UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, DC 20549

FORM 10-K

(Mark One)

☑ **ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**
For the fiscal year ended December 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	**45-3999996**
(State or Other Jurisdiction of Incorporation or Organization)	*(I.R.S. Employer Identification No.)*
2800 Post Oak Boulevard, Suite 5000, Houston, Texas	**77056-6118**
(Address of Principal Executive Offices)	*(Zip Code)*

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

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
None	N/A	N/A

Securities registered pursuant to Section 12(g) of the Act: Common Stock, par value $.001

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes☐ No ☑

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Exchange Act. Yes☐ No ☑

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 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 Act). Yes☐ No ☑

There is no established market for the Registrant's shares of common stock. The Registrant has filed with the Securities and Exchange Commission (the "SEC") a registration statement on Form N-2 (File No. 333-204659) (the "Registration Statement"), most recently declared effective on May 1, 2017, registering for sale up to $1,500,000,000 worth of shares of common stock.

As of March 18, 2020, there were 78,424,696 shares of the Registrant's common stock outstanding.

DOCUMENTS INCORPORATED BY REFERENCE

None.

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PART I

Special Note Regarding Forward-Looking Statements

Statements in this Annual Report on Form 10-K (this "Form 10-K") that are not historical facts (including any statements concerning investment objectives, economic updates, other plans and objectives of management for future operations or economic performance, or assumptions or forecasts related thereto) are forward-looking statements. These statements are only predictions. We caution that forward-looking statements are not guarantees. Actual events or our investments and results of operations could differ materially from those expressed or implied in the forward-looking statements. Forward-looking statements are typically identified by the use of terms such as "may," "should," "expect," "could," "intend," "plan," "anticipate," "estimate," "believe," "continue," "predict," "potential" or the negative of such terms and other comparable terminology.

The forward-looking statements in this Form 10-K are based on our current expectations, plans, estimates, assumptions and beliefs that involve numerous risks and uncertainties. Assumptions relating to the foregoing involve judgments with respect to, among other things, future economic, competitive and market conditions and future business decisions, all of which are difficult or impossible to predict accurately and many of which are beyond our control. Any of the assumptions underlying forward-looking statements could be inaccurate. To the extent that our assumptions differ from actual results, our ability to meet such forward-looking statements, including our ability to generate positive cash flow from operations, provide distributions to our stockholders and maintain the value of the investments in which we hold an interest, may be significantly hindered.

Our stockholders are cautioned not to place undue reliance on any forward-looking statement in this Form 10-K. All forward-looking statements are made as of the date of this Form 10-K, and the risk that actual results will differ materially from the expectations expressed in this Form 10-K may increase with the passage of time. In light of the significant uncertainties inherent in the forward-looking statements in this Form 10-K, the inclusion of such forward-looking statements should not be regarded as a representation by us or any other person that the objectives and plans set forth in this Form 10-K will be achieved. We expressly disclaim any responsibility to update forward-looking statements, whether a result of new information, future events or otherwise, except as required by law. The forward-looking statements and projections contained in this Form 10-K are excluded from the safe harbor protection provided by Section 27A of the Securities Act of 1933, as amended (the "Securities Act") and Section 21E of the Securities Exchange Act of 1934, as amended (the "Exchange Act"). Please see "Item 1A. Risk Factors" for a discussion of some of the risks and uncertainties that could cause actual results to differ materially from those presented in certain forward-looking statements.

Forward-Looking Statements

Some of the statements in this Form 10-K constitute forward-looking statements because they relate to future events or our future performance or financial condition. The forward-looking statements contained in this Form 10-K 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, 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.

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 "Item 1A. Risk Factors" and elsewhere in this Form 10-K. Other factors that could cause actual results to differ materially include:

- changes in economic and political conditions;
- 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.

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 SEC, including annual reports on Form 10-K, quarterly reports on Form 10-Q and current reports on Form 8-K.

Item 1. ***Business***

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 business development company ("BDC") under the Investment Company Act of 1940, as amended (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").

We refer to HMS Income Fund, Inc., collectively with its consolidated subsidiaries, as the "Company," and the use of "we," "our," "us" or similar pronouns in this Form 10-K refers to HMS Income Fund, Inc. or the Company as required by the context in which such pronoun is used.

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 such 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 lower middle market ("LMM") companies, which generally have annual revenues between $10 million and $150 million, and middle market ("Middle Market") companies that are generally larger in size than the LMM companies and have annual revenues typically between $10 million and $3 billion. Our LMM and Middle Market portfolio investments generally range in size from $1 million to $15 million. 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 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 under the Initial Offering, including proceeds from the distribution 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 registration statement on Form N-2 that was initially declared effective on October 6, 2016 and most recently declared effective on May 1, 2017. With the approval of our board of directors, we closed the Offering to new investors effective September 30, 2017. We continue to operate the distribution reinvestment plan, pursuant to which stockholders may elect to have their cash distributions reinvested in additional shares of our common stock. Through December 31, 2019, we raised approximately $236.3 million in the Offering including proceeds from the distribution reinvestment plan of approximately$104.6 million.

We have five wholly owned subsidiaries. HMS Funding I LLC ("HMS Funding"), HMS Equity Holding, LLC ("HMS Equity Holding") and HMS California Holdings GP LLC ("HMS California Holdings GP") were each organized as Delaware limited liability companies, HMS Equity Holding II, Inc. ("HMS Equity Holding II") was organized as a Delaware corporation and HMS California Holdings LP ("HMS California Holdings") was organized as a Delaware limited partnership. HMS Funding was created pursuant to the Deutsche Bank Credit Facility (as defined below) in order to function as a "Structured Subsidiary," which is permitted to incur debt outside of the TIAA Credit Facility (as defined below) since it is not a guarantor under the TIAA Credit Facility. HMS Equity Holding and HMS Equity Holding II, which have elected to be taxable entities, primarily hold equity investments in 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 wholly owned 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”). Our Adviser oversees the management of our activities and is responsible for making investment decisions with respect to, and providing day-to-day management and administration of, our investment portfolio. The Company and the Adviser have retained MSC Adviser I, LLC (the “Sub-Adviser”), a wholly owned subsidiary of Main Street, 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 (the “Advisers Act”). 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 23, 2019. The Company engaged Hines Securities, Inc. (the “Dealer Manager”), an affiliate of the Adviser, to serve as the Dealer Manager for its offerings, if any.

Employees

We do not have any direct employees, and our day-to-day investment operations are managed by our Adviser, which is also our administrator. Our executive officers consist of a chief executive officer, a president, a chief financial officer, a chief investment officer, a chief accounting officer and treasurer, and a chief compliance officer and secretary, all of whom are employees of Hines.

Corporate Information

Our executive offices are located at 2800 Post Oak Boulevard, Suite 5000, Houston, Texas 77056-6118, and our telephone number is 1-888-220-6121. We make available all of our annual reports on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K and amendments to such reports free of charge on our internet website at *www.hinessecurities.com/past-offerings/hms-income-fund/* as soon as reasonably practical after such material is electronically filed with or furnished to the SEC. These reports are also available on the SEC’s internet website at *www.sec.gov*. Information contained on our website is not incorporated by reference into this Form 10-K and stockholders should not consider information contained on our website to be part of this Form 10-K.

Overview of our Business

As of December 31, 2019, we had 37 debt investments in 34 Middle Market portfolio companies with an aggregate fair value of approximately $264.8 million and a total cost basis of approximately $296.8 million, and eight equity investments in seven Middle Market portfolio companies with an aggregate fair value of approximately $7.6 million and a total cost basis of approximately $13.9 million. As of December 31, 2019, 90.6% of our Middle Market debt investments were secured by first priority liens. Our Middle Market portfolio investments have an average investment size of $6.1 million and have a weighted average annual effective yield of approximately 8.5%. The Middle Market debt investments generally have floating interest rates at a London Interbank Offered Rate (“LIBOR”) plus a premium, subject to LIBOR floors, and have an average term of three to seven years.

As of December 31, 2019, we had 42 debt investments in 33 LMM portfolio companies with an aggregate fair value of approximately $129.6 million and a total cost basis of approximately $133.6 million, and 43 equity investments in 32 LMM portfolio companies with an aggregate fair value of approximately $95.6 million and a total cost basis of approximately $61.5 million. Our LMM debt investments generally have terms of five to seven years, with limited required amortization prior to maturity, and provide for monthly or quarterly payment of interest. We typically structure our LMM debt investments with the maximum seniority and collateral that we can reasonably obtain while seeking to achieve our total return target. In most cases, our LMM debt investment will be collateralized by a first or second priority lien on substantially all the assets of the portfolio company. As of December 31, 2019, our LMM debt investments had a weighted average annual effective yield of approximately 11.8%, and 99.4% of such investments were secured by first priority liens on the assets of the LMM portfolio companies. The LMM equity investments consist of equity ownership interests in the LMM portfolio companies and warrants to acquire equity interests in the LMM portfolio companies.

As of December 31, 2019, we had 52 debt investments in 47 Private Loan portfolio companies with an aggregate fair value of approximately $460.4 million and a cost basis of approximately $463.8 million, and 20 equity investments in 12 Private Loan portfolio companies with an aggregate fair value of approximately $20.7 million and a cost basis of approximately $17.4 million. The Private Loan debt investments had a weighted average annual effective yield of approximately 9.7%, and 93.8% of the Private Loan debt investments were secured by first priority liens.

As of December 31, 2019, we had eight Other Portfolio investments with an aggregate fair value of approximately $48.9 million and a cost basis of approximately $53.1 million, which comprised 4.8% of our investment portfolio at fair value.

The value of our investment portfolio will fluctuate with changes in market pricing of our underlying investments, and over the past two years, our portfolio has experienced net realized losses and net unrealized depreciation due to the underperformance of specific investments. In the case of realized losses, several investments requiring restructuring were tied to the oil and gas and retail sectors, which have been negatively impacted due to changes in market conditions. Although we have offset these items with net unrealized appreciation in our LMM equity investments during the same period, the net impact of the changes to our portfolio values, a declining interest rate environment and increasing operating expenses over this time frame have resulted in a decline in our NAV from $8.15 per share as of December 31, 2017 to $7.77 per share as of December 31, 2019.

We invest in customized direct secured and unsecured loans to and equity securities of LMM companies. In most cases, companies that issue customized LMM securities to us will be privately held at the time we invest in them. Typically, our investments in LMM companies require us to co-invest with Main Street and/or its affiliates. These types of co-investments required us to obtain an exemptive order from the SEC as discussed below. While the structure of our investments in customized LMM securities is likely to vary, we may invest in senior secured debt, senior unsecured debt, subordinated secured debt, subordinated unsecured debt, mezzanine debt, convertible debt, convertible preferred equity, preferred equity, common equity, warrants and other instruments, many of which generate current yields. We will make other investments as allowed by the 1940 Act and consistent with our continued qualification as a RIC. For a discussion of the risks inherent in our portfolio investments, see “Item 1A. Risk Factors — Risks Relating to our Business and Structure.”

Our investments may include other equity investments, such as warrants, options to buy a minority interest in a portfolio company, or contractual payment rights or rights to receive a proportional interest in the operating cash flow or net income of such company. When determined by our Advisers to be in our best interest, we may acquire a controlling interest in a portfolio company. Any warrants we receive with our debt securities may require only a nominal cost to exercise, and thus, as a portfolio company appreciates in value, we may achieve additional investment return from this equity interest. We intend to structure such warrants to include provisions protecting our rights as a minority-interest or, if applicable, controlling-interest holder, as well as puts, or rights to sell such securities back to the company upon the occurrence of specified events. In addition, we may obtain demand or “piggyback” registration rights in connection with these equity interests.

We plan to hold many of our investments to maturity or repayment but will sell our investments earlier if a liquidity event takes place, such as the sale or recapitalization of a portfolio company, or if we determine the sale to be in our best interest.

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. 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 would otherwise be prohibited under Section 57(a)(4) of the 1940 Act. Under the co-investment program described in our application for exemptive relief, as amended, co-investments between us and Main Street will be the norm rather than the exception, as substantially all potential co-investments that are appropriate investments for us should also be appropriate investments for Main Street, and vice versa. Limited exceptions to co-investing will be based on available capital, diversification and other relevant factors. Accordingly, our Sub-Adviser treats every potential investment in customized LMM securities evaluated by Main Street as a potential investment opportunity for us, determines the appropriateness of each potential investment for co-investment by us, provides to our Adviser, in advance, information about each potential investment that it deems appropriate for us and proposes an allocation according to an investment allocation policy that is between us and Main Street and reviewed periodically by our board of directors. If our Adviser deems such potential co-investment transaction and proposed allocation appropriate for us, our Adviser will present the transaction and the proposed allocation to the members of our board of directors who are (1) not interested persons of us or Main Street, and (2) who do not have a financial interest in the proposed transaction or the proposed portfolio company, which directors are referred to as “Eligible Directors,” and our Sub-Adviser will present the transaction and the proposed allocation for Main Street to the Eligible Directors of the Main Street board of directors. Each board of directors, including a majority of the Eligible Directors of each board of directors, will approve each proposed co-investment transaction and the allocation associated therewith prior to the consummation of any co-investment transaction. No independent director on our board of directors or Main Street’s board of directors will have any direct or indirect financial interest in any co-investment transaction or any interest in any related portfolio company, other than through an interest (if any) in our or Main Street’s securities, as applicable. Additional information regarding the operation of the co-investment program is set forth in the order granting exemptive relief, which may be reviewed on the SEC’s website at *www.sec.gov*.

In addition to the co-investment program described in this Form 10-K and in the exemptive relief, we may continue to co-invest in syndicated deals and secondary loan market transactions where price is the only negotiated point.

We expect that the debt in which we invest will generally have stated terms of three to seven years. However, we are in no way limited with regard to the maturity or duration of any debt investment we may make, and we do not have a policy in place with respect to stated maturities of debt investments.

To enhance our opportunity for gain, we intend to continue to employ leverage as market conditions permit and at the discretion of our Adviser, but in no event will leverage employed exceed 50% of the value of our assets, as required by the 1940 Act.

Business Strategy

Our primary investment objective is to generate current income through debt and equity investments in LMM companies based in the United States and secured debt investments of Middle Market companies generally headquartered in the United States. 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. We have adopted the following business strategy to achieve our investment objective:

- ***Utilize the experience and expertise of the principals of our Advisers.*** The investment professionals employed by our Sub-Adviser are also the investment professionals responsible for investing and managing Main Street's securities portfolio. Main Street is a BDC whose shares are listed on the New York Stock Exchange. Main Street's primary investment focus is providing customized debt and equity financing to LMM companies and debt capital to Middle Market companies that operate in diverse industry sectors. At December 31, 2019, Main Street had debt and equity investments with an aggregate fair value of approximately $2.6 billion in 185 portfolio companies. Our Adviser's senior management team, through affiliates of Hines, has participated in the management of three publicly offered and non-traded real estate investment trusts and has extensive experience in evaluating and underwriting the credit of tenants, many of which are LMM companies, of its commercial real estate properties. The principals of our Adviser, including Sherri W. Schugart, the Chairman of our board of directors and our Chief Executive Officer, Janice E. Walker, our President, and David M. Covington, our Chief Financial Officer, have access to a broad network of relationships with financial sponsors, commercial and investment banks, LMM companies and leaders within a number of industries that we believe produce significant investment opportunities.

- ***Focus on Middle Market and LMM companies with stable cash flow.*** We believe that there are relatively few finance companies focused on transactions involving Middle Market and LMM companies, which allows us to negotiate favorable investment terms. Such favorable terms include higher debt yields and lower leverage levels, more significant covenant protection and greater equity participation than typical of transactions involving larger companies. We generally invest in established companies with positive cash flow. We believe that established companies possess better risk-adjusted return profiles than newer companies that are building management or in early stages of building a revenue base. These companies represent a significant portion of the U.S. economy and often require substantial capital investment to grow their businesses.

- ***Emphasize discipline in our underwriting policies and rigor in our portfolio management.*** We employ an underwriting process that includes a review of the prospects, competitive position, financial performance and industry dynamics of each potential portfolio company. In addition, we perform due diligence on potential investments and seek to invest with management teams and/or private equity sponsors who have proven capabilities in building value. Through our Advisers, we offer managerial assistance to our portfolio companies, giving them access to our investment experience, direct industry expertise and contacts and allowing us to continually monitor their progress. As part of the monitoring process, our Advisers analyze monthly and quarterly financial statements versus the previous periods and year, review financial projections, meet with management, attend board meetings and review all compliance certificates and covenants.

- ***Focus on long-term credit performance and principal protection.*** We structure our customized loan investments on a conservative basis with high cash yields, first and/or second lien security interests where possible, cash origination fees and lower relative leverage levels. We seek strong deal protections for our customized debt investments, including default penalties, information rights, board observation rights, and affirmative, negative and financial covenants, such as lien protection and prohibitions against change of control. We believe these protections will reduce our risk of capital loss.

- ***Diversification.*** We seek to diversify our portfolio broadly among companies in a multitude of different industries and end markets, thereby reducing the concentration of credit risk in any one company or sector of the economy. We cannot guarantee that we will be successful in this effort.

Deal Origination

Over the years, we believe the management team of Main Street, which controls our Sub-Adviser, and affiliates of Hines have developed and maintained a strong reputation as principal investors and an extensive network of relationships. Main Street sources investments of the type we expect to make on a day-to-day basis as part of operating a New York Stock Exchange-listed BDC. Main Street has business development professionals dedicated to sourcing investments through relationships with numerous loan syndication and trading desks, investment banks, private equity sponsors, business brokers, merger and acquisition advisors, finance companies, commercial banks, law firms and accountants. Moreover, through its over 62 years of experience in leasing commercial real estate on a global basis, Hines has developed relationships with a large number of Middle Market companies that are a potential source of Middle Market investment opportunities. Our Adviser also has continuous access to Main Street's professional team due to its relationship with our Sub-Adviser.

We believe that our industry relationships are a significant source for new investment opportunities. We generally source our investments in ways other than going to auctions, which include capitalizing on long-standing relationships with companies and financial sponsors to obtain access to proprietary investment opportunities.

From time to time, we may receive referrals for new prospective investments from our portfolio companies as well as other participants in the capital markets. We may pay referral fees to those who refer transactions to us that we consummate.

Investment Selection

Our investment philosophy and portfolio construction involves:

- An assessment of the overall macroeconomic environment and financial markets;
- Company-specific research and analysis;
- An emphasis on capital preservation, low volatility and minimization of downside risk;
- An assessment of the overall macroeconomic environment and financial markets;
- Company-specific research and analysis; and
- An emphasis on capital preservation, low volatility and minimization of downside risk.

The foundation of our investment philosophy is intensive credit investment analysis based on fundamental value-oriented research and diversification. Our selection process is based on:

- A comprehensive analysis of issuer creditworthiness, including a quantitative and qualitative assessment of the issuer's business;
- An evaluation of the management team;
- An analysis of business strategy and long-term industry trends; and
- An in-depth examination of capital structure, financial results and financial projections.

We seek to identify those issuers exhibiting superior fundamental risk-return profiles with a particular focus on investments with the following characteristics:

- *Established companies with a history of positive and stable operating cash flows.* We seek to invest in established companies with sound historical financial performance. We typically focus on companies with a history of profitability. We generally will not invest in start-up companies or companies with speculative business plans.
- *Ability to exert meaningful influence.* We target investment opportunities in which we will be the lead investor where we can add value through active participation.
- *Experienced management team.* We generally require that our portfolio companies have an experienced management team. We also seek to invest in companies that have a strong equity incentive program in place that properly aligns the interests of management with a company's investors.
- *Strong franchises and sustainable competitive advantages.* We seek to invest in companies with proven products and/or services and strong regional or national operations.
- *Industries with positive long-term dynamics.* We seek to invest in companies in industries with positive long-term dynamics.
- *Companies with exit alternative/refinancing.* We generally exit from most debt investments through the portfolio company's repayment of the debt to us or a successful refinancing with another debt provider. We may exit our equity positions by selling the equity back to the portfolio company or to another party if the company undergoes a transaction such as a merger or an acquisition. We typically assist our portfolio companies in developing and

planning refinancing or exit opportunities, including any sale or merger of our portfolio companies. We may also assist in the structure, timing, execution and transition of the exit strategy or refinancing.

Except as restricted by the 1940 Act or the Code, we deem all of our investment policies to be non-fundamental, which means that they may be changed by our board of directors without stockholder approval.

Intensive Credit Analysis / Due Diligence

The process through which our Advisers make an investment decision with respect to a customized financing transaction in the LMM involves extensive research into the target company, its industry, its growth prospects and its ability to withstand adverse conditions. If the senior investment professional responsible for the transaction determines that an investment opportunity should be pursued, we will engage in an intensive due diligence process. Though each transaction involves a somewhat different approach, the regular due diligence steps generally to be undertaken include:

- Meeting with senior management to understand the business more fully and evaluate the ability of the senior management team;
- Checking management backgrounds and references;
- Performing a detailed review of financial performance and earnings;
- Visiting headquarters and other company locations;
- Contacting customers and vendors to assess both business prospects and industry wide practices;
- Conducting a competitive analysis and comparing the issuer to its main competitors;
- Researching industry and financial publications to understand industry wide growth trends;
- Assessing asset value and the ability of physical infrastructure and information systems to handle anticipated growth; and
- Investigating legal risks and financial and accounting systems.

For Middle Market investments, a comprehensive credit analysis is conducted and continuously maintained, the results of which are available for the transaction team to review. Our due diligence process with respect to Middle Market debt securities is necessarily less intensive than that followed for customized financings. The issuers in these private debt placements tend to be rated and have placement agents who accumulate a certain level of due diligence information prior to placing the securities. Moreover, these private placements generally have much shorter timetables for making investment decisions.

Portfolio Monitoring

Our Advisers employ several methods of evaluating and monitoring the performance and value of our investments, which include the following:

- Assessment of success in adhering to the portfolio company's business plan and compliance with covenants;
- Regular contact with portfolio company management and, if appropriate, the financial or strategic sponsor, to discuss financial position, requirements and accomplishments;
- Attendance at, and participation in, board meetings of the portfolio company; and
- Review of monthly and quarterly financial statements and financial projections for the portfolio company.

As a BDC, we are required to offer managerial assistance to our portfolio companies. This assistance could involve monitoring the operations of our portfolio companies, participating in board and management meetings, consulting with and advising officers of portfolio companies and providing other organizational and financial guidance. Our Advisers or any third-party administrator will make available such managerial assistance, on our behalf, to our portfolio companies, whether or not they request this assistance. Our Advisers' business experience makes them qualified to provide such managerial assistance. We may receive fees for these services and will reimburse our Advisers, or any third-party administrator, for their allocated costs in providing such assistance, subject to periodic review and approval by our board of directors.

Competition

Our primary competition in providing financing to Middle Market and LMM companies includes other BDCs, specialty finance companies, investment companies, opportunity funds, institutional investors, public and private buyout and other private equity funds, commercial and investment banks, commercial financing companies, and, to the extent they provide an alternative form of financing, hedge funds. Many of our competitors are substantially larger and have considerably greater financial, technical, and marketing resources than we do. For example, some competitors may have a lower cost of funds as well as access to funding sources that are not available to us. In addition, some of our competitors may have higher risk tolerances or different risk assessments, which could allow them to consider a wider variety of investments and establish more relationships than us. Furthermore, many of our competitors are not subject to the regulatory restrictions that the 1940 Act imposes on us as a BDC or the source-of-income, asset diversification and distribution requirements we must satisfy to maintain our qualification as a RIC. We use the industry information of our investment professionals to assess investment risks and determine appropriate pricing for our investments in portfolio companies. In addition, we believe that our relationships enable us to discover, and compete effectively for, financing opportunities with attractive Middle Market and LMM companies in the industries in which we seek to invest. See "Item IA. Risk Factors — Risks Relating to Our Business and Structure — *We may continue to face increasing competition for investment opportunities, which could delay deployment of our capital, reduce returns and result in losses."*

Exit Strategies/Refinancing

While we generally exit most investments through the refinancing or repayment of our debt, our Advisers typically assist our LMM portfolio companies in developing and planning exit opportunities, including any sale or merger of our portfolio companies. The Advisers may also assist in the structure, timing, execution and transition of the exit strategy. The refinancing or repayment of Middle Market debt investments typically does not require our assistance due to the additional resources available to these larger, Middle Market companies.

Determination of Net Asset Value ("NAV")

The value of our assets is determined quarterly and at such other times that an event occurs that materially affects the valuation. The valuation is made pursuant to Section 2(a)(41) of the 1940 Act, which requires that we value our assets as follows: (i) the market price for those securities for which a market quotation is readily available, and (ii) for all other securities and assets, fair value, as determined in good faith by our board of directors. As a BDC, Section 2(a)(41) of the 1940 Act requires the board of directors to determine in good faith the fair value of portfolio securities for which a market price is not available, and it does so in conjunction with the application of our valuation procedures by our Advisers.

There is no single standard for determining fair value in good faith. As a result, determining fair value requires that judgment be applied to the specific facts and circumstances of each asset while employing a valuation process that is consistently followed. Determinations of fair value involve subjective judgments and estimates. Accordingly, the notes to our consolidated financial statements refer to the uncertainty with respect to the possible effect of such valuations, and any change in such valuations in our consolidated financial statements. See "Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations — Critical Accounting Policies — *Valuation of Portfolio Investments*."

With the approval of our board of directors, we closed the Offering to new investors effective September 30, 2017. In the event we issue shares of our common stock to new investors, we will sell our shares of common stock at a price necessary to ensure that shares of common stock are not sold at a price per share, after deduction of selling commissions and any dealer manager fees, that is below our NAV per share as determined within 48 hours prior to the date of each closing. In the event of a material decline in our NAV per share which we deem to be non-temporary, and that results in a 2.5% or higher decrease of our NAV per share below our then-current net offering price, and subject to certain conditions, we will reduce our offering price accordingly.

REGULATION

Regulation as a BDC

We have elected to be regulated as a BDC under the 1940 Act. The 1940 Act contains prohibitions and restrictions relating to transactions between BDCs and their affiliates, principal underwriters and affiliates of those affiliates or underwriters. The 1940 Act requires that a majority of our directors be persons other than "interested persons," as that term is defined in the 1940 Act. In addition, the 1940 Act provides that we may not change the nature of our business so as to cease to be, or to withdraw our election as, a BDC unless approved by the lesser of (i) 67% or more of the voting securities present at a meeting if the holders of more than 50% of our outstanding voting securities are present or represented by proxy or (ii) 50% of our voting securities.

We are generally not permitted to sell our common stock at a price below NAV per share. See "Item 1A. Risk Factors — Risks Related to BDCs— *Regulations governing our operation as a BDC and RIC will affect our ability to raise, and the way in which we raise, additional capital or borrow for investment purposes, which may have a negative effect on our growth*." We may, however, sell our common stock, or warrants, options or rights to acquire our common stock, at a price below the then-current NAV of our common stock if our board of directors determines that such sale is in our best interests and the best interests of our stockholders, and our stockholders approve such sale. In addition, we may generally issue new shares of our common stock at a price below NAV in rights offerings to existing stockholders, in payment of dividends and in certain other limited circumstances.

Qualifying Assets

Under the 1940 Act, a BDC may not acquire any asset other than assets of the type listed in Section 55(a) of the 1940 Act, which are referred to as qualifying assets, unless, at the time the acquisition is made, qualifying assets represent at least 70% of the company's total assets. The principal categories of qualifying assets relevant to our business are any of the following:

1. Securities purchased in transactions not involving any public offering from the issuer of such securities, which issuer (subject to certain limited exceptions) is an eligible portfolio company, or from any person who is, or has been during the preceding 13 months, an affiliated person of an eligible portfolio company, or from any other person, subject to such rules as may be prescribed by the SEC. An eligible portfolio company is defined in the 1940 Act as any issuer which:
   a. is organized under the laws of, and has its principal place of business in, the U.S.;
   b. is not an investment company (other than a small business investment company wholly owned by the BDC) or a company that would be an investment company but for certain exclusions under the 1940 Act; and
   c. satisfies any of the following:
      i. does not have any class of securities that is traded on a national securities exchange;
      ii. has a class of securities listed on a national securities exchange, but has an aggregate market value of outstanding voting and non-voting common equity of less than $250 million;
      iii. is controlled by a BDC or a group of companies including a BDC and the BDC has an affiliated person who is a director of the eligible portfolio company; or
      iv. is a small and solvent company having total assets of not more than $4.0 million and capital and surplus of not less than $2.0 million.
2. Securities of any eligible portfolio company that we control.
3. Securities purchased in a private transaction from a U.S. issuer that is not an investment company or from an affiliated person of the issuer, or in transactions incident thereto, if the issuer is in bankruptcy and subject to reorganization or if the issuer, immediately prior to the purchase of its securities was unable to meet its obligations as they came due without material assistance other than conventional lending or financing arrangements.
4. Securities of an eligible portfolio company purchased from any person in a private transaction if there is no ready market for such securities and we already own 60% of the outstanding equity of the eligible portfolio company.
5. Securities received in exchange for or distributed on or with respect to securities described in(1) through (4) above, or pursuant to the exercise of warrants or rights relating to such securities.
6. Cash, cash equivalents, U.S. government securities or high-quality debt securities maturing in one year or less from the time of investment.

In addition, a BDC must have been organized and have its principal place of business in the U.S. and must be operated for the purpose of making investments in the types of securities described in (1), (2) or (3) above.

Managerial Assistance to Portfolio Companies

In order to count portfolio securities as qualifying assets for the purpose of the 70% test, we must either control the issuer of the securities or must offer to make available to the issuer of the securities (other than small and solvent companies described above) significant managerial assistance. However, when we purchase such securities in conjunction with one or more other persons acting together, one of the other persons in the group may make available such managerial assistance. Making available managerial assistance means any arrangement whereby the BDC, through its directors, officers or employees, offers to provide, and, if accepted, does so provide, significant guidance and counsel concerning the management, operations or business objectives and policies of a portfolio company.

Temporary Investments

Pending investment in other types of "qualifying assets," as described above, our investments may consist of cash, cash equivalents, U.S. government securities or high-quality debt securities maturing in one year or less from the time of investment, which we refer to, collectively, as temporary investments, so that 70% of our assets are qualifying assets.

Senior Securities

We are permitted, under specified conditions, to issue multiple classes of indebtedness and one class of stock senior to our common stock if our asset coverage, as that term is defined in the 1940 Act, immediately after each such issuance is at least equal to the percentage set forth in Section 61 of the 1940 Act that is applicable to us at such time. Prior to the enactment of the Small Business Credit Availability Act, or SBCAA, in March 2018, the asset coverage requirement applicable to BDCs was 200%. The SBCAA permits a BDC to be subject to an asset coverage requirement of 150% so long as it meets certain disclosure requirements and obtains certain approvals and, in the case of an unlisted BDC, makes an offer to repurchase the shares of its stockholders as of the date of the requisite approval. The reduced asset coverage requirement permits a BDC to have a ratio of total consolidated assets to outstanding indebtedness of 2:1 as compared to a maximum of 1:1 under the 200% asset coverage requirement. 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. We have not requested or obtained either such approval. In addition, while any senior securities remain outstanding, we must make provisions to prohibit any distribution to our stockholders or the repurchase of such securities or shares unless we meet the applicable asset coverage ratios at the time of the distribution or repurchase. We may also borrow amounts up to 5% of the value of our total assets for temporary or emergency purposes without regard to asset coverage, provided that any such borrowings in excess of 5% of the value of our total assets would be subject to the asset coverage ratio requirements of the 1940 Act, even if for temporary or emergency purposes. For a discussion of the risks associated with leverage, see "Item 1A. Risk Factors — Risks Related to BDCs — *Regulations governing our operation as a BDC and RIC will affect our ability to raise, and the way in which we raise, additional capital or borrow for investment purposes, which may have a negative effect on our growth*." and " *— New legislation may permit us to incur additional leverage."*

Code of Ethics

We and our Advisers have each adopted a code of ethics under Rule 17j-1 of the 1940 Act that establishes procedures for personal investments and restricts certain personal securities transactions. Personnel subject to each code may invest in securities for their personal investment accounts, including securities that may be purchased or held by us, so long as such investments are made in accordance with the code's requirements. We have included these codes of ethics as exhibits to the Registration Statement. In addition, the code of ethics is available on the EDGAR Database on the SEC's Internet site at *http://www.sec.gov*.

Compliance Policies and Procedures

We and our Adviser have adopted and implemented written policies and procedures reasonably designed to prevent violation of the federal securities laws, and our board of directors is required to review these compliance policies and procedures annually to assess their adequacy and the effectiveness of their implementation. Our board of directors has designated Jason Maxwell as our Chief Compliance Officer.

Proxy Policies

As an investment adviser registered under the Advisers Act, our Adviser has a fiduciary duty to act solely in the best interests of its clients. As part of this duty, it recognizes that it must vote client securities in a timely manner free of conflicts of interest and in the best interests of its clients.

These policies and procedures for voting proxies for the investment advisory clients of our Adviser are intended to comply with Section 206 of, and Rule 206(4)-6 under, the Advisers Act.

Our Adviser will vote proxies relating to our securities in the best interest of our stockholders. It will review on a case-by-case basis each proposal submitted for a stockholder vote to determine its impact on our portfolio securities. Although our Adviser will generally vote against proposals that may have a negative impact on our portfolio securities, it may vote for such a proposal if there exist compelling long-term reasons to do so.

It is unlikely that our portfolio investments will solicit proxies for stockholder votes on a regular basis. To the extent we receive proxy statements, however, we have delegated our proxy voting responsibility to our Adviser. The proxy voting policies and procedures of our Adviser are set forth below. The guidelines are reviewed periodically by our Adviser and our independent directors, and, accordingly, are subject to change.

The proxy voting decisions of our Adviser are made by the senior officers who are responsible for monitoring each of its clients' investments. To ensure that its vote is not the product of a conflict of interest, it will require that: (a) anyone involved in the decision-making process disclose to its Chief Compliance Officer any potential conflict that he or she is aware of and any contact that he or she has had with any interested party regarding a proxy vote; and (b) employees involved in the decision making process or vote administration are prohibited from revealing how our Adviser intends to vote on a proposal in order to reduce any attempted influence from interested parties.

Proxy Voting Records

You may obtain information, without charge, regarding how we voted proxies with respect to our portfolio securities by making a written request for proxy voting information to: HMS Income Fund, Inc., Attention: Jason P. Maxwell, Corporate Secretary, 2800 Post Oak Boulevard, Suite 5000, Houston, Texas 77056-6118, or by collect calling the Company at (888) 220-6121. Also, the SEC maintains a website at *www.sec.gov* that contains such information.

Other

As a BDC, we are subject to periodic examinations by the SEC for compliance with the 1940 Act. We are required to obtain and maintain a bond issued by a reputable fidelity insurance company to protect us against larceny and embezzlement. Furthermore, as a BDC, we are prohibited from protecting any director or officer against any liability to us or our stockholders arising from misconduct, bad faith, gross negligence or reckless disregard of the duties involved in the conduct of such person's office.

Exchange Act and Sarbanes-Oxley Act Compliance

We are subject to the reporting and disclosure requirements of the Exchange Act, including the filing of quarterly, annual and current reports, proxy statements and other required items. In addition, we are subject to the Sarbanes-Oxley Act of 2002 (the "Sarbanes-Oxley Act"), which imposes a wide variety of regulatory requirements on publicly held companies and their insiders. Many of these requirements will affect us. For example:

- pursuant to Rule 13a-14 under the Exchange Act, our Chief Executive Officer and Chief Financial Officer are required to certify the accuracy of the financial statements contained in our periodic reports;
- pursuant to Item 307 of Regulation S-K under the Exchange Act, our periodic reports are required to disclose our conclusions about the effectiveness of our disclosure controls and procedures; and
- pursuant to Rule 13a-15 under the Exchange Act, our management is required to prepare a report regarding its assessment of our internal control over financial reporting.

The Sarbanes-Oxley Act requires us to review our current policies and procedures to determine whether we comply with the Sarbanes-Oxley Act and the regulations promulgated thereunder. We monitor our compliance with all regulations that are adopted under the Sarbanes-Oxley Act and have taken actions necessary to ensure that we comply with that law.

Investment Adviser Regulations

Our Advisers are subject to regulation under the Advisers Act. The Advisers Act establishes, among other things, record keeping and reporting requirements, disclosure requirements, limitations on transactions between the adviser's account and an advisory client's account, limitations on transactions between the accounts of advisory clients, and general anti-fraud prohibitions. We and our Advisers may also be examined by the SEC from time to time for compliance with the Advisers Act.

Taxation as a RIC

We have elected to be treated as a RIC under Subchapter M of the Code. As a RIC, we generally will not incur corporate-level U.S. federal income taxes on net ordinary income or capital gains that we timely distribute to our stockholders from our tax earnings and profits. To qualify as a RIC in any taxable year, we must, among other things, satisfy certain source-of-income and asset diversification requirements (as described below). In addition, in order to obtain RIC tax treatment, we must distribute dividends to our stockholders, in respect of each taxable year, of an amount generally at least equal to 90% of our "investment company taxable income," which is generally our taxable net investment income plus the excess, if any, of realized net short-term capital gain over realized net long-term capital loss, determined without regard to any deduction for dividends paid (the "Annual Distribution Requirement"). Depending on the amount of taxable income we generate in a tax year, we may choose to spill-over taxable income in excess of current year distributions into the next tax year and incur a 4% nondeductible U.S federal excise tax on such taxable income. Any such spill-over taxable income must be distributed through a distribution 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. Even if we qualify as a RIC, we generally will be subject to corporate-level U.S. federal income tax on our undistributed taxable income and could be subject to U.S. federal, state, local and foreign income, excise, withholding or other taxes.

Provided that we qualify as a RIC and satisfy the Annual Distribution Requirement, we will not be subject to U.S. federal income tax on the portion of our investment company taxable income and net capital gain (which is defined as net long-term capital gain in excess of net short-term capital loss) that we timely distribute to stockholders. We will be subject to U.S. federal income tax at the regular corporate rates on any income or capital gain not distributed (or deemed distributed) to our stockholders.

We will be subject to a 4% nondeductible U.S. federal excise tax on certain undistributed income unless we distribute in a timely manner in respect of a calendar year dividends of an amount at least equal to the sum of (1) 98.0% of our ordinary income (taking into account certain deferrals and elections) for the calendar year, (2) 98.2% of our capital gain net income (adjusted for certain ordinary losses) for the one-year period ending October 31 in that calendar year (or, if we so elect, for the calendar year) and (3) any net ordinary income and capital gain net income for preceding years that was not distributed with respect to such years and on which the Company incurred no U.S. federal income tax (the "Excise Tax Avoidance Requirement"). Distributions declared and paid by us in a taxable year will generally differ from taxable income for that taxable year as such distributions may include the distribution of current taxable year's taxable income, exclude amounts carried over into the following taxable year, and include the distribution of prior taxable year taxable income carried over into and distributed in the current taxable year.

In order to qualify as a RIC for federal income tax purposes, we must, among other things:

- elect to be treated as a RIC;
- meet the Annual Distribution Requirement;
- qualify as a BDC or be registered as a management investment company under the 1940 Act at all times during each taxable year;
- derive in each taxable year at least 90% of our gross income from dividends, interest, payments with respect to certain securities, loans, gains from the sale or other disposition of stock or other securities or foreign currencies or other income derived with respect to our business of investing in such stock, securities or currencies and net income derived from an interest in a "qualified publicly traded partnership" (as defined in the Code) (the "90% Income Test"); and
- diversify our holdings so that at the end of each quarter of the taxable year to satisfy the RIC requirements:
    a. at least 50% of the value of our assets consists of cash, cash equivalents, U.S. government securities, securities of other RICs, and other securities if such other securities of any one issuer do not represent more than 5% of the value of our assets or more than 10% of the outstanding voting securities of the issuer; and
    b. no more than 25% of the value of our assets can be invested in the securities, other than U.S. government securities or securities of other RICs, (i) of one issuer, (ii) of two or more issuers that are controlled, as determined under applicable tax rules, by us and that are engaged in the same or similar or related trades or businesses or (iii) of one or more "qualified publicly traded partnerships" (collectively, the "Diversification Tests").

To the extent that we invest in entities treated as partnerships for U.S. federal income tax purposes (other than a "qualified publicly traded partnership"), we generally must include the items of gross income derived by the partnerships for purposes of the 90% Income Test, and the income that is derived from a partnership (other than a "qualified publicly traded partnership") will be treated as qualifying income for purposes of the 90% Income Test only to the extent that such income is attributable to items of income of the partnership which would be qualifying income if realized by us directly. In addition, we generally must take into account our proportionate share of the assets held by partnerships (other than a "qualified publicly traded partnership") in which we are a partner for purposes of the Diversification Tests.

Certain of our investment practices are subject to special and complex U.S. federal income tax provisions that may, among other things, (i) convert dividends that would otherwise constitute qualified dividend income into ordinary income, (ii) treat dividends that would otherwise be eligible for deductions available to certain U.S. corporations under the Code as ineligible for such treatment, (iii) disallow, suspend or otherwise limit the allowance of certain losses or deductions, (iv) convert long-term capital gains into short-term capital gains or ordinary income, (v) convert short-term capital losses into long-term capital losses, (vi) convert an ordinary loss or deduction into a capital loss (the deductibility of which is more limited), (vii) cause us to recognize income or gain without a corresponding receipt of cash, (viii) adversely alter the characterization of certain complex financial transactions, and (ix) produce gross income that will not constitute qualifying gross income for purposes of the gross income requirement that applies to RICs. These rules also could affect the amount, timing and character of distributions to stockholders. We intend to monitor our transactions and may make certain tax elections to mitigate the effect of these provisions on our ability to be subject to tax as a RIC.

Some of the income that we might otherwise earn, such as fees for providing managerial assistance, certain fees earned with respect to our investments, income recognized in a work-out or restructuring of a portfolio investment, or income recognized from an equity investment in an operating partnership, may not satisfy the 90% Income Test. To manage the risk that such income might disqualify us as a RIC for failure to satisfy the 90% Income Test, we may establish one or more special purpose entities treated as corporations for U.S. federal income tax purposes (any such corporation, a "Taxable Subsidiary") to hold assets from which we do not anticipate earning qualifying income under the 90% Income Test. Any investments held through a Taxable Subsidiary generally will be subject to U.S. federal income and other taxes, and therefore we can expect to achieve a reduced after-tax yield on such investments.

We may be required to recognize taxable income in circumstances in which we do not receive a corresponding payment in cash. For example, if we hold debt instruments that are treated under applicable tax rules as having original issue discount (such as debt instruments with payment-in-kind interest ("PIK"), or in certain cases, increasing interest rates or issued with warrants), we must include in our taxable income each tax year a portion of the original issue discount that accrues over the life of the obligation, regardless of whether cash representing such income is received by us in the same tax year. We may also have to include in our taxable income other amounts that we have not yet received in cash, such as deferred loan origination fees that are paid after origination of the loan or are paid in non-cash compensation such as warrants or stock. We anticipate that a portion of our income may constitute original issue discount or other income required to be included in taxable income prior to receipt of cash, such as deferred loan origination fees that are paid after origination of the loan or are paid in non-cash compensation such as warrants or stock.

Because any original issue discount or other amounts accrued will be included in our investment company taxable income for the tax year of the accrual, we may be required to make a distribution to our stockholders in order to satisfy the Annual Distribution Requirement or the Excise Tax Avoidance Requirement, even though we will not have received any corresponding cash amount. Furthermore, a portfolio company in which we invest may face financial difficulty that requires us to work-out, modify or otherwise restructure our investment in the portfolio company. Any such restructuring may result in unusable capital losses and future non-cash income. As a result, we may have difficulty meeting the Annual Distribution Requirement or the Excise Tax Avoidance Requirement. We may have to sell some of our investments at times and/or at prices we would not consider advantageous, raise additional debt or equity capital or forgo new investment opportunities for this purpose. If we are not able to obtain cash from other sources, we may fail to qualify for RIC tax treatment and thus become subject to corporate-level U.S. federal income tax. Furthermore, any such restructuring may result in unusable capital losses as well as a substantial amount of non-qualifying income for purposes of the 90% Income Test.

Gain or loss realized by us from warrants acquired by us as well as any loss attributable to the lapse of such warrants generally will be treated as capital gain or loss. Such gain or loss generally will be long-term or short-term, depending on how long we held a particular warrant.

Investments by us in non-U.S. securities may be subject to non-U.S. income, withholding and other taxes, and therefore, our yield on any such securities may be reduced by such non-U.S. taxes. Stockholders will generally not be entitled to claim a credit or deduction with respect to non-U.S. taxes paid by us.

If we acquire shares in a "passive foreign investment company" ("PFIC"), we may be subject to U.S. federal income tax on a portion of any "excess distribution" or gain from the disposition of such shares even if such income is distributed as a taxable dividend by us to our stockholders. A PFIC is generally defined as any non-U.S. entity classified as a corporation for U.S. federal income tax purposes which earns at least 75% of its annual gross income from passive sources (such as interest, dividends, rents, royalties or capital gain) or holds at least 50% of its total assets in investments producing such passive income. Additional charges in the nature of interest may be imposed on us in respect of deferred taxes arising from such distributions or gains. If we hold shares of a PFIC and elect to treat the PFIC as a "qualified electing fund" under the Code ("QEF") in lieu of the foregoing requirements, we will be required to include in income each tax year a portion of the ordinary earnings and net capital gain of the QEF, if any, even if such income is not distributed by the PFIC to us. Alternatively, we can elect to mark-to-market our shares in a PFIC at the end of each tax year; in which case, we will recognize as ordinary income any increase in the value of such PFIC shares and as ordinary loss any decrease in such value to the extent such decrease does not exceed prior increases included in our taxable income. Under either election, we may be required to recognize taxable income from shares held in PFICs in excess of our distributions from such PFICs, and our proceeds from any dispositions of PFIC shares, and such taxable income will be taken into account for purposes of determining our compliance with the Annual Distribution Requirement and the Excise Tax Avoidance Requirement.

