%, Secured Debt (Maturity - April 28, 2025)    | 1,995     | 1,989    | 1,999      |
| <b>Hyland Software, Inc.</b>                  | Software   | LIBOR (1 month) + 3.50%, Current Coupon 6.00%, Secured Debt (Maturity - July 1, 2024)       | 498       | 485      | 498        |
| <b>Infiltrator Water Technologies, LLC</b>    | Specialty Retail                                     | LIBOR (3 months) + 3.50%, Current Coupon 6.10%, Secured Debt (Maturity - May 23, 2025)      | 1,970     | 1,982    | 1,967      |
| <b>Invenergy Thermal Operating I LLC</b>      | Renewable Energy Provider                            | LIBOR (1 month) + 3.00%, Current Coupon 5.60%, Secured Debt (Maturity - May 27, 2022)       | 1,392     | 1,371    | 1,382      |
|   |  | LIBOR (3 months) + 3.50%, Current Coupon 6.10%, Secured Debt (Maturity - August 28, 2025)   | 1,920     | 1,916    | 1,932      |
|   |  |   | 3,312     | 3,287    | 3,314      |



**HMS-ORIX**  
**Loan Portfolio**  
**As of March 31, 2019**  
**(dollars in thousands)**

| Portfolio Company                        | Industry                           | Type of Investment   | Principal | Cost   | Fair Value |
|--|------------------------------------|--|-----------|--------|------------|
| <b>IRB Holding Corp.</b>                 | Food Products                      | LIBOR (1 month) + 3.25%, Current Coupon 5.74%, Secured Debt (Maturity - February 5, 2025)    | \$ 396    | \$ 396 | \$ 389     |
| <b>Ivanti Software, Inc.</b>             | Software                           | LIBOR (1 month) + 4.25%, Current Coupon 6.75%, Secured Debt (Maturity - January 22, 2024)    | 981       | 987    | 975        |
| <b>KBR, Inc.</b>                         | Aerospace and Defense              | LIBOR (1 month) + 3.75%, Current Coupon 6.25%, Secured Debt (Maturity - April 25, 2025)      | 1,987     | 1,979  | 1,993      |
| <b>Kingpin Intermediate Holdings LLC</b> | Diversified Consumer Services      | LIBOR (1 month) + 3.50%, Current Coupon 6.00%, Secured Debt (Maturity - July 3, 2024)        | 995       | 986    | 991        |
| <b>KUEHG Corp.</b>                       | Diversified Consumer Services      | LIBOR (1 month) + 3.75%, Current Coupon 6.35%, Secured Debt (Maturity - February 21, 2025)   | 2,451     | 2,458  | 2,434      |
| <b>Learfield Communications LLC</b>      | Media                              | LIBOR (1 month) + 3.25%, Current Coupon 5.75%, Secured Debt (Maturity - December 1, 2023)    | 1,965     | 1,983  | 1,962      |
| <b>MA FinanceCo., LLC</b>                | Software                           | LIBOR (1 month) + 2.50%, Current Coupon 5.00%, Secured Debt (Maturity - June 21, 2024)       | 383       | 384    | 377        |
| <b>Match Group, Inc.</b>                 | Media                              | LIBOR (6 months) + 3.00%, Current Coupon 5.69%, Secured Debt (Maturity - February 24, 2025)  | 676       | 674    | 647        |
|  |                                    | LIBOR (3 months) + 2.50%, Current Coupon 5.08%, Secured Debt (Maturity - November 16, 2022)  | 2,000     | 1,998  | 1,998      |
|  |                                    |  | 2,676     | 2,672  | 2,645      |
| <b>McAfee, LLC</b>                       | Software                           | LIBOR (3 months) + 3.75%, Current Coupon 6.25%, Secured Debt (Maturity - September 30, 2024) | 945       | 932    | 945        |
| <b>McDermott International, Inc.</b>     | Construction and Engineering       | LIBOR (1 month) + 5.00%, Current Coupon 7.50%, Secured Debt (Maturity - May 12, 2025)        | 990       | 971    | 954        |
| <b>Metro-Goldwyn-Mayer Inc.</b>          | Media                              | LIBOR (1 month) + 2.50%, Current Coupon 5.00%, Secured Debt (Maturity - July 3, 2025)        | 995       | 969    | 990        |
| <b>Micro Holding Corp.</b>               | Media                              | LIBOR (1 month) + 2.50%, Current Coupon 4.99%, Secured Debt (Maturity - January 30, 2023)    | 997       | 971    | 982        |
|  |                                    | LIBOR (3 months) + 3.75%, Current Coupon 6.24%, Secured Debt (Maturity - September 13, 2024) | 1,244     | 1,215  | 1,232      |
|  |                                    |  | 2,241     | 2,186  | 2,214      |
| <b>Mohegan Tribal Gaming Authority</b>   | Hotel, Restaurant and Leisure      | LIBOR (1 month) + 4.00%, Current Coupon 6.50%, Secured Debt (Maturity - October 13, 2023)    | 1,909     | 1,927  | 1,818      |
| <b>MPH Acquisition Holdings LLC</b>      | Health Care Technology             | LIBOR (3 months) + 2.75%, Current Coupon 5.35%, Secured Debt (Maturity - June 7, 2023)       | 2,569     | 2,604  | 2,499      |
| <b>NAB Holdings, LLC</b>                 | IT Services                        | LIBOR (3 months) + 3.00%, Current Coupon 5.60%, Secured Debt (Maturity - July 1, 2024)       | 1,970     | 1,961  | 1,920      |
| <b>National Mentor Holdings, Inc.</b>    | Healthcare Facilities and Services | LIBOR (1 month) + 4.25%, Current Coupon 6.75%, Secured Debt (Maturity - March 9, 2026)       | 1,883     | 1,870  | 1,891      |
|  |                                    | LIBOR (1 month) + 4.25%, Current Coupon 6.75%, Secured Debt (Maturity - March 9, 2026)       | 117       | 116    | 117        |
|  |                                    |  | 2,000     | 1,986  | 2,008      |
| <b>Ortho-Clinical Diagnostics, Inc</b>   | Life Sciences Tools and Services   | LIBOR (1 month) + 3.25%, Current Coupon 5.75%, Secured Debt (Maturity - June 30, 2025)       | 1,935     | 1,931  | 1,868      |