Our functional currency for U.S. federal income tax purposes is the U.S. dollar. Under Section 988 of the Code, gain or loss attributable to fluctuations in exchange rates between the time we accrue income, expenses, or other liabilities denominated in a foreign currency and the time we actually collect such income or pay such expenses or liabilities are generally treated as ordinary income or loss. Similarly, gain or loss on foreign currency forward contracts, futures contracts, options, notional principal contracts and similar financial instruments, and the disposition of debt denominated in a foreign currency, to the extent attributable to fluctuations in exchange rates between the acquisition and disposition dates, are also treated as ordinary income or loss.

Although we do not presently expect to do so, we are authorized to borrow funds and to sell assets in order to satisfy distribution requirements. However, under the 1940 Act, we are not permitted to make distributions to our stockholders while our debt obligations and other senior securities are outstanding unless certain "asset coverage" tests are met. Moreover, our ability to dispose of assets to meet our distribution requirements may be limited by (1) the illiquid nature of our portfolio and/or (2) other requirements relating to our status as a RIC, including the Diversification Tests. If we dispose of assets in order to meet the Annual Distribution Requirement or the Excise Tax Avoidance Requirement, we may make such dispositions at times that, from an investment standpoint, are not advantageous.

As a RIC, we are not allowed to carry forward or carry back a net operating loss for purposes of computing our investment company taxable income in other tax years. U.S. federal income tax law generally permits a RIC to carry forward (i) the excess of its net short-term capital loss over its net long-term capital gain for a given year as a short-term capital loss arising on the first day of the following tax year and (ii) the excess of its net long-term capital loss over its net short-term capital gain for a given year as a long-term capital loss arising on the first day of the following tax year. However, future transactions we engage in may cause our ability to use any capital loss carryforwards, and unrealized losses once realized, to be limited under Sections 382, 383 or 384 of the Code. Certain of our investment practices may be subject to special and complex U.S. federal income tax provisions that may, among other things, (i) disallow, suspend or otherwise limit the allowance of certain losses or deductions, (ii) convert lower taxed long-term capital gain and qualified dividend income into higher taxed short-term capital gain or ordinary income, (iii) convert an ordinary loss or a deduction into a capital loss (the deductibility of which is more limited), (iv) cause us to recognize income or gain without a corresponding receipt of cash, (v) adversely affect the time as to when a purchase or sale of stock or securities is deemed to occur, (vi) adversely alter the characterization of certain complex financial transactions, and (vii) produce income that will not be qualifying income for purposes of the 90% Income Test. We will monitor our transactions and may make certain tax elections in order to mitigate the effect of these provisions.

As described above, to the extent that we invest in equity securities of entities that are treated as partnerships for U.S. federal income tax purposes, the effect of such investments for purposes of the 90% Income Test and the Diversification Tests will depend on whether or not the partnership is a "qualified publicly traded partnership" (as defined in the Code). If the partnership is a "qualified publicly traded partnership," the net income derived from such investments will be qualifying income for purposes of the 90% Income Test and such investments generally will be "securities" for purposes of the Diversification Tests. If the partnership, however, is not treated as a "qualified publicly traded partnership," then the consequences of an investment in the partnership will depend upon the amount and type of income and assets of the partnership allocable to us. The income derived from such investments may not be qualifying income for purposes of the 90% Income Test and, therefore, could adversely affect our qualification as a RIC. We intend to monitor our investments in equity securities of entities that are treated as partnerships for U.S. federal income tax purposes to prevent our disqualification as a RIC.

We may invest in preferred securities or other securities the U.S. federal income tax treatment of which may not be clear or may be subject to recharacterization by the IRS. To the extent the tax treatment of such securities or the income from such securities differs from the expected tax treatment, it could affect the timing or character of income recognized, requiring us to purchase or sell securities, or otherwise change our portfolio, in order to comply with the tax rules applicable to RICs under the Code.

If we fail to satisfy the 90% Income Test or the Diversification Tests for any tax year, we may nevertheless continue to qualify as a RIC for such year if certain relief provisions are applicable (which may, among other things, require us to pay certain corporate-level federal taxes or to dispose of certain assets).

If we were unable to obtain tax treatment as a RIC, we would be subject to tax on all of our taxable income at regular corporate rates, regardless of whether we make any distributions to our stockholders. We would not be able to deduct distributions to stockholders, nor would they be required to be made. Distributions would generally be taxable to our stockholders as dividend income to the extent of our current and accumulated earnings and profits (in the case of noncorporate U.S. stockholders, generally at a maximum rate applicable to qualified dividend income of 20%). Subject to certain limitations under the Code, certain corporate distributees generally would be eligible for the dividends-received deduction. Distributions in excess of our current and accumulated earnings and profits would be treated first as a return of capital to the extent of the stockholder's tax basis, and any remaining distributions would be treated as a capital gain.

If we fail to meet the RIC requirements for more than two consecutive years and then, seek to re-qualify as a RIC in a subsequent tax year, we would be subject to regular corporate-level income taxation on any built-in gain recognized during the succeeding five-year period unless we made a special election to recognize all such built-in gain (that is, the excess of the aggregate gains, including items of income, over aggregate losses that would have been realized with respect to such assets if we had sold our investments and other assets at fair market value ("FMV") at the end of the tax year) upon our re-qualification as a RIC and to pay the corporate-level tax on such built-in gain.

Item 1A. ***Risk Factors***

Investing in shares of our common stock involves a number of significant risks. You should carefully consider these risk factors, together with all of the other information included in this Form 10-K and the other reports and documents filed by us with the SEC. The risks set out below are not the only risks we face, and additional risks and uncertainties not presently known to us or not presently deemed material by us may also impair our operations and performance. If any of the following events occur, our business, financial condition and results of operations could be materially and adversely affected. In such case, our NAV could decline, and you may lose all or part of your investment.

Risks Relating to Our Business and Structure

Future disruptions or instability in capital markets could have a material adverse effect on our business, financial condition and results of operations.

From time to time, the global capital markets may experience periods of disruption and instability, which could materially and adversely impact the broader financial and credit markets and reduce the availability to us of debt and equity capital. For example, between 2008 and 2009, instability in the global capital markets resulted in disruptions in liquidity in the debt capital markets, significant write-offs in the financial services sector, the repricing of credit risk in the broadly syndicated credit market and the failure of major domestic and international financial institutions. In particular, the financial services sector was negatively impacted by significant write-offs as the value of the assets held by financial firms declined, impairing their capital positions and abilities to lend and invest. We believe that such value declines were exacerbated by widespread forced liquidations as leveraged holders of financial assets, faced with declining prices, were compelled to sell to meet margin requirements and maintain compliance with applicable capital standards. Such forced liquidations also impaired or eliminated many investors and investment vehicles, leading to a decline in the supply of capital for investment and depressed pricing levels for many assets. Also, the United Kingdom held a referendum in which voters approved an exit from the European Union, and the full implications of the United Kingdom’s withdrawal from the European Union are unclear at present. In addition, U.S. government shutdowns, including the partial government shutdown that ended in January 2019, may cause disruptions or instability in capital markets, and the implications of policies that may be enacted from time to time on capital markets may not be clear at the time of proposal or enactment. Furthermore, uncertainty between the United States and other countries with respect to trade policies, treaties and tariffs, among other factors, have caused disruptions in the global markets, including markets in which we participate, and we cannot assure you that these market conditions will continue or worsen in the future. Terrorist acts, acts of war, natural disasters, or disease outbreaks, pandemics or other public health crises may cause periods of market instability and volatility and may disrupt the operations of us and our portfolio companies for extended periods of time. Such events or other similar events may cause significantly diminished overall confidence in the debt and equity markets, declines in the values of certain assets, economic uncertainty and reduced availability of debt and equity capital for the market as a whole and financial services firms in particular. There can be no assurance that adverse market conditions will not repeat themselves in the future.

Future volatility and dislocation in the capital markets could create a challenging environment in which to raise or access capital. For example, the re-appearance of market conditions similar to those experienced from 2008 through 2009 for any substantial length of time could make it difficult to extend the maturity of or refinance our existing indebtedness or obtain new indebtedness with similar terms. Significant changes or volatility in the capital markets may also have a negative effect on the valuations of our investments. While most of our investments are not publicly traded, applicable accounting standards require us to assume as part of our valuation process that our investments are sold in a principal market to market participants (even if we plan on holding an investment through its maturity) and impairments of the market values or FMV of our investments, even if unrealized, must be reflected in our financial statements for the applicable period, which could result in significant reductions to our NAV for such period. As a BDC, we are generally not able to issue additional shares of our common stock at a price less than our NAV without first obtaining approval for such issuance from our stockholders and our independent directors. Significant changes in the capital markets may also affect the pace of our investment activity and the potential for liquidity events involving our investments. Thus, the illiquidity of our investments may make it difficult for us to sell investments to access capital if required, and as a result, we could realize significantly less than the value at which we have recorded then.

Events outside of our control, including public health crises, may negatively affect our portfolio companies and the results of our operations.

Periods of market volatility may continue to occur in response to pandemics or other events outside of our control. These types of events could adversely affect our and our portfolio companies' operating results. For example, in December 2019, a novel strain of coronavirus surfaced in China and has since spread to other countries, including the United States, which has resulted in restrictions on travel and the temporary closure of many corporate offices, retail stores, and manufacturing facilities and factories across China and the wider global community. As the potential impact of the coronavirus is difficult to predict, the extent to which the coronavirus and/or other health pandemics may negatively affect our and our portfolio companies' operating results, or the duration of any potential business or supply-chain disruption, is uncertain. Any potential impact to our results will depend to a large extent on future developments and new information that may emerge regarding the duration and severity of the coronavirus and the actions taken by authorities and other entities to contain the coronavirus or treat its impact, all of which are beyond our control. These potential impacts, while uncertain, could adversely affect our and our portfolio companies' operating results.

The amount of our distributions to our stockholders is uncertain. Portions of the distributions that we pay may represent a return of capital to our stockholders for U.S. federal income tax purposes which will lower the tax basis in their shares and reduce the amount of funds we have for investment in targeted assets. We may not be able to pay distributions to our stockholders, and our distributions may not grow over time.

Any distributions we make to our stockholders will be paid out of assets legally available for distribution. We may fund our cash distributions from any sources of funds legally available. We cannot assure our stockholders that we will achieve investment results that will allow us to make a targeted level of distributions or year-to-year increases in distributions. Our ability to pay distributions might be adversely affected by, among other things, the impact of one or more of the risk factors described in this Form 10-K. In addition, the inability to satisfy the asset coverage test applicable to us as a BDC can limit our ability to pay distributions. All distributions will be paid at the discretion of our board of directors and will depend on our earnings, our financial condition, maintenance of our ability to be subject to tax as a RIC, compliance with applicable BDC regulations and such other factors as our board of directors may deem relevant from time to time. We cannot assure our stockholders that we will pay distributions to our stockholders in the future.

All or a portion of our distributions may constitute a return of capital and may lower an investor’s tax basis in its shares. We have not established any limit on the extent to which we may use borrowings, if any, or stock offering proceeds to fund distributions (which may reduce the amount of capital we ultimately invest in assets). We may, for the foreseeable future, pay a portion of our distributions from sources other than net realized income from operations, which may include stock offering proceeds, borrowings, fee and expense waivers from our Advisers and support payments from the Adviser.

Price declines in the leveraged loan market may adversely affect the fair value of our syndicated loan portfolio, reducing our NAV through increased net unrealized depreciation.

Retail loan funds, collateralized loan obligations (a type of leveraged investment vehicle holding corporate loans), hedge funds and other highly leveraged investment vehicles comprise a substantial portion of the market for purchasing and holding first and second lien secured loans. During periods when the secondary market pricing of the loans underlying these portfolios deteriorates, we believe that many investors, as a result of their generally high degrees of leverage, have in the past been, and may in the future be, forced to raise cash by selling interests in performing loans in order to satisfy margin or similar requirements imposed by their lenders. We believe this has and may result in a forced deleveraging cycle of price declines, compulsory sales and further price declines, with widespread redemption requests and other constraints generating further selling pressure. This pervasive forced selling could result in price declines in our portfolio and negatively impact our NAV. In addition to the deterioration of the secondary market pricing, we may experience compressed spreads between the rates at which we can borrow and the rates at which we can lend.

Conditions in the leveraged loan market may experience similar disruptions or deterioration in the future, which may cause pricing levels to continue to decline or remain volatile. As a result, we may continue to suffer unrealized depreciation and could incur realized losses in connection with the sale of our syndicated loans, which could have a material adverse impact on our NAV. Additionally, a lower portfolio value may negatively impact our ability to borrow additional funds under the Credit Facilities (as defined below) because our NAV is reduced for purposes of the asset coverage ratio. All of these conditions could have a material adverse impact on our business, financial condition and results of operations.

Our ability to achieve our investment objective depends on our Advisers’ ability to manage and support our investment process. If our Adviser or our Sub-Adviser were to lose any members of their respective senior management teams, our ability to achieve our investment objective could be significantly harmed.

We are externally managed and depend upon the investment expertise, diligence, skill and network of business contacts of our Advisers. We also depend, to a significant extent, on our Advisers’ access to the investment professionals and the information and deal flow generated by these investment professionals in the course of their investment and portfolio management activities. Our Advisers evaluate, negotiate, structure, close, monitor and service our investments. Our success depends to a significant extent on the continued service and coordination of our Advisers, including their key professionals. The departure of a significant number of our Adviser’s or Sub-Adviser’s key professionals and/or the failure to replace professionals could have a material adverse effect on our ability to achieve our investment objective. In addition, we can offer no assurance that our Advisers will remain our investment adviser and sub-adviser, as applicable, or that we will continue to have access to their investment professionals or their information and deal flow.

Because our business model depends to a significant extent upon relationships with investment banks, business brokers, loan syndication and trading desks, and commercial banks, any inability on the part of our Advisers to maintain or develop these relationships, or the failure of these relationships to generate investment opportunities, would adversely affect our business.

We expect that our Advisers will depend on their relationships with investment banks, business brokers, loan syndication and trading desks, commercial banks and other historical sources of deal flow, and we rely to a significant extent upon these relationships to provide us with potential investment opportunities. If our Advisers fail to maintain their existing relationships or develop new relationships with other sources of investment opportunities, we will not be able to grow our investment portfolio. In addition, individuals with whom our Advisers' professionals have relationships are not obligated to provide us with investment opportunities, and, therefore, there is no assurance that such relationships will generate investment opportunities for us.

We may continue to face increasing competition for investment opportunities, which could delay deployment of our capital, reduce returns and result in losses.

We compete for investments with other BDCs and investment funds, as well as traditional financial services companies such as commercial banks and other sources of funding. Moreover, alternative investment vehicles, such as hedge funds, private equity funds and mezzanine funds, also make investments in Middle Market private U.S. companies. As a result, competition for investment opportunities in private U.S. companies may continue to intensify, particularly as these entities continue to raise large amounts of capital. Many of our competitors are substantially larger and have considerably greater financial, technical and marketing resources than we do. For example, some competitors may have a lower cost of capital and access to funding sources that are not available to us. In addition, some of our competitors may have higher risk tolerances or different risk assessments than we have. These characteristics could allow our competitors to consider a wider variety of investments, establish more relationships and offer better pricing and more flexible structuring than we are able to do. We may lose investment opportunities if we do not match our competitors' pricing, terms and structure. If we are forced to match our competitors' pricing, terms and structure, we may not be able to achieve acceptable returns on our investments or may bear substantial risk of capital loss. A significant increase in the number and/or the size of our competitors in this target market could force us to accept less attractive investment terms. Furthermore, many of our competitors may have greater experience operating under, or are not subject to, the regulatory restrictions under the 1940 Act that are imposed on us as a BDC.

A significant portion of our investment portfolio is and will continue to be recorded at fair value as determined in good faith by our board of directors and, as a result, there is and will be uncertainty as to the ultimate market value of our portfolio investments.

Under the 1940 Act, we are required to carry our portfolio investments at market value or, if there is no readily available market value, at fair value, as determined in good faith by our board of directors. The majority of our investments are traded on a privately negotiated over-the-counter secondary market for institutional investors. As a result, we value these securities at fair value as determined in good faith by our board of directors.

The determination of fair value, and thus the amount of unrealized gains and losses we may incur in any year, is subjective, and our Advisers may have a conflict of interest in making the determination. Our board of directors determines the fair value of these securities no less than quarterly based on input from our Advisers, including our Adviser's valuation committee, any third-party independent valuation firm retained by our board of directors and our audit committee. Certain factors that may be considered in determining the fair value of our investments include dealer quotes for securities traded on the secondary market for institutional investors, the nature and realizable value of any collateral, the portfolio company's earnings and its ability to make payments on its indebtedness, the markets in which the portfolio company does business, comparison to comparable publicly-traded companies, discounted cash flow and other relevant factors. Because such valuations, and particularly valuations of private securities and private companies, are inherently uncertain, may fluctuate over short periods of time and may be based on estimates, our determinations of fair value may differ materially from the values that would have been used if a ready market for these securities existed. Due to this uncertainty, our fair value determinations may cause our NAV per share on a given date to materially understate or overstate the value that we may ultimately realize upon the sale of one or more of our investments. Additionally, any volatility in the credit markets may affect the ability of our Advisers and board of directors to value our portfolio.

Our board of directors may change our operating policies and investment strategies or use of proceeds of the sales of common stock without prior notice or stockholder approval, the effects of which may be adverse.

Our board of directors has the authority to modify or waive our current operating policies, investment criteria and investment strategies without prior notice and without stockholder approval if it determines that doing so will be in the best interests of stockholders. We cannot predict the effect any changes to our current operating policies, investment criteria and investment strategies would have on our business, NAV, operating results and value of our stock. However, the effects might be adverse, which could negatively impact our ability to pay distributions and cause our stockholders to lose all or part of their investment. Moreover, we have significant flexibility in investing any net stock offering proceeds and may use any net stock offering proceeds in ways with which investors may not agree or for purposes other than those contemplated at the time of such offering.

Changes in laws or regulations governing our operations may adversely affect our business or cause us to alter our business strategy.

We and our portfolio companies are subject to regulation at the local, state and federal level. New legislation may be enacted or new interpretations, rulings or regulations could be adopted, including those governing the types of investments we are permitted to make, any of which could harm us and our stockholders, potentially with retroactive effect.

Additionally, any changes to the laws and regulations governing our operations relating to permitted investments may cause us to alter our investment strategy to avail ourselves of new or different opportunities, or increase our leverage. Such changes could result in material differences to the strategies and plans set forth in this Form 10-K and may result in our investment focus shifting from the areas of expertise of our Advisers to other types of investments in which our Advisers may have less expertise or little or no experience. Thus, any such changes, if they occur, and uncertainty regarding the status of current laws and regulations could have a material adverse effect on our business, financial condition and results of operations and the value of investments in us.

On May 24, 2018, President Trump signed into law the Economic Growth, Regulatory Relief, and Consumer Protection Act, which increased from $50 billion to $250 billion the asset threshold for designation of "systemically important financial institutions" or "SIFIs" subject to enhanced prudential standards set by the Federal Reserve Board, staggering application of this change based on the size and risk of the covered bank holding company. On May 30, 2018, the Federal Reserve Board voted to consider changes to the Volcker Rule that would loosen compliance requirements for all banks. The effect of this change and any further rules or regulations are and could be complex and far-reaching, and the change and any future laws or regulations or changes thereto could negatively impact our operations, cash flows or financial condition, impose additional costs on us, intensify the regulatory supervision of us or otherwise adversely affect our business, financial condition and results of operations.

Over the last several years, there also has been an increase in regulatory attention to the extension of credit outside of the traditional banking sector, raising the possibility that some portion of the non-bank financial sector will be subject to new regulation. While it cannot be known at this time whether any regulation will be implemented or what form it will take, increased regulation of non-bank credit extension could negatively impact our operations, cash flows or financial condition, impose additional costs on us, intensify the regulatory supervision of us or otherwise adversely affect our business, financial condition and results of operations.

The impact of financial reform legislation on us is uncertain.

The Dodd-Frank Wall Street Reform and Consumer Protection Act, as amended (the "Dodd-Frank Act"), instituted a wide range of reforms that are affecting all U.S. financial institutions. Many of the requirements called for in the Dodd-Frank Act have been implemented over time and are subject to implementing regulations which have gradually taken effect over the course of several years. In addition, the U.S. presidential administration and certain members of Congress have indicated a desire to amend or repeal certain portions of the Dodd-Frank Act and in March 2018, certain parts of Dodd-Frank were repealed. The impact such requirements or amendments to or repeals of existing requirements will have on our business, results of operations or financial condition is unclear. The changes resulting from the Dodd-Frank Act require us to invest significant management attention and resources to evaluate and make substantial changes in order to comply with new statutory and regulatory requirements. Failure to comply with any such laws, regulations or principles, or changes thereto, may negatively impact our business, results of operations and financial condition. We cannot predict the ultimate effect on us changes in the laws or regulations would have as a result of the Dodd-Frank Act or whether and to the extent to which the Dodd-Frank Act may remain in its current form.

Operating under the constraints imposed on us as a BDC and RIC may hinder the achievement of our investment objectives.

The 1940 Act and the Code impose numerous constraints on the operations of BDCs and RICs that do not apply to other investment vehicles managed by our Adviser and its affiliates. BDCs are required, for example, to invest at least 70% of their total assets in certain qualifying assets, including U.S. private or thinly-traded public companies, cash, cash equivalents, U.S. government securities and other high-quality debt instruments that mature in one year or less from the date of investment. Moreover, qualification for taxation as a RIC requires satisfaction of source-of-income, asset diversification and distribution requirements. Operating under these constraints may hinder our ability to take advantage of attractive investment opportunities and to achieve our investment objective. Any failure to do so could subject us to enforcement action by the SEC, cause us to fail to satisfy the requirements associated with RIC status and subject us to entity-level corporate income taxation, cause us to fail the 70% test described above or otherwise have a material adverse effect on our business, financial condition or results of operations.

We may not replicate the historical results achieved by other entities managed by our Advisers.

Our primary focus in making investments may differ from that of many of the investment funds, accounts or other investment vehicles that are or have been managed by our Advisers. We cannot assure stockholders that we will replicate the historical results achieved by other investment funds managed by our Advisers, and our investment returns could be substantially lower than the returns achieved in prior periods. Additionally, all or a portion of the prior results may have been achieved in particular market conditions which may never be repeated. Moreover, current or future market volatility and regulatory uncertainty may have an adverse impact on our future performance.

Our Advisers or their affiliates may, from time to time, possess material non-public information, limiting our investment discretion.

Principals of our Advisers and their affiliates, and members of their investment committee, may serve as directors of, or in a similar capacity with, companies in which we invest. If we obtain material non-public information with respect to such companies, or we become subject to trading restrictions under the internal trading policies of those companies or as a result of applicable law or regulations, we could be prohibited for a period of time from purchasing or selling the securities of such companies, and this prohibition may have an adverse effect on us.

We are a non-diversified investment company within the meaning of the 1940 Act, and therefore we are not limited with respect to the proportion of our assets that may be invested in securities of a single issuer.

We are classified as a non-diversified investment company within the meaning of the 1940 Act, which means that we are not limited by the 1940 Act with respect to the proportion of our assets that we may invest in securities of a single issuer. Under the 1940 Act, a "diversified" investment company is required to invest at least 75% of the value of its total assets in cash and cash items, government securities, securities of other investment companies and other securities limited in respect of any one issuer to an amount not greater than 5% of the value of the total assets of such company and no more than 10% of the outstanding voting securities of such issuer. As a non-diversified investment company, we are not subject to this requirement. To the extent that we assume large positions in the securities of a small number of issuers, our NAV may fluctuate to a greater extent than that of a diversified investment company as a result of changes in the financial condition or the market's assessment of the issuer. We may also be more susceptible to any single economic or regulatory occurrence than a diversified investment company or to a general downturn in the economy. Although we are classified as a non-diversified investment company within the meaning of the 1940 Act, we maintain the flexibility to operate as a diversified investment company and have done so for an extended period of time. To the extent that we operate as a non-diversified investment company in the future, we may be subject to greater risk.

We are highly dependent on information systems.

We are highly dependent on the communications and information systems of our Advisers, their affiliates and certain third-party service providers, and any failure or interruption in these systems, including due to cyber-attacks, electrical or telecommunication outages or natural disasters, could cause disruptions in our activities. In addition, these systems are subject to potential attacks, including through adverse events that threaten the confidentiality, integrity or availability of our information resources. These attacks, which may include cyber incidents, may involve a third party gaining unauthorized access to our communications or information systems for purposes of misappropriating assets, stealing confidential information, corrupting data or causing operational disruption. Any such attack could result in disruption to our business, misstated or unreliable financial data, liability for stolen assets or information, increased cybersecurity protection and insurance costs, litigation and damage to our business relationships, any of which could have a material adverse effect on our business, financial condition and results of operations and our ability to pay distributions to our stockholders.

Risks Related to our Advisers and their Affiliates

Our Advisers have conflicts of interest, including the potential to earn base management fees or incentive fees under the Investment Advisory Agreement and the Sub-Advisory Agreement, that may create an incentive for the Advisers to enter into investments that are riskier or more speculative than would otherwise be the case, and our Advisers may have an incentive to increase portfolio leverage in order to earn higher management fees.

Our Advisers and their respective affiliates, including our officers and certain of our directors, may have conflicts of interest as a result of compensation arrangements, time constraints and competition for investments, which they will attempt to resolve in a fair and equitable manner, but which may result in actions that are not in the best interests of our stockholders. Our Advisers and their affiliates receive substantial fees from us in return for their services, and these fees could influence the advice provided to us. Among other matters, the compensation arrangements could affect their judgment with respect to public offerings of equity by us, which allow our Advisers to earn increased management fees.

The incentive fee payable by us to our Advisers may create an incentive for them to make investments on our behalf that are risky or more speculative than would be the case in the absence of such compensation arrangement. The way in which the incentive fee payable to our Advisers is determined may encourage them to use leverage to increase the return on our investments. In addition, the fact that our management fee is payable based upon our gross assets, which would include any borrowings for investment purposes, may encourage our Advisers to use leverage to make additional investments. Under certain circumstances, the use of leverage (or an investment in companies that are highly leveraged) may increase the likelihood of default, which would result in higher investment losses.

We may be obligated to pay our Advisers incentive compensation even if we incur a net loss due to a decline in the value of our portfolio.

Our Investment Advisory Agreement and Sub-Advisory Agreement entitle our Advisers to receive incentive compensation on income regardless of any capital losses. In such case, we may be required to pay our Advisers incentive compensation for a fiscal quarter even if there is a decline in the value of our portfolio or if we incur a net loss for that quarter.

Any incentive fee payable by us that relates to our net investment income may be computed and paid on income that may include interest that has been accrued but not yet received. If a portfolio company defaults on a loan that is structured to provide accrued interest, it is possible that accrued interest previously included in the calculation of the incentive fee will become uncollectible. Pursuant to the Investment Advisory Agreement and Sub-Advisory Agreement, our Adviser and Sub-Adviser, respectively, will not be under any obligation to reimburse us for any part of the incentive fee they received that was based on accrued income that we never received in cash as a result of a default by an entity on the obligation that resulted in the accrual of such income, and such circumstances would result in our paying an incentive fee on income we never received.

The time and resources that individuals employed by the Advisers devote to us may be diverted, and we may face additional competition due to the fact that neither our Advisers nor their affiliates is prohibited from raising money for or managing another entity that makes the same types of investments that we target.

Certain investment professionals utilized by our Sub-Adviser currently manage Main Street and other investment entities. In addition, neither our Adviser nor our Sub-Adviser is prohibited from raising money for and managing future investment entities that make the same types of investments as those we target. Additionally, the investment professionals employed by our Adviser are employees of Hines and its affiliates, and they may hold similar positions in numerous other entities and from time to time may allocate a material amount of their time to the management of other funds or assets unrelated to our business.

As a result, the time and resources that our Advisers devote to us may be diverted, and during times of intense activity in other programs, they may devote less time and resources to our business than is necessary or appropriate. In addition, we may compete with such investment entities for the same investors and investment opportunities.

Our Sub-Adviser may face conflicts of interest in allocating investment opportunities between us and itself and its affiliates.

The investment professionals utilized by our Sub-Adviser are also the investment professionals responsible for investing and managing Main Street's securities portfolio. These professionals are responsible for allocating investment opportunities between us and Main Street. Our exemptive relief imposes on our Sub-Adviser the obligation to evaluate whether each investment opportunity its investment professionals review for Main Street is also appropriate for us and to propose an allocation of such opportunity to us if it deems such opportunity to be appropriate. If our Sub-Adviser determines that certain investment opportunities are appropriate for Main Street but not appropriate for us, or if our Sub-Adviser proposes an allocation of an investment opportunity to us that is disproportionately small relative to the proposed allocation to Main Street and our ability to fund the investment, our operating results could be adversely affected.

The structure of our management fees creates potential conflicts of interest that could impact our investment returns.

We pay management and incentive fees to our Advisers and reimburse our Advisers for certain expenses they incur. In addition, investors in shares of our common stock will invest on a gross basis and receive distributions on a net basis after expenses, resulting in, among other things, a lower rate of return than one might achieve through direct investments in our underlying assets.

The Sub-Advisory Agreement and the Investment Advisory Agreement contain co-termination provisions. Such provisions, if triggered, may leave us without an investment adviser or sub-adviser which could negatively impact our ability to implement our investment strategy and our ability to achieve our investment objective.

Under the terms of the Sub-Advisory and Investment Advisory Agreements, if either of the Investment Advisory Agreement or Sub-Advisory Agreement is terminated (by virtue of a vote by our board of directors or stockholders) or not renewed by our board of directors, then the other agreement will also terminate. In addition, under the terms of the Investment Advisory Agreement and the Sub-Advisory Agreement, in the event either the Investment Advisory Agreement or the Sub-Advisory Agreement terminates because we terminate (by virtue of a vote by our board of directors or stockholders) or our board of directors fails to renew either agreement, neither the Adviser, the Sub-Adviser nor any of their affiliates may, except in certain limited circumstances, be re-engaged as Adviser or Sub-Adviser for a period of three years following the date of such termination without the consent of the party not seeking to be re-engaged. Because our success depends to a significant extent on the deal flow and key professionals of our Advisers, the termination of the Sub-Advisory Agreement or Investment Advisory Agreement could have a materially adverse effect on our ability to achieve our investment objective.

Our Advisers' liability is limited under the Investment Advisory Agreement and Sub-Advisory Agreement, as applicable, and we have agreed to indemnify our Advisers against certain liabilities, which may lead our Advisers to act in a riskier manner on our behalf than they would when acting for their own account.

Under the Investment Advisory Agreement and Sub-Advisory Agreement, as applicable, our Advisers, their respective officers, directors, managers, partners, shareholders, members, agents, employees, controlling persons and any other person or entity affiliated with them are not be liable to us for acts or omissions performed our Advisers in accordance with and pursuant to the Investment Advisory Agreement or Sub-Advisory Agreement, as applicable, except those resulting from acts constituting negligence, willful misfeasance, bad faith or misconduct. In addition, we have agreed to indemnify our Advisers and their respective officers, directors, managers, partners, shareholders, members, agents, employees, controlling persons and any other person or entity affiliated with them from and against any claims or liabilities, including reasonable legal fees, arising out of or in connection with any action taken or omitted on our behalf pursuant to authority granted by the Investment Advisory Agreement or Sub-Advisory Agreement, as applicable, except where attributable to gross negligence, willful misfeasance, bad faith or misconduct.

These protections may lead our Advisers to act in a riskier manner when acting on our behalf than they would when acting for their own account.

Our Advisers can resign on 120 days' notice, and we may not be able to find a suitable replacement within that time, resulting in a disruption in our operations that could adversely affect our financial condition, business and results of operations.

Our Adviser has the right, under the Investment Advisory Agreement, to resign at any time upon not less than 120 days' written notice, and the Sub-Adviser has the right, under the Sub-Advisory Agreement, to resign at any time upon not less than 120 days' written notice, whether we have found a replacement or not. If our Adviser resigns, all affiliates of the Adviser, including our Dealer Manager, may terminate their respective relationship with us and cease providing services to us. Additionally, if our Adviser or the Sub-Adviser resigns, we may not be able to find a replacement or hire internal management with similar expertise and ability to provide the same or equivalent services on acceptable terms within 120 days or at all. If we are unable to do so quickly, our operations are likely to experience a disruption, our financial condition, business and results of operations as well as our ability to pay distributions are likely to be adversely affected and the market price of our shares may decline. Even if we are able to retain comparable management, whether internal or external, the integration of such management and their lack of familiarity with our investment objective may result in additional costs and time delays that may adversely affect our business, financial condition, results of operations and cash flows.

Risks Related to BDCs

Our failure to invest a sufficient portion of our assets in qualifying assets could result in our failure to maintain our status as a BDC.

As a BDC, we may not acquire any assets other than “qualifying assets” unless, at the time of and after giving effect to such acquisition, at least 70% of our total assets are qualifying assets. See “Item 1. Business — Regulation.” Therefore, we may be precluded from investing in what we believe are attractive investments if such investments are not qualifying assets. Similarly, these rules could prevent us from making additional investments in existing portfolio companies, which could result in the dilution of our position, or could require us to dispose of investments at an inopportune time to comply with the 1940 Act. If we were forced to sell non-qualifying investments in the portfolio for compliance purposes, the proceeds from such sale could be significantly less than the current value of such investments.

Regulations governing our operation as a BDC and RIC will affect our ability to raise, and the way in which we raise, additional capital or borrow for investment purposes, which may have a negative effect on our growth.

We expect to continue to utilize leverage to fund new investments. As such, we may need to access the capital markets to refinance existing debt obligations to the extent maturing obligations are not repaid with cash flows from operations. In order to maintain RIC tax treatment we must distribute dividends to our stockholders each tax year on a timely basis generally of an amount at least equal to 90% of the sum of our net taxable ordinary income and realized net short-term capital gains in excess of realized net long-term capital losses, or investment company taxable income, determined without regard to any deduction for dividends paid, and the amounts of such distributions will therefore not be available to fund investment originations or to repay maturing debt. We may 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% (or 150% upon receipt of certain approvals and an offer by us to repurchase shares, subject to certain disclosure requirements) after such incurrence or issuance. Our ability to issue different types of securities is also limited. Compliance with these requirements may unfavorably limit our investment opportunities and reduce our ability in comparison to other companies to profit from favorable spreads between the rates at which we can borrow and the rates at which we can lend.

If the value of our assets declines, we may be unable to satisfy the asset coverage test under the 1940 Act, which could prevent us from paying distributions and could prevent us from being eligible to be subject to tax as a RIC. If we cannot satisfy the asset coverage test, we may be required to sell a portion of our investments and, depending on the nature of our debt financing, repay a portion of our indebtedness at a time when such sales and repayments may be disadvantageous.

Under the 1940 Act, we generally are prohibited from issuing or selling our common stock at a price below NAV per share, which may be a disadvantage as compared with other public companies. We may, however, sell our common stock at a price below the current NAV per share of the common stock if our board of directors and independent directors determine that such sale is in our best interests and the best interests of our stockholders, and our stockholders as well as those stockholders that are not affiliated with us approve such sale. In any such case, the price at which our securities are to be issued and sold may not be less than a price that, in the determination of our board of directors, closely approximates the fair value of such securities.

We may be permitted to incur additional leverage.

Business development companies are generally able to issue senior securities such that their asset coverage, as defined in the 1940 Act, equals at least 200% of gross assets less all liabilities and indebtedness not represented by senior securities, after each issuance of senior securities. The Small Business Credit Availability Act (“SBCAA”) was enacted into law in March 2018 and, among other things, amended Section 61(a) of the 1940 Act to add a new Section 61(a)(2) that reduces 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. The reduced asset coverage requirement permits a BDC to have a ratio of total consolidated assets to outstanding indebtedness of 2:1 as compared to a maximum of 1:1 under the 200% asset coverage requirement. Effectiveness of the reduced asset coverage requirement 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 votes cast at a special or annual meeting of such BDC’s stockholders at which a quorum is present, which is effective the date after such stockholder approval. We have not requested or obtained either such approval. If we were to request and receive either the requisite stockholder or board approval, comply with the applicable disclosure requirements, and make an offer to repurchase shares held by our stockholders on the date of the requisite approval, we would be able to incur additional indebtedness, which may increase our risks related to leverage. In addition, our management fee is based on our average adjusted gross assets, which includes leverage and, as a result, if we were to incur additional leverage, management fees paid to the Advisers would increase.

Our ability to enter into and exit transactions with our affiliates is restricted.

We are prohibited under the 1940 Act from participating in certain transactions with certain of our affiliates without the prior approval of a majority of the independent members of our board of directors and, in some cases, the SEC. Any person that owns, directly or indirectly, 5% or more of our outstanding voting securities is considered our affiliate for purposes of the 1940 Act and we are generally prohibited from buying or selling any securities from or to such affiliate, absent prior approval of our board of directors. The 1940 Act also prohibits certain "joint" transactions with certain of our affiliates, which could include investments in the same portfolio company, without prior approval of our board of directors and, in some cases, the SEC. If a person acquires more than 25% of our voting securities, we would be prohibited from buying or selling any security from or to such person or certain of that person's affiliates, or entering into prohibited joint transactions with such persons, absent the prior approval of the SEC. Similar restrictions limit our ability to transact business with our officers or directors or their affiliates. We have, however, received an exemptive order from the SEC that permits us, notwithstanding the prohibitions contained in the 1940 Act to co-invest with Main Street under the conditions set forth in the exemptive relief in certain transactions originated by Main Street and/or our Advisers.

We are uncertain of our sources for funding our future capital needs; if we cannot obtain debt or equity financing on acceptable terms, our ability to acquire investments and to expand our operations will be adversely affected.

The net proceeds from any sale of shares of common stock will be used for our investment opportunities, operating expenses, working capital requirements, including distributions payable, and for payment of various fees and expenses such as management fees, incentive fees and other fees. Any working capital reserves we maintain may not be sufficient for investment purposes, and we may require debt or equity financing to operate. Accordingly, in the event that we develop a need for additional capital in the future for investments or for any other reason, these sources of funding may not be available to us. Consequently, if we cannot obtain debt or equity financing on acceptable terms, our ability to acquire investments and to expand our operations will be adversely affected. As a result, we would be less able to achieve portfolio diversification and our investment objective, which may negatively impact our results of operations and reduce our ability to pay distributions to our stockholders.

Failure to maintain our status as a BDC would reduce our operating flexibility.

If we do not remain a BDC, we might be regulated as a closed-end investment company under the 1940 Act, which would subject us to substantially more regulatory restrictions under the 1940 Act and correspondingly decrease our operating flexibility.

Risks Related to Our Investments

Our investments in prospective portfolio companies, which include senior secured loans, second lien loans, and mezzanine debt, may be risky, and we could lose all or part of our investment.

We pursue a strategy focused on investing primarily in senior secured loans, second lien loans and mezzanine debt issued by Middle Market companies. Most loans in which we invest will not be rated, or would be rated, if they were rated by a rating agency, as "below investment grade," or "junk," quality. Indebtedness of below investment grade quality is regarded as having predominantly speculative characteristics with respect to the issuer's capacity to pay interest and repay principal. We expect to hold debt and preferred equity instruments in our investment portfolio that contain PIK interest and cumulative dividend provisions. The PIK interest, computed at the contractual rate specified in each debt agreement, is periodically added to the principal balance of the debt and is accrued as interest income. Thus, the actual collection of this interest may be deferred until the time of debt principal repayment. If the debt principal is not repaid in full, then PIK interest will likewise be partially or wholly uncollectible.

Senior Secured Loans and Second Lien Loans. When we make senior secured term loans and second lien loans, we will generally take a security interest in the available assets of these portfolio companies, including the equity interests of their subsidiaries. We expect this security interest to help mitigate the risk that we will not be repaid. However, there is a risk that the collateral securing our loans may decrease in value over time or lose its entire value, may be difficult to sell in a timely manner, may be difficult to appraise and may fluctuate in value based upon the success of the business and market conditions, including as a result of the inability of the portfolio company to raise additional capital. Also, in some circumstances, our lien could be subordinated to claims of other creditors. In addition, deterioration in a portfolio company's financial condition and prospects, including its inability to raise additional capital, may be accompanied by deterioration in the value of the collateral for the loan. Finally, applicable bankruptcy laws may adversely impact the timing and methods used by us to liquidate collateral securing our loans, which could adversely affect the collectability of such loans. Consequently, the fact that a loan is secured does not guarantee that we will receive principal and interest payments according to the loan's terms, or at all, or that we will be able to collect on the loan should we be forced to enforce our remedies.

Mezzanine Debt. Our mezzanine debt investments will generally be subordinated to senior loans and will generally be unsecured. This may result in a heightened level of risk and volatility or a loss of principal which could lead to the loss of the entire investment. These investments may involve additional risks that could adversely affect our investment returns.

Our portfolio companies may incur debt that ranks equally with, or senior to, our investments in such companies.

We pursue a strategy focused on investing primarily in senior secured loans, second lien loans and mezzanine debt issued by Middle Market companies. Our portfolio companies may have, or may be permitted to incur, other debt that ranks equally with, or senior to, the debt in which we invest. By their terms, such debt instruments may entitle the holders to receive payment of interest or principal on or before the dates on which we are entitled to receive payments with respect to the debt instruments in which we invest. Also, in the event of insolvency, liquidation, dissolution, reorganization or bankruptcy of a portfolio company, holders of debt instruments ranking senior to our investment in that portfolio company would typically be entitled to receive payment in full before we receive any distribution. After repaying such senior creditors, such portfolio company may not have any remaining assets to use for repaying its obligation to us. In the case of debt ranking equally with debt instruments in which we invest, we would have to share on an equal basis any distributions with other creditors holding such debt in the event of an insolvency, liquidation, dissolution, reorganization or bankruptcy of the relevant portfolio company.

There may be circumstances where our debt investments could be subordinated to claims of other creditors or we could be subject to lender liability claims.

Even though we generally structure certain of our investments as senior loans, if one of our portfolio companies were to declare bankruptcy, depending on the facts and circumstances, including the extent to which we provided managerial assistance to that portfolio company, a bankruptcy court might re-characterize our debt investment and subordinate all or a portion of our claim to that of other creditors. We may also be subject to lender liability claims for actions taken by us with respect to a borrower's business or instances where we exercise control over the borrower.

Second priority liens on collateral securing our loans may be subject to control by senior creditors with first priority liens. If there is a default, the value of the collateral may not be sufficient to repay in full both the first priority creditors and us.

Certain loans of ours may be secured on a second priority basis by the same collateral securing senior secured debt of such companies. The first priority liens on the collateral will secure the portfolio company's obligations under any outstanding senior debt and may secure certain other future debt that may be permitted to be incurred by the company under the agreements governing the loans. The holders of obligations secured by the first priority liens on the collateral will generally control the liquidation of, and be entitled to receive proceeds from, any realization of the collateral to repay their obligations in full before we receive anything on our loans secured by a second priority lien. In addition, the value of the collateral in the event of liquidation will depend on market and economic conditions, the availability of buyers and other factors. There can be no assurance that the proceeds, if any, from the sale or sales of all of the collateral would be sufficient to satisfy the loan obligations secured by the second priority liens after payment in full of all obligations secured by the first priority liens on the collateral. If such proceeds are not sufficient to repay amounts outstanding under the loan obligations secured by the second priority liens, then we, to the extent not repaid from the proceeds of the sale of the collateral, will only have an unsecured claim against the company's remaining assets, if any.

The rights we may have with respect to the collateral securing the loans we make to our portfolio companies with senior debt outstanding may also be limited pursuant to the terms of one or more intercreditor agreements that we enter into with the holders of senior debt. Under such an intercreditor agreement, at any time that obligations that have the benefit of the first priority liens are outstanding, any of the following actions that may be taken in respect of the collateral will be at the direction of the holders of the obligations secured by the first priority liens: the ability to cause the commencement of enforcement proceedings against the collateral; the ability to control the conduct of such proceedings; the approval of amendments to collateral documents; releases of liens on the collateral; and waivers of past defaults under collateral documents. We may not have the ability to control or direct such actions, even if our rights are adversely affected. Additionally, the exercise of any rights may involve delay during which the value of collateral may decline.

We generally will not control our portfolio companies.

We do not expect to control our portfolio companies, even though we may have board representation or board observation rights, and our debt agreements may contain certain restrictive covenants. As a result, we are subject to the risk that a portfolio company in which we invest may make business decisions with which we disagree and the management of such company, as representatives of the holders of their common equity, may take risks or otherwise act in ways that do not serve our interests as debt investors. Due to the lack of liquidity for our investments in non-traded companies, we may not be able to dispose of our interests in our portfolio companies as readily as we would like or at an appropriate valuation. As a result, a portfolio company may make decisions that could decrease the value of our portfolio holdings.

We will be subject to financial market risks, including changes in interest rates, which may have a substantial negative impact on our investments, cost of capital and/or net investment income.

We are subject to financial market risks, including changes in interest rates. While the majority of our investments are floating rate debt instruments, to the extent that we invest in fixed-rate securities or loans, general interest rate fluctuations may have a substantial negative impact on our investments and investment opportunities and, accordingly have a material adverse effect on our business and our rate of return on invested capital.

In addition, since we use debt to finance investments, our net investment income depends, in part, upon the difference between the rate at which we borrow funds and the rate at which we invest those funds. As a result, we can offer no assurance that a significant change in market interest rates will not have a material adverse effect on our net investment income. In periods of rising interest rates when we have debt outstanding, our cost of funds will increase, which could reduce our net investment income. We expect that our long-term fixed-rate investments will be financed primarily with equity and long-term debt. We may use interest rate risk management techniques in an effort to limit our exposure to interest rate fluctuations. These techniques may include various interest rate hedging activities to the extent permitted by the 1940 Act. These activities may limit our ability to participate in the benefits of lower interest rates with respect to the hedged portfolio. 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. Also, we have limited experience in entering into hedging transactions, and we will initially have to purchase or develop such expertise if we were to engage in hedging transactions.

A rise in the general level of interest rates can be expected to lead to higher interest rates applicable to our debt investments. Accordingly, an increase in interest rates may result in a substantial increase in the amount of incentive fees payable to our Advisers. In addition, a decline in the prices of the debt due to rising market interest rates not reflected in such debt investments we own could adversely affect our NAV.

We are subject to risks associated with the discontinuation of LIBOR.

In July 2017, the head of the United Kingdom Financial Conduct Authority announced the phase out of the use of LIBOR by the end of 2021. To identify a successor rate for U.S. dollar LIBOR, the Alternative Reference Rates Committee, or ARRC, a U.S. based group convened by the Federal Reserve Board and the Federal Reserve Bank of New York, was formed. Similarly, financial regulators in the UK, the European Union, Japan, and Switzerland formed working groups with the aim of recommending alternatives to LIBOR denominated in their local currencies. The ARRC is comprised of a diverse set of private-sector entities and a wide array of official-sector entities, banking regulators, and other financial sector regulators. The ARRC has identified the Secured Overnight Financing Rate, or SOFR, as its preferred alternative rate for LIBOR. SOFR is a measure of the cost of borrowing cash overnight, collateralized by U.S. Treasury securities, and is based on directly observable U.S. Treasury-backed repurchase transactions. Although SOFR appears to be the preferred replacement rate for U.S. dollar LIBOR, it is unclear if other benchmarks may emerge or if other rates will be adopted outside of the U.S.

The expected discontinuation of LIBOR could have a significant impact on our business. The dollar amount of our outstanding debt investments and borrowings that are linked to LIBOR with maturity dates after the anticipated discontinuation date of 2021 is material. We anticipate significant operational challenges for the transition away from LIBOR including, but not limited to, amending existing loan agreements with borrowers on investments that may have not been modified with fallback language and adding effective fallback language to new agreements in the event that LIBOR is discontinued before maturity. Beyond these challenges, we anticipate there may be additional risks to our current processes and information systems that will need to be identified and evaluated by us. Due to the uncertainty of the replacement for LIBOR, the potential effect of any such event on our cost of capital and net investment income cannot yet be determined. In addition, any further changes or reforms to the determination or supervision of LIBOR may result in a sudden or prolonged increase or decrease in reported LIBOR, which could have an adverse impact on the market value for or value of any LIBOR-linked securities, loans, and other financial obligations or extensions of credit held by or due to us and could have a material adverse effect on our business, financial condition and results of operations.

Our portfolio companies may experience financial distress, and our investments in such portfolio companies may be restructured.

Our portfolio companies may experience financial distress from time to time. The debt investments of these companies may not produce income, may require us to bear certain expenses to protect our investment and may subject us to uncertainty as to when, in what manner and for what value such distressed debt will eventually be satisfied, including through liquidation, reorganization or bankruptcy. If an exchange offer is made or plan of reorganization is adopted with respect to the debt securities we currently hold, there can be no assurance that the securities or other assets received by us in connection with such exchange offer or plan of reorganization will have a value or income potential similar to what we anticipated when our original investment was made or even at the time of restructuring. In addition, we may receive equity securities in exchange for the debt investment that we currently hold, which may require significantly more of our management's time and attention or carry restrictions on their disposition.

Our portfolio companies may be unable to repay or refinance outstanding principal on their loans at or prior to maturity, and rising interest rates may make it more difficult for portfolio companies to make periodic payments on their loans.

Our portfolio companies may be unable to repay or refinance outstanding principal on their loans at or prior to maturity. This risk and the risk of default is increased to the extent that the loan documents do not require the portfolio companies to pay down the outstanding principal of such debt prior to maturity. In addition, if general interest rates rise, there is a risk that our portfolio companies will be unable to pay escalating interest amounts, which could result in a default under their loan documents with us. Rising interest rates could also cause portfolio companies to shift cash from other productive uses to the payment of interest, which may have a material adverse effect on their business and operations and could, over time, lead to increased defaults. Any failure of one or more portfolio companies to repay or refinance its debt at or prior to maturity or the inability of one or more portfolio companies to make ongoing payments following an increase in contractual interest rates could have a material adverse effect on our business, financial condition, results of operations and cash flows.

Our portfolio companies may prepay loans, which prepayment may reduce our yields if capital returned cannot be invested in transactions with equal or greater expected yields.

The loans in our investment portfolio generally are prepayable at any time, sometimes at no premium to par. Whether a loan is prepaid may depend on the performance of the portfolio company and the existence of favorable financing market conditions that allow such company the ability to replace existing financing with less expensive capital. In the case of some of these loans, having the loan prepaid may reduce the achievable yield for us if the capital returned cannot be invested in transactions with equal or greater expected yields, which could have a material adverse effect on our business, financial condition and results of operations.

The disposition of our investments may result in contingent liabilities.

A significant portion of our investments are private securities. In connection with the disposition of an investment in private securities, we may be required to make representations about the business and financial affairs of the portfolio company typical of those made in connection with the sale of a business. We may also be required to indemnify the purchasers of such investment to the extent that any such representations turn out to be inaccurate or with respect to certain potential liabilities. These arrangements may result in contingent liabilities that ultimately yield funding obligations that must be satisfied through our return of certain distributions previously made to us.

Defaults by our portfolio companies will harm our operating results.

A portfolio company's failure to satisfy financial or operating covenants imposed by us or other lenders could lead to defaults and, potentially, termination of its loans and foreclosure on its secured assets, which could trigger cross-defaults under other agreements and jeopardize a portfolio company's ability to meet its obligations under the debt or equity securities that we hold (and we may invest in portfolio companies that are highly leveraged themselves). We may incur expenses to the extent necessary to seek recovery upon default or to negotiate new terms, which may include the waiver of certain financial covenants, with a defaulting portfolio company. We may also record unrealized depreciation on any investment in a portfolio company upon default, which would reduce our NAV. Additionally, our investments with a deferred interest feature such as original issue discount could represent a higher credit risk than investments that must be paid in full in cash on a regular basis. Lastly, if a portfolio company defaults on a loan that is structured to provide accrued interest, it is possible that accrued interest previously used in the calculation of the incentive fee will become uncollectible.

We may not realize gains from our equity investments, which may adversely affect our investment returns and stockholders' ability to recover their entire investment in us.

Certain investments that we may make could be accompanied by or stapled to warrants or other equity securities. In addition, we may make direct equity investments, including controlling investments, in companies. Our investment objective is ultimately to realize gains upon our disposition of such equity interests. We believe that we may be unable to significantly increase our NAV per share unless we realize gains on our disposition of equity interests, thus creating risk that we will not ultimately recover our organization and offering costs. However, the equity interests we receive may not appreciate in value and, in fact, may decline in value. Accordingly, we may not be able to realize gains from our equity interests, and any gains that we do realize on the disposition of any equity interests may not be sufficient to offset any other losses we experience or to produce returns and distributions upon liquidation or sale of all our assets that provide investors with a return of all of their original purchase price for our shares of common stock. We also may be unable to realize any value if a portfolio company does not have a liquidity event, such as a sale of the business, recapitalization or public offering, which would allow us to sell the underlying equity interests. We may acquire puts or similar rights to give us the right to sell our equity securities back to the portfolio company issuer. We may be unable to exercise these put rights for the consideration provided in our investment documents if the issuer is in financial distress.

An investment strategy focused primarily on privately held companies presents certain challenges, including the lack of available information about these companies.

Our investments are primarily in debt and equity securities of Middle Market companies, including privately held companies. Investing in privately held companies presents certain challenges, including that such companies:

- may have limited financial resources, reduced access to the capital markets and may be unable to meet their obligations under their debt or preferred equity securities that we hold, which may be accompanied by a deterioration in the value of any collateral and a reduction in the likelihood of us realizing any guarantees we may have obtained in connection with our investment;
- have investments that tend to be less liquid, making it difficult for us to exit an investment promptly or at a desired price prior to maturity or outside of a normal amortization schedule;
- have shorter operating histories and therefore little public information, narrower product lines and smaller market shares than larger businesses, which tend to render them more vulnerable to competitors' actions and changing market conditions, as well as general economic downturns, and require us to rely on the ability of our Advisers to obtain adequate information through due diligence to evaluate the creditworthiness and potential returns from investing in these companies;
- are more likely to depend on the management talents and efforts of a small group of persons; therefore, the death, disability, resignation or termination of one or more of these persons could have a material adverse impact on our portfolio company and, in turn, on us;
- generally have less predictable operating results, may from time to time be parties to litigation, may be engaged in rapidly changing businesses with products subject to a substantial risk of obsolescence, and may require substantial additional capital to support their operations, finance expansion or maintain their competitive position;
- our officers and directors and employees of our Advisers may, in the ordinary course of business, be named as defendants in litigation arising from our investments in the portfolio companies; and
- may have difficulty accessing the capital markets to meet future capital needs, which may limit their ability to grow or to repay their outstanding indebtedness upon maturity.

These companies and their financial information will generally not be subject to the Sarbanes-Oxley Act and other rules that govern public companies. If we are unable to uncover all material information about these companies, we may not make a fully informed investment decision, and we may lose money on our investments. As a result, the relative lack of liquidity and the potential diminished capital resources of our target portfolio companies may affect our investment returns.

The lack of liquidity in our investments may adversely affect our business.

We invest in companies whose securities are typically not publicly traded and whose securities will be subject to legal and other restrictions on resale or will otherwise be less liquid than publicly traded securities. The illiquidity of these investments may make it difficult for us to sell these investments when desired. In addition, if we are required to liquidate all or a portion of our portfolio quickly, we may realize significantly less than the value at which we had previously recorded these investments. As a result, we do not expect to achieve liquidity in our investments in the near-term. We expect that our investments will generally be subject to contractual or legal restrictions on resale or are otherwise illiquid because there is usually no established trading market for such investments. The illiquidity of most of our investments may make it difficult for us to dispose of them at a favorable price, and, as a result, we may suffer losses.

We may not have the funds or ability to make additional investments in our portfolio companies.

We may not have the funds or ability to make additional investments in our portfolio companies. After our initial investment in a portfolio company, we may be called upon from time to time to provide additional funds to such company or have the opportunity to increase our investment through the exercise of a warrant to purchase common stock. There is no assurance that we will make, or will have sufficient funds to make, follow-on investments. Any decisions not to make a follow-on investment or any inability on our part to make such an investment may have a negative impact on a portfolio company in need of such an investment, may result in a missed opportunity for us to increase our participation in a successful operation or may reduce the expected return on the investment.

We may concentrate our investments in companies in a particular industry or industries.

In the event we concentrate our investments in companies in a particular industry or industries, any adverse conditions that disproportionately impact that industry or industries may have a magnified adverse effect on our operating results.

Certain of our portfolio companies are concentrated in certain geographic regions of the country. In such instance, we will be subject to the risks associated with those geographic regions of the country, including their economic conditions and growth prospects.

We may make investments in portfolio companies that are concentrated in certain geographic regions of the country. As a result, our investments in those portfolio companies will be subject to the risks of those geographic regions. These risks may include the risks associated with the economics and growth prospects of those geographic regions. An economic downturn or a negative change in growth prospects for those geographic regions could result in an inability of those portfolio companies to meet their obligations to us pursuant to our debt investments in them, or a decrease in the intrinsic value of our equity investments in them. In either instance, as a result of our exposure to the risks associated with those geographic regions, our expected earnings from these portfolio companies may be less than expected and as a result, an investment in us may be adversely affected.

Because certain of our portfolio companies are not located in the United States, we and our investments are subject to risks associated with non-U.S. investing.

As of December 31, 2019, 2.6% of our total portfolio (since the Other Portfolio investments do not represent a single geographic region, this information excludes the Other Portfolio investments) was comprised of investments in non-U.S. companies, all of which were denominated in U.S. dollars. Securities issued by non-U.S. companies are not "qualifying assets" under the 1940 Act, and we may invest in non-U.S. companies, including emerging market companies, to the limited extent we are able to do so under the 1940 Act. We intend to invest in such non-U.S. companies in accordance with our investment strategy and, accordingly, such investments would complement and broaden our portfolio. Investing in securities of emerging market companies involves many risks including economic, social, political, financial, tax and security conditions in the emerging market, potential inflationary economic environments, regulation by foreign governments, different accounting standards and political uncertainties. Economic, social, political, financial, tax and security conditions also could negatively affect the value of emerging market companies. These factors could include changes in the emerging market government's economic and fiscal policies, the possible imposition of, or changes in, currency exchange laws or other laws or restrictions applicable to the emerging market companies or investments in their securities and the possibility of fluctuations in the rate of exchange between currencies.

Risks Relating to Debt Financing

We may have limited ability to fund new investments if we are unable to expand, extend or refinance our TIAA Credit Facility or the Deutsche Bank Credit Facility (combined, the "Credit Facilities").

On March 6, 2017, we 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 lenders. As of December 31, 2019, the TIAA Credit Facility featured aggregate revolver commitments of $120.0 million, with an accordion provision allowing increases in aggregate commitments, not to exceed $150.0 million, with lender consent. The revolver commitments were to terminate on March 6, 2020, and all outstanding advances were payable on March 6, 2021, with two one-year extension options available for both such dates, subject to lender consent. On March 5, 2020, the TIAA Credit Facility was amended to, among other things, (i) extend the termination date of the revolver commitments to March 6, 2022 and the final maturity date of the facility to March 6, 2023, both such dates subject to two one-year extension options, with administrative agent and lender approval and (ii) increase the revolver commitments to $130.0 million.

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 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. Borrowings under the Deutsche Bank Credit Facility are subject to certain limitations, including limitations with respect to HMS Funding’s investments, as more fully described in the Deutsche Bank Credit Facility. As of December 31, 2019, the Deutsche Bank Credit Facility features aggregate revolver commitments of $450.0 million, with an accordion provision allowing increases in aggregate commitments, not to exceed $550.0 million, with lender consent. The revolver commitments terminate on November 20, 2020, and all outstanding advances are payable on November 20, 2022, with a one-year extension option available for both such dates, subject to lender consent.

There can be no guarantee that we will be able to expand, extend or replace either of the Credit Facilities on terms that are favorable to us, if at all. Our ability to expand either of the Credit Facilities, and to obtain replacement financing at the time of maturity, will be constrained by then-current economic conditions affecting the credit markets.

As a BDC, we are required to meet a coverage ratio of total assets to total borrowings and other senior securities, which include all of our borrowings and any preferred stock that we may issue in the future, of at least 200% (or 150% upon receipt of certain approvals and an offer by us to repurchase shares, subject to certain disclosure requirements). Stated differently, the amount of our total borrowings and other senior securities as a percentage of our total assets cannot exceed 50%. If this ratio declines below 200% (or 150% upon receipt of certain approvals and an offer by us to repurchase shares, subject to certain disclosure requirements), we cannot incur additional debt and could be required to sell a portion of our investments to repay some debt when it is disadvantageous to do so.

In addition to regulatory limitations on our ability to raise capital, the Credit Facilities contain various covenants, which, if not complied with, could accelerate our repayment obligations under the Credit Facilities, thereby materially and adversely affecting our liquidity, financial condition, results of operations and ability to pay distributions.

We will have a continuing need for capital to finance our operations. The TIAA Credit Facility contains affirmative and negative covenants usual and customary for leveraged financings, including:

- maintaining an interest coverage ratio of at least 2.00 to 1.00;
- maintaining an asset coverage ratio of at least 2.10 to 1.00; and
- maintaining a minimum consolidated tangible net worth, excluding Structured Subsidiaries (as defined in the documents governing the TIAA Credit Facility), of the greater of (a) the aggregate amount of the revolver commitments or (b) $50.0 million.

Additionally, the TIAA Credit Facility requires us to obtain written approval from the administrative agent prior to entering into any material amendment, waiver or other modification of any provision of the Investment Advisory Agreement. The TIAA Credit Facility permits us to fund additional loans and investments as long as we are within the conditions set out in the agreement.

The Deutsche Bank Credit Facility contains affirmative and negative covenants usual and customary for leveraged financings, including maintaining a positive tangible net worth and limitations on industry concentration. Further, the Credit Facilities contain usual and customary default provisions including:

- a default in the payment of interest and principal;
- insolvency or bankruptcy of the Company;
- a material adverse change in the Company’s business; or
- breach of any covenant, representation or warranty in the loan agreement or other credit documents and failure to cure such breach within defined periods.

Our continued compliance with the covenants contained in the Credit Facilities depends on many factors, some of which are beyond our control. There are no assurances that we will continue to comply with these covenants. Any failure to satisfy these covenants could result in foreclosure by our lenders, which would accelerate our repayment obligations under one or both of the Credit Facilities and thereby have a material adverse effect on our business, liquidity, financial condition, results of operations and ability to pay distributions to our stockholders.

Because we borrow money, the potential for gain or loss on amounts invested in us is magnified and may increase the risk of investing in us.

Borrowings, also known as leverage, magnify the potential for gain or loss on invested equity capital. As we use leverage to partially finance our investments, our stockholders experience increased risks associated with investing in our securities. We may borrow from banks and other lenders, including under the Credit Facilities, and may issue debt securities or enter into other types of borrowing arrangements in the future. If the value of our assets decreases, leveraging would cause NAV per share to decline more sharply than it otherwise would have had we not leveraged and such a decline could affect our ability to make distributions. Similarly, any decrease in our income would cause our net investment income to decline more sharply than it would have had we not borrowed. Such a decline could negatively affect our ability to make distributions to our stockholders. Leverage is generally considered a speculative investment technique.

The following table illustrates the effect of leverage on returns from an investment in our common stock assuming various annual returns, net of expenses. The calculations in the table below are hypothetical and actual returns may be higher or lower than those appearing in the table below. The calculation assumes (i) we borrow funds equal to 40% of our total assets, (ii) the resulting average total assets are approximately $1.1 billion during the twelve-month period commencing January 1, 2020 and (iii) a weighted average cost of funds of 4.48%. In order to compute the "Corresponding return to stockholders," the "Assumed Return on Our Portfolio (net of expenses)" is multiplied by the assumed total assets to obtain an assumed return to us. From this amount, the interest expense is calculated by multiplying the assumed weighted average cost of funds times the assumed debt outstanding, and the product is subtracted from the assumed return to us in order to determine the return available to stockholders. The return available to stockholders is then divided by our stockholders' equity to determine the "Corresponding return to stockholders." Actual interest payments may be different.

Assumed Return on Our Portfolio (net of expenses)	**(10)%**	**(5)%**	**0%**	**5%**	**10%**
Corresponding return to stockholders	(19.79)%	(11.41)%	(3.03)%	5.35%	13.73%

Under the same assumptions, our assets would need to yield an annual return (net of expenses) of approximately 2.09% in order to cover the annual interest payments on our outstanding debt.

We are a holding company and depend on payments from our subsidiaries in order to make payments on any debt securities that we may issue as well as to pay distributions on our common stock. Any debt securities that we issue will be structurally subordinated to the obligations of our subsidiaries.

We are a holding company and fund a majority of our investments through wholly owned subsidiaries. We depend upon the cash flow from our subsidiaries and the receipt of funds from them, any of which may be subject to restriction or limitations based on the organizational documents of the subsidiaries and the agreements governing the debt of any such subsidiary. In addition, because we are a holding company, any debt securities that we issue will be structurally subordinated to the obligations of our subsidiaries. In the event that one of our subsidiaries becomes insolvent, liquidates, reorganizes, dissolves or otherwise winds up, its assets will be used first to satisfy the claims of its creditors. Consequently, any claim by us or our creditors against any subsidiary will be structurally subordinated to all of the claims of the creditors of such subsidiary. We cannot assure security holders that they will receive any payments required to be made under the terms of any debt securities that we may issue or other distributions.

Risks Relating to Our Common Stock

Our shares of common stock are not listed on an exchange or quoted through a quotation system, and may not be listed in the foreseeable future, if ever, and we are not obligated to effectuate a liquidity event by a specified date. Therefore, our stockholders will have limited liquidity and may not receive a full return of their invested capital if they sell their shares of common stock.

Our shares of common stock are illiquid assets for which there is not a secondary market, nor is it expected that any secondary market will develop in the future. We intend to explore a potential liquidity event for our stockholders between four and six years following the closing of our Offering or any subsequent follow-on offerings. However, there can be no assurance that we will complete a liquidity event within such time or at all. We expect that our board of directors, in the exercise of its duties to us, will determine to pursue a liquidity event when it believes that then-current market conditions are favorable for a liquidity event, and that such an event is in our best interests. A liquidity event could include (1) the sale of all or substantially all of our assets either on a complete portfolio basis or individually followed by a liquidation, (2) a listing of our shares of common stock on a national securities exchange or (3) a merger or another transaction approved by our board of directors in which our stockholders will receive cash or shares of a publicly traded company.

In making a decision to apply for listing of our shares of common stock, our directors will try to determine whether listing our shares of common stock or liquidating our assets will result in greater value for our stockholders. In making a determination of what type of liquidity event is in our best interests, our board of directors, including our independent directors, will likely consider a variety of criteria, including market conditions, portfolio diversification, portfolio performance, our financial condition, potential access to capital as a listed company, market conditions for the sale of our assets or listing of our common stock, internal management requirements to become a perpetual life company and the potential for stockholder liquidity. If our shares of common stock are listed, stockholders cannot be assured a public trading market will develop. Since a portion of the offering price from any sale of common stock will be used to pay expenses and fees, the full offering price paid by stockholders will not be invested in portfolio companies. As a result, even if we do complete a liquidity event, stockholders may not receive a return of all of their invested capital.

Stockholders should also be aware that shares of publicly traded closed-end investment companies, including BDCs, frequently trade at a discount to their NAV. If our shares of common stock are eventually listed on a national exchange, we would not be able to predict whether our common stock would trade above, at or below NAV per share. This risk is separate and distinct from the risk that our NAV per share may decline.

Our share repurchase program allows us to repurchase our stockholders' shares on a quarterly basis, subject to certain restrictions and limitations. As a result, our stockholders will have limited opportunities to sell their shares and, to the extent they are able to sell their shares under the program, our stockholders may not be able to recover the amount of their investment in our shares.

We have a share repurchase program that currently allows us to repurchase during any calendar quarter shares of common stock in an amount equal to the lesser of (i) the number of shares we can repurchase with the proceeds we received from the issuance of shares of our common stock under our distribution reinvestment plan during the prior calendar quarter or (ii) 2.5% of the weighted average number of shares of common stock outstanding in the prior four calendar quarters. This program allows stockholders to sell back their shares of common stock to us on a quarterly basis at a price equal to the NAV per share, as determined within 48 hours of the repurchase date. The share repurchase program includes numerous restrictions that limit the ability to sell shares. At the discretion of our board of directors, we may also use cash on hand, cash available from borrowings and cash from the sale of our investments as of the end of the applicable period to repurchase shares. To the extent that the number of shares put to us for repurchase exceeds the number of shares that we are able to purchase, we will repurchase shares on a pro rata basis, subject to limited exceptions, not on a first-come, first-served basis. Further, we will have no obligation to repurchase shares if the repurchase would violate the restrictions on distributions under federal law or Maryland law, which prohibit distributions that would cause a corporation to fail to meet statutory tests of solvency. These limits may prevent us from accommodating all repurchase requests made in any year. In addition, our board of directors may suspend or terminate the share repurchase program and therefore should not be relied upon as a method to sell shares promptly and at a desired price.

Our repurchase offers pursuant to our share repurchase program may be at prices lower than the price paid by our stockholders to purchase our common stock.

When we make quarterly repurchase offers pursuant to the share repurchase program, we offer to repurchase shares of common stock at the NAV per share, as determined within 48 hours prior to the repurchase date, which price may be lower than the price that investors paid for shares of common stock in the Company's offering. As a result, to the extent an investor paid an offering price that included the related sales load, then the price at which such investor may sell shares of common stock pursuant to our share repurchase program may be lower than what such investor paid in connection with the purchase of shares of common stock.

We may be unable to invest a significant portion of net proceeds from any stock offerings on acceptable terms in an acceptable time frame.

Delays in investing net proceeds from any stock offerings may impair our performance. We cannot assure stockholders that we will be able to identify any investments that meet our investment objective or that any investment that we make will produce a positive return. We may be unable to invest net proceeds from any stock offerings on acceptable terms within the time period that we anticipate or at all, which could harm our financial condition and operating results.

Before making investments, we will invest any net stock offering proceeds 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, which may produce returns that are significantly lower than the returns which we expect to achieve when our portfolio is fully invested in securities meeting our investment objective. As a result, any distributions that we pay while our portfolio is not fully invested in securities meeting our investment objective may be lower than the distributions that we may be able to pay when our portfolio is fully invested in securities meeting our investment objective.

Under the terms of our Charter, our board of directors is authorized to issue shares of preferred stock with rights and privileges superior to common stockholders without common stockholder approval.

Under the terms of our articles of amendment and restatement (our "Charter"), our board of directors is authorized to issue shares of preferred stock in one or more classes or series without stockholder approval. The board of directors has discretion to set the terms, preferences, conversion or other rights, voting powers, restrictions, limitations as to dividends or other distributions, qualifications and terms or conditions of redemption for each class or series of preferred stock. Every issuance of preferred stock will be required to comply with the requirements of the 1940 Act. The 1940 Act requires that (1) immediately after issuance and before any distribution is made with respect to our common stock and before any purchase of common stock is made, such preferred stock together with all other senior securities must not exceed an amount equal to 50% of our total assets after deducting the amount of such distribution or purchase price, as the case may be, and (2) the holders of shares of preferred stock, if any are issued, must be entitled as a class to elect two directors at all times and to elect a majority of the directors if distributions on such preferred stock are in arrears by two years or more. Certain matters under the 1940 Act require the separate vote of the holders of any issued and outstanding preferred stock.

Our common stockholders' interest in us will be diluted if we issue additional shares, which could reduce the overall value of their investment.

Our investors do not have preemptive rights to any shares we issue in the future. Our Charter authorizes us to issue 450,000,000 shares of common stock. Pursuant to our Charter, a majority of our entire board of directors may amend our Charter from time to time to increase or decrease the aggregate number of authorized shares of stock or the number of authorized shares of stock of any class or series without stockholder approval. Our board of directors may elect to sell additional shares in this or future public offerings or issue equity interests in private offerings. To the extent we issue additional equity interests, our stockholders' percentage ownership interest in us will be diluted. In addition, depending upon the terms and pricing of any additional offerings and the value of our investments, stockholders may also experience dilution in the book value and fair value of their shares of common stock.

Certain provisions of our Charter and bylaws as well as provisions of the Maryland General Corporation Law could deter takeover attempts and have an adverse impact on the value of our common stock.

Our Charter and bylaws, as well as certain statutory and regulatory requirements, contain certain provisions that may have the effect of discouraging a third party from attempting to acquire us. Under the Maryland General Corporation Law (the "MGCL"), "control shares" acquired in a "control share acquisition" have no voting rights except to the extent approved by a vote of two-thirds of the votes entitled to be cast on the matter, excluding shares owned by the acquiror, by officers or by employees who are directors of the corporation. Our bylaws contain a provision exempting from the Control Share Acquisition Act under the MGCL any and all acquisitions by any person of our shares of stock. There can be no assurance that such provision will not be amended or eliminated at some time in the future. The Control Share Acquisition Act (if we amend our bylaws to be subject to that Act) may discourage others from trying to acquire control of us and increase the difficulty of consummating any offer. However, we will amend our bylaws to be subject to the Control Share Acquisition Act only if our board of directors determines that it would be in the best interests of our stockholders and if the SEC staff expressly approves that our being subject to the Control Share Acquisition Act does not conflict with the 1940 Act. The SEC staff has issued informal guidance setting forth its position that certain provisions of the Control Share Acquisition Act, if implemented, would violate Section 18(i) of the 1940 Act. Under the MGCL, specified "business combinations," including mergers, consolidations, share exchanges, or, in circumstances specified in the statute, asset transfers or issuances or reclassifications of equity securities, between a Maryland corporation and any person who beneficially owns, directly or indirectly, 10% or more of the voting power of the corporation's outstanding voting stock, and certain other parties (each an "interested stockholder"), or an affiliate of the interested stockholder, are prohibited for five years after the most recent date on which the interested stockholder becomes an interested stockholder. Thereafter any of the specified business combinations must be approved by two super majority votes of the stockholders unless, among other conditions, the corporation's common stockholders receive a minimum price for their shares.

Under the MGCL, certain statutory provisions permit a corporation that is subject to the Exchange Act and that has at least three independent directors to be subject to certain corporate governance provisions notwithstanding any contrary provision in the corporation's charter and bylaws. Among other provisions, a board of directors may classify itself without the vote of stockholders. Further, the board of directors, by electing into certain statutory provisions and notwithstanding any contrary provision in the charter or bylaws, may (i) provide that a stockholder-requested special meeting of stockholders will be called only at the request of stockholders entitled to cast at least a majority of the votes entitled to be cast at the meeting, (ii) reserve for itself the right to fix the number of directors, and (iii) retain for itself the exclusive power to fill vacancies created by the death, removal or resignation of a director, which is permitted under our Charter. A corporation may be prohibited by its charter or by resolution of its board of directors from electing to be subject to any of the provisions of the statute. We are not prohibited from implementing any or all of the statute.

Additionally, our board of directors may, without stockholder action, authorize the issuance of shares of stock in one or more classes or series, including preferred stock; and our board of directors may, without stockholder action, amend our Charter from time to time to increase or decrease the aggregate number of shares of stock or the number of shares of stock of any class or series that we have authority to issue. These provisions may inhibit a change of control in circumstances that could give the holders of our common stock the opportunity to realize a premium over the value of our common stock.

Investing in shares of our common stock may involve an above average degree of risk.

The investments we make in accordance with our investment objective may result in a higher amount of risk than alternative investment options and a higher risk of volatility or loss of principal. Our investments in portfolio companies involve higher levels of risk, and therefore, an investment in our shares may not be suitable for someone with lower risk tolerance.

Our stockholders could experience dilution in their ownership percentage if they do not participate in our distribution reinvestment plan.

All distributions declared to stockholders that have "opted in" to our distribution reinvestment plan are automatically reinvested in shares of our common stock. As a result, our stockholders that do not participate in our distribution reinvestment plan could experience dilution in their ownership percentage of our common stock over time if we issue additional shares of our common stock.

Federal Income Tax Risks

We will be subject to corporate-level federal income tax if we are unable to satisfy the various RIC qualification requirements.

To qualify for and maintain RIC tax treatment under the Code, we must meet the Annual Distribution Requirement, the 90% Income Test and the Diversification Tests in each of our tax years. Additionally, in order to avoid the imposition of a 4% nondeductible U.S. federal excise tax, we need to satisfy the Excise Tax Avoidance Requirement. See "Item 1. Business — Regulation — *Taxation as a RIC*."

We must satisfy these tests on an ongoing basis in order to maintain RIC tax treatment, and may be required to make distributions to stockholders at times when it would be more advantageous to reinvest cash in existing or other investments, or when we do not have funds readily available for distribution. Compliance with the RIC tax requirements may hinder our ability to operate solely on the basis of maximizing profits and the value of our stockholders' investments. If we fail to qualify for or maintain RIC tax treatment for any reason and are subject to corporate income tax, the resulting corporate taxes could substantially reduce our net assets, the amount of income available for distribution and the amount of our distributions.

If we fail to satisfy the 90% Income Test or any of the Diversification Tests in any tax year, we may nevertheless continue to qualify as a RIC for such tax year if certain relief provisions are applicable (which may subject us to certain corporate-level U.S. federal, state and local income taxes, as well as dispose of certain assets).

If we fail to qualify for, or to maintain, RIC tax treatment for any reason or do not qualify to cure the disqualification, the resulting corporate-level U.S. federal, state and local income taxes could substantially reduce our net assets, the amount of income available for distribution and the amount of our distributions. See "Item 1. Business — Regulation — *Taxation as a RIC*."

Some of our equity investments may be subject to corporate level tax.

We may invest in certain debt and equity investments through our wholly owned, taxable subsidiaries, HMS Equity Holding and HMS Equity Holding II, as well as other taxable subsidiaries, if any, and the net taxable income from such taxable subsidiaries will be subject to federal and state corporate income taxes. In addition, we may invest in certain foreign debt and equity investments which could be subject to foreign taxes (such as income tax, withholding, and value added taxes).

We may have difficulty paying our required distributions if we recognize taxable income before or without receiving a corresponding cash payment.

For federal income tax purposes, we may be required to recognize taxable income in circumstances in which we do not receive a corresponding payment in cash. For example, if we hold debt instruments that are treated under applicable tax rules as having original issue discount (such as debt instruments with PIK interest or, in certain cases, increasing interest rates or debt instruments that were issued with warrants), we must include a portion of the original issue discount that accrues over the life of the obligation in determining our investment company taxable income for any tax year, regardless of whether cash representing such income is received by us in the same tax year. We may also have to include in income other amounts that we have not yet received in cash, such as deferred loan origination fees that are paid after origination of the loan or are paid in non-cash compensation such as warrants or stock. We anticipate that a portion of our income may be comprised of original issue discount or other income required to be included in our investment company taxable income prior to receipt of cash. Further, we have elected to amortize market discount on all debt instruments with market discount acquired by us, and have included the amount of such market discount currently in our investment company taxable income over the remaining term of all such instruments acquired with market discount, instead of upon disposition or receipt of other principal payments on such debt instruments, as failing to make such an election could limit our ability to deduct interest expense for tax purposes.

Because any original issue discount or other amounts accrued will be included in our investment company taxable income for the tax year of the accrual, we may be required to make a distribution to our stockholders in order to satisfy the Annual Distribution Requirement or the Excise Tax Avoidance Requirement, even though we will not have received any corresponding cash amount. As a result, we may have difficulty meeting the Annual Distribution Requirement or the Excise Tax Avoidance Requirement. We may have to sell some of our investments at times and/or at prices we would not consider advantageous, raise additional debt or equity capital or forgo new investment opportunities for this purpose. If we are not able to obtain cash from other sources, we may fail to qualify for RIC tax treatment and thus become subject to corporate-level income tax. For additional discussion regarding the tax implications of a RIC, see “Item 1. Business — Regulation — *Taxation as a RIC.”*

Furthermore, we may invest in the equity securities of non-U.S. corporations (or other non-U.S. entities classified as corporations for U.S. federal income tax purposes) that could be treated under the Code and U.S. Treasury regulations as PFICs and/or controlled foreign corporations. The rules relating to investment in these types of non-U.S. entities are designed to ensure that U.S. taxpayers are either, in effect, taxed currently (or on an accelerated basis with respect to corporate level events) or taxed at increased tax rates at distribution or disposition. In certain circumstances, these rules also could require us to recognize taxable income or gains where we do not receive a corresponding payment in cash.

Our stockholders may receive shares of our common stock as distributions, which could result in adverse tax consequences to them.

In order to satisfy the Annual Distribution Requirement, we may declare a large portion of a distribution in shares of our common stock instead of in cash. As long as at least 20% of such distribution is paid in cash and certain requirements are met, the entire distribution will be treated as a dividend for U.S. federal income tax purposes. As a result, a stockholder generally would be subject to tax on 100% of the fair market value of the distribution on the date the distribution is received by the stockholder in the same manner as a cash distribution, even though most of the distribution was paid in shares of our common stock.

Stockholders may have current tax liability on distributions they elect to reinvest in our common stock but would not receive cash from such distributions to pay such tax liability.

If stockholders participate in our distribution reinvestment plan, they will be deemed to have received, and for federal income tax purposes will be taxed on, the amount reinvested in our common stock to the extent the amount reinvested was not a tax-free return of capital. As a result, unless a stockholder is a tax-exempt entity, it may have to use funds from other sources to pay its tax liability on the value of our common stock received from the distribution.

If we do not qualify as a “publicly offered regulated investment company,” as defined in the Code, stockholders will be taxed as though they received a distribution of some of our expenses.

A “publicly offered regulated investment company” is a RIC whose shares are either (i) continuously offered pursuant to a public offering, (ii) regularly traded on an established securities market or (iii) held by at least 500 persons at all times during the tax year. If we are not a publicly offered RIC for any period, a noncorporate stockholder’s allocable portion of our affected expenses, including our management fees, will be treated as an additional distribution to the stockholder and will be deductible by such stockholder only to the extent permitted under the limitations described below. For noncorporate stockholders, including individuals, trusts, and estates, significant limitations generally apply to the deductibility of certain expenses of a non-publicly offered RIC, including management fees. In particular, for tax years beginning after 2025 these expenses, referred to as miscellaneous itemized deductions, are deductible to an individual only to the extent they exceed 2% of such a stockholder's adjusted gross income, are not deductible for alternative minimum tax purposes and are subject to the overall limitation on itemized deductions imposed by the Code. For tax years beginning after 2017 and prior to 2026, miscellaneous itemized deductions are disallowed in their entirety. Because shares of our common stock currently are continuously offered pursuant to a public offering, we believe that we are currently considered a publicly offered regulated investment company. There can be no assurance, however, that we will otherwise be considered a publicly offered regulated investment company in the future.

Our portfolio investments may present special tax issues.

Investments in below-investment grade debt instruments, commonly known as "junk" securities, and certain equity securities may present special tax issues for us. U.S. federal income tax rules are not entirely clear about issues such as when we may cease to accrue interest, original issue discount or market discount, when and to what extent deductions may be taken for bad debts or worthless debt in equity securities, how payments received on obligations in default should be allocated between principal and interest income, as well as whether exchanges of debt instruments in a bankruptcy or workout context are taxable. Such matters could cause us to recognize taxable income for U.S. federal income tax purposes, even in the absence of cash or economic gain, and require us to make taxable distributions to our stockholders to maintain our RIC status or preclude the imposition of either U.S. federal corporate income or excise taxation. Additionally, because such taxable income may not be matched by corresponding cash received by us, we may be required to borrow money or dispose of other investments to be able to make distributions to our stockholders. These and other issues will be considered by us, to the extent determined necessary, in order that we minimize the level of any U.S. federal income or excise tax that we would otherwise incur.

Legislative or regulatory tax changes could adversely affect our stockholders.

At any time, the federal income tax laws governing RICs or the administrative interpretations of those laws or regulations may be amended. Any of those new laws, regulations or interpretations may take effect retroactively and could adversely affect the taxation of us or our stockholders. Therefore, changes in tax laws, regulations or administrative interpretations or any amendments thereto could diminish the value of an investment in our shares or the value or the resale potential of our investments. If we do not comply with applicable laws and regulations, we could lose any licenses that we then hold for the conduct of our business and may be subject to civil fines and criminal penalties.

Item 1B. *Unresolved Staff Comments*

Not applicable.

Item 2. *Properties*

We do not own any real estate or other physical properties materially important to our operation. Currently, the Adviser leases office space in Houston, Texas for its corporate headquarters. We believe that the office facilities of the Adviser are suitable and adequate for our business as it is contemplated to be conducted.

Item 3. *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 a party to certain legal proceedings, including proceedings relating to the enforcement of our rights under contracts with our portfolio companies. While the outcome of these legal proceedings cannot be predicted with certainty, we do not expect that these proceedings will have a material effect upon our financial condition or results of operations.

Item 4. *Mine Safety Disclosures*

Not applicable.

PART II

Item 5. *Market for Registrant's Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities*

Market Information

There is currently no market for our common stock, and we do not expect one to develop. Therefore, there is a risk that a stockholder may not be able to sell our stock at a time or price acceptable to the stockholder, or at all. None of our common stock has been authorized for issuance under any equity compensation plans. With the approval of our board of directors, we closed the Offering to new investors effective September 30, 2017.

Set forth below is a chart describing the classes of our securities outstanding as ofMarch 18, 2020:

(1)	(2)	(3)	(4)
Title of Class	Amount Authorized	Amount Held by Us or for Our Account	Amount Outstanding Exclusive of Amount Under Column (3)
Common Stock, par value $0.001 per share	450,000,000	—	78,424,696

As of March 18, 2020, we had 14,427 record holders of our common stock.

Use of Proceeds from Registered Securities

The Registration Statement under which we registered the Offering was most recently declared effective by the SEC on May 1, 2017. With the approval of our board of directors, we closed the Offering to new investors effective September 30, 2017. We raised gross proceeds of approximately $236.3 million in the Offering including proceeds from the distribution reinvestment plan of approximately $104.6 million through December 31, 2019.

Issuer Purchases of Equity Securities

The following table lists shares we repurchased under our share repurchase program during the period covered by this Form 10-K.

Period	Total Number of Shares Purchased	Average Price Paid per Share	Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs	Maximum Number of Shares that May Yet be Purchased Under the Plans or Programs (1)
January 1 through January 31, 2019	—	$ —	—	—
February 1 through February 28, 2019	—	—	—	—
March 1 through March 31, 2019	820,174	7.99	820,174	—
April 1 through April 30, 2019	—	—	—	—
May 1 through May 31, 2019	803,240	7.98	803,240	—
June 1 through June 30, 2019	—	—	—	—
July 1 through July 31, 2019	—	—	—	—
August 1 through August 31, 2019	—	—	—	—
September 1 through September 30, 2019	804,778	7.93	804,778	—
October 1 through October 31, 2019	—	—	—	—
November 1 through November 30, 2019	797,226	7.86	797,226	—
December 1 through December 31, 2019	—	—	—	—
Total	3,225,418		3,225,418	

(1) In September 2013, we commenced a share repurchase program, which was modified by our board of directors on August 10, 2018 pursuant to which we intend to offer to repurchase on a quarterly basis shares equal to the lesser of (i) the number of shares of common stock we can repurchase with the proceeds we received from the issuance of common stock under our distribution reinvestment plan during the prior calendar quarter or (ii) 2.5% of the weighted average number of shares of common stock outstanding in the prior four calendar quarters.

Item 6. ***Selected Financial Data***

The selected financial and other data below as of December 31, 2019, 2018, 2017, 2016 and 2015 and for the years then ended have been derived from financial statements that have been audited by Grant Thornton LLP, an independent registered public accounting firm. The data should be read in conjunction with "Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations" and the financial statements and related notes included elsewhere in this Form 10-K.

	Year Ended December 31,				
	2019	2018	2017	2016	2015
	(dollars in thousands)				
Statement of operations data:					
Investment income:					
Non-Control/Non-Affiliate investments	$ 92,469	$ 95,100	$ 92,971	$ 80,920	$ 62,801
Affiliate investments	12,683	11,841	6,934	3,968	1,204
Control investments	6,652	4,477	1,763	928	932
Total investment income	111,804	111,418	101,668	85,816	64,937
Expenses:					
Interest expense	25,684	24,817	18,317	15,055	11,159
Base management and incentive fees	26,189	26,522	23,427	19,177	17,691
Internal administrative services expenses	3,088	2,688	3,014	2,315	2,037
Offering costs	376	407	1,861	901	—
Professional fees	1,112	864	645	1,056	606
Insurance	312	191	191	191	192
Other general and administrative	2,245	2,044	1,518	1,440	1,280
Expenses before fee and expense waivers	59,006	57,533	48,973	40,135	32,965
Waiver of incentive fees	—	(3,333)	(1,642)	(26)	(2,150)
Waiver of internal administrative services expenses	(3,088)	(2,688)	(3,014)	(2,315)	(2,037)
Total expenses, net of fee and expense waivers	55,918	51,512	44,317	37,794	28,778
Net investment income before taxes	55,886	59,906	57,351	48,022	36,159
Income tax expense (benefit), including excise tax	820	1,019	624	336	127
Net investment income	55,066	58,887	56,727	47,686	36,032
Total realized gain (loss) on investments	(18,402)	(18,247)	(2,371)	(19,308)	(5,056)
Net realized income	36,664	40,640	54,356	28,378	30,976
Total net change in unrealized appreciation (depreciation) on investments	2,963	(362)	(1,730)	38,206	(37,956)
Net increase (decrease) in net assets resulting from operations	$ 39,627	$ 40,278	$ 52,626	$ 66,584	$ (6,980)
Net investment income per share – basic and diluted	$ 0.70	$ 0.74	$ 0.73	$ 0.70	$ 0.75
Net realized income per share – basic and diluted	$ 0.47	$ 0.51	$ 0.70	$ 0.41	$ 0.63
Net increase (decrease) in net assets from operations per share – basic and diluted	$ 0.51	$ 0.51	$ 0.68	$ 0.97	$ (0.14)
Weighted average shares outstanding – basic and diluted	78,757,732	79,250,498	77,718,813	68,029,977	48,838,114

	As of December 31,				
	2019	2018	2017	2016	2015
	(dollars in thousands)				
Balance sheet data:					
Assets:					
Total portfolio investments at fair value	$ 1,027,597	$ 1,106,568	$ 1,049,439	$ 989,247	$ 852,988
Cash and cash equivalents	21,846	21,757	45,791	23,719	24,001
Interest receivable	8,749	9,292	8,638	7,204	7,927
Receivable for securities sold	—	918	4,959	7,610	1,995
Prepaid and other assets	4,403	4,038	4,072	1,268	511
Deferred offering costs (net of accumulated amortization)	—	—	—	680	1,107
Deferred financing costs (net of accumulated amortization)	3,516	4,857	6,163	3,840	4,883
Total assets	$ 1,066,111	$ 1,147,430	$ 1,119,062	$ 1,033,568	$ 893,412
Liabilities and net assets:					
Accounts payable and other liabilities	$ 1,684	$ 2,456	$ 1,459	$ 1,164	$ 610
Payable for unsettled trades	—	—	—	932	—
Stockholders distributions payable	4,669	4,676	4,772	4,354	3,717
Base management fees payable	5,388	5,854	5,682	5,054	4,521
Due to affiliates	44	57	59	184	1,202
Directors' fees payable	21	21	17	12	14
Payable for securities purchased	—	—	29,284	11,035	11,696
Credit facilities payable	445,000	509,000	430,000	413,000	380,000
Total liabilities	456,806	522,064	471,273	435,735	401,760
Total net assets	609,305	625,366	647,789	597,833	491,652
Total liabilities and net assets	$ 1,066,111	$ 1,147,430	$ 1,119,062	$ 1,033,568	$ 893,412
Other data:					
Weighted average effective yield on LMM debt (1)	11.8%	12.3%	12.2%	12.4%	11.0%
Number of LMM debt investments	42	37	28	29	19
Weighted average effective yield on Middle Market debt (1)	8.5%	9.8%	9.1%	8.8%	8.3%
Number of Middle Market debt investments	37	45	59	75	83
Weighted average effective yield on Private Loan debt (1)	9.7%	10.3%	9.1%	9.2%	8.5%
Number of Private Loan debt investments	52	50	38	29	20
Weighted average effective yield on total portfolio (1)	8.7%	9.5%	8.9%	8.9%	8.3%
Number of LMM equity investments	43	39	29	28	17
Number of Middle Market equity investments	8	6	4	5	—
Number of Private Loan equity investments (2)	20	17	11	9	5
Number of Other Portfolio investments	8	8	7	3	3
Expense ratios (as percentage of average net assets):					
Total expenses	9.11%	8.17%	7.14%	7.12%	7.23%
Operating expenses excluding interest expense	4.99%	4.31%	4.23%	4.25%	4.44%

(1) Weighted-average effective yield is calculated based on our 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 on non-accrual status are assumed to have a zero yield in the calculation of weighted-average effective yield.