**HMS-ORIX**  
**Loan Portfolio**  
**As of March 31, 2019**  
**(dollars in thousands)**

| Portfolio Company                               | Industry                                       | Type of Investment   | Principal | Cost   | Fair Value |
|---|--|--|-----------|--------|------------|
| <b>Packaging Coordinators Midco Inc</b>         | Healthcare Facilities and Services             | LIBOR (3 months) + 4.00%, Current Coupon 6.61%, Secured Debt (Maturity - June 30, 2023)      | \$ 995    | \$ 990 | \$ 994     |
| <b>Party City Holdings Inc.</b>                 | Specialty Retail                               | LIBOR (1 month) + 2.50%, Current Coupon 5.00%, Secured Debt (Maturity - August 19, 2022)     | 1,240     | 1,220  | 1,237      |
| <b>Phoenix Guarantor Inc.</b>                   | Healthcare Facilities and Services             | LIBOR (1 month) + 4.50%, Current Coupon 6.98%, Secured Debt (Maturity - March 5, 2026)       | 917       | 903    | 905        |
| <b>PI UK Holdco II Limited</b>                  | Diversified Financial Services                 | LIBOR (1 month) + 3.50%, Current Coupon 6.00%, Secured Debt (Maturity - January 3, 2025)     | 2,970     | 2,949  | 2,932      |
| <b>Prime Security Services Borrower, LLC</b>    | Commercial Services and Supplies               | LIBOR (1 month) + 2.75%, Current Coupon 5.25%, Secured Debt (Maturity - May 2, 2022)         | 653       | 637    | 649        |
| <b>Rackspace Hosting, Inc.</b>                  | Electric Equipment, Instruments and Components | LIBOR (3 months) + 3.00%, Current Coupon 5.74%, Secured Debt (Maturity - November 3, 2023)   | 3,242     | 3,266  | 3,061      |
| <b>Radiate Holdco, LLC</b>                      | Diversified Telecommunication Services         | LIBOR (1 month) + 3.00%, Current Coupon 5.50%, Secured Debt (Maturity - February 1, 2024)    | 2,538     | 2,514  | 2,509      |
| <b>Radiology Partners, Inc.</b>                 | Healthcare Facilities and Services             | LIBOR (3 months) + 4.75%, Current Coupon 7.55%, Secured Debt (Maturity - July 9, 2025)       | 1,496     | 1,489  | 1,502      |
| <b>Red Ventures, LLC</b>                        | Professional Services                          | LIBOR (1 month) + 3.00%, Current Coupon 5.50%, Secured Debt (Maturity - November 8, 2024)    | 1,627     | 1,616  | 1,625      |
| <b>Savage Enterprises, LLC</b>                  | Road and Rail                                  | LIBOR (1 month) + 4.50%, Current Coupon 6.99%, Secured Debt (Maturity - August 1, 2025)      | 1,024     | 1,004  | 1,027      |
| <b>Scientific Games International, Inc.</b>     | Leisure Products                               | LIBOR (2 months) + 2.75%, Current Coupon 5.33%, Secured Debt (Maturity - August 14, 2024)    | 890       | 891    | 869        |
| <b>Seattle SpinCo, Inc.</b>                     | Software                                       | LIBOR (3 months) + 2.50%, Current Coupon 5.00%, Secured Debt (Maturity - June 21, 2024)      | 2,587     | 2,590  | 2,548      |
| <b>SeaWorld Parks &amp; Entertainment, Inc.</b> | Hotel, Restaurant and Leisure                  | LIBOR (3 months) + 3.00%, Current Coupon 5.50%, Secured Debt (Maturity - April 1, 2024)      | 1,960     | 1,962  | 1,947      |
| <b>ServiceMaster Company, LLC</b>               | Home and Office Products                       | LIBOR (1 month) + 2.50%, Current Coupon 5.00%, Secured Debt (Maturity - November 8, 2023)    | 651       | 648    | 650        |
| <b>Sprint Communications, Inc.</b>              | Diversified Telecommunication Services         | LIBOR (1 month) + 3.00%, Current Coupon 5.50%, Secured Debt (Maturity - February 2, 2024)    | 499       | 492    | 491        |
| <b>SRS Distribution Inc.</b>                    | Trading Companies and Distributors             | LIBOR (3 months) + 3.25%, Current Coupon 5.75%, Secured Debt (Maturity - May 23, 2025)       | 1,194     | 1,191  | 1,147      |
| <b>SS&amp;C Technologies, Inc.</b>              | Software                                       | LIBOR (1 month) + 2.25%, Current Coupon 4.75%, Secured Debt (Maturity - April 16, 2025)      | 200       | 199    | 198        |
|   |  | LIBOR (1 month) + 2.25%, Current Coupon 4.75%, Secured Debt (Maturity - April 16, 2025)      | 278       | 277    | 276        |
|   |  |  | 478       | 476    | 474        |
| <b>Staples, Inc.</b>                            | Distributors                                   | LIBOR (3 months) + 4.00%, Current Coupon 6.49%, Secured Debt (Maturity - September 12, 2024) | 1,975     | 1,970  | 1,961      |
| <b>Starfruit US Holdco LLC</b>                  | Chemicals                                      | LIBOR (1 month) + 3.25%, Current Coupon 5.74%, Secured Debt (Maturity - October 1, 2025)     | 1,250     | 1,247  | 1,240      |

**HMS-ORIX**  
**Loan Portfolio**  
**As of March 31, 2019**  
**(dollars in thousands)**

| Portfolio Company                          | Industry                               | Type of Investment  | Principal         | Cost              | Fair Value        |
|--|--|---|-------------------|-------------------|-------------------|
| Telenet Financing USD LLC                  | Diversified Telecommunication Services | LIBOR (1 month) + 2.25%, Current Coupon 4.73%, Secured Debt (Maturity - August 17, 2026)    | \$ 1,655          | \$ 1,653          | \$ 1,635          |
| Transdigm, Inc.                            | Aerospace and Defense                  | LIBOR (1 month) + 2.50%, Current Coupon 5.00%, Secured Debt (Maturity - June 9, 2023)       | 1,960             | 1,967             | 1,925             |
|  |  | LIBOR (1 month) + 2.50%, Current Coupon 5.00%, Secured Debt (Maturity - August 22, 2024)    | 988               | 985               | 968               |
|  |  |   | 2,948             | 2,952             | 2,893             |
| Travelport Finance (Luxembourg) S.A.R.L.   | Internet Software and Services         | LIBOR (3 months) + 2.50%, Current Coupon 5.18%, Secured Debt (Maturity - March 17, 2025)    | 1,232             | 1,226             | 1,232             |
| UFC Holdings, LLC                          | Media                                  | LIBOR (3 months) + 3.25%, Current Coupon 5.75%, Secured Debt (Maturity - August 18, 2023)   | 1,960             | 1,971             | 1,960             |
| USS Ultimate Holdings Inc                  | Consumer Services                      | LIBOR (1 month) + 3.75%, Current Coupon 6.25%, Secured Debt (Maturity - August 26, 2024)    | 597               | 588               | 596               |
| Utz Quality Foods, LLC                     | Food Products                          | LIBOR (1 month) + 3.50%, Current Coupon 6.00%, Secured Debt (Maturity - November 21, 2024)  | 1,580             | 1,579             | 1,580             |
| VeriFone Systems, Inc.                     | Hardware                               | LIBOR (1 month) + 4.00%, Current Coupon 6.68%, Secured Debt (Maturity - August 20, 2025)    | 499               | 489               | 493               |
| Vertafore, Inc.                            | Software                               | LIBOR (1 month) + 3.25%, Current Coupon 5.75%, Secured Debt (Maturity - July 2, 2025)       | 2,494             | 2,482             | 2,463             |
| Vertiv Group Corporation                   | Electrical Equipment                   | LIBOR (3 months) + 4.00%, Current Coupon 6.63%, Secured Debt (Maturity - November 30, 2023) | 1,555             | 1,569             | 1,467             |
| VFH Parent LLC                             | Diversified Financial Services         | LIBOR (3 months) + 3.50%, Current Coupon 6.13%, Secured Debt (Maturity - March 2, 2026)     | 1,000             | 995               | 1,004             |
| Vistra Operations Company LLC              | Electric Utilities                     | LIBOR (1 month) + 2.25%, Current Coupon 4.75%, Secured Debt (Maturity - December 14, 2023)  | 1,960             | 1,971             | 1,955             |
| Wand NewCo 3, Inc.                         | Automobiles                            | LIBOR (1 month) + 3.50%, Current Coupon 5.98%, Secured Debt (Maturity - February 5, 2026)   | 1,200             | 1,189             | 1,203             |
| Web.Com Group, Inc.                        | Internet Software and Services         | LIBOR (3 months) + 3.75%, Current Coupon 6.24%, Secured Debt (Maturity - October 10, 2025)  | 909               | 908               | 900               |
| West Corporation                           | Diversified Telecommunication Services | LIBOR (3 months) + 3.50%, Current Coupon 6.13%, Secured Debt (Maturity - October 10, 2024)  | 645               | 644               | 602               |
|  |  | LIBOR (3 months) + 4.00%, Current Coupon 6.63%, Secured Debt (Maturity - October 10, 2024)  | 1,019             | 1,009             | 963               |
|  |  |   | 1,664             | 1,653             | 1,565             |
| WideOpenWest Finance, LLC                  | Media                                  | LIBOR (1 month) + 3.25%, Current Coupon 5.74%, Secured Debt (Maturity - August 18, 2023)    | 3,452             | 3,462             | 3,355             |
| William Morris Endeavor Entertainment, LLC | Recreation Facilities and Services     | LIBOR (1 month) + 2.75%, Current Coupon 5.36%, Secured Debt (Maturity - May 16, 2025)       | 636               | 607               | 601               |
| Zekelman Industries, Inc                   | Manufacturing                          | LIBOR (1 month) + 2.25%, Current Coupon 4.74%, Secured Debt (Maturity - June 14, 2021)      | 1,000             | 987               | 993               |
| <b>Total Loan Portfolio</b>                |  |   | <b>\$ 170,325</b> | <b>\$ 169,827</b> | <b>\$ 167,819</b> |

The following table presents a listing of HMS-ORIX's individual loan investments as of December 31, 2018:

**HMS-ORIX**  
**Loan Portfolio**  
**As of December 31, 2018**  
**(dollars in thousands)**

| Portfolio Company                | Industry   | Type of Investment   | Principal | Cost     | Fair Value |
|----------------------------------|--|--|-----------|----------|------------|
| Acrisure, LLC                    | Insurance  | LIBOR (2 months) + 4.25%, Current Coupon 6.77%, Secured Debt (Maturity - November 22, 2023)  | \$ 2,492  | \$ 2,487 | \$ 2,422   |
| Advantage Sales & Marketing Inc. | Commercial Services and Supplies                     | LIBOR (1 month) + 3.25%, Current Coupon 5.77%, Secured Debt (Maturity - July 23, 2021)       | 1,970     | 1,913    | 1,752      |
| Air Medical Group Holdings, Inc. | Health Care Providers and Services                   | LIBOR (1 month) + 3.25%, Current Coupon 5.68%, Secured Debt (Maturity - April 28, 2022)      | 1,970     | 1,960    | 1,847      |
| AlixPartners, LLP                | Professional Services                                | LIBOR (3 months) + 2.75%, Current Coupon 5.27%, Secured Debt (Maturity - April 4, 2024)      | 992       | 992      | 956        |
| American Seafoods Group LLC      | Food Products  | LIBOR (1 month) + 2.75%, Current Coupon 5.28%, Secured Debt (Maturity - August 21, 2023)     | 1,435     | 1,428    | 1,382      |
| Ancestry.com Operations Inc.     | Internet Software and Services                       | LIBOR (1 month) + 3.25%, Current Coupon 5.78%, Secured Debt (Maturity - October 19, 2023)    | 1,293     | 1,306    | 1,240      |
| Arch Coal, Inc.                  | Metals and Mining                                    | LIBOR (1 month) + 2.75%, Current Coupon 5.27%, Secured Debt (Maturity - March 7, 2024)       | 1,965     | 1,972    | 1,916      |
| Asurion, LLC                     | Insurance  | LIBOR (1 month) + 3.00%, Current Coupon 5.52%, Secured Debt (Maturity - November 3, 2023)    | 1,261     | 1,261    | 1,212      |
|                                  |  | LIBOR (1 month) + 3.00%, Current Coupon 5.52%, Secured Debt (Maturity - November 4, 2024)    | 323       | 322      | 310        |
|                                  |  |  | 1,584     | 1,583    | 1,522      |
| Atkore International, Inc.       | Electric Equipment, Instruments and Components       | LIBOR (1 month) + 3.00%, Current Coupon 4.97%, Secured Debt (Maturity - December 22, 2023)   | 2,948     | 2,967    | 2,864      |
| Barracuda Networks               | Internet Software and Services                       | LIBOR (1 month) + 3.25%, Current Coupon 5.72%, Secured Debt (Maturity - February 12, 2025)   | 1,000     | 974      | 956        |
| Bass Pro Group, LLC              | Specialty Retail                                     | LIBOR (3 months) + 4.25%, Current Coupon 6.55%, Secured Debt (Maturity - September 25, 2024) | 1,975     | 1,929    | 1,898      |
| Bausch Health Companies Inc.     | Health Care Equipment and Supplies                   | LIBOR (1 month) + 3.00%, Current Coupon 5.38%, Secured Debt (Maturity - June 2, 2025)        | 1,402     | 1,408    | 1,342      |
| BCP Renaissance Parent L.L.C.    | Oil, Gas and Consumable Fuels                        | LIBOR (3 months) + 3.50%, Current Coupon 6.03%, Secured Debt (Maturity - October 31, 2024)   | 597       | 599      | 583        |
| Boxer Parent Company, Inc.       | Software   | LIBOR (3 months) + 4.25%, Current Coupon 7.05%, Secured Debt (Maturity - October 2, 2025)    | 2,800     | 2,772    | 2,708      |
| Boyd Gaming Corporation          | Hotels, Restaurants and Leisure                      | LIBOR (1 week) + 2.25%, Current Coupon 4.66%, Secured Debt (Maturity - September 15, 2023)   | 1,250     | 1,208    | 1,208      |
| Builders FirstSource, Inc.       | Building Products                                    | LIBOR (1 month) + 3.00%, Current Coupon 5.80%, Secured Debt (Maturity - February 29, 2024)   | 2,947     | 2,943    | 2,774      |
| Caesars Resort Collection, LLC   | Hotels, Restaurants and Leisure                      | LIBOR (1 month) + 2.75%, Current Coupon 5.27%, Secured Debt (Maturity - December 23, 2024)   | 1,247     | 1,210    | 1,201      |
| Calpine Corporation              | Independent Power and Renewable Electricity Provider | LIBOR (3 months) + 2.50%, Current Coupon 5.31%, Secured Debt (Maturity - January 15, 2023)   | 1,970     | 1,977    | 1,881      |
| CareerBuilder                    | Internet Software and Services                       | LIBOR (3 months) + 6.75%, Current Coupon 9.14%, Secured Debt (Maturity - July 31, 2023)      | 1,500     | 1,500    | 1,493      |

**HMS-ORIX**  
**Loan Portfolio**  
**As of December 31, 2018**  
**(dollars in thousands)**

| Portfolio Company                                 | Industry   | Type of Investment   | Principal | Cost   | Fair Value |
|---|--|--|-----------|--------|------------|
| <b>CDS U.S. Intermediate Holdings, Inc.</b>       | Hotels, Restaurants and Leisure                      | LIBOR (1 month) + 3.75%, Current Coupon 6.27%, Secured Debt (Maturity - July 8, 2022)        | \$ 973    | \$ 974 | \$ 914     |
| <b>CenturyLink, Inc.</b>                          | Diversified Telecommunication Services               | LIBOR (1 month) + 2.75%, Current Coupon 5.27%, Secured Debt (Maturity - January 31, 2025)    | 997       | 943    | 934        |
| <b>Citgo Petroleum Corporation</b>                | Oil, Gas and Consumable Fuels                        | LIBOR (3 months) + 3.50%, Current Coupon 5.90%, Secured Debt (Maturity - July 29, 2021)      | 695       | 689    | 682        |
| <b>ClubCorp Holdings, Inc.</b>                    | Real Estate Management and Development               | LIBOR (3 months) + 2.75%, Current Coupon 5.55%, Secured Debt (Maturity - September 18, 2024) | 1,959     | 1,949  | 1,852      |
| <b>CPI International, Inc.</b>                    | Aerospace and Defense                                | LIBOR (1 month) + 3.50%, Current Coupon 6.01%, Secured Debt (Maturity - July 26, 2024)       | 1,975     | 1,975  | 1,919      |
| <b>Creative Artists Agency LLC</b>                | Entertainment  | LIBOR (1 month) + 3.00%, Current Coupon 5.47%, Secured Debt (Maturity - February 15, 2024)   | 997       | 983    | 966        |
| <b>Cyxtera DC Holdings, Inc.</b>                  | Technology Hardware, Storage and Peripherals         | LIBOR (3 months) + 3.00%, Current Coupon 5.38%, Secured Debt (Maturity - May 1, 2024)        | 2,955     | 2,966  | 2,840      |
| <b>Deerfield Holdings Corporation</b>             | Diversified Financial Services                       | LIBOR (1 month) + 3.25%, Current Coupon 5.77%, Secured Debt (Maturity - February 13, 2025)   | 2,978     | 2,974  | 2,827      |
| <b>Diamond Resorts International, Inc.</b>        | Hotels, Restaurants and Leisure                      | LIBOR (1 month) + 3.75%, Current Coupon 6.07%, Secured Debt (Maturity - September 1, 2023)   | 2,130     | 2,159  | 1,992      |
| <b>EFS Cogen Holdings I LLC</b>                   | Electric Utilities                                   | LIBOR (1 month) + 3.25%, Current Coupon 5.77%, Secured Debt (Maturity - June 28, 2023)       | 1,816     | 1,830  | 1,781      |
| <b>Eldorado Resorts, Inc.</b>                     | Hotels, Restaurants and Leisure                      | LIBOR (1 month) + 2.25%, Current Coupon 4.75%, Secured Debt (Maturity - April 17, 2024)      | 1,000     | 968    | 960        |
| <b>Encapsys LLC</b>                               | Chemicals  | LIBOR (1 month) + 3.25%, Current Coupon 5.77%, Secured Debt (Maturity - November 7, 2024)    | 993       | 994    | 970        |
| <b>Endo Luxembourg Finance Company I S.a.r.l.</b> | Pharmaceuticals                                      | LIBOR (1 month) + 4.25%, Current Coupon 6.81%, Secured Debt (Maturity - April 29, 2024)      | 1,970     | 1,989  | 1,862      |
| <b>Everi Payments Inc.</b>                        | Leisure Products                                     | LIBOR (3 months) + 3.00%, Current Coupon 5.52%, Secured Debt (Maturity - May 9, 2024)        | 1,970     | 1,963  | 1,917      |
| <b>Exgen Renewables IV, LLC</b>                   | Independent Power and Renewable Electricity Provider | LIBOR (3 months) + 3.00%, Current Coupon 5.71%, Secured Debt (Maturity - November 29, 2024)  | 294       | 293    | 281        |
| <b>Financial &amp; Risk US Holdings, Inc.</b>     | Software   | LIBOR (1 month) + 3.75%, Current Coupon 6.27%, Secured Debt (Maturity - October 1, 2025)     | 1,425     | 1,424  | 1,363      |
| <b>First American Payment Systems, L.P.</b>       | Diversified Financial Services                       | LIBOR (1 month) + 4.75%, Current Coupon 7.29%, Secured Debt (Maturity - January 5, 2024)     | 889       | 900    | 885        |
| <b>Fitness International, LLC</b>                 | Hotels, Restaurants and Leisure                      | LIBOR (1 month) + 3.25%, Current Coupon 5.77%, Secured Debt (Maturity - April 18, 2025)      | 2,039     | 2,050  | 1,963      |
| <b>Flex Acquisition Company Inc</b>               | Containers and Packaging                             | LIBOR (3 months) + 3.00%, Current Coupon 5.35%, Secured Debt (Maturity - December 29, 2023)  | 1,975     | 1,985  | 1,869      |
| <b>Flexera Software LLC</b>                       | Software   | LIBOR (1 month) + 3.25%, Current Coupon 5.78%, Secured Debt (Maturity - February 26, 2025)   | 1,518     | 1,514  | 1,468      |
| <b>Gardner Denver, Inc.</b>                       | Machinery  | LIBOR (1 month) + 2.75%, Current Coupon 5.27%, Secured Debt (Maturity - July 30, 2024)       | 2,316     | 2,309  | 2,242      |