(2) Investments were non-income producing during the years ended December 31, 2017, 2016 and 2015.

Item 7. ***Management's Discussion and Analysis of Financial Condition and Results of Operations***

The following discussion should be read in conjunction with our financial statements and the notes thereto included elsewhere in this Form 10-K.

Statements we make in the following discussion which express a belief, expectation or intention, as well as those that are not historical fact, are forward-looking statements that are subject to risks, uncertainties and assumptions. Our actual results, performance or achievements, or industry results, could differ materially from those we express in the following discussion as a result of a variety of factors, including the risks and uncertainties we have referred to under the headings "Special Note Regarding Forward-Looking Statements" and "Item 1A. Risk Factors" in Part I of this Form 10-K.

OVERVIEW

We are a specialty finance company sponsored by Hines that makes debt and equity investments in Middle Market and LMM companies. We are an externally managed, non-diversified closed-end management investment company that has elected to be treated as a BDC under 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 RIC under Subchapter M of 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 and/or its affiliates. We categorize some of our investments in LMM companies and Middle Market companies as 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 investments, primarily consisting of investments managed by third parties, which differ from the typical profiles for our other types of investments.

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 December 31, 2019, we had investments in 37 Middle Market debt investments, 52 Private Loan debt investments, 42 LMM debt investments, 43 LMM equity investments, 20 Private Loan equity investments, eight Middle Market equity investments and eight Other Portfolio investments with an aggregate fair value of approximately $1,027.6 million, a cost basis of approximately $1,040.1 million, and a weighted average effective annual yield of approximately 8.7%. The weighted average annual yield was calculated using the effective interest rates for all investments at December 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. As of December 31, 2019, approximately 81.8% and 4.1% 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 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, 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 and 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 11 — *Related Party Transactions and Arrangements — Advisory Agreements and Conditional Fee Waiver* and — *Administration* to our consolidated financial statements included elsewhere in this Form 10-K for additional information on our fee and expense reimbursement waivers.

CRITICAL ACCOUNTING POLICIES

Basis of Presentation and Consolidation

Our consolidated financial statements have been prepared in accordance with the instructions to Form 10-K and accounting principles generally accepted in the United States of America ("GAAP") and include the accounts of our wholly owned consolidated subsidiaries: HMS Funding, HMS Equity Holding, HMS Equity Holding II, HMS California Holdings and 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 consolidated financial statements.

Investment Classification

We classify our investments in accordance with the requirements of the 1940 Act. Under the 1940 Act, (a) "Control" investments are defined as investments in companies in which the Company owns more than 25% of the voting securities or has rights to nominate greater than 50% of the directors or managers of the entity, (b) "Affiliate" investments are defined 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 and (c) "Non-Control/Non-Affiliate" investments are defined as investments that are neither Control investments nor Affiliate investments.

Valuation of Portfolio Investments

We account for our portfolio investments at fair value under the provisions of ASC Topic 820,*Fair Value Measurements and Disclosures* ("ASC 820"). ASC 820 defines fair value, establishes a framework for measuring fair value, establishes a fair value hierarchy based on the quality of inputs used to measure fair value and enhances disclosure requirements for fair value measurements. ASC 820 requires us to assume that the portfolio investment is to be sold in the principal market to independent market participants, which may be a hypothetical market. Market participants are defined as buyers and sellers in the principal market that are independent, knowledgeable, and willing and able to transact.

Our portfolio strategy is to invest primarily in illiquid debt and equity securities issued by private, LMM companies and debt securities issued by Middle Market companies that are generally larger in size than the LMM companies. We categorize some of our investments in LMM companies and Middle Market companies as 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 or lenders. Private Loan investments are typically similar in size, structure, terms and conditions to the investments we hold in our LMM portfolio and Middle Market portfolio. Our portfolio also includes Other Portfolio investments, primarily consisting of investments managed by third parties, which differ from the typical profiles for our LMM portfolio investments, Middle Market portfolio investments or Private Loan portfolio investments. Our portfolio investments may be subject to restrictions on resale. See "Item 1A. Risk Factors — Risks Related to Our Investments —*The lack of liquidity in our investments may adversely affect our business.*"

LMM investments and Other Portfolio investments generally have no established trading market, while Middle Market securities generally have established markets that are not active. Private Loan investments may include investments which have no established trading market or have established markets that are not active. We determine in good faith the fair value of our investment portfolio pursuant to a valuation policy in accordance with ASC 820 and a valuation process approved by our board of directors and in accordance with the 1940 Act. Our valuation policies and processes are intended to provide a consistent basis for determining the fair value of the portfolio.

For LMM portfolio investments, we generally review external events, including private mergers, sales and acquisitions involving comparable companies, and include these events in the valuation process by using an enterprise value waterfall ("Waterfall") for our LMM equity investments and an income approach using a yield-to-maturity model ("Yield-to-Maturity") for our LMM debt investments. For Middle Market portfolio investments, we use observable inputs such as quoted prices in the valuation process. We determine the appropriateness of the use of third-party broker quotes, if any, in determining fair value based on our understanding of the level of actual transactions used by the broker to develop the quote and whether the quote was an indicative price or binding offer, the depth and consistency of broker quotes and the correlation of changes in broker quotes with underlying performance of the portfolio company and other market indices. We often cannot observe the inputs considered by the third party in determining our quotes. For Middle Market and Private Loan portfolio investments in debt securities for which we have determined that third-party quotes or other independent pricing are not available or appropriate, we generally estimate the fair value based on the assumptions that we believe hypothetical market participants would use to value the investment in a current hypothetical sale using the Yield-to-Maturity valuation method. For our Other Portfolio equity investments, we generally calculate the fair value of the investment primarily (i) by taking into account information received from a third-party, independent valuation firm, or (ii) based on the NAV of the fund. All of the valuation approaches for our portfolio investments estimate the value of the investment as if we were to sell, or exit, the investment as of the measurement date.

Under the Waterfall valuation method, we estimate the enterprise value of a portfolio company using a combination of market and income approaches or other appropriate valuation methods, such as considering recent transactions in the equity securities of the portfolio company or third-party valuations of the portfolio company, and then perform a Waterfall calculation by using the enterprise value over the portfolio company's securities in order of their preference relative to one another. The enterprise value is the fair value at which an enterprise could be sold in a transaction between two willing parties, rather than through a forced or liquidation sale. Typically, private companies are bought and sold based on multiples of earnings before interest, taxes, depreciation and amortization, cash flows, net income, revenues, or in limited cases, book value. There is no single methodology for estimating enterprise value. For any one portfolio company, enterprise value is generally described as a range of values from which a single estimate of enterprise value is derived. In estimating the enterprise value of a portfolio company, we analyze various factors including the portfolio company's historical and projected financial results. The operating results of a portfolio company may include unaudited, projected, budgeted or pro forma financial information and may require adjustments for non-recurring items or to normalize the operating results that may require significant judgment in our determination. In addition, projecting future financial results requires significant judgment regarding future growth assumptions. In evaluating the operating results, we also analyze the impact of exposure to litigation, loss of customers or other contingencies. After determining the appropriate enterprise value, we allocate the enterprise value to investments in order of the legal priority of the various components of the portfolio company's capital structure. In applying the Waterfall valuation method, we assume the loans are paid off at the principal amount in a change in control transaction and are not assumed by the buyer, which we believe is consistent with our past transaction history and standard industry practices.

Under the Yield-to-Maturity valuation method, we also use the income approach to determine the fair value of debt securities based on projections of the discounted future free cash flows that the debt security will likely generate, including analyzing the discounted cash flows of interest and principal amounts for the debt security, as set forth in the associated loan agreements, as well as the financial position and credit risk of the portfolio investments. We estimate the expected repayment date of our debt securities is generally the legal maturity date of the instrument, as we generally intend to hold our loans and debt securities to maturity. The Yield-to-Maturity analysis also considers changes in leverage levels, credit quality, portfolio company performance and other factors. We will generally use the value determined by the Yield-to-Maturity analysis as the fair value for that security. However, it is our position that assuming a borrower is outperforming underwriting expectations and because these respective investments do not generally contain pre-payment penalties, the borrower would most likely prepay or refinance the borrowing if the market interest rate, given the borrower's credit quality, is lower than the stated loan interest rate. Therefore, we do not believe that a market participant would pay a premium for the investment, and because of our general intent to hold our loans to maturity, we generally do not believe that the fair value of the investment should be adjusted in excess of the face amount. A change in the assumptions that we use to estimate the fair value of our debt securities using the Yield-to-Maturity valuation method could have a material impact on the determination of fair value. If there is deterioration in credit quality or if a debt security is in workout status, we may consider other factors in determining the fair value of the debt security, including the value attributable to the debt security from the enterprise value of the portfolio company or the proceeds that would most likely be received in a liquidation analysis.

Under the NAV valuation method, for an investment in an investment fund that does not have a readily determinable fair value, we measure the fair value of the investment predominately based on the NAV of the investment fund as of the measurement date. However, in determining the fair value of the investment, we may consider whether adjustments to the NAV are necessary in certain circumstances, based on the analysis of any restrictions on redemption of our investment as of the measurement date, recent actual sales or redemptions of interests in the investment fund, and expected future cash flows available to equity holders, including the rate of return on those cash flows compared to an implied market return on equity required by market participants, or other uncertainties surrounding our ability to realize the full NAV of our interests in the investment fund.

With respect to investments for which market quotations are not readily available or an indicator exists that the available market prices are not reliable for a particular security, a multi-step valuation process is undertaken, as described below:

- Our valuation process will begin with our Sub-Adviser preparing draft valuations of each investment based upon the methodology contained in our Sub-Adviser's valuation policy and submitting such draft valuations to our Adviser.
- Our Adviser then prepares its own initial draft valuation for each investment based upon our Adviser's valuation policy.
- The Advisers obtain and potentially take into account information received from a third-party valuation firm retained by our board of directors, if applicable, and then individually set the initial draft value of each investment.
- Team members from our Advisers then confer regarding their respective draft valuations, and our Adviser's team members issue such clarifying questions regarding discrepancies in value estimates to our Sub-Adviser for mutual resolution. After receiving responses to such inquiries from our Sub-Adviser, our Adviser then prepares and presents its recommended fair value for each of the investments for consideration by our Adviser's valuation committee.
- Our Adviser's valuation committee meets to review our Adviser's initial draft values, to analyze and discuss the proposed valuations and to document its conclusions. Our Adviser's valuation committee approves the fair values that are recommended to our audit committee and our board of directors.
- Team members from our Adviser prepare written valuation materials for distribution to our audit committee and our board of directors containing final recommended valuations, as approved by our Adviser's valuation committee.
- Our audit committee reviews our Adviser's preliminary recommended valuations with representatives of our Advisers, and our audit committee recommends the fair value of our portfolio for approval by our board of directors.
- At this point, our board of directors then approves the fair value of our investment portfolio in good faith based on several factors, including the input and recommendation of our Advisers, our Adviser's valuation committee, our audit committee, and any third-party valuation firm, if applicable, and further determines that the valuation of investments held by us and presented in our financial statements was approved in accordance with our valuation policy.

Pursuant to our internal valuation process and the requirements under the 1940 Act, we perform valuation procedures on our unquoted investments in LMM portfolio companies and certain Private Loan portfolio companies (the "Internally Valued Investments") at least once a quarter. Among other things, we generally consult with a nationally recognized independent valuation firm on the Internally Valued Investments at least once in every calendar year, and for new Internally Valued Investments, at least once in the twelve-month period subsequent to the initial investment. In certain instances, we may determine that it is not cost-effective, and as a result is not in our stockholders' best interest, to consult with the nationally recognized independent valuation firm on our investments in one or more of these Internally Valued Investments. Such instances include situations where the fair value of our investment is determined to be insignificant relative to the total investment portfolio. For the year ended December 31, 2019, we consulted with our independent valuation firm in arriving at our determination of fair value on our investments in 30 of the 33 LMM portfolio companies and in 36 of the 49 Private Loan portfolio companies. For the year ended December 31, 2018, we consulted with our independent valuation firm in arriving at our determination of fair value on our investments in 27 of the 30 LMM portfolio companies and in 23 of the 48 Private Loan portfolio companies.

Due to the inherent uncertainty in the valuation process, our estimate of fair value may differ materially from the values that would have been used had an active market for the securities existed. In addition, changes in the market environment, portfolio company performance and other events that may occur over the lives of the investments may cause the gains or losses ultimately realized on these investments to be materially different than the valuations currently assigned. We estimate the fair value of each individual investment and record changes in fair value as "Net Change in Unrealized Appreciation (Depreciation) on Investments" in the Consolidated Statements of Operations.

Investment Income

Interest and dividend income are recorded on the accrual basis to the extent amounts are expected to be collected. Prepayment penalties received by us 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 we do 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 we 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 we 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 we become aware of a deterioration in credit quality, we will evaluate the collectability of the deferred interest payment. If it is determined that the deferred interest is unlikely to be collected, we 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.

Interest income from investments in the "equity" class of security of collateralized loan obligation ("CLO") funds (typically subordinated notes) is recorded based upon an estimation of an effective yield to expected maturity utilizing assumed cash flows in accordance with ASC 325-40, *Beneficial Interests in Securitized Financial Assets.* We monitor the expected cash inflows from our investment in a CLO, including the expected residual payments, and the effective yield is determined and updated periodically.

As of December 31, 2019, we had eight debt investments in five portfolio companies that were on non-accrual status, including seven debt investments in four portfolio companies which were more than 90 days past due. Each of the debt investments on non-accrual status were in default due to failure to pay required principal or interest payments when contractually due. Our Advisers are currently working with the borrowers to maximize recovery of the amounts borrowed. As of December 31, 2019, these eight investments on non-accrual status comprised approximately 1.5% of the total investment portfolio at fair value and 2.9% of the total investment portfolio at cost. Each of these portfolio companies experienced a significant decline in credit quality after we acquired our investments, raising doubt regarding our ability to collect the principal and interest contractually due. Given the credit deterioration, we ceased accruing interest income on the non-accrual debt investments and wrote off any previously accrued interest deemed uncollectable. There was no allowance recorded for the year ended December 31, 2019. As of December 31, 2019, we were not aware of any other material changes to the creditworthiness of the borrowers underlying our debt investments. For those investments in which S&P credit ratings are available, approximately 22.7% of the portfolio, the portfolio had a weighted average effective credit rating of B as of December 31, 2019.

As of December 31, 2018, we 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. Each of the debt investments on non-accrual status were in default due to failure to pay required principal or interest payments when contractually due. As of December 31, 2018, these five investments on non-accrual status comprised approximately 0.4% of the 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 we acquired our investments, raising doubt regarding our ability to collect the principal and interest contractually due. Given the credit deterioration, we ceased accruing interest income on the non-accrual debt investments and wrote off any previously accrued interest deemed uncollectable. There was no allowance recorded for the year ended December 31, 2018. As of December 31, 2018, we were not aware of any other material changes to the creditworthiness of the borrowers underlying our debt investments. For those investments in which S&P credit ratings are available, approximately 31.7% of the portfolio, the portfolio had a weighted average effective credit rating of B as of December 31, 2018.

From time to time, we may hold debt instruments in our investment portfolio that contain a 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. We stop accruing PIK interest and write off any accrued and uncollected interest in arrears when we determine that such PIK interest in arrears is no longer collectible.

At December 31, 2019 and 2018, we held 26 and 24, respectively, investments that contained a PIK provision. As discussed above, five of the 26 investments with PIK provisions as of December 31, 2019 and four of the 24 investments with PIK provisions as of December 31, 2018 were on non-accrual status, and no PIK interest was recorded on these investments during the years ended December 31, 2019 and 2018. For the years ended December 31, 2019, 2018 and 2017, we recognized approximately $4.5 million,

$1.9 million and $1.3 million, respectively, of PIK interest. We stop accruing PIK interest and write off any accrued and uncollected interest in arrears when we determine that such PIK interest in arrears is no longer collectible.

We may periodically provide services, including structuring and advisory services, to our 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 years ended December 31, 2019, 2018 and 2017, we recognized $1.1 million, $2.1 million and $2.4 million, respectively, of non-recurring fee income received from our portfolio companies or other third parties, which accounted for approximately 1.0%, 1.8% and 2.3%, respectively, of our total investment income during such periods. 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.

A presentation of the investment income we received from our investment portfolio in each of the periods presented (dollars in thousands) is as follows:

	Year Ended December 31,		
	2019	2018	2017
Investment Income:			
Interest Income	$ 100,543	$ 101,772	$ 95,680
Fee Income	1,148	2,059	2,374
Dividend Income	10,113	7,587	3,614
Total Investment Income	$ 111,804	$ 111,418	$ 101,668

Unearned Income – Original Issue Discount / Premium to Par Value

We generally purchase our debt investments for an amount different than their respective principal values. For purchases at less than par value, a discount is recorded at acquisition, which is accreted into interest income based on the effective interest method over the life of the debt investment. For purchases at greater than par value, a premium is recorded at acquisition, which is amortized as a reduction to interest income based on the effective interest method over the life of the investment. Upon repayment, any unamortized discount or premium is also recognized into interest income. For the years ended December 31, 2019, 2018 and 2017, we accreted a net of approximately $7.8 million, $9.8 million and $13.1 million, respectively, into interest income.

Net Realized Gains or (Losses) on Investments and Net Change in Unrealized Appreciation or (Depreciation) on Investments

Generally, net realized gains or (losses) are measured by the difference between the net proceeds from the sale of an investment and the amortized cost, without regard to unrealized appreciation or (depreciation) previously recognized, and includes investments written-off during the period net of recoveries and realized gains or (losses) from in-kind redemptions. Net change in unrealized appreciation or (depreciation) on investments reflects the net change in the fair value of the investment portfolio and the reclassification of any prior period unrealized appreciation (depreciation) on exited investments to realized gains or (losses).

Offering Costs

In accordance with the Investment Advisory Agreement and the Sub-Advisory Agreement, we reimburse our Advisers for any offering costs that are paid on our behalf, which consist of, among other things, actual legal, accounting, bona fide out-of-pocket itemized and detailed due diligence costs, printing, filing fees, transfer agent costs, postage, escrow fees, data processing fees, advertising and sales literature and other offering costs. We expect to reimburse the Advisers for such costs incurred on our behalf on a monthly basis, up to a maximum aggregate amount of 1.5% of the gross stock offering proceeds, including proceeds from the issuance of stock from our distribution reinvestment plan. The Advisers are responsible for the payment of offering costs to the extent they exceed 1.5% of the aggregate gross stock offering proceeds.

Effective January 1, 2016 through the closing of the Offering to new investors, offering costs were capitalized as incurred by us as we became obligated to reimburse our Advisers for such costs and subsequently amortized to expense over a 12-month period to more closely track applicable guidance. Deferred offering costs were fully amortized to expense upon the closing of the Offering to new investors and are currently expensed as incurred by us as we become obligated to reimburse our Advisers for such costs.

Income Taxes

Certain of our investment practices are subject to special and complex U.S. federal income tax provisions that may, among other things, (i) convert dividends that would otherwise constitute qualified dividend income into ordinary income, (ii) treat dividends that would otherwise be eligible for deductions available to certain U.S. corporations under the Code as ineligible for such treatment, (iii) disallow, suspend or otherwise limit the allowance of certain losses or deductions, (iv) convert long-term capital gains into short-term capital gains or ordinary income, (v) convert short-term capital losses into long-term capital losses, (vi) convert an ordinary loss or deduction into a capital loss (the deductibility of which is more limited), (vii) cause us to recognize income or gain without a corresponding receipt of cash, (viii) adversely alter the characterization of certain complex financial transactions, and (ix) produce gross income that will not constitute qualifying gross income for purposes of the gross income requirement that applies to RICs. These rules also could affect the amount, timing and character of distributions to stockholders. We intend to monitor our transactions and may make certain tax elections to mitigate the effect of these provisions on our ability to be subject to tax as a RIC.

Some of the income that we might otherwise earn, such as fees for providing managerial assistance, certain fees earned with respect to our investments, income recognized in a work-out or restructuring of a portfolio investment, or income recognized from an equity investment in an operating partnership, may not satisfy the 90% Income Test. To manage the risk that such income might disqualify us as a RIC for failure to satisfy the 90% Income Test, we may establish one or more Taxable Subsidiaries to hold assets from which we do not anticipate earning qualifying income under the 90% Income Test. Any investments held through a Taxable Subsidiary generally will be subject to U.S. federal income and other taxes, and therefore we can expect to achieve a reduced after-tax yield on such investments).

Uncertainty in Income Taxes

We evaluate our tax positions in accordance with ASC Topic 740, *Income Taxes*, to determine if the tax positions taken meet the minimum recognition threshold in connection with accounting for uncertainties in income tax positions taken or expected to be taken for the purposes of measuring and recognizing tax benefits or liabilities in the consolidated financial statements. Recognition of a tax benefit or liability with respect to an uncertain tax position is required only when the position is “more likely than not” to be sustained assuming examination by taxing authorities. We recognize interest and penalties, if any, related to unrecognized tax liabilities as income tax expense (benefit) in our Consolidated Statements of Operations.

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, 8.5% of the fair value of our Middle Market portfolio is secured by second priority liens.

As of December 31, 2019, our LMM portfolio consists of debt investments secured by a first priority lien (57.2% of the total fair value of the LMM portfolio) on the assets of the portfolio companies and equity investments (42.4% 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 December 31, 2019, our Private Loan portfolio primarily consists of debt investments secured by first and second priority liens (89.7% and 3.5% of the total fair value of the Private Loan portfolio, respectively) on the assets of the portfolio companies, unsecured debt investments (2.5% of the total fair value of the Private Loan portfolio) and equity investments (4.3% of the total fair value of the Private Loan portfolio) in 12 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 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, private funds or CLOs.

During the year ended December 31, 2019, we funded investment purchases of approximately $282.0 million. We also received proceeds from sales and repayments of existing portfolio investments of approximately $357.3 million including $186.7 million in sales. We had no investments under contract to sell as of December 31, 2019. The combined result of these transactions decreased our portfolio, on a cost basis, by approximately $81.6 million, or 7.3%, and the number of portfolio investments increased by 8, or 4.0%, compared to the portfolio as of December 31, 2018. As of December 31, 2019, the largest investment in an individual portfolio company represented approximately 3.0% of our portfolio's fair value with the remaining investments in any individual portfolio company ranging from 0.0% to 2.0%. The average single investment in our portfolio is approximately $4.9 million or 0.5% of the total portfolio. As a result of these transactions, our portfolio has become increasingly broadened across individual portfolio investments, geographic regions, and industries. Further, our total portfolio's investment composition (excluding our Other Portfolio investments) at fair value is comprised of 81.8% first lien debt securities and 4.1% 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 year ended December 31, 2018, we funded investment purchases of approximately $585.0 million. We also received proceeds from sales and repayments of existing portfolio investments of approximately $494.7 million including $239.2 million in sales. Additionally, we had one investment under contract to sell as of December 31, 2018, for approximately $918,000, which represented the contract sales price. The combined result of these transactions increased our portfolio, on a cost basis, by approximately $57.4 million, or 5.4%, and the number of portfolio investments increased by 26, or 14.8%, compared to the portfolio as of December 31, 2017. As of December 31, 2018, the largest investment in an individual portfolio company represented approximately 2.4% of our portfolio's fair value with the remaining investments in any individual portfolio company ranging from 0.0% to 2.2%. The average single investment in our portfolio as of December 31, 2018 was approximately $5.5 million or 0.5% of the total portfolio. Further, our total portfolio's investment composition (excluding our Other Portfolio investments) at fair value as of December 31, 2018 was comprised of 80.3% first lien debt securities and 8.9% second lien debt securities, with the remainder in unsecured debt investments and equity investments.

The discussion of portfolio investments for the fiscal year ended December 31, 2017 can be found in our annual report on Form 10-K/A for the fiscal year ended December 31, 2018, located within Part II, Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations.

As of December 31, 2019 and 2018, the weighted average portfolio asset quality rating of our LMM investments was approximately 2.4 and 2.5, respectively. See "Portfolio Asset Quality" below for a description of the system used to rate our investments. Lastly, from December 31, 2018 to December 31, 2019, the overall weighted average effective yield on our investment portfolio has decreased from 9.5% to 8.7%.

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):

	December 31, 2019				December 31, 2018			
Cost:	**LMM**	**Private Loan**	**Middle Market**	**Total**	**LMM**	**Private Loan**	**Middle Market**	**Total**
First Lien Secured Debt	68.0%	90.4%	84.8%	84.3%	70.4%	87.3%	81.8%	82.0%
Second Lien Secured Debt	0.4	3.5	10.1	4.9	—	6.2	15.8	9.2
Unsecured Debt	0.1	2.5	0.6	1.4	—	2.6	0.2	1.1
Equity	30.9	3.5	4.5	9.2	28.9	3.7	2.2	7.5
Equity Warrants	0.6	0.1	—	0.2	0.7	0.2	—	0.2
	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%

	December 31, 2019				December 31, 2018			
Fair Value:	**LMM**	**Private Loan**	**Middle Market**	**Total**	**LMM**	**Private Loan**	**Middle Market**	**Total**
First Lien Secured Debt	57.2%	89.7%	88.1%	81.8%	62.1%	87.1%	82.9%	80.3%
Second Lien Secured Debt	0.3	3.5	8.5	4.1	—	6.3	15.6	8.9
Unsecured Debt	0.1	2.5	0.6	1.4	—	2.5	0.2	1.1
Equity	42.3	4.0	2.8	12.5	37.4	3.9	1.3	9.5
Equity Warrants	0.1	0.3	—	0.2	0.5	0.2	—	0.2
	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%

See Note 3 — *Fair Value Hierarchy for Investments — Portfolio Investment Composition* to the financial statements included elsewhere in this Form 10-K for summaries of the composition of our investments by geographic region and by industry.

Investment in HMS-ORIX SLF LLC ("HMS-ORIX")

We previously co-invested in broadly-syndicated loans with ORIX Funds Corp. through our investment in HMS-ORIX, which was organized as a Delaware limited liability company. 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 its existing $100.0 million credit facility with Bank of America, N.A., which was subsequently terminated. The reinvestment period for the Refinanced HMS-ORIX Credit Facility was scheduled to expire on September 6, 2019 and the maturity date was 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 bore interest at a rate equal to the three-month LIBOR plus 1.15%. As of December 31, 2018, $98.8 million was outstanding under this facility. Borrowings under the facility were secured by substantially all of the assets of HMS-ORIX.

On May 8, 2019, HMS-ORIX Holdings I, LLC, a wholly owned subsidiary of HMS-ORIX, which held 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 Cayman Islands ("Mariner CLO"). Proceeds from the HMS-ORIX Holdings Merger were used to pay off the Refinanced HMS-ORIX Credit Facility. HMS-ORIX was fully liquidated on September 26, 2019.

As of December 31, 2018, HMS-ORIX had total assets of $162.5 million and HMS-ORIX's portfolio consisted of 107 broadly-syndicated loans, all of which were secured by first-priority liens, generally in industries similar to those in which we may directly invest. As of December 31, 2018, there were no loans in HMS-ORIX's portfolio that were on non-accrual status.

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

	As of December 31, 2018	
Total debt investments (1)	$	165,025
Weighted average effective yield on loans (2)		5.82 %
Largest loan to a single borrower (1)	$	3,461
Total of 10 largest loans to borrowers (1)	$	30,430

(1) At principal amount.

(2) Weighted average effective annual 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.

The following table presents a listing of HMS-ORIX's individual loans 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

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

Portfolio Company	Industry	Type of Investment	Principal	Cost	Fair Value
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
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

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

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

HMS-ORIX
Loan Portfolio
As of December 31, 2018
(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 5.02%, Secured Debt (Maturity - August 18, 2023)	1,944	1,951	1,841
HD Supply Waterworks, Ltd.	Trading Companies and Distributors	LIBOR (6 months) + 3.00%, Current Coupon 5.71%, Secured Debt (Maturity - August 1, 2024)	139	138	134
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

HMS-ORIX

Loan Portfolio

As of December 31, 2018

(dollars in thousands)

Portfolio Company	Industry	Type of Investment	Principal	Cost	Fair Value
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
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

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

Portfolio Company	Industry	Type of Investment	Principal	Cost	Fair Value
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
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
Total Loan Portfolio			**$ 165,025**	**$ 164,570**	**$ 157,923**

For the years ended December 31, 2019 and 2018 and for the period from inception (April 4, 2017) to December 31, 2017, we recognized approximately $546,000, $2.1 million and $450,000, respectively, of dividend income from our investment in HMS-ORIX.

The following tables show the financial information for HMS-ORIX:

HMS-ORIX SLF LLC
Balance Sheets
(dollars in thousands)

	As of December 31, 2019	As of December 31, 2018
Assets		
Portfolio investments at fair value (amortized cost: $0 and $164,570 as of December 31, 2019 and 2018, respectively)	$ —	$ 157,923
Cash and cash equivalents	—	3,873
Interest receivable	—	197
Deferred financing costs, net	—	497
Other assets	—	30
Total assets	$ —	$ 162,520
Liabilities		
Credit facilities payable	$ —	$ 98,818
Payable for securities purchased	—	18,442
Distributions payable	—	902
Accounts payable and accrued expenses	—	439
Total liabilities	—	118,601
Net assets		
Members' equity	—	43,919
Total net assets	—	43,919
Total liabilities and net assets	$ —	$ 162,520

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

	For the Year Ended December 31, 2019	For the Year Ended December 31, 2018	For the Period from Inception (April 4, 2017) to December 31, 2017
Investment income			
Interest income	$ 3,030	$ 7,505	$ 3,730
Dividend income	—	—	—
Fee income	—	—	—
Other income	—	—	—
Total investment income	3,030	7,505	3,730
Expenses			
Interest expense	2,130	3,755	1,720
Other expenses	—	1	34
General and administrative expenses	96	89	64
Total expenses	2,226	3,845	1,818
Net investment income	804	3,660	1,912
Net realized loss on investments	(1,514)	(618)	(85)
Net realized income (loss)	(710)	3,042	1,827
Net change in unrealized appreciation (depreciation) on investments	6,647	(6,642)	(5)
Net increase (decrease) in net assets resulting from operations	$ 5,937	$ (3,600)	$ 1,822

PORTFOLIO ASSET QUALITY

As of December 31, 2019, we owned a broad portfolio of 210 investments in 124 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:

- 37 debt investments in 34 Middle Market portfolio companies with an aggregate fair value of approximately $264.8 million and a cost basis of approximately $296.8 million. The Middle Market debt investments had a weighted average annual effective yield of approximately 8.5%, which is calculated assuming the investments on non-accrual status are non-yielding, and 90.6% of the Middle Market debt investments were secured by first priority liens. Further, 97.8% of the Middle Market 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.
- 52 debt investments in 47 Private Loan portfolio companies with an aggregate fair value of approximately $460.4 million and a cost basis of approximately $463.8 million. The Private Loan debt investments had a weighted average annual effective yield of approximately 9.7%, which is calculated assuming the investments on non-accrual status are non-yielding, and 93.8% of the Private Loan debt investments were secured by first priority liens. Further, 95.3% 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.
- 42 debt investments in 33 LMM portfolio companies with an aggregate fair value of approximately $129.6 million and a cost basis of approximately $133.6 million. The LMM debt investments had a weighted average annual effective yield of approximately 11.8% and 99.4% of the debt investments were secured by first priority liens. Also, 55.1% of the LMM debt investments are fixed rate investments with fixed interest rates between 8.0% and 15.0%. Further, 26 LMM debt investments, representing approximately 44.9% of the LMM debt investments, have variable interest rates subject to a contractual minimum base interest rate of 100 basis points.
- 72 equity investments and seven equity warrant investments in 32 LMM portfolio companies, 12 Private Loan portfolio companies, seven Middle Market portfolio companies and six Other Portfolio companies with an aggregate fair value of approximately $172.8 million and a cost basis of approximately $145.8 million.

Overall, as of December 31, 2019, our investment portfolio had a weighted average effective yield of approximately 8.7%, and 77.9% of our total portfolio's investments (including our Other Portfolio investments) were secured by first priority liens.

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 December 31, 2019 and December 31, 2018 (dollars in thousands):

	December 31, 2019		December 31, 2018	
Investment Rating	**Investments at Fair Value**	**Percentage of Total Portfolio**	**Investments at Fair Value**	**Percentage of Total Portfolio**
1	$ 86,453	38.4 %	$ 56,937	27.1 %
2	28,130	12.5	15,038	7.1
3	48,597	21.6	124,397	59.2
4	61,941	27.5	10,718	5.1
5	—	—	3,184	1.5
Totals	**$ 225,121**	**100.0 %**	**$ 210,274**	**100.0 %**

Based upon the investment rating system, the weighted average rating of our LMM portfolio at fair value was approximately 2.4 and 2.5 as of December 31, 2019 and December 31, 2018, respectively. Lastly, the overall weighted average effective yield on our investment portfolio has decreased from 9.5% at December 31, 2018 to 8.7% at December 31, 2019.

DISCUSSION AND ANALYSIS OF RESULTS OF OPERATIONS

RESULTS COMPARISONS FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018

Total Investment Income, Operating Expenses, Net Assets

For the years ended December 31, 2019 and 2018, our total investment income was approximately $111.8 million and $111.4 million, respectively. The increase in total investment income was predominantly the result of an increase in dividend income of $2.5 million, offset by a decrease in interest income of $1.2 million and a decrease in fee income of $900,000. The increase in dividend income was primarily due to improving performance of certain of our Lower Middle Market equity investments. The decrease in interest income was primarily a result of (i) the reduction in our total portfolio debt investments and (ii) a decrease in the weighted average annual effective yield on investments. For the year ended December 31, 2019, our average investment portfolio at fair value was $1,073.2 million, compared to $1,091.5 million for the year ended December 31, 2018. For the year ended December 31, 2019, our average effective yield on investments at fair value was 8.7%, compared to 9.5% for the year ended December 31, 2018.

For the years ended December 31, 2019 and 2018, we recognized approximately $1.1 million and $2.1 million, respectively, of non-recurring fee income received from our portfolio companies or other third parties, which accounted for approximately 1.0% and 1.8%, 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 years ended December 31, 2019 and 2018, expenses, net of any fee and expense waivers, were approximately $55.9 million and $51.5 million, respectively. The increase in expenses was primarily due to an increase in incentive fees of $3.9 million. For the year ended December 31, 2019, the Advisers earned, but did not waive, a subordinated incentive fee on income of $3.9 million, while the Advisers earned, but waived in full, a subordinated incentive fee on income of $3.3 million for the year ended December 31, 2018.

For the year ended December 31, 2019, the net increase in net assets resulting from operations was approximately $39.6 million. The increase was attributable to net investment income of approximately $55.1 million and net change in unrealized appreciation on investments of approximately $3.0 million, offset by net realized losses of approximately $18.4 million. The net realized losses were primarily the result of approximately $21.8 million of realized losses from the exit or restructure of Middle Market debt investments in five portfolio companies, offset by a realized gain on the exit of one Private Loan equity investment.

RESULTS COMPARISONS FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017

The comparison of the fiscal years ended December 31, 2018 and 2017 can be found in our annual report on Form 10-K/A for the fiscal year ended December 31, 2018, located within Part II, Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations.

FINANCIAL CONDITION, LIQUIDITY AND CAPITAL RESOURCES

Overview

As of December 31, 2019, we had $21.8 million in cash and cash equivalents, which we held in various custodial accounts, and our NAV totaled approximately $609.3 million equating to approximately $7.77 per share. As of December 31, 2018, we had approximately $21.8 million in cash and cash equivalents and our NAV totaled approximately $625.4 million equating to approximately $7.96 per share. In addition, as of December 31, 2019, we had $125.0 million in capacity available under the Credit Facilities, in the aggregate, subject to borrowing base limitations. To seek to enhance our returns, we intend to continue to employ leverage as market conditions permit and at the discretion of our Adviser, but in no event will leverage employed exceed 50% of the value of our total assets, which is the maximum we are allowed to borrow under the 1940 Act. See "*Financial Condition, Liquidity and Capital Resources — Financing Arrangements*."

As of December 31, 2019, we had 36 senior secured loan investments and five equity investments with aggregate unfunded commitments of $46.3 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, dividends and fees earned on our investments, principal repayments and proceeds from 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.

Cash and Cash Equivalents

As of December 31, 2019, we had approximately $21.8 million in cash and cash equivalents and our NAV totaled approximately $609.3 million equating to approximately $7.77 per share.

As of December 31, 2018, we had approximately $21.8 million in cash and cash equivalents and our NAV totaled approximately $625.4 million equating to approximately $7.96 per share.

Cash Flows

For the year ended December 31, 2019, we experienced a net increase in cash and cash equivalents of approximately $89,000. During that period, approximately $120.2 million of cash was generated from our operating activities, which principally consisted of the repayment of portfolio investments of $357.3 million and a net increase in net assets resulting from operations of approximately $39.6 million, offset by the purchase of new portfolio investments of $282.0 million. During the year ended December 31, 2019, approximately $120.1 million was used in financing activities, which principally consisted of a net $64.0 million decrease in borrowings under the Credit Facilities, $30.1 million in cash distributions paid to stockholders and $25.6 million in repurchases of common stock from existing stockholders.

For the year ended December 31, 2018, we experienced a net decrease in cash and cash equivalents of approximately $24.0 million. During that period, approximately $39.8 million of cash was used in our operating activities, which principally consisted of the purchase of new portfolio investments of $585.0 million, offset by the repayment of portfolio investments of $494.7 million and a net increase in net assets resulting from operations of approximately $40.3 million. During the year ended December 31, 2018, approximately $15.8 million was generated from financing activities, which principally consisted of a net $79.0 million increase in borrowings under the Credit Facilities, offset by $28.5 million in cash distributions paid to stockholders and $34.3 million in repurchases of common stock from existing stockholders.

For the year ended December 31, 2017, we experienced a net increase in cash and cash equivalents of approximately $22.1 million. During that period, approximately $12.2 million of cash was generated from our operating activities, which principally consisted of the repayment of portfolio investments of $525.0 million and a net increase in net assets resulting from operations of approximately $52.6 million, offset by the purchase of new portfolio investments of $551.8 million. During the year ended December 31, 2017, approximately $9.9 million was generated from financing activities, which principally consisted of $45.8 million in net offering proceeds received and a net $17.0 million increase in borrowings under the Credit Facilities, offset by $26.4 million in cash distributions paid to stockholders, $23.0 million in repurchases of common stock from existing stockholders and $3.6 million in deferred financing costs related to the credit facility amendments.

Continuous Public Offering and Distribution Reinvestment Plan

With the approval of our board of directors, we closed the Offering to new investors effective September 30, 2017. During the year ended December 31, 2019, we raised proceeds of $25.1 million from our distribution reinvestment plan.

During the year ended December 31, 2018, we raised proceeds of $27.1 million from our distribution reinvestment plan.

During the year ended December 31, 2017, we raised proceeds of $78.7 million from the Offering, including proceeds from the distribution reinvestment plan, and incurred approximately $4.0 million in selling commissions and Dealer Manager fees. We also incurred an obligation for $1.2 million of offering costs.

Distributions

The following table reflects the cash distributions per share that we declared on our common stock during the years ended December 31, 2019, 2018 and 2017 (dollars in thousands except per share amounts).

	Distributions	
For the Period Ended	**Per Share**	**Amount**
2019		
Three months ended December 31, 2019	$ 0.18	$ 13,885
Three months ended September 30, 2019	0.17	13,900
Three months ended June 30, 2019	0.18	13,754
Three months ended March 31, 2019	0.17	13,606
2018		
Three months ended December 31, 2018	0.18	13,916
Three months ended September 30, 2018	0.17	13,938
Three months ended June 30, 2018	0.18	13,855
Three months ended March 31, 2018	0.17	13,803
2017		
Three months ended December 31, 2017	0.18	14,144
Three months ended September 30, 2017	0.17	13,910
Three months ended June 30, 2017	0.18	13,438
Three months ended March 31, 2017	0.17	12,922

On December 12, 2019, with the authorization of our board of directors, we declared distributions to our stockholders for the period of January 2020 through March 2020. These distributions have been, or will be, calculated based on stockholders of record each day from January 1, 2020 through March 31, 2020 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 and will be paid in cash or reinvested in common stock for those stockholders participating in our distribution reinvestment plan.

Specific tax characteristics of all distributions are reported to stockholders shortly after the close of each calendar year on Form 1099-DIV. For the years ended December 31, 2019, 2018 and 2017, respectively, approximately 96.7%, 90.6% and 96.4% of the distributions paid were taxable to the investor as ordinary income and approximately 3.3%, 9.4% and 3.6% were treated as capital gain distributions for federal income tax purposes. No portion of the distributions paid during the years ended December 31, 2019, 2018 and 2017 represented a return of capital.

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, for the foreseeable future, pay a portion of our distributions from sources other than net realized income from operations, which may include stock offering proceeds, borrowings, fee and expense waivers from our Advisers and support payments from the Adviser.

We may fund our cash distributions from any sources of funds legally available, including stock offering proceeds, borrowings, net investment income from operations, capital gains proceeds from the sale of assets, non-capital gains proceeds from the sale of assets, dividends or other distributions paid to us on account of preferred and common equity investments in portfolio companies and fee waivers from our Advisers. We have not established any limit on the extent to which we may use borrowings or stock offering proceeds to fund distributions. Our distributions may exceed our earnings, and 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 a RIC, we must distribute to our stockholders substantially all of our taxable income on an annual basis. However, we may elect to spill over certain excess undistributed taxable income from one tax year into the next tax year, which may require us to pay a 4% nondeductible U.S. federal excise tax on such excess undistributed taxable income. For the taxable year ended December 31, 2017, we distributed $14.9 million, or $0.187394 per share, of our taxable income in 2018, prior to the filing of our federal income tax return for our 2017 taxable year. As a result, we were subject to a 4% nondeductible excise tax liability of approximately $542,000. For the taxable year ended December 31, 2018, we distributed $20.5 million, or $0.260865 per share, of our taxable income in 2019, prior to the filing of our federal income tax return for our 2018 taxable year. As a result, we were subject to a 4% nondeductible excise tax liability of approximately

$765,000. For the taxable year ended December 31, 2019, we distributed $17.1 million, or $0.217936 per share, of our taxable income in 2020, prior to the filing of our federal income tax return for our 2019 taxable year. As a result, we were subject to a 4% nondeductible excise tax liability of approximately $635,000.

Financing Arrangements

On March 6, 2017, we entered into the TIAA Credit Facility, which was most recently amended on March 5, 2020, to increase revolver commitments to $130.0 million, with an accordion provision allowing borrowing capacity to increase up to $150.0 million, subject to satisfaction of certain conditions.

On June 2, 2014, HMS Funding entered into the Deutsche Bank Credit Facility, which was most recently amended on November 20, 2017, increasing the revolver commitments to $450.0 million, with an accordion provision allowing increases in aggregate commitments, not to exceed $550.0 million, with lender consent. We contribute certain assets to HMS Funding from time to time, as permitted under the TIAA Credit Facility, as collateral to secure the Deutsche Bank Credit Facility.

As of December 31, 2019, we had $105.0 million outstanding and $15.0 million available under our TIAA Credit Facility and $340.0 million outstanding and $110.0 million available under the Deutsche Bank Credit Facility, both of which we estimated approximated fair value and subject to certain limitations and the asset coverage restrictions under the 1940 Act. As of December 31, 2018, we had $120.0 million outstanding and no availability under our TIAA Credit Facility and $389.0 million outstanding and $61.0 million available under the Deutsche Bank Credit Facility, both of which we estimated approximated fair value and subject to certain limitations and the asset coverage restrictions under the 1940 Act. See Note 6 — *Borrowings* to the financial statements included elsewhere in this Annual Report on Form 10-K for additional information regarding the Credit Facilities.

As a BDC, we are permitted, under specified conditions, to issue "senior securities," including borrowing money from banks or other financial institutions, only in amounts such that our asset coverage, as that term is defined in the 1940 Act, immediately after each such issuance is at least equal to the percentage set forth in Section 61 of the 1940 Act that is applicable to us at such time. Prior to the enactment of the SBCAA in March 2018, the asset coverage requirement applicable to BDCs was 200%. The SBCAA permits a BDC to be subject to an asset coverage requirement of 150% so long as it meets certain disclosure requirements and obtains certain approvals and, in the case of an unlisted BDC, makes an offer to repurchase the shares of its stockholders as of the date of the requisite approval. The reduced asset coverage requirement permits a BDC to have a ratio of total consolidated assets to outstanding indebtedness of 2:1 as compared to a maximum of 1:1 under the 200% asset coverage requirement. 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. We have not requested or obtained either such approval. As of December 31, 2019 and 2018, our asset coverage ratio under BDC regulations was 237% and 223%, respectively. As of December 31, 2019 and 2018, considering these limitations and assuming no change in our NAV, we had the ability to draw upon the entire remaining capacity in the Credit Facilities.

We anticipate that we will continue to fund our investment activities through existing cash and borrowings on the Credit Facilities. Our primary uses of funds in both the short-term and long-term will be investments in portfolio companies, operating expenses and cash distributions to holders of our common stock.

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 11 — *Related Party Transactions and Arrangements* to the financial statements included elsewhere in this Annual Report on Form 10-K for additional information regarding related party transactions.

Contractual Obligations

As of December 31, 2019, we had $445.0 million in borrowings outstanding under the Credit Facilities. The TIAA Credit Facility will mature on March 6, 2022 and the Deutsche Bank Credit Facility will mature on November 20, 2022. See above for a description of the Credit Facilities.