**HMS-ORIX**  
**Loan Portfolio**  
**As of December 31, 2018**  
**(dollars in thousands)**

| Portfolio Company                              | Industry                           | Type of Investment  | Principal | Cost     | Fair Value |
|--|------------------------------------|---|-----------|----------|------------|
| <b>Golden Nugget, Inc.</b>                     | Hotels, Restaurants and Leisure    | LIBOR (1 month) + 2.75%, Current Coupon 5.19%, Secured Debt (Maturity - October 4, 2023)    | \$ 1,875  | \$ 1,875 | \$ 1,811   |
| <b>GrafTech Finance Inc.</b>                   | Metals and Mining                  | LIBOR (1 month) + 3.50%, Current Coupon 6.02%, Secured Debt (Maturity - February 12, 2025)  | 1,950     | 1,931    | 1,850      |
| <b>Gray Television, Inc.</b>                   | Broadcast Radio and Television     | LIBOR (3 months) + 2.50%, Current Coupon 4.90%, Secured Debt (Maturity - January 2, 2026)   | 286       | 281      | 277        |
| <b>Greatbatch Ltd.</b>                         | Pharmaceuticals                    | LIBOR (1 month) + 3.00%, Current Coupon 5.39%, Secured Debt (Maturity - October 27, 2022)   | 2,000     | 2,012    | 1,956      |
| <b>GYP Holdings III Corp.</b>                  | Trading Companies and Distributors | LIBOR (1 month) + 2.75%, Current Coupon 5.27%, Secured Debt (Maturity - June 2, 2025)       | 3,448     | 3,473    | 3,261      |
| <b>Harbor Freight Tools USA, Inc.</b>          | Specialty Retail                   | LIBOR (1 month) + 2.50%, Current Coupon 5.02%, Secured Debt (Maturity - August 18, 2023)    | 1,944     | 1,951    | 1,841      |
| <b>HD Supply Waterworks, Ltd.</b>              | Trading Companies and Distributors | LIBOR (6 months) + 3.00%, Current Coupon 5.71%, Secured Debt (Maturity - August 1, 2024)    | 139       | 138      | 134        |
| <b>Horizon Pharma, Inc.</b>                    | Pharmaceuticals                    | LIBOR (1 month) + 3.00%, Current Coupon 5.56%, Secured Debt (Maturity - March 29, 2024)     | 1,925     | 1,944    | 1,841      |
| <b>Hyland Software, Inc.</b>                   | Software                           | LIBOR (1 month) + 3.50%, Current Coupon 6.02%, Secured Debt (Maturity - July 1, 2024)       | 499       | 485      | 486        |
| <b>IG Investments Holdings, LLC</b>            | Professional Services              | LIBOR (1 month) + 3.50%, Current Coupon 6.02%, Secured Debt (Maturity - May 23, 2025)       | 1,975     | 1,987    | 1,929      |
| <b>Infiltrator Water Technologies, LLC</b>     | Specialty Retail                   | LIBOR (3 months) + 3.00%, Current Coupon 5.39%, Secured Debt (Maturity - May 27, 2022)      | 1,394     | 1,372    | 1,354      |
| <b>Invenergy, LLC</b>                          | Renewable Energy Provider          | LIBOR (1 month) + 3.50%, Current Coupon 5.84%, Secured Debt (Maturity - August 28, 2025)    | 1,946     | 1,941    | 1,932      |
| <b>IRB Holding Corp.</b>                       | Food Products                      | LIBOR (1 month) + 3.25%, Current Coupon 5.68%, Secured Debt (Maturity - February 5, 2025)   | 397       | 397      | 380        |
| <b>Ivanti Software, Inc.</b>                   | Software                           | LIBOR (1 month) + 4.25%, Current Coupon 6.60%, Secured Debt (Maturity - January 22, 2024)   | 983       | 989      | 959        |
| <b>KBR, Inc.</b>                               | Aerospace and Defense              | LIBOR (1 month) + 3.75%, Current Coupon 6.27%, Secured Debt (Maturity - April 25, 2025)     | 1,992     | 1,984    | 1,962      |
| <b>Kingpin Intermediate Holdings LLC</b>       | Diversified Consumer Services      | LIBOR (1 month) + 3.50%, Current Coupon 6.02%, Secured Debt (Maturity - July 3, 2024)       | 998       | 988      | 971        |
| <b>KUEHG Corp.</b>                             | Diversified Consumer Services      | LIBOR (1 month) + 3.75%, Current Coupon 6.55%, Secured Debt (Maturity - February 21, 2025)  | 2,457     | 2,465    | 2,368      |
| <b>Learfield Communications LLC</b>            | Media                              | LIBOR (1 month) + 3.25%, Current Coupon 5.78%, Secured Debt (Maturity - December 1, 2023)   | 1,970     | 1,989    | 1,923      |
| <b>MA FinanceCo., LLC</b>                      | Software                           | LIBOR (1 month) + 2.50%, Current Coupon 5.02%, Secured Debt (Maturity - June 21, 2024)      | 384       | 385      | 358        |
| <b>Mallinckrodt International Finance S.A.</b> | Pharmaceuticals                    | LIBOR (6 months) + 3.00%, Current Coupon 5.62%, Secured Debt (Maturity - February 24, 2025) | 993       | 991      | 921        |
| <b>Match Group, Inc.</b>                       | Media                              | LIBOR (2 months) + 2.50%, Current Coupon 5.09%, Secured Debt (Maturity - November 16, 2022) | 2,000     | 1,998    | 1,990      |