A summary of our significant contractual payment obligations for the repayment of outstanding borrowings atDecember 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(1)	$ 105,000	$ —	$ 105,000	$ —	$ —
Deutsche Bank Credit Facility(2)	340,000	—	340,000	—	—
Total	$ 445,000	$ —	$ 445,000	$ —	$ —

(1) At December 31, 2019, $15.0 million remained available under the TIAA Credit Facility; however, our borrowing ability is limited to the asset coverage restrictions imposed by the 1940 Act, as discussed above.
(2) At December 31, 2019, $110.0 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.

Recently Issued Accounting Standards

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 adoption of this standard is not anticipated to have a material impact on our consolidated financial statements and related disclosures.

In August 2018, the SEC adopted rules (the "SEC Release") amending certain disclosure requirements intended to eliminate redundant, duplicative, overlapping, outdated, or superseded, in light of other SEC disclosure requirements, US GAAP requirements, or changes in the information environment. In part, the SEC Release requires an investment company to present distributable earnings in total on the consolidated balance sheet and consolidated statement of changes in net assets, rather than showing the three components of distributable earnings as previously shown. The impact of the adoption of these rules on our consolidated financial statements was not material. Additionally, the SEC Release requires 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. We adopted the new requirement to present changes in net assets in interim financial statements within Form 10-Q filings starting with the quarter ending March 31, 2019. The impact of the adoption of these rules on our consolidated financial statements was not material.

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

Off-Balance Sheet Arrangements

At December 31, 2019, we had a total of approximately $46.3 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) five capital commitments that had not been fully called. We recognized unrealized appreciation of approximately $323,000 on the outstanding unfunded loan commitments and no unrealized appreciation or depreciation on the outstanding unfunded capital commitments during theyear ended December 31, 2019. 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.

	Commitments and Contingencies (dollars in thousands)	
	December 31, 2019	December 31, 2018
Unfunded Loan Commitments		
Adams Publishing Group, LLC	$ 762	$ 1,735
American Nuts, LLC	247	1,266
American Trailer Rental Group, LLC	400	400
Analytical Systems Keco, LLC	200	—
Apex Linen Services, Inc.	—	403

	Commitments and Contingencies (dollars in thousands)	
	December 31, 2019	December 31, 2018
Arcus Hunting, LLC	$ 1,398	$ 904
ASC Ortho Management Company, LLC	750	750
BarFly Ventures, LLC	—	123
BBB Tank Services, LLC	—	200
BigName Holdings, LLC	—	29
Boccella Precast Products, LLC	500	500
Centre Technologies Holdings, LLC	600	—
Chamberlin Holding LLC	400	400
Charps, LLC	—	1,000
Chisholm Energy Holdings, LLC	1,429	—
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, Inc.	1,526	4,125
Guerdon Modular Holdings, Inc.	148	400
Hawk Ridge Systems, LLC	350	400
HDC/HW Intermediate Holdings, LLC	—	180
Hoover Group, Inc.	—	2,375
Hunter Defense Technologies, Inc.	3,540	—
HW Temps LLC	200	200
Implus Footcare, LLC	—	44
Independent Pet Partners Intermediate Holdings, LLC	9,357	22,244
Invincible Boat Company, LLC	648	—
J & J Services, Inc.	3,000	—
KMC Acquisition, LLC	500	500
LL Management, Inc.	1,182	—
Lynx FBO Operating LLC	1,875	—
Mac Lean-Fogg Company	313	—
Market Force Information, Inc.	3	350
Mystic Logistics, Inc.	200	200
New Era Technology, Inc.	—	479
NexRev, LLC	800	1,000
NinjaTrader, LLC	200	—
NuStep, LLC	300	300
SI East, LLC	2,500	2,500
TEAM Public Choices, LLC	351	—
Tedder Acquisition, LLC	140	180
Trantech Radiator Topco, LLC	400	—
Volusion, LLC	—	1,961
Wireless Vision Holdings, LLC	—	693
Unfunded Capital Commitments		
Brightwood Capital Fund III, LP	1,260	1,000
Brightwood Capital Fund IV, LP	1,000	8,000
Copper Trail Energy Fund I LP	3,416	1,754
Freeport First Lien Loan Fund III, LP	1,945	3,942
Harris Preston Fund Investments	2,526	—
Total	$ 46,266	$ 62,537

Recent Developments

On February 21, 2020, we purchased, in accordance with the terms of the tender offer, a total of 789,922.02 shares of its common stock validly tendered and not withdrawn on a pro-rata basis at a price of $7.70 per share, which was the net asset value per share as of February 19, 2020, for an aggregate purchase price of approximately $6.1 million, an amount equal to the proceeds we received from the issuance of shares of our common stock under our distribution reinvestment plan during the prior calendar quarter. Approximately 26.5% of the number of shares tendered by each stockholder who participated in the tender offer was repurchased by us.

On March 4, 2020, with the authorization of our board of directors, we declared distributions to our stockholders for the period of April 2020 through June 2020. These distributions have been, or will be, calculated based on stockholders of record each day from April 1, 2020 through June 30, 2020 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.

On March 5, 2020, we, together with HMS Equity Holding, HMS Equity Holding II, HMS California Holdings, HMS California Holdings GP, TIAA Bank and certain financial institutions as lenders, amended the TIAA Credit Facility to, among other things, (i) extend the termination date of the revolver commitments to March 6, 2022 and the final maturity date of the facility to March 6, 2023, both such dates subject to two one-year extension options, with administrative agent and lender approval, (ii) increase the revolver commitments to $130.0 million and (iii) reduce the interest rate margin to LIBOR plus 2.60% or the base rate plus 1.60%.

Item 7A. 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 December 31, 2019, approximately 87.9% of our LMM, Private Loan, and Middle Market portfolio debt investments (based on cost) contained floating interest rates. As of December 31, 2019, the one-month and three-month LIBOR was approximately 1.76% and 1.91% respectively. Many of our investments provide that the specified interest rate on such instruments will never fall below a level, or floor, generally between 100 and 150 basis points, equal to 1.0% to 1.5%, regardless of the level of the specified index rate.

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 December 31, 2019.

Change in interest rates	Increase (Decrease) in Interest Income	Increase (Decrease) in Interest Expense	Net Increase (Decrease) in Net Investment Income
Down 100 basis points	(6,529)	(4,450)	(2,079)
Down 50 basis points	(3,788)	(2,225)	(1,563)
Up 50 basis points	3,953	2,225	1,728
Up 100 basis points	7,938	4,450	3,488
Up 200 basis points	15,908	8,900	7,008
Up 300 basis points	23,878	13,350	10,528

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 December 31, 2019, we had not entered into any interest rate hedging arrangements.

Item 8. ***Financial Statements and Supplementary Data***

Index to Audited Financial Statements

Report of Independent Registered Public Accounting Firm

Board of Directors and Stockholders
HMS Income Fund, Inc.

Opinion on the financial statements

We have audited the accompanying consolidated balance sheets of HMS Income Fund, Inc. (a Maryland corporation) and subsidiaries (the "Company"), including the consolidated schedule of investments, as of December 31, 2019 and 2018, the related consolidated statements of operations, changes in net assets, and cash flows for each of the three years in the period ended December 31, 2019, and the related notes and the financial highlights (see Note 7) for each of the five years in the period ended December 31, 2019 (collectively referred to as the "financial statements"). In our opinion, the financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2019 and 2018, and the results of its operations and its cash flows for each of the three years in the period ended December 31, 2019 and the financial highlights for each of the five years in the period ended December 31, 2019, in conformity with accounting principles generally accepted in the United States of America.

Basis for opinion

These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on the Company's financial statements based on our audits. We are a public accounting firm registered with the Public Company Accounting Oversight Board (United States) ("PCAOB") and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether due to error or fraud. The Company is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. As part of our audits, we are required to obtain an understanding of internal control over financial reporting but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion.

Our audits included performing procedures to assess the risks of material misstatement of the financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements. Our procedures included verification by confirmation of securities as of December 31, 2019 and 2018, by correspondence with the portfolio companies and custodians, or by other appropriate auditing procedures where replies were not received. We believe that our audits provide a reasonable basis for our opinion.

/s/ GRANT THORNTON LLP

We have served as the Company's auditor since 2012.

Houston, Texas
March 19, 2020

PART I — FINANCIAL INFORMATION

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

	December 31, 2019	December 31, 2018
ASSETS		
Portfolio investments at fair value:		
Non-Control/Non-Affiliate investments (amortized cost: $878,632 and $932,495 as of December 31, 2019 and December 31, 2018, respectively)	$ 838,643	$ 901,518
Affiliate investments (amortized cost: $144,006 and $143,372 as of December 31, 2019 and December 31, 2018, respectively)	154,158	149,323
Control investments (amortized cost: $17,417 and $45,821 as of December 31, 2019 and December 31, 2018, respectively)	34,796	55,727
Total portfolio investments	1,027,597	1,106,568
Cash and cash equivalents	21,846	21,757
Interest receivable	8,749	9,292
Receivable for securities sold	—	918
Prepaid and other assets	4,403	4,038
Deferred financing costs (net of accumulated amortization of $2,990 and $1,642 as of December 31, 2019 and December 31, 2018, respectively)	3,516	4,857
Total assets	$ 1,066,111	$ 1,147,430
LIABILITIES		
Accounts payable and other liabilities	$ 1,684	$ 2,456
Stockholder distributions payable	4,669	4,676
Base management fees payable	5,388	5,854
Due to affiliates	44	57
Directors' fees payable	21	21
Credit facilities payable	445,000	509,000
Total liabilities	456,806	522,064
Commitments and Contingencies (Note 13)		
NET ASSETS		
Common stock, $.001 par value; 150,000,000 shares authorized, 78,463,377 and 78,584,824 issued and outstanding as of December 31, 2019 and December 31, 2018, respectively	78	79
Additional paid in capital	675,554	678,627
Total accumulated earnings (loss)	(66,327)	(53,340)
Total net assets	609,305	625,366
Total liabilities and net assets	$ 1,066,111	$ 1,147,430
Net asset value per share	$ 7.77	$ 7.96

See notes to the consolidated financial statements.

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

	For The Year Ended December 31,		
	2019	**2018**	**2017**
INVESTMENT INCOME:			
From non-control/non-affiliate investments:			
Interest income	$ 90,136	$ 92,014	$ 90,167
Fee income	949	1,836	2,121
Dividend income	1,384	1,250	683
From affiliate investments:			
Interest income	9,811	9,149	4,850
Fee income	128	141	180
Dividend income	2,744	2,551	1,904
From control investments:			
Interest income	596	609	663
Fee income	71	82	73
Dividend income	5,985	3,786	1,027
Total investment income	111,804	111,418	101,668
EXPENSES:			
Interest expense	25,684	24,817	18,317
Base management and incentive fees	26,189	26,522	23,427
Internal administrative services expenses	3,088	2,688	3,014
Offering costs	376	407	1,861
Professional fees	1,112	864	645
Insurance	312	191	191
Other general and administrative	2,245	2,044	1,518
Expenses before fee and expense waivers	59,006	57,533	48,973
Waiver of incentive fees	—	(3,333)	(1,642)
Waiver of internal administrative services expenses	(3,088)	(2,688)	(3,014)
Total expenses, net of fee and expense waivers	55,918	51,512	44,317
Net investment income before taxes	55,886	59,906	57,351
Income tax expense (benefit), including excise tax	820	1,019	624
NET INVESTMENT INCOME	55,066	58,887	56,727
NET REALIZED GAIN (LOSS) ON INVESTMENTS			
Non-Control/Non-Affiliate investments	(12,503)	(19,150)	(3,322)
Affiliate investments	(5,266)	903	951
Control investments	(633)	—	—
Total net realized loss on investments	(18,402)	(18,247)	(2,371)
NET REALIZED INCOME	36,664	40,640	54,356
NET CHANGE IN UNREALIZED APPRECIATION (DEPRECIATION) ON INVESTMENTS			
Non-Control/Non-Affiliate investments	(8,726)	(5,935)	(5,767)
Affiliate investments	3,585	755	2,608
Control investments	8,104	4,818	1,429
Total net change in unrealized appreciation (depreciation) on investments	2,963	(362)	(1,730)
NET INCREASE IN NET ASSETS RESULTING FROM OPERATIONS	$ 39,627	$ 40,278	$ 52,626
PER SHARE INFORMATION – BASIC AND DILUTED			
NET INVESTMENT INCOME PER SHARE	$ 0.70	$ 0.74	$ 0.73
NET REALIZED INCOME PER SHARE	$ 0.47	$ 0.51	$ 0.70
NET INCREASE IN NET ASSETS RESULTING FROM OPERATIONS PER SHARE (EARNINGS PER SHARE)	$ 0.51	$ 0.51	$ 0.68
WEIGHTED AVERAGE SHARES OUTSTANDING – BASIC AND DILUTED	78,757,732	79,250,498	77,718,813

See notes to the consolidated financial statements.

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

	For The Year Ended December 31,		
	2019	2018	2017
Change in Net Assets from Operations:			
Net investment income	$ 55,066	$ 58,887	$ 56,727
Net realized loss on investments	(18,402)	(18,247)	(2,371)
Net change in unrealized appreciation (depreciation) on investments	2,963	(362)	(1,730)
Net increase in net assets resulting from operations	39,627	40,278	52,626
Change in Net Assets from Stockholders' Distributions:			
Net decrease in net assets resulting from stockholders' distributions	(55,145)	(55,512)	(54,414)
Change in Net Assets from Capital Share Transactions:			
Issuance of common stock, net of issuance costs	—	—	47,077
Reinvestment of stockholder distributions	25,068	27,101	27,641
Repurchase of common stock	(25,611)	(34,290)	(22,974)
Net increase (decrease) in net assets resulting from capital share transactions	(543)	(7,189)	51,744
Total Increase (Decrease) in Net Assets	(16,061)	(22,423)	49,956
Net Assets at beginning of period	625,366	647,789	597,833
Net Assets at end of the period	$ 609,305	$ 625,366	$ 647,789
NAV per share at end of the period	$ 7.77	$ 7.96	$ 8.15
Distributions declared per share	$ 0.70	$ 0.70	$ 0.70
Common shares outstanding, beginning of period	78,584,824	79,511,731	73,382,971
Issuance of common shares	—	—	5,625,617
Issuance of common shares pursuant to distribution reinvestment plan	3,103,971	3,263,698	3,316,991
Repurchase of common shares	(3,225,418)	(4,190,605)	(2,813,848)
Common shares outstanding, end of period	78,463,377	78,584,824	79,511,731

See notes to the consolidated financial statements.

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

	For The Year Ended December 31,		
	2019	**2018**	**2017**
CASH FLOWS FROM OPERATING ACTIVITIES			
Net increase in net assets resulting from operations	$ 39,627	$ 40,278	$ 52,626
Adjustments to reconcile net increase in net assets resulting from operations to net cash generated from (used in) operating activities:			
Principal repayments received, proceeds from sales of investments in portfolio companies	357,308	494,730	525,018
Investments in portfolio companies	(281,973)	(585,010)	(551,797)
Net change in unrealized depreciation (appreciation) on investments	(2,963)	362	1,730
Net realized loss on sale of portfolio investments	18,402	18,247	2,371
Amortization of deferred financing costs	1,348	1,333	1,327
Amortization of deferred offering costs	376	407	1,861
Accretion of unearned income	(7,787)	(9,830)	(13,135)
Net payment-in-kind interest accrual	(4,535)	(1,895)	(1,255)
Changes in other assets and liabilities:			
Interest receivable	543	(654)	(1,434)
Prepaid and other assets	640	1,191	(5,040)
Due to affiliates	(13)	(2)	(60)
Base management fees payable	(466)	172	628
Accounts payable and other liabilities	(347)	844	295
Directors’ fees payable	—	4	5
Payable for unsettled trades	—	—	(932)
Net cash generated from (used in) operating activities	120,160	(39,823)	12,208
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from issuance of common stock	—	—	51,109
Redemption of common stock	(25,611)	(34,290)	(22,974)
Payment of selling commissions and dealer manager fees	—	—	(4,118)
Payment of offering costs	(376)	(407)	(1,160)
Payment of stockholder distributions	(30,084)	(28,507)	(26,356)
Repayments on credit facilities payable	(264,500)	(363,000)	(480,276)
Proceeds from credit facilities payable	200,500	442,000	497,276
Payment of deferred financing costs	—	(7)	(3,637)
Net cash generated from (used in) financing activities	(120,071)	15,789	9,864
Net increase (decrease) in cash and cash equivalents	89	(24,034)	22,072
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD	21,757	45,791	23,719
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	$ 21,846	$ 21,757	$ 45,791

See notes to the consolidated financial statements.

HMS Income Fund, Inc.
Consolidated Schedule of Investments
As of December 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)
Control Investments (6)						
CTMH, LP (9) (15)	Investment Partnership	LP Interests (CTMH, LP) (Fully diluted 38.80%)	—	$ —	$ 872	$ 872
GRT Rubber Technologies, LLC (10) (13)	Manufacturer of Engineered Rubber Products	LIBOR Plus 7.00% (Floor 1.00%), Current Coupon 8.71%, Secured Debt (Maturity - December 31, 2023) (8)	1 month LIBOR	7,396	7,375	7,396
		Member Units (2,896 units) (16)	—	—	6,435	23,372
					13,810	30,768
Harris Preston Fund Investments (9) (15)	Investment Partnership	LP Interests (2717 MH, LP) (Fully diluted 49.3%)	—	—	2,735	3,156
Subtotal Control Investments (6) (3% of total investments at fair value)					$ 17,417	$ 34,796
Affiliate Investments (4)						
AFG Capital Group, LLC (10) (13)	Provider of Rent-to-Own Financing Solutions and Services	10.00% Secured Debt (Maturity - May 25, 2022) (14)	None	$ 209	$ 209	$ 209
		Member Units (46 units) (16)	—	—	300	1,295
					509	1,504
Analytical Systems Keco, LLC (10) (13)	Manufacturer of Liquid and Gas Analyzers	LIBOR Plus 10.00% (Floor 2.00%), Current Coupon 12.13%, Secured Debt (Maturity - August 16, 2024) (8)	1 month LIBOR	1,391	1,260	1,266
		Preferred Member Units (800 units)	—	—	800	800
		Warrants (105 equivalent shares; Expiration - August 16, 2029)	—	—	79	79
					2,139	2,145
Brewer Crane Holdings, LLC (10) (13)	Provider of Crane Rental and Operating Services	LIBOR Plus 10.00% (Floor 1.00%), Current Coupon 11.71%, Secured Debt (Maturity - January 9, 2023) (8)	1 month LIBOR	2,263	2,233	2,233
		Preferred Member Units (737 units) (16)	—	—	1,070	1,070
					3,303	3,303
Centre Technologies Holdings, LLC (10) (13)	Provider of IT Hardware Services and Software Solutions	LIBOR Plus 9.00% (Floor 2.00%), Current Coupon 10.75%, Secured Debt (Maturity - January 4, 2024) (8)	1 month LIBOR	3,060	3,003	3,008
		Preferred Member Units (3,174 units)	—	—	1,460	1,460
					4,463	4,468
Chamberlin Holding, LLC (10) (13)	Roofing and Waterproofing Specialty Subcontractor	LIBOR Plus 10.00% (Floor 1.00%), Current Coupon 12.00%, Secured Debt (Maturity - February 23, 2023) (8)	1 month LIBOR	4,443	4,353	4,443
		Member Units (1,087 units) (16)	—	—	2,860	6,009
		Member Units (Langfield RE, LLC) (1 unit)	—	—	262	363
					7,475	10,815
Charlotte Russe, Inc.	Fast-Fashion Retailer to Young Women	Common Stock (14,973 shares)	—	—	2,470	—
Charps, LLC (10) (13)	Pipeline Maintenance and Construction	15.00% Secured Debt (Maturity - June 5, 2022) (14)	None	500	500	500
		Preferred Member Units (400 units) (16)	—	—	100	1,730
					600	2,230
Clad-Rex Steel, LLC (10) (13)	Specialty Manufacturer of Vinyl-Clad Metal	LIBOR Plus 9.00% (Floor 1.00%), Current Coupon 10.71%, Secured Debt (Maturity - December 20, 2021) (8)	1 month LIBOR	2,720	2,694	2,696
		Member Units (179 units) (16)	—	—	1,820	2,408
		10.00% Secured Debt (Clad-Rex Steel RE Investor, LLC) (Maturity - December 19, 2036)	None	284	282	282
		Member Units (Clad-Rex Steel RE Investor, LLC) (200 units)	—	—	53	115
					4,849	5,501
Copper Trail Fund Investments (9) (15)	Investment Partnership	LP Interests (Copper Trail Energy Fund I, LP) (Fully Diluted 12.4%) (16)	—	—	1,389	1,643
Digital Products Holdings LLC (10) (13)	Designer and Distributor of Consumer Electronics	LIBOR Plus 10.00% (Floor 1.00%), Current Coupon 11.75%, Secured Debt (Maturity - March 31, 2023) (8)	1 month LIBOR	$ 4,905	$ 4,832	$ 4,611
		Preferred Member Units (863 units) (16)	—	—	2,375	1,294
					7,207	5,905
Direct Marketing Solutions, Inc. (10) (13)	Provider of Omni-Channel Direct Marketing Services	LIBOR Plus 11.00% (Floor 1.00%), Current Coupon 12.75%, Secured Debt (Maturity - February 13, 2023) (8)	1 month LIBOR	3,929	3,851	3,929
		Preferred Stock (2,100 shares)	—	—	2,100	5,051
					5,951	8,980
Freeport Financial Funds (9) (15)	Investment Partnership	LP Interests (Freeport First Lien Loan Fund III, LP) (Fully diluted 6.00%) (16)	—	—	9,956	9,696
Gamber-Johnson Holdings, LLC (10) (13)	Manufacturer of Ruggedized Computer Mounting Systems	LIBOR Plus 7.50% (Floor 2.00%), Current Coupon 8.50%, Secured Debt (Maturity - June 24, 2021) (8)	1 month LIBOR	4,755	4,704	4,755
		Member Units (2,155 units) (16)	—	—	3,711	13,352
					8,415	18,107
Guerdon Modular Holdings, Inc. (10) (13)	Multi-Family and Commercial Modular Construction Company	16.00% Secured Debt (Maturity - October 1, 2019) (18)	None	3,147	3,116	—
		LIBOR Plus 8.50% (Floor 1.00%), Current Coupon 10.60%, Secured Debt (Maturity - October 1, 2019) (8) (18)	3 month LIBOR	253	252	—
		Common Stock (53,008 shares)	—	—	746	—
		Class B Preferred Stock (101,250 shares)	—	—	285	—
					4,399	—
Gulf Publishing Holdings, LLC (10) (13)	Energy Industry Focused Media and Publishing	12.50% Secured Debt (Maturity - April 29, 2021)	None	3,134	3,112	3,124
		LIBOR Plus 9.50% (Floor 1.00%), Current Coupon 11.21%, Secured Debt (Maturity - September 30, 2020) (8)	1 month LIBOR	70	70	70
		Member Units (920 units)	—	—	920	605

					4,102	3,799
Harris Preston Fund Investments (9) (15)	Investment Partnership	LP Interests (HPEP 3, LP) (Fully diluted 8.20%)	—	—	2,474	2,474
Hawk Ridge Systems, LLC (9) (10) (13)	Value-Added Reseller of Engineering Design and Manufacturing Solutions	11.00% Secured Debt (Maturity - December 2, 2021)	None	3,350	3,318	3,350
		LIBOR Plus 6.00% (Floor 1.00%), Current Coupon 7.71%. Secured Debt (Maturity - December 2, 2021) (8)	1 month LIBOR	150	148	148
		Preferred Member Units (56 units) (16)	—	—	713	1,975
		Preferred Member Units (HRS Services, ULC) (56 units)	—	—	38	105
					4,217	5,578
J & J Services, Inc. (10) (13)	Provider of Dumpster Rental and Related Services	11.50% Secured Debt (Maturity - October 31, 2024)	None	4,400	4,315	4,315
		Preferred Member Units (704 units)	—	—	1,790	1,790
					6,105	6,105
Kickhaefer Manufacturing Company, LLC (10) (13)	Precision Metal Parts Manufacturing	11.50% Secured Debt (Maturity - October 31, 2023)	None	6,300	6,141	6,146
		9.00% Secured Debt (Maturity - October 31, 2048)	None	995	977	977
		Preferred Member Units (145 units)	—	—	3,060	3,060
		Member Units (KMC RE Investor, LLC) (200 units) (16)	—	—	248	290
					10,426	10,473
Market Force Information, Inc. (10) (13)	Provider of Customer Experience Management Services	6.00% Current / 6.00% PIK Secured Debt (Maturity - July 28, 2022)	3 month LIBOR	$ 5,792	$ 5,732	$ 5,625
		8.00% Secured Debt (Maturity - July 28, 2022)	None	697	697	674
		Member Units (170,000 units)	—	—	4,160	1,319
					10,589	7,618
M.H. Corbin Holding LLC (10) (13)	Manufacturer and Distributor of Traffic Safety Products	5.00% Current / 5.00% PIK Secured Debt (Maturity - March 31, 2022)	None	2,213	2,191	2,213
		Preferred Member Units (16,500 units)	—	—	1,100	1,192
		Common Units (1,000 units)	—	—	1,500	5
					4,791	3,410
Mystic Logistics Holdings, LLC (10) (13)	Logistics and Distribution Services Provider for Large Volume Mailers	12.00% Secured Debt (Maturity - August 15, 2019) (19)	None	1,563	1,561	1,561
		Common Stock (1,468 shares) (16)	—	—	680	2,103
					2,241	3,664
NexRev, LLC (10) (13)	Provider of Energy Efficiency Products & Services	11.00% Secured Debt (Maturity - February 28, 2023)	None	4,397	4,331	4,331
		Preferred Member Units (21,600,000 units) (16)	—	—	1,720	1,577
					6,051	5,908
NuStep, LLC (10) (13)	Designer, Manufacturer and Distributor of Fitness Equipment	12.00% Secured Debt (Maturity - January 31, 2022)	None	4,949	4,901	4,901
		Preferred Member Units (102 units)	—	—	2,550	2,550
					7,451	7,451
SI East, LLC (10) (13)	Rigid Industrial Packaging Manufacturing	9.50% Secured Debt (Maturity - August 31, 2023)	None	10,988	10,849	10,988
		Preferred Member Units (52 units) (16)	—	—	2,000	2,734
					12,849	13,722
Tedder Acquisition, LLC (10) (13)	Manufacturer of Firearm Holsters and Accessories	12.00% Secured Debt (Maturity - August 31, 2023)	None	4,100	4,003	4,066
		12.00% Secured Debt (Maturity - August 31, 2020)	None	160	158	158
		Preferred Member Units (110 units)	—	—	2,034	2,034
					6,195	6,258
Trantech Radiator Topco, LLC (10) (13)	Transformer Cooling Products and Services	12.00% Secured Debt (Maturity - May 31, 2024)	None	2,300	2,226	2,237
		Common Stock (154 shares) (16)	—	—	1,164	1,164
					3,390	3,401
Subtotal Affiliate Investments (4) (15% of total investments at fair value)					**$ 144,006**	**$ 154,158**
Non-Control/Non-Affiliate Investments (5)						
AAC Holdings, Inc. (8)	Substance Abuse Treatment Service Provider	LIBOR Plus 11.75% (Floor 1.00%), Current Coupon 16.75%, Secured Debt (Maturity - June 30, 2023) (18)	3 month LIBOR	$ 14,449	$ 14,078	$ 9,392
		LIBOR Plus 11.00% (Floor 1.00%), Current Coupon 13.03%, Secured Debt (Maturity - April 15, 2020)	3 month LIBOR	2,227	2,069	2,172
					16,147	11,564
Adams Publishing Group, LLC (8) (11)	Local Newspaper Operator	LIBOR Plus 7.50% (Floor 1.50%), Current Coupon 9.44%, Secured Debt (Maturity - July 3, 2023)	3 month LIBOR	6,158	6,064	6,158
		LIBOR Plus 7.50% (Floor 1.50%), Current Coupon 9.45%, Secured Debt (Maturity - July 3, 2023)	3 month LIBOR	197	184	197
		PRIME Plus 4.00% (Floor 1.50%), Current Coupon 8.75%, Secured Debt (Maturity - July 3, 2023)	PRIME	5,000	4,930	5,000
					11,178	11,355
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 8.10%, Secured Debt (Maturity - July 26, 2023)	2 month LIBOR	15,827	15,817	15,827
Aethon United BR, LP (8) (11)	Oil & Gas Exploration & Production	LIBOR Plus 6.75% (Floor 1.00%), Current Coupon 8.46%, Secured Debt (Maturity - September 8, 2023) (14)	1 month LIBOR	$ 7,000	$ 6,918	$ 6,846
Allen Media, LLC (8)	Operator of Cable Television Networks	LIBOR Plus 6.50% (Floor 1.00%), Current Coupon 8.44%, Secured Debt (Maturity - August 30, 2023)	3 month LIBOR	16,270	15,895	15,863
American Nuts, LLC (8) (11)	Roaster, Mixer and Packager of Bulk Nuts and Seeds	LIBOR Plus 9.50% (Floor 1.00%), Current Coupon 11.60%, Secured Debt (Maturity - April 10, 2023)	3 month LIBOR	12,241	11,950	12,241
American Teleconferencing Services, Ltd. (8)	Provider of Audio Conferencing and Video Collaboration Solutions	LIBOR Plus 6.50% (Floor 1.00%), Current Coupon 8.32%, Secured Debt (Maturity - June 8, 2023)	3 month LIBOR	14,150	13,715	8,511

American Trailer Rental Group LLC (10) (13)	Provider of Short Term Trailer and Container Rental	LIBOR Plus 7.25% (Floor 1.00%), Current Coupon 9.34%, Secured Debt (Maturity - June 7, 2022) (8)	1 month LIBOR	6,772	6,659	6,772
		Member Units (Milton Meisler Holdings, LLC) (12,139 units)	—	—	1,214	2,135
					7,873	8,907
APTIM Corp	Engineering, Construction and Procurement	7.75% Secured Debt (Maturity - June 15, 2025)	None	6,952	6,255	4,171
Arcus Hunting, LLC (8) (11)	Manufacturer of Bowhunting and Archery Products and Accessories	LIBOR Plus 7.00% (Floor 1.00%), Current Coupon 9.10%, Secured Debt (Maturity - January 13, 2020)	1 month LIBOR	6,928	6,932	6,928
ASC Ortho Management Company, LLC (11)	Provider of Orthopedic Services	LIBOR Plus 7.50% (Floor 1.00%), Current Coupon 9.60%, Secured Debt (Maturity - August 31, 2023) (8)	3 month LIBOR	4,543	4,466	4,502
		13.25% PIK Secured Debt (Maturity - December 1, 2023) (14)	None	1,793	1,754	1,793
					6,220	6,295
ATI Investment Sub, Inc. (8)	Manufacturer of Solar Tracking Systems	LIBOR Plus 7.25% (Floor 1.00%), Current Coupon 9.06%, Secured Debt (Maturity - June 22, 2021)	1 month LIBOR	2,885	2,842	2,853
ATX Networks Corp. (8) (9)	Provider of Radio Frequency Management Equipment	LIBOR Plus 6.00% (Floor 1.00%), Current Coupon 7.94%, Current Coupon plus PIK 8.94%, Secured Debt (Maturity - June 11, 2021)	3 month LIBOR	13,638	13,520	12,786
BarFly Ventures, LLC (11)	Casual Restaurant Group	12.00% Secured Debt (Maturity - August 31, 2020)	None	3,395	3,378	2,580
		Warrants (.410 equivalent units, Expiration - August 31, 2025)	—	—	158	—
		Options (.99 equivalent units)	—	—	202	—
					3,738	2,580
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 12.71%, Secured Debt (Maturity - April 8, 2021) (8)	1 month LIBOR	1,200	1,197	1,177
		Preferred Stock (non-voting) (28,280 units) (16)	—	—	33	33
		Member Units (200,000 units)	—	—	200	73
					1,430	1,283
Berry Aviation, Inc. (11)	Charter Airline Services	10.50% Current / 1.50% PIK, Secured Debt (Maturity - January 6, 2024) (14)	None	4,548	4,494	4,548
		Preferred Member Units (Berry Acquisition, LLC) (1,548,387 units, 8.00% cumulative) (16)	—	—	1,548	776
		Preferred Member Units (Berry Acquisition, LLC) (122,416 units, 16.00% cumulative) (16)	—	—	122	125
					6,164	5,449
BigName Commerce, LLC (8) (11)	Provider of Envelopes and Complimentary Stationery Products	LIBOR Plus 7.25% (Floor 1.00%), Current Coupon 9.35%, Secured Debt (Maturity - May 11, 2022)	3 month LIBOR	2,232	2,218	2,232
Binswanger Enterprises, LLC (11)	Glass Repair and Installation Service Provider	LIBOR Plus 8.50% (Floor 1.00%), Current Coupon 10.41%, Secured Debt (Maturity - March 9, 2022) (8)	3 month LIBOR	13,635	13,345	13,635
		Member Units (1,050,000 units)	—	—	1,050	950
					14,395	14,585
Bluestem Brands, Inc. (8)	Multi-Channel Retailer of General Merchandise	LIBOR Plus 7.50% (Floor 1.00%), Current Coupon 9.30%, Secured Debt (Maturity - November 6, 2020)	3 month LIBOR	$ 11,391	$ 11,339	$ 8,550
Boccella Precast Products, LLC (10) (13)	Manufacturer of Precast Hollow Core Concrete	LIBOR Plus 12.00% (Floor 1.00%), Current Coupon 14.10%, Secured Debt (Maturity - June 30, 2022) (8)	3 month LIBOR	3,311	3,262	3,311
		Member Units (540,000 units) (16)	—	—	564	1,567
					3,826	4,878
Brightwood Capital Fund Investments (9) (15)	Investment Partnership	LP Interests (Brightwood Capital Fund III, LP) (Fully diluted 1.60%) (16)	—	—	3,815	3,018
		LP Interests (Brightwood Capital Fund IV, LP) (Fully diluted 0.80%) (16)	—	—	9,037	9,009
					12,852	12,027
Buca C, LLC (10) (13)	Casual Restaurant Group	LIBOR Plus 9.25% (Floor 1.00%), Current Coupon 10.94%, Secured Debt (Maturity - June 30, 2020) (8)	1 month LIBOR	12,669	12,639	12,530
		Preferred Member Units (4 units, 6.00% cumulative) (16)	—	—	3,040	3,135
					15,679	15,665
Cadence Aerospace, LLC (8) (11)	Aerospace Manufacturing	LIBOR Plus 6.50% (Floor 1.00%), Current Coupon 8.43%, Secured Debt (Maturity - November 14, 2023)	3 month LIBOR	19,272	19,135	19,273
CAI Software, LLC (10) (13)	Provider of Specialized Enterprise Resource Planning Software	11.00% Secured Debt (Maturity - December 7, 2023)	None	2,290	2,299	2,290
		Member Units (16,742 units) (16)	—	—	188	1,303
					2,487	3,593
Cenveo Corporation	Provider of Digital Marketing Agency Services	LIBOR Plus 9.50% (Floor 1.00%), Current Coupon 11.21%, Secured Debt (Maturity - June 7, 2023) (8)	3 month LIBOR	4,449	4,177	4,449
		Common Stock (138,889 shares)	—	—	4,163	2,292
					8,340	6,741
Chisholm Energy Holdings, LLC (8) (11)	Oil and Gas Exploration and Production	LIBOR Plus 6.25% (Floor 1.50%), Current Coupon 8.16%, Secured Debt (Maturity - May 15, 2026) (14)	3 month LIBOR	3,571	3,477	3,489
Clarius BIGS, LLC (11)	Prints & Advertising Film Financing	15.00% PIK Secured Debt (Maturity - January 5, 2015) (18)	None	2,100	1,842	29
		20.00% PIK Secured Debt (Maturity - January 5, 2015) (18)	None	763	670	11
					2,512	40
Clickbooth.com, LLC (8) (11)	Provider of Digital Advertising Performance Marketing Solutions	LIBOR Plus 8.50% (Floor 1.00%), Current Coupon 10.59%, Secured Debt (Maturity - December 5, 2022)	3 month LIBOR	2,663	2,625	2,663
Construction Supply Investments, LLC (11)	Distribution Platform of Specialty Construction Materials to Professional Concrete and Masonry Contractors	Member units (42,207 units)	—	—	4,866	7,669
CTVSH, PLLC (8) (11) (13)	Emergency Care and Specialty Service Animal Hospital	LIBOR Plus 8.00% (Floor 1.00%), Current Coupon 9.91%, Secured Debt (Maturity - August 3, 2022)	1 month LIBOR	2,525	2,494	2,525
Datacom, LLC (10) (13)	Technology and Telecommunications Provider	5.25% Current / 5.25% PIK, Current Coupon 10.50% Secured Debt (Maturity - May 31, 2021) (18)	None	1,376	1,315	1,116
		8.00% Secured Debt (Maturity - May 31, 2021) (18)	None	200	200	179
		Class A Preferred Member Units (1,530 units)	—	—	144	—
		Class B Preferred Member Units (717 units)	—	—	670	—
					2,329	1,295
Digital River, Inc. (8)	Provider of Outsourced e-Commerce Solutions and Services	LIBOR Plus 6.00% (Floor 1.00%), Current Coupon 7.90%, Secured Debt (Maturity - February 12, 2021)	3 month LIBOR	9,759	9,725	9,734

DTE Enterprises, LLC (11)	Industrial Powertrain Repair and Services	LIBOR Plus 7.50% (Floor 1.00%), Current Coupon 9.24%, Secured Debt (Maturity - April 13, 2023) (8)	1 month LIBOR	$ 10,992	$ 10,831	$ 10,992
		Class AA Preferred Member Units (non-voting) (16)	—	—	838	859
		Class A Preferred Member Units (776,316 units) (16)	—	—	776	1,490
					12,445	13,341
Dynamic Communities, LLC (8) (11)	Developer of Business Events and Online Community Groups	LIBOR Plus 8.00% (Floor 1.00%), Current Coupon 9.71%, Secured Debt (Maturity - July 17, 2023)	3 month LIBOR	5,425	5,341	5,425
Epic Y-Grade Services, LP (8)	NGL Transportation & Storage	LIBOR Plus 6.00% (Floor 0.00%), Current Coupon 8.04%, Secured Debt (Maturity - June 13, 2024)	3 month LIBOR	10,275	10,115	10,050
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 10.45%, Secured Debt (Maturity - April 28, 2022) (14)	6 month LIBOR	10,901	10,669	3,060
Felix Investments Holdings II, LLC (8) (11)	Oil and Gas Exploration and Production	LIBOR Plus 6.50% (Floor 1.00%), Current Coupon 8.40%, Secured Debt (Maturity - August 9, 2022)	1 month LIBOR	5,000	4,937	5,000
Flavors Holdings, Inc. (8)	Global Provider of Flavoring and Sweetening Products and Solutions	LIBOR Plus 5.75% (Floor 1.00%), Current Coupon 7.69%, Secured Debt (Maturity - April 3, 2020)	3 month LIBOR	10,719	10,667	10,076
GoWireless Holdings, Inc. (8)	Provider of Wireless Telecommunications Carrier Services	LIBOR Plus 6.50% (Floor 1.00%), Current Coupon 8.30%, Secured Debt (Maturity - December 22, 2024)	3 month LIBOR	14,910	14,803	14,377
HDC/HW Intermediate Holdings, LLC (8) (11)	Managed Services and Hosting Provider	LIBOR Plus 7.50% (Floor 1.00%), Current Coupon 9.45%, Secured Debt (Maturity - December 21, 2023)	3 month LIBOR	1,961	1,928	1,958
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 9.16%, Secured Debt (Maturity - January 28, 2021)	3 month LIBOR	22,045	21,529	20,391
Hunter Defense Technologies, Inc. (8) (11)	Provider of Military and Commercial Shelters and Systems	LIBOR Plus 7.00% (Floor 1.00%), Current Coupon 8.94%, Secured Debt (Maturity - March 29, 2023)	3 month LIBOR	15,944	15,676	15,944
HW Temps, LLC (10) (13)	Temporary Staffing Solutions	8.00% Secured Debt (Maturity - March 29, 2023)	None	2,545	2,498	2,230
Hydrofarm Holdings, LLC (8) (11)	Wholesaler of Horticultural Products	LIBOR Plus 10.00%, Current Coupon 3.54% / 8.26% PIK, Current Coupon Plus PIK 11.80%, Secured Debt (Maturity - May 12, 2022)	1 month LIBOR	7,658	7,573	6,410
Hyperion Materials & Technologies, Inc. (8)	Manufacturer of Cutting and Machine Tools and Specialty Polishing Compounds	LIBOR Plus 5.50% (Floor 1.00%), Current Coupon 7.30%, Secured Debt (Maturity - August 28, 2026)	1 month LIBOR	7,500	7,355	7,425
iEnergizer Limited (8) (9) (11)	Provider of Business Outsourcing Solutions	LIBOR Plus 6.00% (Floor 1.25%), Current Coupon 7.79%, Secured Debt (Maturity - April 17, 2024)	1 month LIBOR	12,963	12,848	12,963
Implus Footcare, LLC (8) (11)	Provider of Footwear and Related Accessories	LIBOR Plus 6.25% (Floor 1.00%), Current Coupon 8.19%, Secured Debt (Maturity - April 30, 2024)	3 month LIBOR	16,977	16,644	16,655
Independent Pet Partners Intermediate Holdings, LLC (11)	Omnichannel Retailer of Specialty Pet Products	LIBOR Plus 9.00% (Floor 1.00%), Current Coupon 10.89%, Secured Debt (Maturity - November 19, 2023) (8)	3 month LIBOR	14,376	14,120	14,376
		Member Units (1,191,667 units)	—	—	1,192	964
					15,312	15,340
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	12,014	11,990	12,014
		Member Units (Industrial Services Investments, LLC) (336 units; 10.00% cumulative)	—	—	202	202
		Preferred Member Units (Industrial Services Investments, LLC) (187 units; 20.00% cumulative)	—	—	124	124
		Member Units (Industrial Services Investments, LLC) (2,100 units)	—	—	2,100	1,191
					14,416	13,531
Interface Security Systems, L.L.C. (8) (11)	Commercial Security and Alarm Services	LIBOR Plus 7.00% (Floor 1.75%), Current Coupon 8.80%, Secured Debt (Maturity - August 7, 2023)	1 month LIBOR	$ 7,500	$ 7,363	$ 7,363
Intermedia Holdings, Inc. (8)	Unified Communications as a Service	LIBOR Plus 6.00% (Floor 1.00%), Current Coupon 7.80%, Secured Debt (Maturity - July 19, 2025)	1 month LIBOR	3,516	3,487	3,525
Invincible Boat Company, LLC (8) (11)	Manufacturer of Sport Fishing Boats	LIBOR Plus 6.50% (Floor 1.00%), Current Coupon 8.45%, Secured Debt (Maturity - August 28, 2025)	3 month LIBOR	9,873	9,773	9,773
Isagenix International, LLC (8)	Direct Marketer of Health and Wellness Products	LIBOR Plus 5.75% (Floor 1.00%), Current Coupon 7.70%, Secured Debt (Maturity - June 14, 2025)	3 month LIBOR	5,943	5,893	4,273
JAB Wireless, Inc. (8) (11)	Fixed Wireless Broadband Provider	LIBOR Plus 8.00% (Floor 1.00%), Current Coupon 9.74%, Secured Debt (Maturity - May 2, 2023)	3 month LIBOR	14,775	14,668	14,775
Jackmont Hospitality, Inc. (8) (11)	Franchisee of Casual Dining Restaurants	LIBOR Plus 6.75% (Floor 1.00%), Current Coupon 8.45%, Secured Debt (Maturity - May 26, 2021)	1 month LIBOR	8,119	8,111	8,119
Joerns Healthcare, LLC (8)	Manufacturer and Distributor of Health Care Equipment & Supplies	LIBOR Plus 6.00% (Floor 1.00%), Current Coupon 7.91%, Secured Debt (Maturity - August 21, 2024)	3 month LIBOR	3,335	3,276	3,276
		Common Stock (472,579 shares)	—	—	3,678	3,678
					6,954	6,954
Kemp Technologies, Inc. (8) (11)	Provider of Application Delivery Controllers	LIBOR Plus 6.25% (Floor 1.00%), Current Coupon 8.17%, Secured Debt (Maturity - March 29, 2024)	1 month LIBOR	7,463	7,326	7,463
Knight Energy Services LLC (11)	Oil and Gas Equipment & Services	8.50% PIK Secured Debt (Maturity - February 9, 2024)	None	828	828	828
		Class A-2 Shares (25,692 units)	—	—	1,843	1,843
					2,671	2,671
Kore Wireless Group, Inc. (8)	Mission Critical Software Platform	LIBOR Plus 5.50% (Floor 1.00%), Current Coupon 7.44%, Secured Debt (Maturity - December 20, 2024)	3 month LIBOR	6,061	6,036	6,023
Larchmont Resources, LLC (9)	Oil & Gas Exploration & Production	LIBOR Plus 7.00% (Floor 1.00%) PIK, 8.89% PIK, Secured Debt (Maturity - August 7, 2020) (8)	3 month LIBOR	3,614	3,638	3,352
		Member units (Larchmont Intermediate Holdco, LLC) (4,806 units)	—	—	601	1,201
					4,239	4,553
Laredo Energy VI, LP (8) (11)	Oil and Gas Exploration and Production	LIBOR Plus 9.63 (Floor 2.00%), Current Coupon 5.38% / 6.26% PIK, Current Coupon PIK 11.64%, Secured Debt (Maturity - November 19, 2021)	3 month LIBOR	11,228	11,093	10,554
Lightbox Holdings, L.P. (8)	Provider of Commercial Real Estate Software	LIBOR Plus 5.00% (Floor 0.00%), Current Coupon 6.74%, Secured Debt (Maturity - May 9, 2026)	1 month LIBOR	4,975	4,904	4,913
LL Management, Inc. (8) (11)	Medical Transportation Service Provider	LIBOR Plus 6.50% (Floor 1.00%), Current Coupon 8.56%, Secured Debt (Maturity - September 25, 2023)	3 month LIBOR	13,719	13,590	13,719
Logix Acquisition Company, LLC (8) (11)	Competitive Local Exchange Carrier	LIBOR Plus 5.75% (Floor 1.00%), Current Coupon 7.55%, Secured Debt (Maturity - December 22, 2024) (23)	1 month LIBOR	12,756	12,682	12,628
LSF9 Atlantis Holdings, LLC (8)	Provider of Wireless Telecommunications Carrier Services	LIBOR Plus 6.00% (Floor 1.00%), Current Coupon 7.74%, Secured Debt (Maturity - May 1, 2023)	1 month LIBOR	13,124	13,059	12,157
Lulu's Fashion Lounge, LLC (8) (11)	Fast Fashion E-Commerce Retailer	LIBOR Plus 9.00% (Floor 1.00%), Current Coupon 10.80%, Secured Debt (Maturity - August 28, 2022)	1 month LIBOR	5,668	5,533	5,554
Lynx FBO Operating LLC (11)	Fixed Based Operator in the General Aviation Industry	LIBOR Plus 5.75% (Floor 1.00%), Current Coupon 7.86%, Secured Debt (Maturity - September 30, 2024) (8)	3 month LIBOR	13,750	13,451	13,487

		Member Units (3,704 units)	—	—	500	500
					13,951	13,987
Mac Lean-Fogg Company (11)	Manufacturer and Supplier for Auto and Power Markets	LIBOR Plus 5.00% (Floor 0.00%), Current Coupon 6.80%, Secured Debt (Maturity - December 22, 2025) (8)	1 month LIBOR	$ 7,135	$ 7,083	$ 7,135
		Preferred Stock (650 shares; 4.50% Cash / 9.25% PIK, cumulative) (16)	—	—	771	771
					7,854	7,906
Mariner CLO 7, Ltd. (9) (15)	Structured Finance	Subordinated Structured Notes (estimated yield of 8.30% due April 30, 2032)	—	25,935	22,810	19,028
Mills Fleet Farm Group LLC (8) (11)	Omnichannel Retailer of Work, Farm and Lifestyle Merchandise	LIBOR Plus 6.25% (Floor 1.00%), Current Coupon 8.29% / 0.75% PIK, Current Coupon Plus PIK 9.04%, Secured Debt (Maturity - October 24, 2024)	3 month LIBOR	14,883	14,556	14,184
NinjaTrader, LLC (8) (11)	Operator of Futures Trading Platform	LIBOR Plus 6.00% (Floor 1.50%), Current Coupon 9.04%, Secured Debt (Maturity - December 18, 2024)	1 month LIBOR	9,675	9,490	9,490
NNE Partners, LLC (8) (11)	Oil and Gas Exploration and Production	LIBOR Plus 8.00% (Floor 0.00%), Current Coupon 9.91%, Secured Debt (Maturity - March 2, 2022)	3 month LIBOR	20,417	20,320	20,172
North American Lifting Holdings, Inc. (8)	Crane Service Provider	LIBOR Plus 4.50% (Floor 1.00%), Current Coupon 6.44%, Secured Debt (Maturity - November 27, 2020)	3 month LIBOR	6,179	5,959	5,228
Novetta Solutions, LLC (8)	Provider of Advanced Analytics Solutions for Defense Agencies	LIBOR Plus 5.00% (Floor 1.00%), Current Coupon 6.80%, Secured Debt (Maturity - October 17, 2022)	1 month LIBOR	14,823	14,573	14,604
NTM Acquisition Corp. (8)	Provider of B2B Travel Information Content	LIBOR Plus 6.25% (Floor 1.00%), Current Coupon 8.05%, Secured Debt (Maturity - June 7, 2022)	1 month LIBOR	4,518	4,490	4,518
Pasha Group (8)	Diversified Logistics and Transportation Provided	LIBOR Plus 7.50% (Floor 1.00%), Current Coupon 9.35%, Secured Debt (Maturity - January 26, 2023)	2 month LIBOR	8,984	8,781	9,074
Permian Holdco 2, Inc.	Storage Tank Manufacturer	14.00% PIK Unsecured Debt (Maturity - October 15, 2021) (17)	None	1,138	1,138	851
		18.00% PIK Unsecured Debt (Maturity - June 30, 2022) (17)	None	794	794	794
		Series A Preferred Shares (Permian Holdco 1, Inc.) (386,255 shares)	—	—	1,997	250
		Common Shares (Permian Holdco 1, Inc.) (386,255 shares)	—	—	—	—
					3,929	1,895
PricewaterhouseCoopers Public Sector LLP (8)	Provider of Consulting Services to Governments	LIBOR Plus 8.00% (Floor 0.00%), Current Coupon 9.80%, Secured Debt (Maturity - May 1, 2026) (14)	1 month LIBOR	14,100	14,057	13,889
RM Bidder, LLC (11)	Scripted and Unscripted TV and Digital Programming Provider	Common Stock (1,854 shares)	—	—	31	12
		Series A Warrants (124,915 equivalent units, Expiration - October 20, 2025)	—	—	284	—
		Series B Warrants (93,686 equivalent units, Expiration - October 20, 2025)	—	—	—	—
					315	12
Salient Partners, LP (8) (11)	Provider of Asset Management Services	LIBOR Plus 6.00% (Floor 1.00%), Current Coupon 7.80%, Secured Debt (Maturity - June 9, 2021)	1 month LIBOR	6,450	6,511	6,450
Slick Software Holdings LLC (10) (13)	Text Message Marketing Platform	14.00% Secured Debt (Maturity - September 13, 2023)	None	1,590	1,336	1,336
		Member units (17,500 units) (16)	—	—	175	270
		Warrants (4,521 equivalent units, Expiration - September 13, 2028)	—	—	45	73
					1,556	1,679
Smart Modular Technologies, Inc. (8) (9) (11)	Provider of Specialty Memory Solutions	LIBOR Plus 6.25%, (Floor 1.00%), Current Coupon 8.16%, Secured Debt (Maturity - August 9, 2022)	3 month LIBOR	18,484	18,340	18,669
TEAM Public Choices, LLC (8) (11)	Home-Based Care Employment Service Provider	LIBOR Plus 6.00% (Floor 1.00%), Current Coupon 7.80%, Secured Debt (Maturity - September 20, 2024)	1 month LIBOR	9,626	9,530	9,529
TE Holdings, LLC	Oil and Gas Exploration and Production	Common Units (72,785 units)	—	—	728	—
TGP Holdings III LLC (8)	Outdoor Cooking & Accessories	LIBOR Plus 8.50% (Floor 1.00%), Current Coupon 10.30%, Secured Debt (Maturity - September 25, 2025) (14)	1 month LIBOR	$ 5,000	$ 5,000	$ 4,675
TMC Merger Sub Corp (8)	Refractory & Maintenance Services Provider	LIBOR Plus 6.75% (Floor 1.00%), Current Coupon 8.56%, Secured Debt (Maturity - October 31, 2022) (25)	1 month LIBOR	16,835	16,691	16,689
TOMS Shoes, LLC	Global Designer, Distributor, and Retailer of Casual Footwear	LIBOR Plus 5.50% (Floor 1.00%), Current Coupon 7.46%, Secured Debt (Maturity - September 30, 2025) (8)	3 month LIBOR	571	571	571
		LIBOR Plus 5.00% (Floor 1.00%), Current Coupon 6.96%, Secured Debt (Maturity - December 31, 2025) (8) (14)	3 month LIBOR	1,637	1,637	1,637
		Member Units (13,866 units)	—	—	220	220
					2,428	2,428
USA DeBusk LLC (8) (11)	Provider of Industrial Cleaning Services	LIBOR Plus 5.75%, (Floor 1.00%), Current Coupon 7.54%, Secured Debt (Maturity - October 22, 2024)	1 month LIBOR	20,000	19,615	19,615
U.S. Telepacific Corp. (8)	Provider of Communications and Managed Services	LIBOR Plus 5.00% (Floor 1.00%), Current Coupon 6.94%, Secured Debt (Maturity - May 2, 2023)	3 month LIBOR	12,500	12,297	12,032
Vida Capital, Inc. (8)	Alternative Asset Manager	LIBOR Plus 6.00% (Floor 0.00%), Current Coupon 7.93%, Secured Debt (Maturity - October 1, 2026)	3 month LIBOR	7,500	7,391	7,425
VIP Cinema Holdings, Inc. (8)	Supplier of Luxury Seating to the Cinema Industry	LIBOR Plus 8.00% (Floor 1.00%), Current Coupon 9.91%, Secured Debt (Maturity - March 1, 2023) (18)	3 month LIBOR	8,750	8,724	4,611
Vistar Media, Inc. (11)	Operator of Digital Out-of-Home Advertising Platform	LIBOR Plus 8.00% (Floor 1.00%), Current Coupon 10.00%, Secured Debt (Maturity - April 3, 2023) (8)	3 month LIBOR	4,963	4,790	4,963
		Warrants (69,675 equivalent units, Expiration - April 3, 2029)	—	—	—	1,630
		Preferred Stock (70,207 shares)	—	—	767	1,610
					5,557	8,203
Volusion, LLC (10) (13)	Provider of Online Software-as-a-Service eCommerce Solutions	11.50% Secured Debt (Maturity - January 24, 2020)	None	8,672	8,611	8,290
		8.00% Unsecured Convertible Debt (Maturity - November 16, 2023)	None	175	175	124
		Preferred Member Units (2,090,001 units)	—	—	6,000	6,000
		Warrants (784,866.80 equivalent units, Expiration - January 26, 2025)	—	—	1,104	64
					15,890	14,478
Wireless Vision Holdings, LLC (8) (11)	Provider of Wireless Telecommunications Carrier Services	LIBOR Plus 9.65% (Floor 1.00%), Current Coupon 11.66% / 1.00% PIK, Current Coupon Plus PIK 12.66%, Secured Debt (Maturity - September 29, 2022) (23)	1 month LIBOR	7,148	7,023	7,148

		LIBOR Plus 9.91% (Floor 1.00%), Current Coupon 11.61% / 1.00% PIK, Current Coupon Plus PIK 12.61%, Secured Debt (Maturity - September 29, 2022) (23)	1 month LIBOR	6,213	6,029	6,213
					13,052	13,361
YS Garments, LLC (8)	Designer and Provider of Branded Activewear	LIBOR Plus 6.00% (Floor 1.00%), Current Coupon 7.62%, Secured Debt (Maturity - August 9, 2024)	1 month LIBOR	7,266	7,206	7,201
Subtotal Non-Control/Non-Affiliate Investments (5) (82% of total portfolio investments at fair value)					**$ 878,632**	**$ 838,643**
Total Portfolio Investments					**$ 1,040,055**	**$ 1,027,597**
Short Term Investments (20)						
Fidelity Institutional Money Market Funds (21)	—	Prime Money Market Portfolio, Class III Shares	—	—	$ 3,482	$ 3,482
US Bank Money Market Account (21)	—	—	—	—	15,973	15,973
Total Short Term Investments					**$ 19,455**	**$ 19,455**

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

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

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

(4) Affiliate investments are defined by the 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 December 31, 2019 along with transactions during the year ended December 31, 2019 in these affiliated investments were as follows (in thousands):

		Twelve Months Ended December 31, 2019				Twelve Months Ended December 31, 2019			
Affiliate Investments	**Fair Value at December 31, 2018**	**Gross Additions (Cost)***	**Gross Reductions (Cost)****	**Net Unrealized Gain (Loss)*****	**Fair Value at December 31, 2019**	**Net Realized Gain (Loss)**	**Interest Income**	**Fee Income**	**Dividend Income**
AFG Capital Group, LLC									
Term loan	$ —	$ 260	$ (51)	$ —	$ 209	$ —	$ 16	$ —	$ —
Member units	995	1	—	299	1,295	—	—	—	(10)
Warrants	237	195	(260)	(172)	—	195	—	—	—
Analytical Systems Keco, LLC									
Term loan	—	1,403	(143)	6	1,266	—	69	—	—
Preferred member units	—	800	—	—	800	—	—	—	—
Warrants	—	79	—	—	79	—	—	—	—
Brewer Crane Holdings, LLC									
Term loan	2,347	10	(124)	—	2,233	—	297	—	—
Preferred member units	1,070	—	—	—	1,070	—	—	—	30
Centre Technologies Holdings, LLC									
Term loan	—	3,069	(67)	6	3,008	—	362	30	—
Preferred member units	—	1,460	—	—	1,460	—	—	—	—
Chamberlin Holding, LLC									
Term loan	4,933	28	(608)	90	4,443	—	633	75	—
Member units	4,735	—	—	1,274	6,009	—	—	—	276
Member units (Langfield RE, LLC)	183	79	—	101	363	—	—	—	90
Charlotte Russe, Inc.									
Term loan	3,090	—	(6,236)	3,146	—	(5,430)	(84)	—	—
Charps, LLC									
Term loan	2,975	452	(3,374)	(53)	—	—	236	—	—
Term loan	—	500	—	—	500	—	4	2	—
Preferred member units	568	—	—	1,162	1,730	—	—	—	134
Clad-Rex Steel, LLC									
Term loan	3,020	14	(300)	(38)	2,696	—	348	—	—
Member units	2,653	—	—	(245)	2,408	—	1	—	67
Term loan (Clad-Rex Steel RE Investor, LLC)	288	—	(5)	(1)	282	—	29	—	—
Member units (Clad-Rex Steel RE Investor, LLC)	88	—	—	27	115	—	—	—	—
Copper Trail Energy Fund I, LP									
LP interests	—	4,029	(1,916)	(470)	1,643	—	—	17	(250)
Digital Products Holdings, LLC									
Term loan	6,320	42	(1,530)	(221)	4,611	—	756	—	—
Preferred member units	2,116	259	—	(1,081)	1,294	—	—	—	37
Direct Marketing Solutions, Inc.									
Term loan	4,404	29	(574)	70	3,929	—	612	—	—
Preferred stock	3,725	—	—	1,326	5,051	—	—	—	—
Freeport Financial Funds									
LP interests	10,980	798	(1,998)	(84)	9,696	—	—	—	1,033
Gamber-Johnson Holdings, LLC									
Term loan	5,371	23	(616)	(23)	4,755	—	503	—	—
Member units	11,365	—	—	1,987	13,352	—	—	—	930
Guerdon Modular Holdings, Inc.									
Term loan	3,001	11	(19)	(2,993)	—	—	(252)	—	—
Term loan	—	252	—	(252)	—	—	2	3	—
Common stock	—	—	—	—	—	—	—	—	—

Class B preferred stock	—	—	—	—	—	—	—	—	—
Gulf Publishing Holdings, LLC									
Term loan	3,131	14	(33)	12	3,124	—	412	—	—
Term loan	—	80	(10)	—	70	—	6	—	—
Member units	1,030	1	—	(426)	605	—	—	—	—
Harris Preston Fund Investments									
LP interests (HPEP 3, LP)	1,733	741	—	—	2,474	—	—	—	—
LP interests (2717 HM, LP)	1,133	1,195	(2,328)	—	—	—	—	—	—

Hawk Ridge Systems, LLC									
Term loan	$ 3,575	$ 17	$ (225)	$ (17)	$ 3,350	$ —	$ 379	$ —	$ —
Term loan	—	151	(3)	—	148	—	1	—	—
Preferred member units	1,815	—	—	160	1,975	—	—	—	94
Preferred member units (HRS Services, ULC)	95	—	—	10	105	—	—	—	—
HW Temps, LLC									
Term loan	2,484	391	(2,875)	—	—	—	—	—	—
Preferred member units	986	—	(986)	—	—	—	—	—	—
J&J Services, Inc.									
Term loan	—	4,403	(88)	—	4,315	—	90	—	—
Preferred stock	—	1,790	—	—	1,790	—	—	—	—
Kickhaefer Manufacturing Company, LLC									
Term loan	6,795	51	(700)	—	6,146	—	846	—	—
Term loan	259	3	(266)	4	—	—	5	—	—
Term loan	991	—	(14)	—	977	—	90	—	—
Member units	248	—	—	42	290	—	—	—	—
Member units (KMC RE Investor, LLC)	3,060	—	—	—	3,060	—	—	—	27
Market Force Information, Inc.									
Term loan	5,617	115	(1)	(106)	5,625	—	787	—	—
Term loan	50	696	(50)	(22)	674	—	33	—	—
Member units	3,275	485	—	(2,441)	1,319	—	—	—	—
M.H. Corbin Holding, LLC									
Term loan	2,934	272	(1,115)	122	2,213	10	291	—	—
Preferred member units	250	—	—	(245)	5	—	—	—	—
Common units	—	1,100	—	92	1,192	—	—	—	—
Mystic Logistics Holdings, LLC									
Term loan	1,877	10	(320)	(6)	1,561	—	222	—	—
Common stock	52	1	—	2,050	2,103	—	—	—	67
NexRev, LLC									
Term loan	4,322	218	(161)	(48)	4,331	—	506	—	—
Preferred member units	1,972	—	—	(395)	1,577	—	—	—	49
NuStep, LLC									
Term loan	5,073	28	(200)	—	4,901	—	655	—	—
Preferred member units	2,550	—	—	—	2,550	—	—	—	—
SI East, LLC									
Term loan	11,582	41	(762)	127	10,988	—	1,227	—	—
Preferred member units	2,000	—	—	734	2,734	—	—	—	153
SoftTouch Medical Holdings, LLC									
Term loan	—	—	—	—	—	(41)	—	—	—
Tedder Acquisition, LLC									
Term loan	3,983	20	(1)	64	4,066	—	518	—	—
Term loan	118	300	(260)	—	158	—	16	1	—
Preferred member units	1,869	165	—	—	2,034	—	—	—	—
Trantech Radiator Topco, LLC									
Term loan	—	2,616	(378)	(1)	2,237	—	195	—	—
Common stock	—	1,164	—	—	1,164	—	—	—	17
Total Affiliate Investments	**$ 149,323**	**$ 29,861**	**$ (28,597)**	**$ 3,571**	**$ 154,158**	**$ (5,266)**	**$ 9,811**	**$ 128**	**$ 2,744**

* 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 included unrealized appreciation (depreciation) on unfunded commitments.

(5) Non-Control/Non-Affiliate investments are defined by the 1940 Act as 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, 2018 and December 31, 2019 along with transactions during the year ended December 31, 2019 in these controlled investments were as follows (in thousands):

	Twelve Months Ended December 31, 2019	Twelve Months Ended December 31, 2019

Control Investments	Fair Value at December 31, 2018	Gross Additions (Cost)**	Gross Reductions (Cost)***	Net Unrealized Gain (Loss)	Fair Value at December 31, 2019	Net Realized Gain (Loss)	Interest Income	Fee Income	Dividend Income
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	2,603	—	(4)	7,396	—	596	—	—
Member units	19,239	—	—	4,133	23,372	—	—	71	5,439
Harris Preston Fund Investments									
LP interests (2717 HM, LP)	—	3,328	(497)	325	3,156	—	—	—	—
HMS-ORIX SLF LLC*									
Membership interests	26,351	—	(30,001)	3,650	—	(633)	—	—	546
Total Control Investments	**$ 55,727**	**$ 5,954**	**$ (34,989)**	**$ 8,104**	**$ 34,796**	**$ (633)**	**$ 596**	**$ 71**	**$ 5,985**

* Together with ORIX Funds Corp. ("Orix"), the Company previously co-invested through HMS-ORIX SLF LLC ("HMS-ORIX"), which was 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 had 50% voting control of HMS-ORIX and together agreed on all portfolio and investment decisions as well as all other significant actions for HMS-ORIX. Although the Company owned more than 25% of the voting securities of HMS-ORIX, the Company did not have sole control over significant actions of HMS-ORIX for purposes of the 1940 Act or otherwise. HMS-ORIX was fully liquidated on September 26, 2019.

** 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.

(9) The investment is not a qualifying asset under the 1940 Act. A business development company ("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, 2019, approximately 12.2% 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, 2019. Settlement occurred or is scheduled to occur after December 31, 2019. 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, 2019.

(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, 2019 was approximately 0.15% at US Bank Money Market Account and 1.24% at Fidelity Institutional Money Market Funds.

(22) The 1, 2, 3 and 6 month LIBOR rates were 1.76%, 1.83%, 1.91% and 1.91%, respectively, as of December 31, 2019. The actual LIBOR rate for each loan listed may not be the applicable LIBOR rate as of December 31, 2019, as the loan may have been priced or repriced based on a LIBOR rate prior to or subsequent to December 31, 2019. The prime rate was 4.75% as of December 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 consolidated financial statements.

HMS Income Fund, Inc.
Consolidated Schedule of Investments
As of December 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)
Control Investments (6)						
Copper Trail Energy Fund I, LP (9) (15)	Investment Partnership	LP Interests (Copper Trail Energy Fund I, LP) (Fully diluted 30.1%) (16)	—	$ —	$ 3,745	$ 4,468
CTMH, LP (9) (15)	Investment Partnership	LP Interests (CTMH, LP) (Fully diluted 38.80%) (16)	—	—	872	872
GRT Rubber Technologies, LLC (10) (13)	Engineered Rubber Product Manufacturer	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
HMS-ORIX SLF LLC (9) (15)	Investment Partnership	Membership Interests (Fully diluted 60.00%) (16)	—	—	30,000	26,351
Subtotal Control Investments (6) (5% of total investments at fair value)					**$ 45,821**	**$ 55,727**
Affiliate Investments (4)						
AFG Capital Group, LLC (10) (13)	Provider of Rent-to-Own Financing Solutions and Services	Member Units (46 shares) (16)	—	$ —	$ 300	$ 995
		Warrants (10 equivalent shares, Expiration - November 7, 2024)	—	—	65	237
					365	1,232
Brewer Crane Holdings, LLC (10) (13)	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
Chamberlin Holding, 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	4,933	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
Charlotte Russe, Inc.	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
Charps, LLC (10) (13)	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
Clad-Rex Steel, LLC (10) (13)	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
Digital Products Holdings LLC (10) (13)	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
Direct Marketing Solutions, Inc. (10) (13)	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
Freeport Financial Funds (9) (15)	Investment Partnership	LP Interests (Freeport First Lien Loan Fund III, LP) (Fully diluted 6.00%) (16)	—	$ —	$ 11,155	$ 10,980
Gamber-Johnson Holdings, LLC (10) (13)	Manufacturer of Ruggedized Computer Mounting Systems	LIBOR Pllus 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
Guerdon Modular Holdings, Inc. (10) (13)	Multi-Family and Commercial Modular Construction Company	13.00% Secured Debt (Maturity - March 1, 2019)	None	3,147	3,124	3,001
		Common Stock (53,008 shares)	—	—	746	—
		Class B Preferred Stock (101,250 shares)	—	—	285	—
					4,155	3,001
Gulf Publishing Holdings, LLC (10) (13)	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
Harris Preston Fund Investments (9) (15)	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
Hawk Ridge Systems, LLC (9) (10) (13)	Value-Added Reseller of Engineering Design and Manufacturing Solutions	10.50% Secured Debt (Maturity - December 2, 2021)	None	3,575	3,526	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

HW Temps LLC (10) (13)	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 shares) (16)	—	—	986	986
					3,455	3,470
KMC Investor, LLC (10) (13)	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
Market Force Information, Inc. (10) (13)	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
M.H. Corbin Holding LLC (10) (13)	Manufacturer and Distributor of Traffic Safety Products	10.00% Current / 3.00% PIK Secured Debt (Maturity - August 31, 2020) (18)	None	3,066	3,032	2,934
		Preferred Member Units (1,000 units)	—	—	1,500	250
					4,532	3,184
Mystic Logistics Holdings LLC (10) (13)	Logistics and Distribution Services Provider for Large Volume Mailers	12.00% Secured Debt (Maturity - August 15, 2019)	None	1,884	1,871	1,877
		Common Stock (1,468 shares) (16)	—	—	680	52
					2,551	1,929
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**
<u>Non-Control/Non-Affiliate Investments (5)</u>						
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
APTIM Corp	Engineering, Construction and Procurement	7.75% Secured Debt (Maturity - June 15, 2025)	None	$ 6,952	$ 6,163	$ 5,284
Arcus Hunting, LLC (8) (11)	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
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 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
ATI Investment Sub, Inc. (8)	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

ATX Networks Corp. (8) (9)	Provider of Radio Frequency Management Equipment	LIBOR Plus 6.00% (Floor 1.00%), Current Coupon 8.39%, Current Coupon plus PIK 9.39%, Secured Debt (Maturity - June 11, 2021)	3 month LIBOR	13,982	13,827	13,284
BarFly Ventures, LLC (11)	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
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 13.35%, 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
Berry Aviation, Inc. (11)	Airline Charter Service Operator	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
BigName Commerce, LLC (8) (11)	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
Binswanger Enterprises, LLC (11)	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
Bluestem Brands, Inc. (8)	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
Boccella Precast Products, LLC (10) (13)	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
Brightwood Capital Fund Investments (9) (15)	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

Buca C, LLC (10) (13)	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
Cadence Aerospace, LLC (8) (11)	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
CAI Software, LLC (10) (13)	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
Cenveo Corporation	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
Clarius BIGS, LLC (11) (18)	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
Clickbooth.com, LLC (8) (11)	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
Construction Supply Investments, LLC (11)	Distribution Platform of Specialty Construction Materials to Professional Concrete and Masonry Contractors	LIBOR Plus 6.00% (Floor 1.00%), Current Coupon 8.62%, Secured Debt (Maturity - June 30, 2023) (8)	1 month LIBOR	15,422	15,351	15,384
		Member units (42,207 units)	—	—	4,221	4,290
					19,572	19,674
CTVSH, PLLC (8) (11) (13)	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
Datacom, LLC (10) (13)	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
Digital River, Inc. (8)	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
DTE Enterprises, LLC (11)	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
Dynamic Communities, LLC (8) (11)	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
Elite SEM, Inc. (8) (11)	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
Epic Y-Grade Services, LP (8)	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
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)	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
Jacent Strategic Merchandising, LLC (8) (11)	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
Jackmont Hospitality, Inc. (8) (11)	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
Jacuzzi Brands Corp. (8)	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
Joerns Healthcare, LLC (8)	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
Knight Energy Services LLC (11)	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
Larchmont Resources, LLC (9)	Oil & Gas Exploration & Production	LIBOR Plus 9.00% (Floor 1.00%), Current Coupon 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
Logix Acquisition Company, LLC (8) (11)	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
LSF9 Atlantis Holdings, LLC (8)	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
Lulu's Fashion Lounge, LLC (8) (11)	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
Meisler Operating, LLC (10) (13)	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
MHVC Acquisition Corp. (8)	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
Mills Fleet Farm Group LLC (8) (11)	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
Mobileum, Inc. (8) (11)	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
New Era Technology, Inc. (8) (11)	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
New Media Holdings II LLC (8) (9)	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
NNE Partners, LLC (8) (11)	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
North American Lifting Holdings, Inc. (8)	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
Novetta Solutions, LLC (8)	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
NTM Acquisition Corp. (8)	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
Pasha Group (8)	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

Permian Holdco 2, Inc.	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
Pernix Therapeutics Holdings, Inc. (11)	Pharmaceutical Royalty	12.00% Secured Debt (Maturity - August 1, 2020)	None	2,652	2,639	1,782
Pier 1 Imports, Inc. (8)	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
PricewaterhouseCoopers Public Sector LLP (8)	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
Prowler Acquisition Corporation (8)	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
Resolute Industrial, LLC (8) (11)	HVAC Equipment Rental and Remanufacturing	Common Stock (601 units)	—	—	750	920
RM Bidder, LLC (11)	Full-scale Film and Television Production and Distribution	Common Stock (1,854 units)	—	—	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
Salient Partners, LP (8)	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
Slick Software Holdings LLC (10) (13)	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
Smart Modular Technologies, Inc. (8) (9) (11)	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
Sorenson Communications, Inc. (8)	Manufacturer of Communication Products for Hearing Impaired	LIBOR Plus 5.75% (Floor 2.25%), Current Coupon 8.56%, Secured Debt (Maturity - April 30, 2020) (8)	3 month LIBOR	2,916	2,908	2,905
STL Parent Corp. (8)	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
Strike, LLC (8)	Pipeline Construction and Maintenance Services	LIBOR Plus 8.00% (Floor 1.00%), Current Coupon 10.59%, Secured Debt (Maturity - November 30, 2022)	3 month LIBOR	9,000	8,803	9,011
TE Holdings, LLC	Oil & Gas Exploration & Production	Common Units (72,785 units)	—	—	728	49
Teleguam Holdings, LLC (8)	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
TGP Holdings III LLC (8)	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
TMC Merger Sub Corp (8)	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
TOMS Shoes, LLC (8)	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
Turning Point Brands, Inc. (8) (9) (11)	Marketer/Distributor of Tobacco Products	LIBOR Plus 7.00% (Floor 1.00%), Current Coupon 9.46%, Secured Debt (Maturity - March 7, 2024) (14)	1 month LIBOR	8,500	8,424	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 8.52%, Secured Debt (Maturity - November 3, 2021)	1 month LIBOR	19,504	19,197	19,455
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)	—	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**
<u>Short Term Investments (20)</u>						
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 Company's assets are encumbered as security for the Company's credit agreements. See Note 6 — *Borrowings.*

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

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

(4) Affiliate investments are defined by the 1940 Act, as investments in which between 5% and 25% of the voting securities are owned, or an investment in an investment company's investment adviser, and the investments are not classified as Control investments. Fair value as of December 31, 2017 and December 31, 2018 along with transactions during the year ended December 31, 2018 in these affiliated investments were as follows (in thousands):

	Twelve Months Ended December 31, 2018		Twelve Months Ended December 31, 2018

Affiliate Investments	Fair Value at December 31, 2017	Gross Additions (Cost)*	Gross Reductions (Cost)**	Net Unrealized Gain (Loss)	Fair Value at December 31, 2018	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)	—	—	—	—	—
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 First Lien Loan Fund III, LP									
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 Investor, 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 MH, 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	—	—	—	—
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	—	—	—	—
Total Affiliate Investments	$ 76,862	$ 80,274	$ (8,580)	$ 767	$ 149,323	$ 903	$ 9,149	$ 141	$ 2,551

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

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

(5) Non-Control/Non-Affiliate investments are 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 controlled investments were as follows (in thousands):

Control Investments	Fair Value at December 31, 2017	Twelve Months Ended December 31, 2018 Gross Additions (Cost)**	Gross Reductions (Cost)***	Net Unrealized Gain (Loss)	Fair Value at December 31, 2018	Twelve Months Ended December 31, 2018 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
Total Control Investments	$ 49,679	$ 2,147	$ (917)	$ 4,818	$ 55,727	$ —	$ 609	$ 82	$ 3,786

* Together with Orix, the Company co-invested through HMS-ORIX, which was 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 had 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. Therefore, although the Company owned more than 25% of the voting securities of HMS-ORIX, the Company did 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.

(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.

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 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 December 31, 2019, the Company raised approximately $236.3 million in the Offering, including proceeds from the distribution reinvestment plan of approximately $104.6 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 6 — *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 6 — *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 wholly owned 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 23, 2019. 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 Company is an investment company, as defined in the accounting and reporting guidance under Topic 946, *Financial Services-Investment Companies*, of the Financial Accounting Standards Board's ("FASB's") Accounting Standards Codification, as amended (the "ASC 946"). The accompanying consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America ("GAAP") and include the accounts of the Company and its wholly owned consolidated subsidiaries: HMS Funding, HMS Equity Holding, HMS Equity Holding II, HMS California Holdings and HMS California Holdings GP. All intercompany accounts and transactions have been eliminated in consolidation. Under ASC 946, the Company is precluded from consolidating portfolio company investments, including those in which it 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 investments made by the Company 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 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 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 consolidated financial statements.

Use of Estimates

The preparation of the financial statements requires the Company to make estimates and judgments that affect the reported amounts and disclosures of assets, liabilities and contingencies as of the date of the financial statements and accompanying notes. The Company evaluates its assumptions and estimates on an ongoing basis. The Company bases its estimates on historical experience and on various other assumptions that the Company believes to be reasonable under the circumstances. Additionally, application of the Company's accounting policies involves exercising judgments regarding assumptions as to future uncertainties. Actual results may differ from these estimates under different assumptions or conditions. Significant estimates are used in the determination of fair value of investments. See Note 3 — *Fair Value Hierarchy for Investments* for a description of these estimates.

Investment Classification

The Company classifies its investments in accordance with the requirements of the 1940 Act. Under the 1940 Act, (a) "Control" investments are defined as investments in companies in which the Company owns more than 25% of the voting securities or has rights to nominate greater than 50% of the directors or managers of the entity, (b) "Affiliate" investments are defined 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 and (c) "Non-Control/Non-Affiliate" investments are defined as investments that are neither Control investments nor Affiliate investments.

Valuation of Portfolio Investments

The Company accounts for its portfolio investments at fair value under the provisions of ASC Topic 820,*Fair Value Measurements and Disclosures* ("ASC 820"). ASC 820 defines fair value, establishes a framework for measuring fair value, establishes a fair value hierarchy based on the quality of inputs used to measure fair value and enhances disclosure requirements for fair value measurements. ASC 820 requires the Company to assume that the portfolio investment is to be sold in the principal market to independent market participants, which may be a hypothetical market. Market participants are defined as buyers and sellers in the principal market that are independent, knowledgeable, and willing and able to transact.

LMM investments and Other Portfolio investments generally have no established trading market, while Middle Market securities generally have established markets that are not active. Private Loan investments may include investments which have no established trading market or have established markets that are not active. The Company determines in good faith the fair value of its investment portfolio pursuant to a valuation policy in accordance with ASC 820 and a valuation process approved by its board of directors and in accordance with the 1940 Act. The Company's valuation policies and processes are intended to provide a consistent basis for determining the fair value of the portfolio.

For LMM portfolio investments, the Company generally reviews external events, including private mergers, sales and acquisitions involving comparable companies, and includes these events in the valuation process by using an enterprise value waterfall

(“Waterfall”) for its LMM equity investments and an income approach using a yield-to-maturity model (“Yield-to-Maturity”) for its LMM debt investments. For Middle Market portfolio investments, the Company uses observable inputs such as quoted prices in the valuation process. The Company determines the appropriateness of the use of third-party broker quotes, if any, in determining fair value based on its understanding of the level of actual transactions used by the broker to develop the quote and whether the quote was an indicative price or binding offer, the depth and consistency of broker quotes and the correlation of changes in broker quotes with underlying performance of the portfolio company and other market indices. The Company often cannot observe the inputs considered by the third party in determining their quotes. For Middle Market and Private Loan portfolio investments in debt securities for which it has determined that third-party quotes or other independent pricing are not available or appropriate, the Company generally estimates the fair value based on the assumptions that it believes hypothetical market participants would use to value the investment in a current hypothetical sale using the Yield-to-Maturity valuation method. For its Other Portfolio equity investments, the Company generally calculates the fair value of the investment primarily (i) by taking into account information received from a third-party, independent valuation firm or (ii) based on the net asset value (“NAV”) of the fund. All of the valuation approaches for the Company’s portfolio investments estimate the value of the investment as if the Company was to sell, or exit, the investment as of the measurement date.

Under the Waterfall valuation method, the Company estimates the enterprise value of a portfolio company using a combination of market and income approaches or other appropriate valuation methods, such as considering recent transactions in the equity securities of the portfolio company or third-party valuations of the portfolio company, and then performs a Waterfall calculation by using the enterprise value over the portfolio company’s securities in order of their preference relative to one another. The enterprise value is the fair value at which an enterprise could be sold in a transaction between two willing parties, rather than through a forced or liquidation sale. Typically, private companies are bought and sold based on multiples of earnings before interest, taxes, depreciation and amortization (“EBITDA”), cash flows, net income, revenues, or in limited cases, book value. There is no single methodology for estimating enterprise value. For any one portfolio company, enterprise value is generally described as a range of values from which a single estimate of enterprise value is derived. In estimating the enterprise value of a portfolio company, the Company analyzes various factors including the portfolio company’s historical and projected financial results. The operating results of a portfolio company may include unaudited, projected, budgeted or pro forma financial information and may require adjustments for non-recurring items or to normalize the operating results that may require significant judgment in its determination. In addition, projecting future financial results requires significant judgment regarding future growth assumptions. In evaluating the operating results, the Company also analyzes the impact of exposure to litigation, loss of customers or other contingencies. After determining the appropriate enterprise value, the Company allocates the enterprise value to investments in order of the legal priority of the various components of the portfolio company’s capital structure. In applying the Waterfall valuation method, the Company assumes the loans are paid off at the principal amount in a change in control transaction and are not assumed by the buyer, which the Company believes is consistent with its past transaction history and standard industry practices.

Under the Yield-to-Maturity valuation method, the Company also uses the income approach to determine the fair value of debt securities based on projections of the discounted future free cash flows that the debt security will likely generate, including analyzing the discounted cash flows of interest and principal amounts for the debt security, as set forth in the associated loan agreements, as well as the financial position and credit risk of the portfolio investments. The Company estimates the expected repayment date of its debt securities is generally the legal maturity date of the instrument, as the Company generally intends to hold its loans and debt securities to maturity. The Yield-to-Maturity analysis also considers changes in leverage levels, credit quality, portfolio company performance and other factors. The Company will generally use the value determined by the Yield-to-Maturity analysis as the fair value for that security. However, it is the Company’s position that assuming a borrower is outperforming underwriting expectations and because these respective investments do not generally contain pre-payment penalties, the borrower would most likely prepay or refinance the borrowing if the market interest rate, given the borrower’s credit quality, is lower than the stated loan interest rate. Therefore, the Company does not believe that a market participant would pay a premium for the investment, and because of the Company’s general intent to hold its loans to maturity, the Company generally does not believe that the fair value of the investment should be adjusted in excess of the face amount. A change in the assumptions that the Company uses to estimate the fair value of its debt securities using the Yield-to-Maturity valuation method could have a material impact on the determination of fair value. If there is deterioration in credit quality or if a debt security is in workout status, the Company may consider other factors in determining the fair value of the debt security, including the value attributable to the debt security from the enterprise value of the portfolio company or the proceeds that would most likely be received in a liquidation analysis.

Under the NAV valuation method, for an investment in an investment fund that does not have a readily determinable fair value, the Company measures the fair value of the investment predominately based on the NAV of the investment fund as of the measurement date. However, in determining the fair value of the investment, the Company may consider whether adjustments to the NAV are necessary in certain circumstances, based on the analysis of any restrictions on redemption of the Company’s investment as of the measurement date, recent actual sales or redemptions of interests in the investment fund, and expected future cash flows available to equity holders, including the rate of return on those cash flows compared to an implied market return on equity required by market participants, or other uncertainties surrounding the Company's ability to realize the full NAV of its interests in the investment fund.

With respect to investments for which market quotations are not readily available, or an indicator exists that the available market prices are not reliable for a particular security, a multi-step valuation process is undertaken, as described below:

- The Company's valuation process will begin with the Sub-Adviser preparing draft valuations of each investment based upon the methodology contained in the Sub-Adviser's valuation policy and submitting such draft valuations to the Adviser.
- The Adviser then prepares its own initial draft valuation for each investment based upon the Adviser's valuation policy.
- The Advisers obtain and potentially take into account information received from a third-party valuation firm retained by the Company's board of directors, if applicable, and then individually set the initial draft value of each investment.
- Team members from the Advisers then confer regarding their respective draft valuations, and the Adviser's team members issue such clarifying questions regarding discrepancies in value estimates to the Sub-Adviser for mutual resolution. After receiving responses to such inquiries from the Sub-Adviser, the Adviser then prepares and presents its recommended fair value for each of the investments for consideration by the Adviser's valuation committee.
- The Adviser's valuation committee meets to review the Adviser's initial draft values, to analyze and discuss the proposed valuations and to document its conclusions. The Adviser's valuation committee approves the fair values that are recommended to the Company's audit committee and board of directors.
- Team members from the Adviser prepare written valuation materials for distribution to the Company's audit committee and board of directors containing final recommended valuations, as approved by the Adviser's valuation committee.
- The Company's audit committee reviews the Adviser's preliminary recommended valuations with representatives of the Advisers, and the Company's audit committee recommends the fair value of the Company's portfolio for approval by its board of directors.
- At this point, the Company's board of directors then approves the fair value of the Company's investment portfolio in good faith based on several factors, including the input and recommendation of the Advisers, the Adviser's valuation committee, the audit committee, and any third-party valuation firm, if applicable, and further determines that the valuation of investments held by the Company and presented in its financial statements was approved in accordance with the Company's valuation policy.

Pursuant to its internal valuation process and the requirements under the 1940 Act, the Company performs valuation procedures on its unquoted investments in each LMM portfolio company and certain Private Loan portfolio companies (the "Internally Valued Investments") once a quarter. Among other things, the Company generally consults with a nationally recognized independent valuation firm on the Internally Valued Investments at least once in every calendar year, and for new Internally Valued Investments, at least once in the twelve-month period subsequent to the initial investment. In certain instances, the Company may determine that it is not cost-effective, and as a result is not in its stockholders' best interest, to consult with the nationally recognized independent valuation firm on its investments in one or more of these Internally Valued Investments. Such instances include situations where the fair value of the Company's investment is determined to be insignificant relative to the total investment portfolio. For the year ended December 31, 2019, the Company consulted with its independent valuation firm in arriving at the Company's determination of fair value on its investments in 30 of the 33 LMM portfolio companies and in 36 of the 49 Private Loan portfolio companies. For the year ended December 31, 2018, the Company consulted with its independent valuation firm in arriving at the Company's determination of fair value on its investments in 27 of the 30 LMM portfolio companies and in 23 of the 48 Private Loan portfolio companies.

Due to the inherent uncertainty in the valuation process, the Company's estimate of fair value may differ materially from the values that would have been used had an active market for the securities existed. In addition, changes in the market environment, portfolio company performance and other events that may occur over the lives of the investments may cause the gains or losses ultimately realized on these investments to be materially different than the valuations currently assigned. The Company estimates the fair value of each individual investment and record changes in fair value as "Net Change in Unrealized Appreciation (Depreciation) on Investments" in the Consolidated Statements of Operations.

Cash and Cash Equivalents

Cash and cash equivalents consist of cash and highly liquid investments with an original maturity of three months or less at the date of purchase. These highly liquid, short term investments are included in the Consolidated Schedule of Investments. Cash and cash equivalents are carried at cost, which approximates fair value.

Security Transactions

Security transactions are accounted for on the trade date. As of the trade date, the investment is derecognized for security sales and recognized for security purchases. As of December 31, 2019 and 2018, the Company had no investments under contract to purchase. As of December 31, 2019, the Company had no investments under contract to sell. As of December 31, 2018, the Company had one investment at a contract price of approximately $918,000 under contract to sell which had not yet settled. This investment was derecognized by the Company and is not included in the Consolidated Schedule of Investments. The sale trade is presented in the line item "Receivable for securities sold" at the contract price.

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.

Interest income from investments in the "equity" class of security of collateralized loan obligations ("CLO") funds (typically subordinated notes) is recorded based upon an estimation of an effective yield to expected maturity utilizing assumed cash flows in accordance with ASC 325-40, *Beneficial Interests in Securitized Financial Assets.* The Company monitors the expected cash inflows from its investment in a CLO, including the expected residual payments, and the effective yield is determined and updated periodically.

As of December 31, 2019, the Company had eight debt investments in five portfolio companies that were on non-accrual status, including seven debt investments in four portfolio companies which were more than 90 days past due. The debt investments on non-accrual status comprised approximately 1.5% of the Company's total investment portfolio at fair value and 2.9% of the total investment portfolio at cost. Each of these portfolio companies experienced a significant decline in credit quality after we acquired our 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. As of December 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. There was no allowance recorded for the year ended December 31, 2018.

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.

At December 31, 2019 and 2018, the Company held 26 and 24 investments, respectively, that contained a PIK provision. As discussed above, five of the 26 investments with PIK provisions as of December 31, 2019 and four of the 24 investments with PIK provisions as of December 31, 2018 were on non-accrual status and no PIK interest was recorded on these investments during the years ended December 31, 2019 and 2018. For the years ended December 31, 2019, 2018 and 2017, the Company recognized approximately $4.5 million, $1.9 million and $1.3 million, respectively, of PIK interest. 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 years ended December 31, 2019, 2018 and 2017, the Company recognized approximately $1.1 million, $2.1 million and $2.4 million, respectively, of non-recurring fee income received from its portfolio companies or other third parties, which accounted for approximately 1.0%, 1.8% and 2.3%, respectively, of the Company's total investment income during such periods. 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.

Unearned Income – Original Issue Discount / Premium to Par Value

The Company generally purchases its debt investments for an amount different than their respective principal values. For purchases at less than par value, a discount is recorded at acquisition, which is accreted into interest income based on the effective interest method over the life of the debt investment. For purchases at greater than par value, a premium is recorded at acquisition, which is amortized as a reduction to interest income based on the effective interest method over the life of the investment. Upon repayment , any unamortized discount or premium is also recognized into interest income. For the years ended December 31, 2019, 2018 and 2017, the Company accreted approximately a net of $7.8 million, $9.8 million and $13.1 million, respectively, into interest income.

Net Realized Gain(Loss) on Investments and Net Change in Unrealized Appreciation (Depreciation) on Investments

Generally, net realized gains or losses are measured by the difference between the net proceeds from the sale of an investment and the amortized cost, without regard to unrealized appreciation or depreciation previously recognized, and includes investments written-off during the period net of recoveries and realized gains or losses from in-kind redemptions. Net change in unrealized appreciation or depreciation on investments reflects the net change in the fair value of the investment portfolio and the reclassification of any prior period unrealized appreciation (depreciation) on exited investments to realized gains or losses.

Deferred Financing Costs

Deferred financing costs represent fees and other direct costs incurred in connection with arranging the Company's borrowings. These costs were incurred in connection with the Company's revolving credit facilities (see Note 6 — *Borrowings*) and have been capitalized. The deferred financing costs are being amortized to interest expense using the straight-line method over the life of the related credit facility, which the Company believes is materially consistent with the effective interest method. For each of the years ended December 31, 2019, 2018 and 2017, the Company amortized approximately $1.3 million into interest expense related to deferred financing costs.

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, data processing fees, advertising and sales literature and other offering costs. The Company expects to reimburse the Advisers for such costs incurred on its behalf on a monthly basis, up to a maximum aggregate amount of 1.5% of the gross stock offering proceeds, including proceeds from the issuance of stock from our distribution reinvestment plan. The Advisers are responsible for the payment of offering costs to the extent they exceed 1.5% of the aggregate gross stock offering proceeds.