**HMS-ORIX**  
**Loan Portfolio**  
**As of December 31, 2018**  
**(dollars in thousands)**

| Portfolio Company                                | Industry                                       | Type of Investment   | Principal | Cost   | Fair Value |
|--|--|--|-----------|--------|------------|
| McAfee, LLC                                      | Software                                       | LIBOR (3 months) + 3.75%, Current Coupon 6.10%, Secured Debt (Maturity - September 30, 2024) | \$ 948    | \$ 933 | \$ 925     |
| McDermott International, Inc.                    | Construction and Engineering                   | LIBOR (1 month) + 5.00%, Current Coupon 7.52%, Secured Debt (Maturity - May 12, 2025)        | 993       | 973    | 929        |
| Metro-Goldwyn-Mayer Inc.                         | Media  | LIBOR (1 month) + 2.50%, Current Coupon 5.03%, Secured Debt (Maturity - July 3, 2025)        | 998       | 970    | 964        |
| Michaels Stores, Inc.                            | Specialty Retail                               | LIBOR (1 month) + 2.50%, Current Coupon 4.97%, Secured Debt (Maturity - January 30, 2023)    | 1,000     | 973    | 960        |
| Micro Holding Corp. (MH Sub and Internet Brands) | Media  | LIBOR (1 month) + 3.75%, Current Coupon 6.25%, Secured Debt (Maturity - September 13, 2024)  | 1,247     | 1,217  | 1,186      |
| Mohegan Tribal Gaming Authority                  | Hotels, Restaurants and Leisure                | LIBOR (1 month) + 4.00%, Current Coupon 6.52%, Secured Debt (Maturity - October 13, 2023)    | 1,914     | 1,933  | 1,719      |
| MPH Acquisition Holdings LLC                     | Health Care Technology                         | LIBOR (1 month) + 3.25%, Current Coupon 5.57%, Secured Debt (Maturity - June 7, 2023)        | 2,664     | 2,702  | 2,532      |
| NAB Holdings, LLC                                | IT Services                                    | LIBOR (3 months) + 3.00%, Current Coupon 5.80%, Secured Debt (Maturity - July 1, 2024)       | 1,975     | 1,965  | 1,885      |
| Ortho-Clinical Diagnostics, Inc                  | Life Sciences Tools and Services               | LIBOR (1 month) + 3.25%, Current Coupon 5.76%, Secured Debt (Maturity - June 30, 2025)       | 1,945     | 1,940  | 1,809      |
| Packaging Coordinators Midco Inc                 | Health Care Facilities and Services            | LIBOR (3 months) + 4.00%, Current Coupon 6.81%, Secured Debt (Maturity - June 30, 2023)      | 997       | 992    | 985        |
| Party City Holdings Inc.                         | Specialty Retail                               | LIBOR (1 month) + 2.50%, Current Coupon 5.03%, Secured Debt (Maturity - August 19, 2022)     | 1,245     | 1,224  | 1,205      |
| PI UK Holdco II Limited                          | Diversified Financial Services                 | LIBOR (1 month) + 3.50%, Current Coupon 6.02%, Secured Debt (Maturity - January 3, 2025)     | 2,978     | 2,956  | 2,893      |
| Prime Security Services, LLC (Protection One)    | Commercial Services and Supplies               | LIBOR (1 month) + 2.75%, Current Coupon 5.09%, Secured Debt (Maturity - May 2, 2022)         | 654       | 638    | 628        |
| Rackspace Hosting, Inc.                          | Electric Equipment, Instruments and Components | LIBOR (3 months) + 3.00%, Current Coupon 5.58%, Secured Debt (Maturity - November 3, 2023)   | 3,251     | 3,276  | 2,884      |
| Radiate Holdco, LLC                              | Diversified Telecommunication Services         | LIBOR (1 month) + 3.00%, Current Coupon 5.52%, Secured Debt (Maturity - February 1, 2024)    | 2,544     | 2,519  | 2,408      |
| Red Ventures, LLC                                | Professional Services                          | LIBOR (1 month) + 3.00%, Current Coupon 5.52%, Secured Debt (Maturity - November 8, 2024)    | 1,631     | 1,619  | 1,590      |
| Savage Enterprises, LLC                          | Road and Rail                                  | LIBOR (1 month) + 4.50%, Current Coupon 6.88%, Secured Debt (Maturity - August 1, 2025)      | 1,097     | 1,076  | 1,085      |
| Scientific Games International, Inc.             | Leisure Products                               | LIBOR (2 months) + 2.75%, Current Coupon 5.25%, Secured Debt (Maturity - August 14, 2024)    | 892       | 893    | 840        |
| Seattle SpinCo, Inc.                             | Software                                       | LIBOR (3 months) + 2.50%, Current Coupon 5.02%, Secured Debt (Maturity - June 21, 2024)      | 2,593     | 2,597  | 2,422      |
| SeaWorld Parks & Entertainment, Inc.             | Hotels, Restaurants and Leisure                | LIBOR (3 months) + 3.75%, Current Coupon 6.07%, Secured Debt (Maturity - April 1, 2024)      | 1,965     | 1,967  | 1,881      |
| ServiceMaster Global Holdings, Inc.              | Home and Office Products                       | LIBOR (1 month) + 2.50%, Current Coupon 4.84%, Secured Debt (Maturity - November 8, 2023)    | 2,000     | 1,993  | 1,964      |



**HMS-ORIX**  
**Loan Portfolio**  
**As of December 31, 2018**  
**(dollars in thousands)**

| Portfolio Company                                | Industry                               | Type of Investment   | Principal | Cost   | Fair Value |
|--|--|--|-----------|--------|------------|
| <b>Sprint Corporation</b>                        | Diversified Telecommunication Services | LIBOR (1 month) + 3.00%, Current Coupon 5.38%, Secured Debt (Maturity - February 2, 2024)    | \$ 500    | \$ 493 | \$ 485     |
| <b>SRS Distribution Inc.</b>                     | Trading Companies and Distributors     | LIBOR (3 months) + 3.25%, Current Coupon 5.77%, Secured Debt (Maturity - May 23, 2025)       | 1,197     | 1,194  | 1,120      |
| <b>SS&amp;C European Holdings S.a.r.l.</b>       | Software                               | LIBOR (1 month) + 2.25%, Current Coupon 4.77%, Secured Debt (Maturity - April 16, 2025)      | 206       | 205    | 195        |
| <b>SS&amp;C Technologies, Inc.</b>               | Software                               | LIBOR (1 month) + 2.25%, Current Coupon 4.77%, Secured Debt (Maturity - April 16, 2025)      | 543       | 541    | 514        |
| <b>Staples, Inc.</b>                             | Distributors                           | LIBOR (3 months) + 4.00%, Current Coupon 6.54%, Secured Debt (Maturity - September 12, 2024) | 1,980     | 1,975  | 1,903      |
| <b>Starfruit US Holdco LLC</b>                   | Chemicals                              | LIBOR (1 month) + 3.25%, Current Coupon 5.60%, Secured Debt (Maturity - October 1, 2025)     | 1,250     | 1,247  | 1,204      |
| <b>Telenet Financing USD LLC</b>                 | Diversified Telecommunication Services | LIBOR (1 month) + 2.25%, Current Coupon 4.71%, Secured Debt (Maturity - August 17, 2026)     | 1,655     | 1,653  | 1,580      |
| <b>Transdigm, Inc.</b>                           | Aerospace and Defense                  | LIBOR (1 month) + 2.50%, Current Coupon 5.02%, Secured Debt (Maturity - June 9, 2023)        | 1,965     | 1,972  | 1,859      |
|  |  | LIBOR (1 month) + 2.50%, Current Coupon 5.02%, Secured Debt (Maturity - August 22, 2024)     | 990       | 988    | 937        |
|  |  |  | 2,955     | 2,960  | 2,796      |
| <b>Travelport Finance (Luxembourg) S.A.R.L.</b>  | Internet Software and Services         | LIBOR (3 months) + 2.50%, Current Coupon 5.12%, Secured Debt (Maturity - March 17, 2025)     | 1,237     | 1,231  | 1,219      |
| <b>Traverse Midstream Partners LLC</b>           | Oil, Gas and Consumable Fuels          | LIBOR (3 months) + 4.00%, Current Coupon 6.60%, Secured Debt (Maturity - September 27, 2024) | 781       | 784    | 752        |
| <b>UFC Holdings, LLC</b>                         | Media                                  | LIBOR (3 months) + 3.25%, Current Coupon 5.78%, Secured Debt (Maturity - August 18, 2023)    | 1,965     | 1,977  | 1,920      |
| <b>USS Ultimate Holdings, Inc. (United Site)</b> | Consumer Services                      | LIBOR (1 month) + 3.75%, Current Coupon 6.09%, Secured Debt (Maturity - August 26, 2024)     | 598       | 590    | 590        |
| <b>Utz Quality Foods, LLC</b>                    | Food Products                          | LIBOR (1 month) + 3.50%, Current Coupon 6.02%, Secured Debt (Maturity - November 21, 2024)   | 1,584     | 1,583  | 1,539      |
| <b>VeriFone Systems, Inc.</b>                    | Hardware                               | LIBOR (1 month) + 4.00%, Current Coupon 6.64%, Secured Debt (Maturity - August 20, 2025)     | 500       | 490    | 485        |
| <b>Vertafore, Inc.</b>                           | Software                               | LIBOR (1 month) + 3.25%, Current Coupon 6.05%, Secured Debt (Maturity - July 2, 2025)        | 2,500     | 2,488  | 2,384      |
| <b>Vertiv Group Corporation</b>                  | Electrical Equipment                   | LIBOR (3 months) + 4.00%, Current Coupon 6.71%, Secured Debt (Maturity - November 30, 2023)  | 1,555     | 1,570  | 1,420      |
| <b>Vistra Operations Company LLC</b>             | Electric Utilities                     | LIBOR (1 month) + 2.25%, Current Coupon 4.77%, Secured Debt (Maturity - December 14, 2023)   | 1,965     | 1,977  | 1,895      |
| <b>Web.Com Group, Inc.</b>                       | Internet Software and Services         | LIBOR (3 months) + 3.75%, Current Coupon 6.17%, Secured Debt (Maturity - October 10, 2025)   | 1,000     | 1,000  | 965        |