Effective January 1, 2016 through the closing of the Offering to new investors, offering costs were capitalized as incurred by the Company as it became obligated to reimburse its Advisers for such costs and subsequently amortized to expense over a 12-month period to more closely track applicable guidance. Deferred offering costs were fully amortized to expense upon the closing of the Offering to new investors and are currently expensed as incurred by the Company as it becomes obligated to reimburse its Advisers for such costs.

Per Share Information

Net increase (decrease) in net assets resulting from operations per share, net investment income per share, and net realized income per share are calculated based upon the weighted average number of shares of common stock outstanding during the reporting period.

Concentration of Credit Risk

The Company has cash deposited in a financial institution in excess of federally insured levels. Management regularly monitors the financial stability of these financial institutions in an effort to manage the Company's exposure to any significant credit risk in cash. The Federal Deposit Insurance Corporation generally only insures limited amounts per depositor per insured bank.

Fair Value of Financial Instruments

Fair value estimates are made at discrete points in time based on relevant information. These estimates may be subjective in nature and involve uncertainties and matters of significant judgment and, therefore, cannot be determined with precision. The Company believes that the carrying amounts of its financial instruments, consisting of cash, accounts receivable from affiliates, interest payable to affiliates, other accrued expenses and liabilities, and credit facilities payable approximate the fair values of such items due to the short term nature of these instruments.

Income Taxes

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 in respect of each taxable year dividends of an amount 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 tax as a RIC (the "Annual Distribution Requirement"). As a part of maintaining our RIC status, undistributed taxable income (subject to a 4% 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. In order to avoid the imposition of this excise tax, the Company needs to distribute in respect of each calendar year dividends of an amount at least equal to the sum of: (1) 98.0% of its net ordinary income (taking into account certain deferrals and elections) for the calendar year, (2) 98.2% of its capital gain in excess of capital loss, or capital gain net income, (adjusted for certain ordinary losses) for the one-year period generally ending on October 31 of that calendar year (or, if we so elect, for that calendar year) and (3) any net ordinary income and capital gain net income for preceding years that was not distributed with respect to such years and on which the Company incurred no U.S. federal income tax (the "Excise Tax Avoidance Requirement").

Two of the Company's wholly owned subsidiaries, HMS Equity Holding and HMS Equity Holding II have elected to be taxable entities. HMS Equity Holding and HMS Equity Holding II primarily hold equity investments in portfolio companies which are treated as "pass through" entities for 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 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 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 consolidated financial statements.

HMS Equity Holding and HMS Equity Holding II use the liability method in accounting for income taxes in accordance with ASC Topic 740,*Income Taxes*. Deferred tax assets and liabilities are recorded for temporary differences between the tax basis of assets and liabilities and their reported amounts in the financial statements, using statutory tax rates in effect for the year in which the temporary differences are expected to reverse. A valuation allowance is provided against deferred tax assets when it is more likely than not that some portion or all of the deferred tax asset will not be realized. Taxable income generally differs from net income for financial reporting purposes due to temporary and permanent differences in the recognition of income and expenses. Taxable income generally excludes net unrealized appreciation or depreciation, as investment gains or losses are not included in taxable income until they are realized.

Uncertainty in Income Taxes

The Company evaluates its tax positions to determine if the tax positions taken in accordance with ASC Topic 740,*Income Taxes* meet the minimum recognition threshold in connection with accounting for uncertainties in income tax positions taken or expected to be taken for the purposes of measuring and recognizing tax benefits or liabilities in the consolidated financial statements. Recognition of a tax benefit or liability with respect to an uncertain tax position is required only when the position is "more likely than not" to be sustained assuming examination by taxing authorities. The Company recognizes interest and penalties, if any, related to unrecognized tax liabilities as income tax expense in the consolidated statements of operations.

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 adoption of this standard is not anticipated to have a material impact on the consolidated financial statements and related disclosures.

In August 2018, the SEC adopted rules (the "SEC Release") amending certain disclosure requirements intended to eliminate redundant, duplicative, overlapping, outdated, or superseded, in light of other SEC disclosure requirements, US GAAP requirements, or changes in the information environment. In part, the SEC Release requires an investment company to present distributable earnings in total on the consolidated balance sheet and consolidated statement of changes in net assets, rather than showing the three components of distributable earnings as previously shown. The Company adopted this part of the SEC Release in the current annual period and the changes in presentation have been retrospectively applied to the consolidated balance sheet as of December 31, 2017 and to the consolidated statements of changes in net assets for the years ended December 31, 2017 and 2016. The impact of the adoption of these rules on the Company's consolidated financial statements was not material. Additionally, the SEC Release requires 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 net assets in interim financial statements within Form 10-Q filings starting with the quarter ending March 31, 2019. The compliance date for the SEC Release was for all filings, as applicable, on or after November 5, 2018. The adoption of these rules did not have a material impact on the 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 establishes a hierarchal 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 Topic 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 December 31, 2019 and 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 December 31, 2019 and 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 December 31, 2019 and 2018.

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

As of December 31, 2019 and 2018, the Company's Private Loan portfolio investments primarily consisted 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 December 31, 2019 and 2018.

As of December 31, 2019 and 2018, the Company's Other Portfolio investments consisted primarily 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 NAV reported by the private investment fund at the time of valuation or to adjust the value to reflect a premium or discount. Additionally, as of December 31, 2019, the Company's Other Portfolio investments included an investment in subordinated notes of a CLO, which are carried at a fair value determined by taking into account information received from a third-party, independent valuation firm. The fair value determination for the Company's Other Portfolio investments primarily consisted of unobservable inputs. As a result, all of the Company's Other Portfolio investments were categorized as Level 3 as of December 31, 2019 and 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/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 major class, as ofDecember 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	$ —	$ —	$ 800,361	$ 800,361
Second lien secured debt investments	—	—	40,646	40,646
Unsecured debt investments	—	—	13,783	13,783
Equity investments (1)	—	—	172,807	172,807
Total	$ —	$ —	$ 1,027,597	$ 1,027,597

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

The following table presents fair value measurements of the Company's investments, by major class, as ofDecember 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 (1)	—	—	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 December 31, 2019 (dollars in thousands):

	Fair Value Measurements			
	Level 1	Level 2	Level 3	Total
LMM portfolio investments	$ —	$ —	$ 225,121	$ 225,121
Private Loan investments	—	—	481,152	481,152
Middle Market investments	—	—	272,428	272,428
Other Portfolio investments (1)	—	—	48,896	48,896
Total	$ —	$ —	$ 1,027,597	$ 1,027,597

(1) Includes the Company's investment in CLO subordinated notes. (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 (1)	—	—	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*) 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 December 31, 2019 (dollars in thousands):

	Fair Value	Valuation Technique	Significant Unobservable Inputs	Range	Weighted Average [2]
LMM equity investments	$ 95,554	Discounted Cash Flows	WACC	11.0% - 18.3%	13.6%
		Market Approach/Enterprise Value	EBITDA Multiples [1]	4.5x - 12.0x	6.9x
LMM debt investments	129,567	Discounted Cash Flows	Expected Principal Recovery	100.0% - 100.0%	100.0%
			Risk Adjusted Discount Factor	8.0% - 19.0%	12.1%
Private Loan debt investments	403,194	Discounted Cash Flows	Expected Principal Recovery	1.4% - 100.0%	99.9%
			Risk Adjusted Discount Factor	4.6% - 21.7%	7.9%
	57,242	Market Approach	Third Party Quotes	92.5% - 101.0%	97.2%
Private Loan equity investments	20,716	Market Approach/Enterprise Value	EBITDA Multiples [1]	4.9x - 9.5x	7.8x
		Discounted Cash Flows	WACC	10.7% - 14.6%	12.1%
Middle Market debt investments	250,194	Market Approach	Third Party Quotes	28.1% - 101.0%	92.0%
	14,593	Discounted Cash Flows	Expected Principal Recovery	52.7% - 100.0%	76.1%
			Risk Adjusted Discount Factor	8.6% - 38.0%	19.9%
Middle Market equity investments	7,641	Market Approach	Third Party Quotes	$0.00 - $200.0	$104.9
		Discounted Cash Flows	WACC	17.5% - 18.0%	17.5%
		Market Approach/ Enterprise Value	EBITDA Multiples [1]	3.9x - 5.5x	5.5x
Other Portfolio investments [3]	29,868	Market Approach	NAV [1]	80.7% - 118.3%	99.9%
	19,028	Discounted Cash Flows	Constant Default Rate	1.0%	1.0%
			Constant Prepayment Rate	20.0%	20.0%
			Reinvestment Spread	3.4%	3.4%
			Reinvestment Price	99.5%	99.5%
			Recovery Rate	70.0%	70.0%
			Yield to Maturity	12.0%	12.0%
	$ 1,027,597				

(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 CLO subordinated notes. (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 (2)
LMM equity investments	$ 79,641	Discounted Cash Flows	WACC	11.8% - 17.5%	13.7%
		Market Approach/Enterprise Value	EBITDA Multiples (1)	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/Enterprise Value	EBITDA Multiples (1)	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/ Enterprise Value	EBITDA Multiples (1)	3.9x - 5.5x	5.5x
Other Portfolio investments (3)	53,084	Market Approach	NAV (1)	85.5% - 119.3%	95.3%
	$ 1,106,568				

(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 year ended December 31, 2019 (dollars in thousands):

Type of Investment	December 31, 2018 Fair Value	PIK Interest Accrual	New Investments (1)	Sales/ Repayments	Net Change in Unrealized Appreciation (Depreciation)(2)	Net Realized Gain (Loss)	December 31, 2019 Fair Value
LMM Equity	$ 79,641	$ 181	$ 7,404	$ (1,198)	$ 9,378	$ 148	$ 95,554
LMM Debt	130,633	345	20,669	(18,212)	(3,878)	10	129,567
Private Loan Equity	16,905	74	2,965	(5,524)	2,885	3,411	20,716
Private Loan Debt	392,034	3,415	181,645	(122,594)	8,100	(2,164)	460,436
Middle Market Debt	428,569	520	41,347	(175,363)	(11,113)	(19,173)	264,787
Middle Market Equity	5,702	—	3,899	—	(1,960)	—	7,641
Other Portfolio (3)	53,084	—	31,831	(34,504)	(881)	(634)	48,896
Total	$ 1,106,568	$ 4,535	$ 289,760	$ (357,395)	$ 2,531	$ (18,402)	$ 1,027,597

(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 and CLO subordinated notes. (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 theyear ended December 31, 2018 (dollars in thousands):

Type of Investment	December 31, 2017 Fair Value	PIK Interest Accrual	New Investments (1)	Sales/ Repayments	Net Change in Unrealized Appreciation (Depreciation)(2)	Net Realized Gain (Loss)	December 31, 2018 Fair Value
LMM Equity	$ 47,876	$ —	$ 18,574	$ (3,506)	$ 15,015	$ 1,682	$ 79,641
LMM Debt	87,781	33	56,033	(12,580)	505	(1,139)	130,633
Private Loan Equity	8,612	35	8,285	(883)	505	351	16,905
Private Loan Debt	306,770	1,234	269,286	(174,818)	(10,599)	161	392,034
Middle Market Debt	545,217	593	198,738	(300,059)	3,382	(19,302)	428,569
Middle Market Equity	4,575	—	6,633	—	(5,506)	—	5,702
Other Portfolio (3)	48,608	—	8,007	—	(3,531)	—	53,084
Total	$ 1,049,439	$ 1,895	$ 565,556	$ (491,846)	$ (229)	$ (18,247)	$ 1,106,568

(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 net change in unrealized appreciation (depreciation) for the years endedDecember 31, 2019, 2018 and 2017 included in the Consolidated Statements of Operations that related to Level 3 assets still held as of December 31, 2019, 2018 and 2017 was approximately $(6.7) million, $(15.7) million and $436,000, respectively. For the years ended December 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 December 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	$ 831,414	79.9 %	$ 800,361	77.9 %
Second lien secured debt investments	48,715	4.7	40,646	4.0
Unsecured debt investments	14,097	1.4	13,783	1.3
Equity investments (1)	144,159	13.8	170,961	16.6
Equity warrants	1,670	0.2	1,846	0.2
Total	$ 1,040,055	100.0 %	$ 1,027,597	100.0 %

(1) Includes the Company's investment in CLO subordinated notes. (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 (1)	136,051	12.1	153,313	13.9
Equity warrants	1,987	0.2	2,019	0.2
Total	$ 1,121,688	100.0 %	$ 1,106,568	100.0 %

(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 December 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):

	Investments at Cost	Cost Percentage of Total Portfolio	Investments at Fair Value	Fair Value Percentage of Total Portfolio
Northeast	$ 130,531	13.2 %	$ 127,098	13.0 %
Southeast	215,254	21.8	218,819	22.4
West	183,955	18.6	174,871	17.9
Southwest	207,284	21.0	202,918	20.7
Midwest	223,575	22.7	229,246	23.4
Non-United States	26,368	2.7	25,749	2.6
Total	$ 986,967	100.0 %	$ 978,701	100.0 %

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 the Other Portfolio investments):

	Investments at Cost	Cost Percentage of Total Portfolio	Investments at Fair Value	Fair Value Percentage of Total Portfolio
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
Total	$ 1,065,031	100.0 %	$ 1,053,484	100.0 %

The composition of the Company's total investments by industry as ofDecember 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	
	December 31, 2019	**December 31, 2018**	**December 31, 2019**	**December 31, 2018**
Commercial Services and Supplies	8.5 %	6.7 %	8.2 %	6.3 %
Oil, Gas, and Consumable Fuels	6.3	4.7	6.3	4.7
Machinery	5.9	4.0	7.7	5.3
Aerospace and Defense	5.0	4.7	5.1	4.6
Communications Equipment	5.0	4.1	4.4	3.8
Health Care Providers and Services	4.7	2.8	4.2	2.8
IT Services	4.5	5.8	4.5	5.9
Diversified Telecommunication Services	4.4	4.6	4.3	4.4
Media	4.2	5.5	4.5	5.5
Leisure Equipment and Products	4.0	3.4	3.6	3.4
Internet Software and Services	3.9	4.9	3.8	5.0
Construction and Engineering	3.3	4.9	3.4	5.1
Specialty Retail	3.3	3.1	3.0	2.5
Energy Equipment and Services	2.8	3.4	2.6	3.5
Hotels, Restaurants, and Leisure	2.8	3.4	2.7	3.4
Computers and Peripherals	2.7	2.6	3.8	3.4
Distributors	2.5	3.2	2.4	3.1
Diversified Consumer Services	2.4	2.3	1.6	1.8
Transportation Infrastructure	2.3	1.0	2.3	1.0
Professional Services	1.8	1.6	1.5	1.6
Diversified Financial Services	1.7	—	1.7	—
Food Products	1.7	2.9	1.5	2.9
Internet and Catalog Retail	1.7	1.7	1.4	1.3
Trading Companies and Distributors	1.6	1.5	1.6	1.4
Wireless Telecommunication Services	1.5	1.4	1.5	1.3
Containers and Packaging	1.3	1.3	1.4	1.3
Food & Staples Retailing	1.2	1.6	1.2	1.6
Household Durables	1.2	1.3	1.1	1.3
Textiles, Apparel & Luxury Goods	1.0	1.1	1.0	1.0
Construction Materials	0.9	2.3	1.3	2.4
Software	0.8	1.7	1.1	1.9
Other	5.1	6.5	5.3	6.5
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, which invested 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 had 50% voting control of HMS-ORIX and together were required to agree on all portfolio and investment decisions as well as all other significant actions for HMS-ORIX. The Company did not have sole control of significant actions of HMS-ORIX and, accordingly, did not consolidate the operations of HMS-ORIX within the consolidated financial statements. As of December 31, 2018, the Company and Orix 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).

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 its existing $100.0 million credit facility with Bank of America, N.A., which was subsequently terminated. The reinvestment period for the Refinanced HMS-ORIX Credit Facility was scheduled to expire on September 6, 2019, and the maturity date was 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 bore interest at a rate equal to the three-month LIBOR plus 1.15%. As of December 31, 2018, $98.8 million of advances were outstanding under the Refinanced HMS-ORIX Credit Facility. Borrowings under the facility were secured by substantially all of the assets of HMS-ORIX.

On May 8, 2019, HMS-ORIX Holdings I LLC, a wholly owned subsidiary of HMS-ORIX, which held 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"). Proceeds from the HMS-ORIX Holdings Merger were used to pay off the Refinanced HMS-ORIX Credit Facility. 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"). After distribution to its members of residual cash remaining after the HMS-ORIX Holdings Merger, HMS-ORIX was fully liquidated on September 26, 2019.

As of December 31, 2018, HMS-ORIX had total assets of $162.5 million and HMS-ORIX's portfolio consisted of 107 broadly-syndicated loans, all of which were secured by first-priority liens, generally in industries similar to those in which the Company may directly invest. As of December 31, 2018, there were no loans in HMS-ORIX's portfolio that were on non-accrual status.

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

	As of December 31, 2018
Total debt investments (1)	$ 165,025
Weighted average effective yield on loans (2)	5.82 %
Largest loan to a single borrower (1)	$ 3,461
Total of 10 largest loans to borrowers (1)	$ 30,430

(1) At principal amount.

(2) Weighted average effective annual 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.

The following table presents a listing of HMS-ORIX's individual loans as ofDecember 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
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
Deerfield Holdings Corporation	Diversified Financial Services	LIBOR (1 month) + 3.25%, Current Coupon 5.77%, Secured Debt (Maturity - February 13, 2025)	2,978	2,974	2,827
Diamond Resorts International, Inc.	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
EFS Cogen Holdings I LLC	Electric Utilities	LIBOR (1 month) + 3.25%, Current Coupon 5.77%, Secured Debt (Maturity - June 28, 2023)	1,816	1,830	1,781
Eldorado Resorts, Inc.	Hotels, Restaurants and Leisure	LIBOR (1 month) + 2.25%, Current Coupon 4.75%, Secured Debt (Maturity - April 17, 2024)	1,000	968	960
Encapsys LLC	Chemicals	LIBOR (1 month) + 3.25%, Current Coupon 5.77%, Secured Debt (Maturity - November 7, 2024)	993	994	970
Endo Luxembourg Finance Company I S.a.r.l.	Pharmaceuticals	LIBOR (1 month) + 4.25%, Current Coupon 6.81%, Secured Debt (Maturity - April 29, 2024)	1,970	1,989	1,862
Everi Payments Inc.	Leisure Products	LIBOR (3 months) + 3.00%, Current Coupon 5.52%, Secured Debt (Maturity - May 9, 2024)	1,970	1,963	1,917
Exgen Renewables IV, LLC	Independent Power and Renewable Electricity Provider	LIBOR (3 months) + 3.00%, Current Coupon 5.71%, Secured Debt (Maturity - November 29, 2024)	294	293	281
Financial & Risk US Holdings, Inc.	Software	LIBOR (1 month) + 3.75%, Current Coupon 6.27%, Secured Debt (Maturity - October 1, 2025)	1,425	1,424	1,363
First American Payment Systems, L.P.	Diversified Financial Services	LIBOR (1 month) + 4.75%, Current Coupon 7.29%, Secured Debt (Maturity - January 5, 2024)	889	900	885
Fitness International, LLC	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
Flex Acquisition Company Inc	Containers and Packaging	LIBOR (3 months) + 3.00%, Current Coupon 5.35%, Secured Debt (Maturity - December 29, 2023)	1,975	1,985	1,869
Flexera Software LLC	Software	LIBOR (1 month) + 3.25%, Current Coupon 5.78%, Secured Debt (Maturity - February 26, 2025)	1,518	1,514	1,468
Gardner Denver, Inc.	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
Golden Nugget, Inc.	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
GrafTech Finance Inc.	Metals and Mining	LIBOR (1 month) + 3.50%, Current Coupon 6.02%, Secured Debt (Maturity - February 12, 2025)	1,950	1,931	1,850
Gray Television, Inc.	Broadcast Radio and Television	LIBOR (3 months) + 2.50%, Current Coupon 4.90%, Secured Debt (Maturity - January 2, 2026)	286	281	277
Greatbatch Ltd.	Pharmaceuticals	LIBOR (1 month) + 3.00%, Current Coupon 5.39%, Secured Debt (Maturity - October 27, 2022)	2,000	2,012	1,956
GYP Holdings III Corp.	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
Harbor Freight Tools USA, Inc.	Specialty Retail	LIBOR (1 month) + 2.50%, Current Coupon 5.02%, Secured Debt (Maturity - August 18, 2023)	1,944	1,951	1,841
HD Supply Waterworks, Ltd.	Trading Companies and Distributors	LIBOR (6 months) + 3.00%, Current Coupon 5.71%, Secured Debt (Maturity - August 1, 2024)	139	138	134
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

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
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
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

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

Portfolio Company	Industry	Type of Investment	Principal	Cost	Fair Value
		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
Total Loan Portfolio			**$ 165,025**	**$ 164,570**	**$ 157,923**

For the years ended December 31, 2019 and 2018 and for the period from inception (April 4, 2017) to December 31, 2017, the Company recognized approximately $546,000 and $2.1 million and $450,000, respectively, of dividend income from its investment in HMS-ORIX.

The following tables show the financial information for HMS-ORIX:

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

	As of December 31, 2019	As of December 31, 2018
Assets		
Portfolio investments at fair value (amortized cost: $164,570 as of December 31, 2018)	$ —	$ 157,923
Cash and cash equivalents	—	3,873
Interest receivable	—	197
Deferred financing costs, net	—	497
Other assets	—	30
Total assets	$ —	$ 162,520
Liabilities		
Credit facilities payable	$ —	$ 98,818
Payable for securities purchased	—	18,442
Distributions payable	—	902
Accounts payable and accrued expenses	—	439
Total liabilities	—	118,601
Net assets		
Members' equity	—	43,919
Total net assets	—	43,919
Total liabilities and net assets	$ —	$ 162,520

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

	For the Year Ended December 31, 2019	For the Year Ended December 31, 2018	For the Period from Inception (April 4, 2017) to December 31, 2017
Investment income			
Interest income	$ 3,030	$ 7,505	$ 3,730
Dividend income	—	—	—
Fee income	—	—	—
Other income	—	—	—
Total investment income	3,030	7,505	3,730
Expenses			
Interest expense	2,130	3,755	1,720
Other expenses	—	1	34
General and administrative expenses	96	89	64
Total expenses	2,226	3,845	1,818
Net investment income	804	3,660	1,912
Net realized loss on investments	(1,514)	(618)	(85)
Net realized income	(710)	3,042	1,827
Net change in unrealized depreciation on investments	6,647	(6,642)	(5)
Net increase (decrease) in net assets resulting from operations	$ 5,937	$ (3,600)	$ 1,822

Note 5 — Unconsolidated Significant Subsidiaries

In accordance with Rules 3-09 and 4-08(g) of Regulation S-X, the Company must determine which of its unconsolidated controlled portfolio companies, if any, are considered "significant subsidiaries." After performing this analysis, the Company determined that GRT Rubber Technologies, LLC (“GRT”) is a significant subsidiary for the years ended December 31, 2019 and 2018, under at least one of the significance conditions of Rule 4-08(g) of Regulation S-X. The Company had no “significant subsidiaries” under Rule 3-09 for the years ended December 31, 2019, 2018 and 2017, and under Rule 4-08(g) of Regulation S-X for the years ended December 31, 2017.

The following tables show the summarized financial information for GRT (dollars in thousands):

	As of December 31,	
	2019	2018
Balance Sheet Data		
Current assets	$ 10,256	$ 8,399
Non current assets	20,921	24,242
Current liabilities	6,713	2,870
Non current liabilities	22,412	14,445

	For the Twelve Months Ended December 31,		
	2019	2018	2017
Summary of Operations			
Total revenue	$ 39,819	$ 37,821	$ 31,165
Gross profit	11,064	9,526	6,737
Income from operations	6,467	4,934	2,329
Net income (loss)	3,128	2,470	(103)

Note 6 — Borrowings

A BDC is permitted, under specified conditions, to issue "senior securities," including borrowing money from banks or other financial institutions, only in amounts such that its asset coverage, as that term is defined in the 1940 Act, immediately after each such issuance is at least equal to the percentage set forth in Section 61 of the 1940 Act that is applicable to the BDC at such time. Prior to the enactment of the Small Business Credit Availability Act (the "SBCAA") in March 2018, the asset coverage requirement applicable to BDCs was 200%. The SBCAA permits a BDC to be subject to an asset coverage requirement of 150% so long as it meets certain disclosure requirements and obtains certain approvals and, in the case of an unlisted BDC, makes an offer to repurchase the shares of its stockholders as of the date of the requisite approval. The reduced asset coverage requirement permits a BDC to have a ratio of total consolidated assets to outstanding indebtedness of 2:1 as compared to a maximum of 1:1 under the 200% asset coverage requirement. 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 lenders. As of December 31, 2019, the TIAA Credit Facility, as amended, featured aggregate revolver commitments of $120.0 million, with an accordion provision allowing increases in aggregate commitments, not to exceed $150.0 million, with lender consent. As of December 31, 2019, the revolver commitments were to terminate on March 6, 2020, and all outstanding advances were payable on March 6, 2021, with two one-year extension options available for both such dates, subject to lender consent. As of December 31, 2019, borrowings under the TIAA Credit Facility bore interest, subject to the Company's election, on a per annum basis equal to (i) the adjusted LIBOR 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 0.50% or (c) the adjusted LIBOR plus 1.00%. The adjusted LIBOR is defined in the credit agreement for the TIAA Credit Facility as the one-month LIBOR plus an adjustment for statutory reserve requirements for Eurocurrency liabilities as described in the credit agreement. As of December 31, 2019, the one-month LIBOR was 1.76%. 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. On March 5, 2020, the TIAA Credit Facility was amended to, among other things, (i) extend the termination date of the revolver commitments to March 6, 2022 and the final maturity date of the facility to March 6, 2023, both such dates subject to two one-year extension options, with administrative agent and lender approval, (ii) increase the revolver commitments to $130.0 million and (iii) reduce the interest rate margin by 0.15% to LIBOR plus 2.60% or the base rate plus 1.60%. See Note 14 — *Subsequent Events* for discussion of the amendment to the TIAA Credit Facility.

The TIAA Credit Facility permits the creation of certain "Structured Subsidiaries," which are not guarantors under the TIAA Credit Facility and which are permitted to incur debt outside of the TIAA Credit Facility. Borrowings under the TIAA Credit Facility are secured by all of the Company's assets, other than the assets of Structured Subsidiaries, as well as all of the assets, and a pledge of equity ownership interests, of any future subsidiaries of the Company (other than Structured Subsidiaries). The credit agreement for the TIAA Credit Facility contains affirmative and negative covenants usual and customary for credit facilities of this nature, including: (i) maintaining a minimum interest coverage ratio of at least 2.00 to 1.00; (ii) maintaining an asset coverage ratio of at least 2.10 to 1.00; and (iii) maintaining a minimum consolidated tangible net worth, excluding Structured Subsidiaries, of at least the greater of (a) the aggregate amount of the revolver commitments or (b) $50.0 million. Further, the TIAA Credit Facility contains limitations on incurrence of other indebtedness (other than by the Structured Subsidiaries), limitations on industry concentration, and an anti-hoarding provision to protect the collateral under the TIAA Credit Facility. Additionally, the Company must provide information to TIAA on a regular basis, preserve its corporate existence, comply with applicable laws, including the 1940 Act, pay obligations when they become due, and invest the proceeds of the sales of common stock in accordance with its investment objectives and strategies (as set forth in the TIAA Credit Facility). Further, the credit agreement contains usual and customary default provisions including: (i) a default in the payment of interest and principal; (ii) insolvency or bankruptcy of the Company; (iii) a material adverse change in the Company's business; or (iv) breach of any covenant, representation or warranty in the loan agreement or other credit documents and failure to cure such breach within defined periods. Additionally, the TIAA Credit Facility requires the Company to obtain written approval from the administrative agent prior to entering into any material amendment, waiver or other modification of any provision of the Investment Advisory Agreement. As of December 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 I LLC (“HMS Funding”), entered into an amended and restated credit agreement (as amended, 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. The Company contributes certain assets to HMS Funding from time to time, as permitted under the TIAA Credit Facility, as collateral to secure the Deutsche Bank Credit Facility. As of December 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 December 31, 2019, the one-month LIBOR was 1.76%. 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, 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, per 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.

HMS Funding’s obligations under the Deutsche Bank Credit Facility are secured by a first priority security interest in its assets, including all of the present and future property and assets of HMS Funding. The Deutsche Bank Credit Facility contains affirmative and negative covenants usual and customary for credit facilities of this nature, including maintaining a positive tangible net worth, limitations on industry concentration and complying with all applicable laws. The Deutsche Bank Credit Facility contains usual and customary default provisions including: (i) a default in the payment of interest and principal; (ii) insolvency or bankruptcy of the Company; (iii) the occurrence of a change of control; or (iv) any uncured breach of a covenant, representation or warranty in the Deutsche Bank Credit Facility. As of December 31, 2019, the Company was not aware of any instances of noncompliance with covenants related to the Deutsche Bank Credit Facility.

As of December 31, 2019, the Company had borrowings of $105.0 million outstanding on the TIAA Credit Facility, and had borrowings of $340.0 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 December 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 (1)	$ 105,000	$ —	$ 105,000	$ —	$ —
Deutsche Bank Credit Facility (2)	340,000	—	340,000	—	—
Total	$ 445,000	$ —	$ 445,000	$ —	$ —

(1) At December 31, 2019, $15.0 million remained available under the TIAA Credit Facility; however, the Company’s borrowing ability is limited to the asset coverage restrictions imposed by the 1940 Act, as discussed above.

(2) At December 31, 2019, $110.0 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 7 — Financial Highlights

The following is a schedule of financial highlights of the Company for theyears ended December 31, 2019, 2018, 2017, 2016 and 2015.

	Year Ended December 31,				
Per Share/Unit Data:	**2019**	**2018**	**2017**	**2016**	**2015**
NAV at beginning of period	$ 7.96	$ 8.15	$ 8.15	$ 7.88	$ 8.40
Results from Operations					
Net investment income (1) (2)	0.70	0.74	0.73	0.70	0.75
Net realized loss on investments (1) (2)	(0.23)	(0.23)	(0.03)	(0.29)	(0.11)
Net change in unrealized appreciation (depreciation) on investments (1) (2)	0.04	—	(0.02)	0.56	(0.78)
Net increase (decrease) in net assets resulting from operations	0.51	0.51	0.68	0.97	(0.14)
Stockholder distributions (1) (3)					
Distributions from net investment income (1) (2)	(0.70)	(0.70)	(0.70)	(0.70)	(0.70)
Distributions from realized appreciation (1) (2)	—	—	—	—	—
Net decrease in net assets resulting from stockholder distributions	(0.70)	(0.70)	(0.70)	(0.70)	(0.70)
Capital share transactions					
Issuance of common stock above NAV, net of offering costs (1) (4)	—	—	0.02	—	0.21
Net increase in net assets resulting from capital share transactions	—	—	0.02	—	0.21
Other (5)	—	—	—	—	0.11
NAV at end of the period	$ 7.77	$ 7.96	$ 8.15	$ 8.15	$ 7.88
Shares of common stock outstanding at end of period	78,463,377	78,584,824	79,511,731	73,382,971	62,382,044
Weighted average shares of common stock outstanding	78,757,732	79,250,498	77,718,813	68,029,977	48,838,114

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

(2) Change in net investment income and net 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.

(4) The continuous issuance of shares of common stock may have caused an incremental increase in NAV per share due to the sale of shares at the then prevailing public offering price in excess of NAV per share on each subscription closing date. The per share data were derived by computing (i) the sum of (A) the number of shares issued in connection with subscriptions and/or distribution reinvestment on each share transaction date times (B) the differences between the net proceeds per share and the NAV per share on each share transaction date, divided by (ii) the weighted average shares of common stock outstanding for the period.

(5) Includes the impact of the different share amounts as a result of calculating certain per share data based on the weighted average basic shares outstanding during the period and certain per share data based on the shares outstanding as of a period end or transaction date.

	Year Ended December 31,				
	2019	**2018**	**2017**	**2016**	**2015**
			(dollars in thousands)		
NAV at end of period	$ 609,305	$ 625,366	$ 647,789	$ 597,833	$ 491,652
Average net assets	$ 622,708	$ 642,625	$ 629,775	$ 535,175	$ 400,045
Average Credit Facilities borrowings	$ 474,000	$ 482,200	$ 427,200	$ 396,000	$ 304,973
Ratios to average net assets:					
Ratio of total expenses to average net assets (1)	9.11%	8.17%	7.14%	7.12%	7.23%
Ratio of net investment income to average net assets	8.84%	9.16%	9.01%	8.91%	9.01%
Portfolio turnover ratio	33.30%	45.06%	50.66%	39.01%	24.23%
Total return (2)	6.41%	6.26%	8.59%	12.31%	2.14%

(1) Ratio of total expenses to average net assets is calculated net of any waiver of advisory fees or reimbursement of internal administrative services expenses. For the year ended December 31, 2019, the Advisers earned, but did not waive, a subordinated incentive fee on income of approximately $3.9 million, while the Advisers earned, but waived in full, a subordinated incentive fee on income of approximately $3.3 million and $1.6 million for the years ended December 31, 2018 and 2017, respectively. For the years ended December 31, 2019, 2018 and 2017, the Advisers also waived reimbursement of internal administrative services expenses of approximately $3.1 million, $2.7 million and $3.0 million, respectively. Excluding interest expense, the ratio of total expenses to average net assets for the years ended December 31, 2019, 2018, 2017, 2016 and 2015 was 4.99%, 4.31%, 4.23%, 4.25% and 4.44%, respectively. See Note 11 — *Related Party Transactions and Arrangements*.

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

Note 8 — Stockholder Distributions

The following table reflects the cash distributions per share that the Company declared on its common stock during the years ended December 31, 2019, 2018 and 2017 (dollars in thousands except per share amounts).

For the Period Ended	Distributions Per Share	Distributions Amount
2019		
Three months ended December 31, 2019	$ 0.18	$ 13,885
Three months ended September 30, 2019	0.17	13,900
Three months ended June 30, 2019	0.18	13,754
Three months ended March 31, 2019	0.17	13,606
2018		
Three months ended December 31, 2018	0.18	13,916
Three months ended September 30, 2018	0.17	13,938
Three months ended June 30, 2018	0.18	13,855
Three months ended March 31, 2018	0.17	13,803
2017		
Three months ended December 31, 2017	0.18	14,144
Three months ended September 30, 2017	0.17	13,910
Three months ended June 30, 2017	0.18	13,438
Three months ended March 31, 2017	0.17	12,922

On December 12, 2019, with the authorization of the Company's board of directors, the Company declared distributions to its stockholders for the period of January 2020 through March 2020. These distributions have been, or will be, calculated based on stockholders of record each day from January 1, 2020 through March 31, 2020 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 years ended December 31, 2019, 2018 and 2017.

	Year Ended December 31,					
	2019		2018		2017	
Source of Distribution	Distribution Amount	Percentage	Distribution Amount	Percentage	Distribution Amount	Percentage
Net realized income from operations (before waiver of incentive fees)	$ 36,664	66.5%	$ 37,307	67.2%	$ 52,714	96.9%
Waiver of incentive fees	—	—	3,333	6.0	1,642	3.0
Distributions in excess of net realized income from operations (1)	18,481	33.5	14,872	26.8	58	0.1
Total	$ 55,145	100.0%	$ 55,512	100.0%	$ 54,414	100.0%

(1) Includes adjustments made to GAAP-basis net realized income to arrive at taxable income available for distributions. See Note 9 — *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 us on account of preferred and common equity investments in portfolio companies, and fee and expense waivers from its Advisers. The Company has not established limits on the amount of funds that the Company may use from legally available sources to make distributions. The Company expects that for the foreseeable future, a portion of the distributions may be paid from sources other than net realized income from operations, which may include stock offering proceeds, if any, borrowings, and fee and expense waivers from its Advisers. See Note 11 —*Related Party Transactions and Arrangements — Advisory Agreements and Conditional Fee Waiver*.

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 9 — 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 satisfy the Annual Distribution Requirement. 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 our taxable income in 2018, prior to 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 $765,000. For the taxable year ended December 31, 2019, the Company distributed $17.1 million, or $0.217936 per share, of its taxable income in 2020, prior to filing of its U.S. federal income tax return for its 2019 taxable year. As a result, the Company was subject to a 4% nondeductible, U.S. federal excise tax liability of approximately $635,000.

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 December 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 2016 through 2018 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 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 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 years ended December 31, 2019, 2018 and 2017 (dollars in thousands).

	Year Ended December 31,		
	2019	2018	2017
Net increase (decrease) in net assets resulting from operations	$ 39,627	$ 40,278	$ 52,626
Net change in unrealized (appreciation) depreciation	(2,963)	362	1,730
Income tax (benefit) provision	820	1,019	624
Pre-tax book (income) loss not consolidated for tax purposes	13,603	19,620	3,532
Book income and tax income differences, including debt origination, structuring fees, dividends, realized gains and changes in estimates	682	(198)	3,669
Estimated taxable income [1]	51,769	61,081	62,181
Taxable income earned in prior year and carried forward for distribution in current year	20,574	15,005	7,238
Taxable income earned prior to period end and carried forward for distribution next period	(21,867)	(25,250)	(19,777)
Dividend accrued as of period end and paid-in the following period	4,669	4,676	4,772
Taxable income earned to be carried forward	(17,198)	(20,574)	(15,005)
Total distributions accrued or paid to common stockholders	$ 55,145	$ 55,512	$ 54,414

(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 consolidated financial statements. For the years ended December 31, 2019, 2018 and 2017, the Company recognized a net income tax (benefit) provision of $820,000, $1.0 million and $624,000, respectively, which was comprised of (i) deferred taxes of $(5.1) million, $(1.2) million and $3.4 million, respectively, offset by a valuation allowance of $5.1 million, $1.2 million and $(3.4) million, respectively, and (ii) other taxes of $820,000, $1.0 million and $624,000, respectively. For the years ended December 31, 2019, 2018 and 2017, the other taxes included $635,000, $920,000 and $379,000, respectively, related to an accrual for excise tax on the Company's estimated spillover taxable income and $185,000, $99,000 and $245,000, respectively, related to accruals for state and other taxes.

As of December 31, 2019, the cost basis of the Company's portfolio investments for tax purposes was $1.0 billion, with such investments having an estimated net unrealized depreciation of $12.5 million, composed of gross unrealized appreciation of $55.3 million and gross unrealized depreciation of $68.5 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 $15.1 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 December 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 December 31, 2019, 2018 and 2017 (amounts in thousands):

	Year Ended December 31,		
	2019	2018	2017
Deferred tax assets:			
Net operating loss carryforwards	$ 2,420	$ 1,861	$ 1,901
Foreign tax credit carryforwards	10	10	10
Capital loss carryforwards	14,750	10,696	5,390
Net unrealized depreciation of portfolio investments	67	—	—
Total deferred tax assets	17,247	12,567	7,301
Deferred tax liabilities:			
Net basis differences in portfolio investments	(3,217)	(1,540)	(703)
Net unrealized appreciation of portfolio investments	(1,576)	(3,693)	(426)
Other	—	—	—
Total deferred tax liabilities	(4,793)	(5,233)	(1,129)
Valuation allowance	(12,454)	(7,334)	(6,172)
Total net deferred tax assets (liabilities)	$ —	$ —	$ —

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. 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 through 2024. 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.

The difference between the Company's reported income tax expense (benefit), including excise tax and the U.S. federal statutory rate is as follows (in thousands):

	Year Ended December 31,					
	2019		2018		2017	
Income tax expense (benefit) at the statutory rate	$ 8,494	21.00 %	$ 8,672	21.00 %	$ 18,638	35.00 %
Non-taxable RIC income	(12,922)	(31.95)	(9,721)	(23.54)	(19,065)	(35.80)
State and local taxes	(506)	(1.25)	(13)	(0.03)	202	0.38
Change in federal tax rate for tax reform	—	—	—	—	3,823	7.18
Change in valuation allowance for tax reform	—	—	—	—	(3,823)	(7.18)
Change in valuation allowance from operations	5,119	12.66	1,161	2.81	470	0.88
Other [1]	635	1.57	920	2.23	379	0.71
Effective tax rate	$ 820	2.03 %	$ 1,019	2.47 %	$ 624	1.17 %

[1] For the years ended December 31, 2019, 2018 and 2017, the "Other" amount represents federal excise tax.

For the years ended December 31, 2019, 2018 and 2017, respectively, the tax characteristics of distributions paid to shareholders were as follows. No portion of the distributions paid during the years ended December 31, 2019, 2018 and 2017 represented a return of capital.

	Year Ended December 31,					
Tax Characteristics of Distributions	2019		2018		2017	
Ordinary Income	$ 53,297	96.65%	$ 50,274	90.56%	$ 52,473	96.43%
Capital Gain Distributions	1,848	3.35	5,238	9.44	1,941	3.57
Total Distributions	$ 55,145	100.00%	$ 55,512	100.00%	$ 54,414	100.00%

The determination of the tax attributes of the Company's distributions is made annually at the end of the Company's taxable year based upon the Company's taxable income for the full taxable year and distributions paid for the full taxable year. Therefore, a determination made on an interim basis may not be representative of the actual tax attributes of distributions for a full year. 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-tax differences, such as the nondeductible excise tax, have no impact on net assets.

Note 10 — Supplemental Cash Flow Disclosures

Listed below are the supplemental cash flow disclosures for the years ended December 31, 2019, 2018 and 2017 (dollars in thousands):

	Year Ended December 31,		
Supplemental Disclosure of Cash Flow Information	**2019**	**2018**	**2017**
Interest Paid	$ 24,433	$ 23,399	$ 16,966
Taxes Paid	1,269	698	426
Supplemental Disclosure of Non-Cash Flow Information			
Stockholder distributions declared and unpaid	4,669	4,676	4,772
Stockholder distributions reinvested	25,068	27,101	27,641
Change in unpaid deferred offering costs	—	—	(21)
Unpaid deferred financing costs	7	20	13

Note 11 — Related Party Transactions and Arrangements

Advisory Agreements and Conditional Fee Waiver

The business of the Company is managed by the Adviser (an affiliate of Hines), pursuant to the Investment Advisory Agreement. This agreement states that the Adviser will oversee the management of the Company's activities and is responsible for making investment decisions with respect to, and providing day-to-day management and administration of, the Company's investment portfolio. Additionally, the Company and the Adviser have engaged the Sub-Adviser pursuant to the Sub-Advisory Agreement to identify, evaluate, negotiate and structure the Company's 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 in exchange for which the Adviser will pay the Sub-Adviser fifty percent (50.0%) of the base management fee and incentive fees described below as compensation for its services.

Pursuant to the Investment Advisory Agreement, the Company pays the Adviser a base management fee and incentive fees as compensation for the services described above. The base management fee is calculated at an annual rate of 2.0% of the Company's average gross assets. The term "gross assets" means total assets of the Company as disclosed on the Company's balance sheet. "Average gross assets" are calculated based on the Company's gross assets at the end of the two most recently completed calendar quarters. The base management fee is payable quarterly in arrears. The base management fee is expensed as incurred.

The incentive fees consist of two parts. The first part, referred to as the subordinated incentive fee on income, is calculated and payable quarterly in arrears based on pre-incentive fee net investment income for the immediately preceding quarter. The subordinated incentive fee on income is equal to 20.0% of the Company's pre-incentive fee net investment income for the immediately preceding quarter, expressed as a quarterly rate of return on adjusted capital at the beginning of the most recently completed calendar quarter, exceeding 1.875% (or 7.5% annualized), subject to a "catch up" feature (as described below).

For this purpose, pre-incentive fee net investment income means interest income, dividend income and any other income (including any other fees such as commitment, origination, structuring, diligence and consulting fees or other fees that we receive from portfolio companies) accrued during the calendar quarter, minus our operating expenses for the quarter (including the management fee, expenses payable under any proposed administration agreement and any interest expense and dividends paid on any issued and outstanding preferred stock, but excluding the incentive fee). Pre-incentive fee net investment income includes, in the case of investments with a deferred interest feature (such as original issue discount debt instruments and PIK interest and zero coupon securities), accrued income that we have not yet received in cash. Pre-incentive fee net investment income does not include any realized capital gains, realized capital losses or unrealized capital appreciation or depreciation. For purposes of this fee, adjusted capital means cumulative gross proceeds generated from sales of the Company's common stock (including proceeds from the Company's distribution reinvestment plan) reduced for non-liquidating distributions, other than distributions of profits, paid to the Company's stockholders and amounts paid for share repurchases pursuant to the Company's share repurchase program. The subordinated incentive fee on income is expensed in the quarter in which it is incurred.

The second part of the incentive fee, referred to as the incentive fee on capital gains, is an incentive fee on realized capital gains earned from the portfolio of the Company and is determined and payable in arrears as of the end of each calendar year (or upon termination of the Investment Advisory Agreement). This fee equals 20.0% of the Company's incentive fee capital gains, which equals the Company's realized capital gains on a cumulative basis from inception, calculated as of the end of each calendar year, computed net of all realized capital losses and unrealized capital depreciation on a cumulative basis, less the aggregate amount of any previously paid capital gain incentive fees. At the end of each reporting period, the Company estimates the incentive fee on capital gains and accrues the fee based on a hypothetical liquidation of its portfolio. Therefore, the accrual includes both net realized gains and net unrealized gains (the net unrealized difference between the fair value and the par value of its portfolio), if any. The incentive fee accrued pertaining to the unrealized gain is neither earned nor payable to the Advisers until such time it is realized.

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 to 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 the years ended December 31, 2019, 2018 and 2017, the Company incurred base management fees of approximately $22.2 million, $23.2 million and $21.8 million, respectively. The Advisers did not waive any portion of the base management fees incurred in the years ended December 31, 2019, 2018 and 2017. For the years ended December 31, 2019, 2018 and 2017, the Company incurred subordinated incentive fees on income of approximately $3.9 million, $3.3 million and $1.6 million, respectively. The Advisers waived all subordinated incentive fees on income incurred for the years ended December 31, 2018 and 2017. The Company incurred no capital gains incentive fees during the years ended December 31, 2019, 2018 and 2017.