**HMS-ORIX**  
**Loan Portfolio**  
**As of December 31, 2018**  
(dollars in thousands)

| Portfolio Company                                 | Industry                               | Type of Investment   | Principal                | Cost                     | Fair Value               |
|---|--|--|--------------------------|--------------------------|--------------------------|
| <b>West Corporation</b>                           | Diversified Telecommunication Services | LIBOR (3 months) + 3.50%, Current Coupon 6.03%, Secured Debt (Maturity - October 10, 2024) | \$ 647                   | \$ 646                   | \$ 593                   |
|   |  | LIBOR (3 months) + 4.00%, Current Coupon 6.53%, Secured Debt (Maturity - October 10, 2024) | 1,021                    | 1,011                    | 941                      |
|   |  |  | <u>1,668</u>             | <u>1,657</u>             | <u>1,534</u>             |
| <b>WideOpenWest Finance, LLC</b>                  | Diversified Telecommunication Services | LIBOR (1 month) + 3.25%, Current Coupon 5.72%, Secured Debt (Maturity - August 18, 2023)   | 3,461                    | 3,471                    | 3,215                    |
| <b>William Morris Endeavor Entertainment, LLC</b> | Recreation Facilities and Services     | LIBOR (3 months) + 2.75%, Current Coupon 5.28%, Secured Debt (Maturity - May 16, 2025)     | 638                      | 608                      | 608                      |
| <b>Zekelman Industries, Inc</b>                   | Manufactured Goods                     | LIBOR (1 month) + 2.25%, Current Coupon 4.86%, Secured Debt (Maturity - June 14, 2021)     | 1,000                    | 985                      | 970                      |
| <b>Total Loan Portfolio</b>                       |  |  | <u><u>\$ 165,025</u></u> | <u><u>\$ 164,570</u></u> | <u><u>\$ 157,923</u></u> |

For the three months ended March 31, 2019 and 2018, we recognized approximately \$546,000 and \$525,000, 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**  
(dollars in thousands)

|  | As of March 31,<br>2019  | As of December 31,<br>2018 |
|--|--------------------------|----------------------------|
| <b>Assets</b>  |                          |                            |
| Portfolio investments at fair value (amortized cost: \$169,827 and \$164,570 as of March 31, 2019 and December 31, 2018, respectively) | \$ 167,819               | \$ 157,923                 |
| Cash and cash equivalents  | 7,440                    | 3,873                      |
| Receivable for securities sold   | —                        | —                          |
| Interest receivable  | 297                      | 197                        |
| Deferred financing costs, net  | 400                      | 497                        |
| Other assets   | 4                        | 30                         |
| <b>Total assets</b>  | <u><u>\$ 175,960</u></u> | <u><u>\$ 162,520</u></u>   |
| <b>Liabilities</b>   |                          |                            |
| Credit facilities payable  | \$ 123,130               | \$ 98,818                  |
| Payable for securities purchased   | 1,987                    | 18,442                     |
| Distributions payable  | 911                      | 902                        |
| Accounts payable and accrued expenses  | 996                      | 439                        |
| <b>Total liabilities</b>   | <u>127,024</u>           | <u>118,601</u>             |
| <b>Net assets</b>  |                          |                            |
| <b>Members' equity</b>   | <u>48,936</u>            | <u>43,919</u>              |
| <b>Total net assets</b>  | <u>48,936</u>            | <u>43,919</u>              |
| <b>Total liabilities and net assets</b>  | <u><u>\$ 175,960</u></u> | <u><u>\$ 162,520</u></u>   |

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

|  | <b>Three Months Ended</b> |                       |
|--|---------------------------|-----------------------|
|  | <b>March 31, 2019</b>     | <b>March 31, 2018</b> |
| <b>Investment income</b>   |                           |                       |
| Interest income  | \$ 2,548                  | \$ 1,734              |
| Dividend income  | —                         | —                     |
| Fee income   | —                         | —                     |
| Other income   | —                         | —                     |
| <b>Total investment income</b>   | <b>2,548</b>              | <b>1,734</b>          |
| <b>Expenses</b>  |                           |                       |
| Interest expense   | 1,247                     | 850                   |
| Other expenses   | —                         | —                     |
| General and administrative expenses  | 11                        | 21                    |
| <b>Total expenses</b>  | <b>1,258</b>              | <b>871</b>            |
| <b>Net investment income</b>   | <b>1,290</b>              | <b>863</b>            |
| <b>Net realized loss from investments</b>                                  | <b>(1)</b>                | <b>(26)</b>           |
| <b>Net realized income</b>   | <b>1,289</b>              | <b>837</b>            |
| <b>Net change in unrealized appreciation (depreciation) on investments</b> | <b>4,639</b>              | <b>(59)</b>           |
| <b>Net increase in net assets resulting from operations</b>                | <b>\$ 5,928</b>           | <b>\$ 778</b>         |

## PORTFOLIO ASSET QUALITY

As of March 31, 2019, we owned a broad portfolio of 201 investments in 128 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:

- 44 debt investments in 42 Middle Market portfolio companies with an aggregate fair value of approximately \$396.5 million and a cost basis of approximately \$420.2 million. The Middle Market 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 82.9% of the Middle Market debt investments were secured by first priority liens. Further, 96.3% of the Middle Market debt investments contain variable interest rates, though a majority of the investments with variable rates are subject to contractual minimum base interest rates between 100 and 150 basis points.
- 49 debt investments in 45 Private Loan portfolio companies with an aggregate fair value of approximately \$418.6 million and a cost basis of approximately \$419.3 million. The Private Loan debt investments had a weighted average annual effective yield of approximately 10.4%, which is calculated assuming the investments on non-accrual status have a zero yield, and 91.0% of the Private Loan debt investments were secured by first priority liens. Further, 94.8% of the Private Loan debt investments contain variable interest rates, though a majority of the investments with variable interest rates are subject to contractual minimum base interest rates between 100 and 150 basis points.
- 38 debt investments in 30 LMM portfolio companies with an aggregate fair value of approximately \$134.1 million and a cost basis of approximately \$134.5 million. The LMM debt investments had a weighted average annual effective yield of approximately 12.5%, and 100.0% of the debt investments were secured by first priority liens. Also, 51.8% of the LMM debt investments are fixed rate investments with fixed interest rates between 8.0% and 16.0%. Also, 26 LMM debt investments, representing approximately 48.2% of the LMM debt investments have variable interest rates subject to a contractual minimum base interest rate of 100 basis points.
- 63 equity investments and seven equity warrant investments in 29 LMM portfolio companies, 11 Private Loan portfolio companies, five Middle Market portfolio companies and six Other Portfolio companies with an aggregate fair value of approximately \$160.8 million and a cost basis of approximately \$139.5 million.

Overall, as of March 31, 2019, our investment portfolio had a weighted average effective yield on our investments of approximately 9.6%, and 76.0% of our total portfolio's investments (including our Other Portfolio investments) were secured by first priority liens.

As of March 31, 2019, we had four investments in two portfolio companies that were on non-accrual status, which comprised approximately 0.1% of our total investment portfolio at fair value and 0.4% of the total investment portfolio at cost. As of

December 31, 2018, we had five investments in three portfolio companies that were on non-accrual status, which comprised approximately 0.4% of the total investment portfolio at fair value and 0.6% of the total investment portfolio at cost. For those investments in which S&P credit ratings are available, which represents approximately 29.0% of the portfolio as of March 31, 2019, 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 March 31, 2019 and December 31, 2018 (dollars in thousands):

| Investment Rating | March 31, 2019            |                                   | December 31, 2018         |                                   |
|-------------------|---------------------------|-----------------------------------|---------------------------|-----------------------------------|
|                   | Investments at Fair Value | Percentage of Total LMM Portfolio | Investments at Fair Value | Percentage of Total LMM Portfolio |
| 1                 | \$ 58,578                 | 27.0%                             | \$ 56,937                 | 27.1%                             |
| 2                 | 8,905                     | 4.1                               | 15,038                    | 7.1                               |
| 3                 | 136,478                   | 62.8                              | 124,397                   | 59.2                              |
| 4                 | 9,886                     | 4.6                               | 10,718                    | 5.1                               |
| 5                 | 3,332                     | 1.5                               | 3,184                     | 1.5                               |
| <b>Total</b>      | <b>\$ 217,179</b>         | <b>100.0%</b>                     | <b>\$ 210,274</b>         | <b>100.0%</b>                     |

Based upon this investment rating system, the weighted average rating of our LMM portfolio at fair value was approximately 2.5 as of both March 31, 2019 and December 31, 2018.

## DISCUSSION AND ANALYSIS OF RESULTS OF OPERATIONS

### RESULTS COMPARISONS FOR THE THREE MONTHS ENDED MARCH 31, 2019 AND MARCH 31, 2018

#### *Total Investment Income, Operating Expenses, Net Assets*

For the three months ended March 31, 2019 and 2018, our total investment income was approximately \$29.2 million and \$24.0 million, respectively, consisting predominately of interest income and dividend income. The increase in total investment income was primarily driven by an increase in interest income of approximately \$4.0 million and an increase in dividend income of approximately \$1.1 million. The increase in interest income was primarily due to an increase in the weighted average annual effective yield on investments. As of March 31, 2019, the portfolio had a weighted average annual effective yield on investments of approximately 9.6% compared to 8.9% as of March 31, 2018. The increase in the weighted average annual effective yield is largely due to higher yielding Private Loan and Middle Market investments during the three months ended March 31, 2019 compared to the three months ended March 31, 2018. Dividend income increased primarily due to improving performance of certain of our Lower Middle Market equity investments.

For the three months ended March 31, 2019 and 2018, we recognized \$361,000 and \$334,000, respectively, of non-recurring fee income received from our portfolio companies or other third parties, which accounted for approximately 1.2% and 1.4%, 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 three months ended March 31, 2019 and 2018, expenses, net of incentive fee and administrative services expense waivers, were approximately \$15.3 million and \$11.8 million, respectively. The increase in expenses is primarily due to (i) an increase in interest expense of \$2.0 million and (ii) an increase in incentive fees of \$1.4 million. Interest expense increased primarily due to an increase in our average borrowings of approximately \$60.5 million during the period and an increase in our cost of borrowing on the Credit Facilities. Average borrowings under the Credit Facilities were \$504.5 million for the three months ended March 31, 2019 compared to \$444.0 million for the three months ended March 31, 2018. As of March 31, 2019 and 2018, the annualized interest rate on borrowings was 5.1% and 4.4%, respectively. For the three months ended March 31, 2019, the Advisers earned a \$1.4 million subordinated incentive fee on income, while no such fee was earned for the three months ended March 31, 2018.

For the three months ended March 31, 2019, the net increase in net assets resulting from operations (gross of stockholder distributions declared) was approximately \$18.8 million. The increase was attributable to (i) net investment income of approximately \$13.9 million and (ii) net unrealized appreciation on investments of approximately \$12.1 million, offset by realized losses on investments of approximately \$7.1 million.

For the three months ended March 31, 2018, the net increase in net assets resulting from operations (gross of stockholder distributions declared) was approximately \$15.6 million. The increase was attributable to (i) net investment income of approximately \$12.2 million and (ii) unrealized appreciation on investments of approximately \$10.6 million, offset by net realized losses of approximately \$7.2 million.

## ***FINANCIAL CONDITION, LIQUIDITY AND CAPITAL RESOURCES***

### ***Overview***

As of March 31, 2019, we had approximately \$18.3 million in cash and cash equivalents, which we held in various custodial accounts. In addition, as of March 31, 2019, we had \$70.0 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, subject to asset coverage restrictions under the 1940 Act. See “*Financial Condition, Liquidity and Capital Resources — Financing Arrangements.*”

As of March 31, 2019, we had 33 senior secured loan investments and four equity investments with aggregate unfunded commitments of \$45.1 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 three months ended March 31, 2019, we experienced a net decrease in cash and cash equivalents of approximately \$3.4 million. During that period, approximately \$19.4 million of cash was generated from our operating activities, which principally consisted of principal repayments from and sales of investments in portfolio companies of \$39.0 million and a net increase in net assets resulting from operations of approximately \$18.8 million, offset by the purchase of new portfolio investments of \$34.2 million. During the three months ended March 31, 2019, approximately \$22.9 million was used in financing activities, which principally consisted of a net \$9.0 million decrease in borrowings under the Credit Facilities, \$6.6 million used for the redemption of our common stock and \$7.2 million in cash distributions paid to stockholders.

For the three months ended March 31, 2018, we experienced a net decrease in cash and cash equivalents of approximately \$21.3 million. During that period, approximately \$32.9 million of cash was used in our operating activities, which principally consisted of the purchase of new portfolio investments of \$181.8 million, offset by principal repayments from and sales of investments in portfolio companies of \$133.0 million and a net increase in net assets resulting from operations of approximately \$15.6 million. During the three months ended March 31, 2018, approximately \$11.6 million was generated from financing activities, which principally consisted of a net \$28.0 million increase in borrowings under the Credit Facilities, offset by \$6.9 million in cash distributions paid to stockholders and \$9.4 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 three months ended March 31, 2019, we raised proceeds of \$6.4 million from our distribution reinvestment plan.

During the three months ended March 31, 2018, we raised proceeds of \$6.9 million from our distribution reinvestment plan.

### Distributions

The following table reflects the cash distributions per share that we have declared on our common stock during the three months ended March 31, 2019 and 2018 (dollars in thousands except per share amounts).

|                                   | Distributions |           |
|-----------------------------------|---------------|-----------|
|                                   | Per Share     | Amount    |
| <b>2019</b>                       |               |           |
| Three months ended March 31, 2019 | \$ 0.17       | \$ 13,606 |
| <b>2018</b>                       |               |           |
| Three months ended March 31, 2018 | \$ 0.17       | \$ 13,803 |

On March 26, 2019, with the authorization of our board of directors, we declared distributions to our stockholders for the period of April 2019 through June 2019. These distributions have been, or will be, calculated based on stockholders of record each day from April 1, 2019 through June 30, 2019 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, 2018, 2017 and 2016, respectively, the tax characteristics of distributions paid to shareholders were as follow (amounts in thousands):

| Tax Characteristics of Distributions | Year Ended December 31, |         |           |         |           |         |
|--------------------------------------|-------------------------|---------|-----------|---------|-----------|---------|
|                                      | 2018                    |         | 2017      |         | 2016      |         |
| Ordinary income                      | \$ 50,274               | 90.56%  | \$ 52,473 | 96.43%  | \$ 44,848 | 93.90%  |
| Capital gain distributions           | 5,238                   | 9.44    | 1,941     | 3.57    | 2,913     | 6.10    |
| Total                                | \$ 55,512               | 100.00% | \$ 54,414 | 100.00% | \$ 47,761 | 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 March 31, 2019, 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, 2019 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 limits on the amount of funds that we may use from legally available sources to make 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 March 31, 2019, we had \$120.0 million outstanding and no availability under our TIAA Credit Facility, and \$380.0 million outstanding and \$70.0 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 6 — *Borrowings* to the consolidated financial statements included in our Annual Report on Form 10-K (as amended) for the year ended December 31, 2018 as well as Note 5 — *Borrowings* to the condensed consolidated financial statements included elsewhere in this Report.

As a BDC, we are 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. The Small Business Credit Availability Act, enacted into law in March 2018, 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 March 31, 2019 and December 31, 2018, our asset coverage ratio under BDC regulations was 226% and 223%, respectively.

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 March 31, 2019, we had \$500.0 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 March 31, 2019 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 <sup>(1)</sup>          | \$ 120,000                                    | \$ 120,000       | \$ —      | \$ —       | \$ —          |
| Deutsche Bank Credit Facility <sup>(2)</sup> | 380,000                                       | —                | —         | 380,000    | —             |
| Total Credit Facilities                      | \$ 500,000                                    | \$ 120,000       | \$ —      | \$ 380,000 | \$ —          |

(1) At March 31, 2019, we had no availability under our TIAA Credit Facility.

(2) At March 31, 2019, \$70.0 million remained available under the Deutsche Bank Credit Facility; however, our borrowing ability is limited to the asset coverage restrictions imposed by the 1940 Act, as discussed above.

### Off-Balance Sheet Arrangements

As of March 31, 2019, we had a total of approximately \$45.1 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 appreciation of approximately \$265,000 on our outstanding unfunded loan commitments and no unrealized appreciation or depreciation on our outstanding unfunded capital commitments during the three months ended March 31, 2019. 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, 2018, we had a total of approximately \$62.5 million in outstanding commitments comprised of (i) 36 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 \$132,000 on our outstanding unfunded loan commitments and no unrealized appreciation or depreciation on our outstanding unfunded capital commitments during the year ended December 31, 2018. We had equity commitments of up to \$30.0 million to HMS-ORIX, which were fully funded as of March 31, 2019 and December 31, 2018.

|                                    | Commitments and Contingencies<br>(dollars in thousands) |                   |
|------------------------------------|---|-------------------|
|                                    | March 31, 2019  | December 31, 2018 |
| <b>Unfunded Loan Commitments</b>   |   |                   |
| Adams Publishing Group, LLC        | \$ 985  | \$ 1,735          |
| American Nuts, LLC                 | 281   | 1,266             |
| Apex Linen Services, Inc.          | 403   | 403               |
| Arcus Hunting, LLC                 | 1,374   | 904               |
| ASC Ortho Management Company, LLC  | 750   | 750               |
| BarFly Ventures, LLC               | —   | 123               |
| BBB Tank Services                  | 100   | 200               |
| BigName Holdings, LLC              | 29  | 29                |
| Boccella Precast Products, LLC     | 500   | 500               |
| Centre Technologies Holdings, LLC  | 600   | —                 |
| Chamberlin HoldCo, LLC             | 400   | 400               |
| Charps, LLC                        | 1,000   | 1,000             |
| Clad-Rex Steel, LLC                | —   | 100               |
| CTVSH, PLLC                        | 200   | 200               |
| Direct Marketing Solutions, Inc.   | 400   | 400               |
| DTE Enterprises, LLC               | 750   | 750               |
| Dynamic Communities, LLC           | 250   | 250               |
| Gamber-Johnson Holdings, LLC       | 300   | 300               |
| GRT Rubber Technologies, LLC       | 3,259   | 4,125             |
| Guerdon Modular Holdings, Inc.     | 400   | 400               |
| Hawk Ridge Systems, LLC            | —   | 400               |
| HDC/HW Intermediate Holdings, Inc. | 180   | 180               |
| Hoover Group, Inc.                 | 1,450   | 2,375             |
| HW Temps LLC                       | 200   | 200               |
| Implus Footcare, LLC               | —   | 44                |

| Commitments and Contingencies<br>(dollars in thousands) |                  |                   |  |
|---|------------------|-------------------|--|
|   | March 31, 2019   | December 31, 2018 |  |
| Independent Pet Partners Intermediate Holdings, LLC     | \$ 12,888        | \$ 22,244         |  |
| Jacent Strategic Merchandising, LLC                     | 441              | —                 |  |
| KMC Acquisition, LLC                                    | 500              | 500               |  |
| Laredo Energy VI, LP                                    | 1,750            | —                 |  |
| Market Force Information, Inc.                          | 260              | 350               |  |
| Meisler Operating, LLC                                  | 400              | 400               |  |
| Mystic Logistics Holdings, LLC                          | 200              | 200               |  |
| New Era Technology, Inc.                                | 479              | 479               |  |
| NexRev, LLC   | 1,000            | 1,000             |  |
| NuStep, LLC   | 300              | 300               |  |
| SI East, LLC  | 2,500            | 2,500             |  |
| Tedder Acquisition, LLC                                 | 180              | 180               |  |
| Volusion LLC  | —                | 1,961             |  |
| Wireless Vision Holdings, LLC                           | —                | 693               |  |
| <b>Unfunded Capital Commitments</b>                     |                  |                   |  |
| Brightwood Capital Fund III, LP                         | 1,000            | 1,000             |  |
| Brightwood Capital Fund IV, LP                          | 5,000            | 8,000             |  |
| Copper Trail Energy Fund I LP                           | 1,694            | 1,754             |  |
| Freeport Financial Funds                                | 2,744            | 3,942             |  |
| <b>Total</b>  | <b>\$ 45,147</b> | <b>\$ 62,537</b>  |  |

### Recent Developments and Subsequent Events

On April 12, 2019, 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 796,617.07 shares of our issued and outstanding common stock, par value \$0.001 per share, at up to approximately \$6.4 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 May 8, 2019, HMS-ORIX Holdings I LLC, a wholly owned subsidiary of HMS-ORIX, which holds all of the investments in broadly-syndicated loans held by HMS-ORIX, was merged (the “HMS-ORIX Holdings Merger”) into Mariner CLO 7, Ltd., an exempted company incorporated under the laws of the Cayman Islands (“Mariner CLO”). In connection with the HMS-ORIX Holdings Merger, HMS-ORIX made certain distributions to its members. We used the cash proceeds it received from the HMS-ORIX Holdings Merger to purchase an aggregate principal amount of approximately \$25.9 million of the “Subordinated Notes” due in 2032 issued by Mariner CLO in connection with an offering of \$405.9 million aggregate principal amount of notes (the “CLO Offering”). The CLO Offering’s Subordinated Notes are unsecured obligations of Mariner CLO, junior to the secured notes, and distributions to the holders of the Subordinated Notes will be made solely from distributions on the collateral held by Mariner CLO after all other payments required to be made to the holders of the secured notes have been made. The collateral for the notes issued by the Mariner CLO consists primarily of senior secured floating rate leveraged loans made to corporate and other business entities.

### 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 March 31, 2019, approximately 88.7% of our LMM, Private Loan, and Middle Market portfolio debt investments (based on cost) contained floating interest rates. As of March 31, 2019, the one-month LIBOR was approximately 2.49% and the three-month LIBOR was approximately 2.60%. 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 affect 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 March 31, 2019.

| <b>Change in interest rates</b> | <b>Increase (Decrease) in Interest Income</b> | <b>Increase (Decrease) in Interest Expense</b> | <b>Net Increase (Decrease) in Net Investment Income</b> |
|---------------------------------|---|--|---|
| Down 200 basis points           | \$ (12,838)                                   | \$ (10,000)                                    | (2,838)   |
| Down 100 basis points           | (8,653)                                       | (5,000)  | (3,653)   |
| Down 50 basis points            | (4,380)                                       | (2,500)  | (1,880)   |
| Up 50 basis points              | 4,388   | 2,500  | 1,888   |
| Up 100 basis points             | 8,777   | 5,000  | 3,777   |
| Up 200 basis points             | 17,553  | 10,000   | 7,553   |

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 March 31, 2019, 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 March 31, 2019 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 March 31, 2019 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 our annual report on Form 10-K (as amended) for the year ended December 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<br>Shares Purchased | Average<br>Price Paid<br>per Share | Total Number of Shares<br>Purchased as Part of<br>Publicly Announced<br>Plans or Programs | Maximum Number (or<br>Approximate Dollar Value) of<br>Shares that May Yet Be<br>Purchased Under the Plans or<br>Programs (in millions) |
|--|-------------------------------------|------------------------------------|---|--|
| January 1, 2019 through January 31, 2019   | —                                   | \$ —                               | —   | —  |
| February 1, 2019 through February 28, 2019 | 820,174.35                          | 7.99                               | 820,174.35  | —  |
| March 1, 2019 through March 31, 2019       | —                                   | —                                  | —   | —  |
| Total                                      | <u>820,174.35</u>                   | <u>7.99</u>                        | <u>820,174.35</u>   | <u>—</u>   |

### Item 3. Defaults upon Senior Securities.

None.

### Item 4. Mine Safety Disclosures.

Not applicable.

### Item 5. Other Information.

Not applicable.

**Item 6. Exhibits.**

| <b>Exhibit<br/>No.</b> | <b>Description</b>   |
|------------------------|--|
| 10.1                   | Fourth Quarter 2018 Conditional Income Incentive Fee Waiver Agreement, dated as of March 4, 2019, 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 March 4, 2019 (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: May 14, 2019

By: /s/ SHERRI W. SCHUGART

Sherri W. Schugart

Chairman, Chief Executive Officer and  
President

Date: May 14, 2019

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: May 14, 2019

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: May 14, 2019

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 March 31, 2019, 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: May 14, 2019

By: /s/ SHERRI W. SCHUGART

Sherri W. Schugart

Chairman, Chief Executive  
Officer and President

Date: May 14, 2019

By: /s/ RYAN T. SIMS

Ryan T. Sims

Chief Financial Officer and  
Secretary