During the years ended December 31, 2019, 2018 and 2017, the Company did not record an accrual for any previously waived fees. Any reimbursement of previously waived fees to the Advisers will not be accrued until the reimbursement of the waived fees become 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 conditions described above are satisfied.

	Management Fee (1)		**Subordinated Incentive Fee (1)**				
Quarter Ended	Waivers	Repaid to Adviser (2)	Waivers	Repaid to Adviser (2)	Operating Expense Ratio (3)	Annualized Distribution Rate (4)	Eligible to be Repaid Through (5)
3/31/2017	$ —	$ —	$ 1,396	$ —	1.62%	$ 0.70	3/31/2020
6/30/2017	$ —	$ —	$ 246	$ —	1.60%	$ 0.70	6/30/2020
9/30/2017	$ —	$ —	$ —	$ —	1.77%	$ 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 December 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.

Administration

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 years ended December 31, 2019, 2018 and 2017, the Company incurred, and the Advisers waived the reimbursement of Internal Administrative Services expenses of approximately $3.1 million, $2.7 million and $3.0 million, respectively. The Company and the Advisers entered into an expense support and conditional reimbursement agreement, as amended from time to time, which extends the period for waiver of reimbursement of Internal Administrative Services expenses accrued pursuant to the Investment Advisory Agreement and the Sub-Advisory Agreement from January 1, 2016 through December 31, 2019. Since inception, the Advisers waived the reimbursement of total Internal Administrative Services expenses of $16.1 million. Waived Internal Administrative Services expenses are not subject to future reimbursement.

As of each of December 31, 2019 and 2018, the Advisers have incurred approximately $13.3 million of offering costs on the Company's behalf. As of December 31, 2019 and 2018, approximately $12.6 million and $12.2 million, respectively, of offering costs have been reimbursed to the Advisers. The Company expects to reimburse the Advisers for the balance of such costs incurred on its behalf on a monthly basis up to a maximum aggregate amount of 1.5% of the gross stock offering proceeds.

The table below outlines fees incurred and expense reimbursements payable to the Adviser, the Sub-Adviser and their respective affiliates for theyears ended December 31, 2019, 2018 and 2017 and amounts unpaid as of December 31, 2019 and 2018 (dollars in thousands).

	Incurred			Unpaid as of	
	Year Ended December 31,			December 31,	
Type and Recipient	**2019**	**2018**	**2017**	**2019**	**2018**
Offering Costs - the Adviser, Sub-Adviser	$ 376	$ 407	$ 1,181	$ —	$ —
Other (2) - the Adviser	778	661	693	44	57
Selling Commissions - Dealer Manager	—	—	2,577	—	—
Dealer Manager Fee - Dealer Manager	—	—	1,453	—	—
Due to Affiliates				$ 44	$ 57
Base Management Fees - the Adviser, Sub-Adviser	$ 22,246	$ 23,189	$ 21,785	$ 5,388	$ 5,854
Incentive Fees on Income (1) - the Adviser, Sub-Adviser	3,943	—	—	—	—
Base Management and Incentive Fees Payable				$ 5,388	$ 5,854

(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.

Note 12 — Share Repurchase Plan

The Company conducts quarterly tender offers pursuant to its share repurchase program. Under the terms of the plan, the Company will offer to purchase shares at the estimated NAV per share, as determined within 48 hours prior to the repurchase date. On August 10, 2018, the Company's board of directors determined that it was desirable and in the best interest of the Company to modify the manner in which the amount of shares to be repurchased pursuant to the Company's share repurchase program during each calendar quarter is calculated. Beginning with the Company's tender offer in the fourth fiscal quarter of 2018, the amount of shares of the Company's common stock to be repurchased during any calendar quarter is equal to the lesser of (i) the number of shares of common stock the Company can repurchase with the proceeds it received from the issuance of common stock under the Company's distribution reinvestment plan during the prior calendar quarter or (ii) 2.5% of the weighted average number of shares of common stock outstanding in the prior four calendar quarters. For prior periods, the amount of shares repurchased during any calendar quarter was limited to (i) during any calendar year to the proceeds it received from the issuance of shares of its common stock under its distribution reinvestment plan during the trailing four quarters and (ii) in any calendar quarter to 2.5% of the weighted average number of shares of common stock outstanding during the trailing four quarters. At the discretion of the Company's board of directors, the Company may also use cash on hand, cash available from borrowings and cash from the sale of investments as of the end of the applicable period to repurchase shares. The Company's board of directors may amend, suspend or terminate the share repurchase program upon 30 days' notice. The Company's first repurchase date was October 1, 2013. Since inception of its share repurchase program, the Company funded the repurchase of $96.9 million in shares. For the years ended December 31, 2019 and 2018, the Company funded approximately $25.6 million and $34.3 million, respectively, for shares tendered for repurchase under the plan approved by the Company's board of directors.

Repurchases of the Company's common stock pursuant to its tender offer are as follows:

For the Three Months Ended	Repurchase Date	Shares Repurchased	Percentage of Shares Tendered that were Repurchased	Repurchase Price per Share	Aggregate Consideration for Repurchased Shares
March 31, 2017	3/23/2017	614,180	100 %	$ 8.23	$ 5,054,698
June 30, 2017	6/16/2017	346,307	100 %	8.20	2,839,713
September 30, 2017	9/21/2017	747,785	100 %	8.19	6,124,356
December 31, 2017	12/21/2017	1,105,578	100 %	8.10	8,955,178
March 31, 2018	3/22/2018	1,147,067	100 %	8.20	9,405,951
June 30, 2018	5/31/2018	1,242,890	100 %	8.17	10,154,415
September 30, 2018	8/31/2018, 9/12/2018 and 10/25/2018	982,248	100 %	8.15	8,005,323
December 31, 2018	11/30/2018	818,490	58 %	8.22	6,727,990
March 31, 2019	2/28/2019	820,174	56 %	7.99	6,553,193
June 30, 2019	5/31/2019	803,240	46 %	7.98	6,409,850
September 30, 2019	9/3/2019	804,778	40 %	7.93	6,381,892
December 31, 2019	11/22/2019	797,226	35 %	7.86	6,266,191
Total Repurchases for the Three Years Ended December 31, 2019					**$ 82,878,750**

On December 30, 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 773,847.59 shares of the Company's issued and outstanding common stock up to approximately $6.1 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.

Note 13 — Commitments and Contingencies

At December 31, 2019, the Company had a total of approximately $46.3 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) five capital commitments that had not been fully called. The Company recognized unrealized appreciation of $323,000 on the outstanding unfunded loan commitments and no unrealized appreciation or depreciation on the outstanding unfunded capital commitments during the year ended December 31, 2019. At December 31, 2018, the Company 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 commitment that had not been fully called. The Company recognized unrealized depreciation of approximately $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 (dollars in thousands)	
	December 31, 2019	**December 31, 2018**
Unfunded Loan Commitments		
Adams Publishing Group, LLC	$ 762	$ 1,735
American Nuts, LLC	247	1,266
American Trailer Rental Group, LLC	400	400
Analytical Systems Keco, LLC	200	—
Apex Linen Services, Inc.	—	403
Arcus Hunting, LLC	1,398	904
ASC Ortho Management Company, LLC	750	750
BarFly Ventures, LLC	—	123
BBB Tank Services, LLC	—	200
BigName Holdings, LLC	—	29
Boccella Precast Products, LLC	500	500
Centre Technologies Holdings, LLC	600	—
Chamberlin Holding LLC	400	400

	Commitments and Contingencies (dollars in thousands)	
	December 31, 2019	December 31, 2018
Charps, LLC	$ —	$ 1,000
Chisholm Energy Holdings, LLC	1,429	—
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, Inc.	1,526	4,125
Guerdon Modular Holdings, Inc.	148	400
Hawk Ridge Systems, LLC	350	400
HDC/HW Intermediate Holdings, LLC	—	180
Hoover Group, Inc.	—	2,375
Hunter Defense Technologies, Inc.	3,540	—
HW Temps LLC	200	200
Implus Footcare, LLC	—	44
Independent Pet Partners Intermediate Holdings, LLC	9,357	22,244
Invincible Boat Company, LLC	648	—
J & J Services, Inc.	3,000	—
KMC Acquisition, LLC	500	500
LL Management, Inc.	1,182	—
Lynx FBO Operating LLC	1,875	—
Mac Lean-Fogg Company	313	—
Market Force Information, Inc.	3	350
Mystic Logistics, Inc.	200	200
New Era Technology, Inc.	—	479
NexRev, LLC	800	1,000
NinjaTrader, LLC	200	—
NuStep, LLC	300	300
SI East, LLC	2,500	2,500
TEAM Public Choices, LLC	351	—
Tedder Acquisition, LLC	140	180
Trantech Radiator Topco, LLC	400	—
Volusion, LLC	—	1,961
Wireless Vision Holdings, LLC	—	693
Unfunded Capital Commitments		
Brightwood Capital Fund III, LP	1,260	1,000
Brightwood Capital Fund IV, LP	1,000	8,000
Copper Trail Energy Fund I LP	3,416	1,754
Freeport First Lien Loan Fund III, LP	1,945	3,942
Harris Preston Fund Investments	2,526	—
Total	$ 46,266	$ 62,537

Note 14 — Subsequent Events

On February 21, 2020, the Company purchased, in accordance with the terms of the tender offer, a total of 789,922.02 shares of its common stock validly tendered and not withdrawn on a pro-rata basis at a price of $7.70 per share, which was the net asset value per share as of February 19, 2020, for an aggregate purchase price of approximately $6.1 million, an amount equal to the proceeds the Company received from the issuance of shares of its common stock under its distribution reinvestment plan during the prior calendar quarter. Approximately 26.5% of the number of shares tendered by each stockholder who participated in the tender offer was repurchased by the Company.

On March 4, 2020, with the authorization of the Company's board of directors, the Company declared distributions to its stockholders for the period of April 2020 through June 2020. These distributions have been, or will be, calculated based on stockholders of record each day from April 1, 2020 through June 30, 2020 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.

On March 5, 2020, the Company, together with HMS Equity Holding, HMS Equity Holding II, HMS California Holdings, HMS California Holdings GP, TIAA Bank and certain financial institutions as lenders, amended the TIAA Credit Facility to, among other things, (i) extend the termination date of the revolver commitments to March 6, 2022 and the final maturity date of the facility to March 6, 2023, both such dates subject to two one-year extension options, with administrative agent and lender approval, (ii) increase the revolver commitments to $130.0 million and (iii) reduce the interest rate margin by 0.15% to LIBOR plus 2.60% or the base rate plus 1.60%.

Note 15 — Quarterly Financial Data (UNAUDITED)

The following table presents selected unaudited quarterly financial data for each quarter during theyears ended December 31, 2019, 2018 and 2017 (dollars in thousands except per share amounts):

	Quarter Ended			
	March 31, 2019	June 30, 2019	September 30, 2019	December 31, 2019
Total investment income	$ 29,161	$ 28,648	$ 27,816	$ 26,179
Net investment income	13,896	13,894	13,896	13,380
Net realized gain (loss) on investments	(7,139)	203	(11,061)	(405)
Net change in unrealized appreciation (depreciation) on investments	12,063	(2,321)	2,928	(9,707)
Net increase in net assets resulting from operations	18,820	11,776	5,763	3,268
Net investment income per share – basic and diluted	0.18	0.17	0.18	0.17
Net increase in net assets resulting from operations per share – basic and diluted	0.24	0.15	0.07	0.05

	Quarter Ended			
	March 31, 2018	June 30, 2018	September 30, 2018	December 31, 2018
Total investment income	$ 23,984	$ 26,995	$ 30,168	$ 30,271
Net investment income	12,198	14,264	17,081	15,344
Net realized loss on investments	(7,245)	(536)	(8,158)	(2,308)
Net change in unrealized appreciation (depreciation) on investments	10,604	(1,506)	14,857	(24,317)
Net increase (decrease) in net assets resulting from operations	15,557	12,222	23,780	(11,281)
Net investment income per share – basic and diluted	0.15	0.18	0.22	0.19
Net increase (decrease) in net assets resulting from operations per share – basic and diluted	0.19	0.16	0.30	(0.14)

	Quarter Ended			
	March 31, 2017	June 30, 2017	September 30, 2017	December 31, 2017
Total investment income	$ 25,266	$ 24,971	$ 24,814	$ 26,617
Net investment income	15,044	14,487	12,523	14,673
Net realized gain (loss) on investments	2,738	572	1,241	(6,922)
Net change in unrealized appreciation (depreciation) on investments	(4,516)	2,401	(5,050)	5,435
Net increase in net assets resulting from operations	13,266	17,460	8,714	13,186
Net investment income per share – basic and diluted	0.20	0.19	0.16	0.18
Net increase in net assets resulting from operations per share – basic and diluted	0.18	0.22	0.11	0.17

Item 9. ***Changes in and Disagreements With Accountants on Accounting and Financial Disclosure***

None.

Item 9A. ***Controls and Procedures***

Evaluation of Disclosure Controls and Procedures

In accordance with 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 December 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. Notwithstanding the foregoing, a control system, no matter how well designed and operated, can provide only reasonable, not absolute, assurance that it will detect or uncover our failures to disclose material information otherwise required to be set forth in our periodic reports.

Management's Annual Report on Internal Control Over Financial Reporting

Our management is responsible for establishing and maintaining adequate internal control over financial reporting. Our system of internal control over financial reporting is designed to provide reasonable assurance to our management and board of directors regarding the reliability of financial reporting and the preparation and fair presentation of published financial statements for external purposes in accordance with GAAP. Our internal control over financial reporting includes those policies and procedures that:

(i) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of our assets;

(ii) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with GAAP, and that our receipts and expenditures are being made only in accordance with authorizations of our management and directors; and

(iii) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of our assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control, no matter how well designed, over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Our management's assessment of the effectiveness of our internal control system as of December 31, 2019 was based on the criteria for effective internal control over financial reporting described in the 2013 *Internal Control - Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). Based on our evaluation under the framework in the 2013 *Internal Control - Integrated Framework* issued by COSO, our management concluded that our system of internal control over financial reporting was effective as of December 31, 2019.

This annual report does not include an attestation report of the Company's independent registered public accounting firm regarding control over financial reporting. Management's report was not subject to attestation by the Company's independent registered public accounting firm pursuant to Section 989G of the Dodd-Frank Act, which exempts non-accelerated filers from the auditor attestation requirement of Section 404(b) of the Sarbanes-Oxley Act.

Changes in Internal Control Over Financial Reporting

During the quarter ended December 31, 2019, there were no changes in our internal control over financial reporting identified in connection with the evaluation required by paragraph (d) of Rule 13a-15 or Rule 15d-15 under the Exchange Act that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

Item 9B. ***Other Information***

None.

PART III

Certain information required by Part III has been omitted under General Instruction G(3) to Form 10-K. Only those sections of our definitive Proxy Statement that specifically address the items set forth herein are incorporated by reference.

Item 10. *Directors, Executive Officers and Corporate Governance*

Directors

The following table sets forth certain information regarding our directors:

Name, Address, Age and Position(s) with Company[(1)]	Term of Office and Length of Time Served[(2)]	Business Experience and Principal Occupation; Directorships in Public Corporations and Investment Companies	Public Directorships Held by Director During the Past Five Years
		INTERESTED DIRECTORS	
Nicholas T. Meserve [(3)] Age: 40 Director	Since 2016	Mr. Meserve has served as a Managing Director on the middle market investment team of Main Street since 2012. Previously, from 2004 until 2012, Mr. Meserve served as a director and portfolio manager of Highland Capital Management, LP ("Highland"), a large alternative credit manager, and certain of its affiliates, where he managed a portfolio of senior loans and high yield bonds across a diverse set of industries. Prior to Highland, he was a credit analyst at JP Morgan Chase & Co. Mr. Meserve graduated from Wake Forest University with a Bachelor of Science in Business Administration and Finance. We concluded Mr. Meserve is qualified to serve on our board of directors because of his experience as a managing director for an investment company and general experience in the financial services industry.	
Sherri W. Schugart [(4)] Age: 54 Director, Chairman and Chief Executive Officer	Since 2014	Ms. Schugart joined Hines in 1995. Ms. Schugart serves as our Chairman and Chief Executive Officer, the Chief Executive Officer of the general partner of our Adviser and also served as our President until June 2019. Ms. Schugart also serves as a Director and as the President, Chief Executive Officer of Hines Global REIT, Inc. ("Hines Global REIT") and the general partner of its advisor. Ms. Schugart holds similar positions with several related Hines entities. Ms. Schugart served as the President and Chief Executive Officer of Hines Global Income Trust, Inc. from August 2013 to December 2019. Ms. Schugart also served as the President and Chief Executive Officer of Hines Real Estate Investment Trust, Inc. ("Hines REIT") and the general partner of its advisor, as well as Hines US Core Office Fund LP (the "Core Fund"), a private fund, from March 2013 to the dissolution of such entities in March 2017 and December 2018, respectively. Ms. Schugart served as the Chief Operating Officer for Hines Global REIT, Hines REIT and the Core Fund and the general partner of our Adviser as well as the advisers of Hines Global REIT and Hines REIT from November 2011 through March 2013. Prior to that time, Ms. Schugart served as the Chief Financial Officer for Hines Global REIT and the general partner of its advisor from inception of Hines Global REIT in December 2008 through October 2011. Ms. Schugart also served as the Chief Financial Officer of Hines REIT and the general partner of its advisor from August 2003 through October 2011 and as the Chief Financial Officer of the Core Fund from July 2004 through October 2011. She has also been a Senior Managing Director, or similar position, of the general partner of Hines since October 2007 and has served as a director of the Dealer Manager since May 2004. Prior to holding these positions, she was a Vice President in Hines Capital Markets Group raising equity and debt financing for various Hines investment vehicles in the U.S. and internationally. Ms. Schugart spent eight years with Arthur Andersen, where she managed both public and private clients in the real estate, construction, finance and banking industries. She graduated from Southwest Texas State University with a B.B.A. in Accounting. We concluded Ms. Schugart is qualified to serve on our board of directors because of her business experience as our Chief Executive Officer (and previously as our President) and as President and Chief Executive Officer of Hines Global REIT (and as a Director), Hines Global Income Trust, and Hines REIT, along with her substantial experience in private equity, real estate acquisitions and dispositions and finance.	Director, Hines Global REIT and Hines Global Income Trust

Name, Address, Age and Position(s) with Company[(1)]	Term of Office and Length of Time Served[(2)]	Business Experience and Principal Occupation; Directorships in Public Corporations and Investment Companies	Public Directorships Held by Director During the Past Five Years
		INDEPENDENT DIRECTORS	
Gregory R. Geib Age: 54 Director	Since 2013	Mr. Geib has served as an independent director since July 2013. Mr. Geib is currently an owner and Board Member of Quality Sausage Co. Mr. Geib served as President and Chief Executive Officer of Ajinomoto Windsor Inc. from July 2005 to July 2015 where he led the growth and development of the business from a $40 million regional manufacturer and marketer to a $900 million consumer products business with leading brands. Mr. Geib has a strong operating background, which includes new product and brand launches, plant startups and closures, and the development of strategic partner relationships. In addition, Mr. Geib has extensive financial and transactional experience. He has led multiple acquisitions and divestitures of different business units while at Windsor Foods. Prior to joining Windsor Foods, from September 1993 to June 1998, Mr. Geib served as the Executive Vice President of PGI International, a manufacturer of specialty valves and safety equipment. From 1989 to 1991, Mr. Geib was employed by the General Electric Company. He is also currently on the Board of Square Robot, Inc., Eat Real Food LLC, and Family Legacy Missions International. Mr. Geib received his Masters of Business Administration from the J.L. Kellogg Graduate School of Management, Northwestern University, and graduated cum laude from the Wharton School, University of Pennsylvania with a Bachelors of Science in Economics. We concluded that Mr. Geib is qualified to serve on our board of directors because of his strong operating background, including his development of strategic partner relationships, in addition to his extensive financial and transactional experience.	
John O. Niemann, Jr. Age: 63 Director	Since 2012	Mr. Niemann has been an independent director and Chairman of the Audit Committee since 2012. Mr. Niemann has also served as a director and Chairman of the Audit Committee of Hines Global Income Trust since August 2014. Since June 2013, he has served as a Managing Director of Andersen Tax LLC. He is also the President and Chief Operating Officer of Arthur Andersen LLP and has been since 2003. He previously served on the administrative board of Arthur Andersen LLP and on the board of partners of Andersen Worldwide. He began his career at Arthur Andersen LLP in 1978 and has served in increasing responsibilities in senior management positions, since 1992. Mr. Niemann has served on the board of directors of many Houston area non-profit organizations, including Strake Jesuit College Preparatory School (past chair of the board), The Regis School of the Sacred Heart (past chair of the board), The Houston Symphony, The University of St. Thomas, The Alley Theatre and Taping for the Blind, Inc. He graduated with a Bachelor of Arts in Managerial Studies (magna cum laude) and a master's degree in accounting from Rice University, received a juris doctor (summa cum laude) from the South Texas College of Law and a Masters of Law (LL.M.) in taxation (summa cum laude) from the University of San Francisco School of Law. We concluded that Mr. Niemann's significant experience in the public accounting industry including over 40 years in various capacities at Arthur Andersen LLP makes him well qualified to serve as one of our directors. Drawing on this experience, Mr. Niemann is able to provide valuable insights regarding our investment strategies, internal controls, and financial reporting. In addition, through his experience serving on the board of directors of another public company, Mr. Niemann has previous experience in the requirements of serving on a public company board.	Director and Chairman of Audit Committee, Hines Global Income Trust Director and Chair of the Audit Committee, Adams Resources & Energy, Inc.

Name, Address, Age and Position(s) with Company(1)	Term of Office and Length of Time Served(2)	Business Experience and Principal Occupation; Directorships in Public Corporations and Investment Companies	Public Directorships Held by Director During the Past Five Years
Peter Shaper Age: 54 Director	Since 2012	Mr. Shaper has been an independent director since 2012. Prior to founding Greenwell Energy Solutions in 2012, Mr. Shaper served as the Chief Executive Officer of CapRock Communications where he led its acquisition from McLeod in 2002 through to its sale to Harris Corporation in 2011. CapRock is a global satellite communications provider serving the energy, government and maritime industries. During his tenure, CapRock grew from a primarily domestic player with $30 million in revenue to the leading global player in its market with over $600 million in revenue. Mr. Shaper is also a founding partner of Houston-based private equity group Genesis Park. Genesis Park focuses on buyouts, partnering strategies with public corporations and growth financing bringing each company capital, commercial execution capabilities and a depth of experience in mergers and acquisitions. Previously, Mr. Shaper was the President of Donnelley Marketing, a division of First Data Corporation. He was directly responsible for the turnaround of the $100 million revenue database marketing company which led to a successful sale to a strategic buyer. In 1996, Mr. Shaper helped found the Information Management Group ("IMG"), as its Executive Vice President of Operations and CFO. IMG grew to more than $600 million in revenue during his tenure. Prior to joining IMG, Mr. Shaper was with a Dallas-based private equity firm where he was responsible for investments in numerous technology-oriented companies, as well as assisting those companies with developing long-term strategies and financial structures. Mr. Shaper also has several years of experience with the international consulting firm McKinsey & Company. Mr. Shaper holds a Master of Business Administration degree from Harvard University and a Bachelor of Science in Engineering from Stanford University. Mr. Shaper currently serves on the board of directors of Greenwell Energy Solutions, Genesis Park, Twenty20 Solutions LLC, Virgil Holdings, Speedcast International Limited and Hines Global REIT as well as the non-profit boards of Lemonade Day Houston and Knowledge is Power Prep Schools (Houston). We concluded that Mr. Shaper's significant experience as a senior executive officer of sophisticated companies, such as Greenwell Energy Solutions, CapRock Communications, Inc., Genesis Park LP and Donnelley Marketing/First Data Corporation, as well as his experience founding and leading IMG, make him well qualified to serve on our board of directors.	Director, Hines Global REIT

(1) Except for Mr. Meserve, the address of each director nominees is c/o HMS Income Fund, Inc., 2800 Post Oak Boulevard, Suite 5000, Houston, Texas 77056-6118. The address for Mr. Meserve is 1300 Post Oak Boulevard, Suite 800, Houston, Texas 77056. The age given for each of our directors is as of March 18, 2020.

(2) Directors serve for a term until the next annual meeting of stockholders and until their successors are duly elected and qualified or until their earlier removal or resignation.

(3) Pursuant to the terms of the Sub-Advisory Agreement, our Sub-Adviser provides our Adviser with sub-advisory services, and for so long as the Sub-Adviser acts as our Sub-Adviser, whether pursuant to the Sub-Advisory Agreement or otherwise, the Sub-Adviser may select a nominee who shall be nominated to serve as a member of our board of directors. Our Sub-Adviser proposed Mr. Meserve to our Nominating and Corporate Governance Committee, and he is considered an "interested person" because of his affiliation with Main Street.

(4) Ms. Schugart is an "interested person" of the Company as defined in Section 2(a)(19) of the 1940 Act because of her affiliation with our Adviser, Hines, its affiliated entities and the Dealer Manager.

Executive Officers

The following table sets forth information regarding our executive officers who are not directors of the Company:

Name, Address, Age and Position(s) with Company(1)	Term of Office and Length of Time Served(2)	Principal Occupations During Past Five Years
Janice E. Walker Age: 47 President	Since 2019	Ms. Walker joined Hines in February 2005. Ms. Walker serves as our President. Ms. Walker is also a Senior Managing Director-Investment Management at Hines, a position she has held since June 2018. Prior to that she served as a Managing Director at Hines since July 2012. Ms. Walker has also served as the President of the general partner of the Adviser since June 2019. In these positions, Ms. Walker is responsible for the execution of the Company's business plan and operations. Since June 2019, Ms. Walker has also served as the Chief Operating Officer of Hines Global Income Trust and its advisor, Hines Global REIT II GP LLC "HGR II Advisor GP"). Since July 2017, Ms. Walker has also served as the Chief Executive Officer and President of Hines Realty Income Fund LLC ("HRIF"), a commingled discretionary closed-end fund with a real estate debt investment strategy that is sponsored by Hines. In this role, Ms. Walker is responsible for establishing and executing portfolio strategy, including the oversight of the fund's real estate debt investments. Ms. Walker has been responsible for portfolio management for Hines Global Income Trust since July 2013 and for Hines Global REIT since December 2008. Ms. Walker was previously responsible for portfolio management for Hines REIT and Core Fund from 2005 through the liquidation and dissolution of Hines REIT and the Core Fund in August 2018 and December 2018, respectively. She has also been responsible for the procurement of debt for real estate investment acquisitions, as well as corporate financing, and has originated over $5 billion for the benefit of the previously mentioned funds. Prior to joining Hines, Ms. Walker had extensive acquisitions and asset management experience at a global hospitality firm. She began her career at Arthur Andersen LLP where she was a manager in the audit practice for both public and private company clients. Ms. Walker received a B.B.A and M.S.A in Accounting from Texas Tech University.

Name, Address, Age and Position(s) with Company[(1)]	Term of Office and Length of Time Served[(2)]	Principal Occupations During Past Five Years
David M. Covington Age: 46 Chief Financial Officer	Since 2019	Mr. Covington joined Hines in May 2006 and is a Senior Vice President-Controller, Investment Management of Hines. Mr. Covington serves as the Chief Financial Officer of us since June 2019, and the general partner of our Adviser. In this role, Mr. Covington is responsible for the oversight of financial operations, equity and debt financing activities, investor relations, accounting, financial reporting, tax, legal, compliance and administrative functions. Prior to that, Mr. Covington served as Chief Accounting Officer and Treasurer for us from 2015 until June 2019. Additionally, Mr. Covington serves as Chief Financial Officer and Treasurer of HRIF. In this role, Mr. Covington is responsible for the oversight of financial operations, equity and debt financing activities, investor relations, accounting, financial reporting, tax, legal compliance and administrative functions. Mr. Covington also served as the Chief Accounting Officer and Treasurer of the Core Fund from November 2011 to such entity's dissolution in December 2018. He previously served as Senior Controller for the Core Fund from July 2010 through October 2011 and as Controller for the Core Fund from May 2006 through June 2010. Prior to joining Hines, Mr. Covington spent four years at Ernst & Young LLP in the audit practice and most recently, was Corporate Controller of an information technology services firm. He graduated from the University of Texas at Austin with a Bachelor of Business Administration and Master of Professional Accounting and is a certified public accountant.
Alejandro O. Palomo Age: 40 Chief Investment Officer	Since 2019	Mr. Palomo joined Hines in August 2012 as a Director-Investment Management and was promoted to Managing Director-Investment Management at Hines in August 2016. Since June 2019, Mr. Palomo has served as our Chief Investment Officer. Mr. Palomo has served as the lead member of the investment committee and as senior portfolio manager for the Adviser since his arrival at Hines in 2012. Additionally, he serves as a member of the valuation committee for the Adviser. In these roles, Mr. Palomo is involved with the evaluation and approval of the Company's investment opportunities as well as the monitoring of investment performance and valuation of the portfolio. Prior to joining Hines, from March 2008 to August 2012, Mr. Palomo was a Director at Main Street involved with the origination, underwriting and valuation of investments within Main Street's lower middle-market portfolio. Before joining Main Street, from January 2005 to March 2008, Mr. Palomo worked at PricewaterhouseCoopers LLP in the transaction services group and the audit practice. He holds a B.B.A and a Masters in Accountancy from the University of Texas at El Paso and is a Certified Public Accountant.
Jeffrey S. Folkerts Age: 41 Chief Accounting Officer and Treasurer	Since 2019	Mr. Folkerts joined Hines in August 2004. Since June 2019, Mr. Folkerts has served as our Chief Accounting Officer and Treasurer and as a member of the Adviser's valuation committee. Since February 2020, Mr. Folkerts also has served as Vice President - Controller of Hines. Mr. Folkerts has served as a Senior Controller for Hines from July 2015 to January 2020 and as a Controller for Hines from July 2007 to June 2015. Since May 2012, Mr. Folkerts has served as a Controller for various Hines investment funds, including the Company, since January 2015, the Core Fund, and HRIF. In these roles, he was responsible for the management of the accounting, financial reporting and the Securities and Exchange Commission reporting functions, as applicable. From August 2004 until April 2012, Mr. Folkerts was responsible for management of the accounting and financial reporting functions for various real estate assets in Hines' Southeast Region. Prior to joining Hines, Mr. Folkerts spent three years in the audit practices of Deloitte & Touche LLP and Arthur Andersen LLP, serving public and private clients primarily in the real estate industry. He holds a B.B.A. and Masters in Accounting from Auburn University and is a Certified Public Accountant.
Jason P. Maxwell Age: 46 Chief Compliance Officer General Counsel and Corporate Secretary	 Since 2015 Since 2019	Mr. Maxwell joined Hines in June 2006. Mr. Maxwell serves as our and the Adviser's Chief Compliance Officer. Since June 2019, Mr. Maxwell has also served as our General Counsel and Secretary and of the general partner of the Adviser, Hines Global Income Trust and Hines Global REIT (as well as Hines Global REIT II Advisors LP and Hines Global REIT Advisors LP). Mr. Maxwell was also appointed Senior Vice President-Legal and Co-Head of Legal at Hines in May 2019. Prior to that, he was Vice President-Legal for Hines since September 2016 and is also the General Counsel of Hines Advisors Limited Partnership ("HALP"), a position he has held since January 2014 (prior to that, he held the title of Corporate Counsel of HALP from May 2006 through December 2013). Additionally, he serves as a non-voting member and chair of the Valuation Committee for the Adviser. In his roles at Hines, Mr. Maxwell created and leads the internal legal function for HALP and provides legal services to the Company, Hines Global Income Trust and Hines Global REIT, each of which are managed affiliates of Hines. Prior to their dissolution in August 2018 and December 2018, respectively, he led the provision of legal services to Hines REIT and the Core Fund. Among his other responsibilities, he provides corporate governance and general compliance guidance for the previously-mentioned funds' boards of directors. Prior to joining Hines, Mr. Maxwell was a partner in the law firm of Locke Liddell & Sapp LLP (n/k/a Locke Lord) where he practiced corporate and securities law. He graduated from the University of Miami with a Bachelor of Business Administration degree in Finance, and holds a Juris Doctorate degree from the Georgetown University Law Center. He is also a member of the State Bar of Texas.

(1) The address for each executive officer is c/o HMS Income Fund, Inc., 2800 Post Oak Boulevard, Suite 5000, Houston, Texas 77056-6118. The age given for each of our executive officers is as of March 18, 2020.

(2) Each officer holds office until his successor is chosen and qualified or until his earlier death, removal or resignation.

Delinquent Section 16(a) Reports

Section 16(a) of the Exchange Act requires our directors, executive officers and any person owning more than ten percent of our common stock to file initial reports of ownership, reports of changes in ownership and annual reports of ownership with the SEC. Based on our review of any Forms 3, 4 or 5 filed by such persons and information provided by our directors and officers, we believe that during the fiscal year ended December 31, 2019, all Section 16(a) filing requirements applicable to such persons were timely filed, except that the Form 3 filings for Alejandro O. Palomo and Jeffrey S. Folkerts were filed late due to technical issues.

Code of Ethics

We, our Advisers and our Dealer Manager have each adopted a code of ethics that establishes procedures for personal investments and restricts certain personal securities transactions. Personnel subject to each code may invest in securities for their personal investment accounts, including securities that may be purchased or held by us, so long as such investments are made in accordance with the code's requirements. We have included these codes of ethics as exhibits hereto. In addition, the code of ethics is available on the EDGAR Database on the SEC's Internet site at *http://www.sec.gov*.

Audit Committee

The Audit Committee assists the board of directors in overseeing:

- the integrity of our financial statements and other information to be provided to our stockholders;
- our compliance with legal and regulatory requirements;
- the independent auditors' qualifications and independence;
- the performance of our risk management function and independent auditors; and
- our systems of disclosure controls and procedures and internal controls over financial reporting.

Messrs. Geib, Niemann and Shaper serve as the members of our Audit Committee, and Mr. Niemann serves as the Chairman of the Audit Committee. Our board of directors has determined that each of the members of the Audit Committee meets the independence standards established by the SEC for audit committees and is not an "interested person" for purposes of the 1940 Act. In addition, our board of directors has determined that Mr. Niemann is an "audit committee financial expert" as defined by Item 407(d)(5)(ii) of Regulation S-K promulgated under the Exchange Act. Unless otherwise determined by the board of directors, no member of the committee may serve as a member of the Audit Committee of more than three other public companies.

You may obtain copies of the Audit Committee charter from our website at*www.hinessecurities.com/past-offerings/hms-income-fund/corporate-governance/*.

Item 11. ***Executive Compensation***

Compensation Discussion and Analysis

We currently have no employees. Our Adviser, with the assistance of our Sub-Adviser, performs our day-to-day management functions. Our executive officers are all employees of the Adviser. We do not pay any of these individuals for serving in their respective positions. See "Certain Relationships and Related Transactions" below for a discussion of fees and expenses payable to our Advisers and their respective affiliates.

The board of directors has not established a standing compensation committee because the executive officers of the Company do not receive any direct compensation from the Company.

Director Compensation

Our independent directors are entitled to an annual retainer of $90,000 in addition to meeting fees of (i) $2,500 for each meeting of the board of directors attended in person or via teleconference and (ii) $1,000 for each committee meeting attended in person or via teleconference. We do not pay compensation to our interested directors.

Additionally, the Chairmen of certain committees of the board of directors are entitled to the following annual retainer amounts:
- $15,000 to the Chairman of the Audit Committee of the board of directors;
- $10,000 to the Chairman of the Conflicts Committee of the board of directors; and
- $10,000 to the Chairman of the Nominating and Corporate Governance Committee of the board of directors.

We reimburse all of our directors for reasonable out-of-pocket expenses incurred in connection with their service on the board of directors.

The following table sets forth information regarding compensation of our directors during the fiscal year ended December 31, 2019.

2019 Director Compensation

Name of Director	Fees Earned or Paid in Cash	All Other Compensation (1)	Total Compensation (2)
Interested Directors:			
Nicholas T. Meserve	$ —	$ —	$ —
Sherri W. Schugart	—	—	—
Independent Directors:			
Gregory R. Geib	137,736	—	137,736
John O. Niemann, Jr.	142,736	—	142,736
Peter Shaper	137,736	—	137,736

(1) We did not award any portion of the fees earned by our directors in stock or options during the year ended December 31, 2019, we do not have a profit-sharing, compensation or retirement plan, and directors do not receive any pension or retirement benefits.

(2) The amounts listed are for the fiscal year ending December 31, 2019.

The following table sets forth the dollar range of equity securities of the Company that were beneficially owned by each director as of March 18, 2020:

Name and Address(1)	Dollar Range of Equity Securities Beneficially Owned(2)(3)(4)
Interested Directors:	
Nicholas T. Meserve	None
Sherri W. Schugart	Over $100,000
Independent Directors:	
Gregory R. Geib	None
John O. Niemann, Jr.	Over $100,000
Peter Shaper	None

(1) Except for Mr. Meserve, the address of each director is c/o HMS Income Fund, Inc., 2800 Post Oak Boulevard, Suite 5000, Houston, Texas 77056-6118. The address for Mr. Meserve is 1300 Post Oak Boulevard, Suite 800, Houston, Texas 77056.

(2) Beneficial ownership has been determined in accordance with Rule 16a-1(a)(2) under the Exchange Act.

(3) The dollar range of equity securities beneficially owned by our directors is based on our estimated net asset value per share of 7.77 as of December 31, 2019.

(4) The dollar range of equity securities beneficially owned is: None, $1 – $10,000, $10,001 – $50,000, $50,001 – $100,000, or over $100,000.

Item 12. *Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters*

Ownership

No person is deemed to control us, as such term is defined in the 1940 Act. The following table sets forth, as of March 18, 2020, information with respect to the beneficial ownership of our Common Stock by:

- each person known to us to beneficially own more than 5% of the outstanding shares of our Common Stock;
- each of our directors and each officer; and
- all of our directors and officers as a group.

Beneficial ownership is determined in accordance with the rules of the SEC and includes voting or investment power with respect to the securities. There is no Common Stock subject to options that are currently exercisable or exercisable within 60 days of March 18, 2020.

Unless otherwise indicated, all shares of Common Stock are owned directly and the named person has sole voting and investment power. None of the shares of Common Stock beneficially owned by our officers or directors has been pledged as security for an obligation.

Name and Address[1]	Shares beneficially owned as of March 9, 2020 Number[2]	Percentage of Current Ownership[2]
Other Interested Persons:		
HMS Investor LLC[3]	861,323.81	1.1 %
Interested Directors:		
Nicholas T. Meserve	—	—
Sherri W. Schugart	23,882.50	*
Independent Directors:		
Gregory R. Geib	—	—
Peter Shaper	—	—
John O. Niemann, Jr.	35,365.57	*
Officers (that are not directors):		
Janice E. Walker	9,407.25	*
David M. Covington	3,695.76	*
Alejandro O. Palomo	8,871.62	*
Jeffrey S. Folkerts	—	—
Jason P. Maxwell	—	—
All officers and directors as a group (10 persons)	81,222.70	*

* Amount represents less than 1.0%.

(1) Except for Mr. Meserve, the address of each beneficial owner is c/o HMS Income Fund, Inc., 2800 Post Oak Boulevard, Suite 5000, Houston, Texas 77056-6118. The address for Mr. Meserve is 1300 Post Oak Boulevard, Suite 800, Houston, Texas 77056.

(2) Based on a total of 78,424,696 shares of our Common Stock issued and outstanding as of March 18, 2020.

(3) HMS Investor LLC is a Delaware limited liability company. Hines Investment Holdings Limited Partnership is the 92% member of HMS Investor LLC and, as such, has voting and dispositive power over the 861,323.81 shares owned by HMS Investor LLC. JCH Investments, Inc. is the general partner of Hines Investment Holdings Limited Partnership and, as such, shares voting and dispositive power over the 861,323.81 shares held by HMS Investor LLC. As a result of his position at JCH Investments, Inc., Jeffrey C. Hines also shares voting and dispositive power over the 861,323.81 shares held by HMS Investor LLC.

Item 13. *Certain Relationships and Related Transactions, and Director Independence*

Our Advisers

Our Adviser is registered as an investment adviser under the Advisers Act. Our Adviser is wholly-owned by Hines. Hines is indirectly owned and controlled by Gerald D. Hines and Jeffrey C. Hines. Our Chief Executive Officer and Chief Financial Officer and the other investment professionals may also serve as principals of other investment managers affiliated with our Adviser or Hines that may in the future manage investment funds with an investment objective similar to ours.

Main Street and an investor in our initial formation transaction that is an affiliate of Hines (the “Hines Investor”) have entered into a letter agreement pursuant to which the Hines Investor has the right to sell to Main Street up to one-third of its equity interest in the Company at a price per share equal to the then-current price to the public in the offering (less the selling commissions and Dealer Manager fee of 10%) at the time of exercise of the right. The Hines Investor may exercise the right from time to time, in whole or in part, subject only to the condition that immediately following Main Street’s purchase, Main Street’s ownership would not exceed the limits on investment company ownership of other investment companies as set forth in the 1940 Act.

Any transaction with our affiliates must be fair and reasonable to us and on terms no less favorable than could be obtained from an unaffiliated third party and must be approved by a majority of the directors that have no financial interest in the transaction and a majority of such directors that are not interested persons of the Company.

We have entered into our Investment Advisory Agreement with our Adviser pursuant to which we pay our Adviser a fee for its services consisting of two components - a management fee and an incentive fee. The management fee is calculated at an annual rate of 2.0% of our average gross assets. The term “gross assets” means total assets of the Company, including cash, cash equivalents and the Company’s borrowings that are used for investment purposes. The incentive fee consists of two parts. The first part, which is referred to as the subordinated incentive fee on income, is calculated and payable quarterly in arrears and equals 20.0% of our pre-incentive fee net investment income for the immediately preceding quarter, expressed as a quarterly rate of return on adjusted capital at the beginning of the most recently completed calendar quarter, exceeding 1.875% (or 7.5% annualized), subject to a “catch up” feature. For purposes of this fee, adjusted capital means cumulative gross proceeds generated from sales of our common stock (including proceeds from our distribution reinvestment plan) reduced for non-liquidating distributions, other than distributions of profits, paid to our stockholders and amounts paid for share repurchases pursuant to our share repurchase program. The second part of the incentive fee, referred to as the incentive fee on capital gains, is an incentive fee on realized capital gains earned from our portfolio and is determined and payable in arrears as of the end of each calendar year (or upon termination of the Investment Advisory Agreement). This fee equals 20.0% of our incentive fee capital gains, which is equal to our realized capital gains on a cumulative basis from inception, calculated as of the end of each calendar year, computed net of all realized capital losses and unrealized capital depreciation on a cumulative basis, less the aggregate amount of any previously paid capital gain incentive fees. Officers of the general partner of our Adviser and of our Adviser receive a benefit from the fees paid to our Adviser pursuant to the Investment Advisory Agreement.

The Sub-Advisory Agreement among our Adviser, Main Street, our Sub-Adviser and us provides that our Sub-Adviser will receive 50% of all fees payable to our Adviser under the Investment Advisory Agreement.

Additionally, pursuant to our Investment Advisory Agreement, to the extent necessary, our Adviser, with the assistance of our Sub-Adviser, provides certain administrative services in connection with the proper conduct and operation of our business, including legal, accounting, tax, insurance and investor relation services, to us. Except to the extent waived, we are required to reimburse our Advisers for the actual cost of the administrative services they provide. We are also required to reimburse our Advisers for the actual expenses they or their affiliates, or any third-party administrator incur in connection with the provision of administrative services to us, including the personnel and related employment direct costs and overhead of our Advisers or their affiliates, or any third-party administrator for provision of administrative services (as opposed to investment advisory services). We are not required to reimburse our Advisers for personnel costs in connection with services for which our Advisers or their affiliates, or any third-party administrator, receives a separate fee.

The Investment Advisory Agreement provides that our Advisers and their respective officers, directors, controlling persons and any other person or entity affiliated with them acting as our agent are entitled to indemnification (including reasonable attorneys’ fees and amounts reasonably paid in settlement) for any liability or loss suffered by such indemnitee, and such indemnitee will be held harmless for any loss or liability suffered by us, if (i) the indemnitee has determined, in good faith, that the course of conduct which caused the loss or liability was in the Company’s best interests, (ii) the indemnitee was acting on behalf of or performing services for the Company, (iii) the liability or loss suffered was not the result of negligence, willful malfeasance, bad faith or misconduct by the indemnitee or an affiliate thereof acting as the Company’s agent and (iv) the indemnification or agreement to hold the indemnitee harmless is only recoverable out of the Company’s net assets and not from the Company’s stockholders.

Our stockholders and our board of directors, which consists of a majority of non-interested directors, has approved the Investment Advisory Agreement and the Sub-Advisory Agreement, including the fees paid pursuant to each such agreement.

Management and Incentive Fee Waiver

We and our 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, our 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 our Advisers’ sole discretion, causes such waiver to be deemed necessary. The 2016-2018 Conditional Income Incentive Fee Waiver Agreements may require us 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 us, 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 our board of directors, to reimburse waived fees. Reimbursement of previously waived fees will only be permitted if our operating expense ratio is equal to or less than our 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.

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 our board of directors and if the “Operating Expense Ratio” (as described in footnote 3 to the table below) is equal to or less than our operating expense ratio at the time the corresponding fees were waived and if the annualized rate of our regular cash distributions to stockholders is equal to or greater than the annualized rate of our regular cash distributions at the time the corresponding fees were waived.

	Management Fee (1)		Subordinated Incentive Fee (1)				
Quarter Ended	Waivers	Repaid to Adviser (2)	Waivers	Repaid to Adviser (2)	Operating Expense Ratio (3)	Annualized Distribution Rate (4)	Eligible to be Repaid Through (5)
3/31/2017	$ —	$ —	$ 1,396	$ —	1.62%	$0.70	3/31/2020
6/30/2017	$ —	$ —	$ 246	$ —	1.60%	$0.70	6/30/2020
9/30/2017	$ —	$ —	$ —	$ —	1.77%	$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 our board of directors, in future periods, previously waived fees may be paid to the Advisers if our 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 us, 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 has been approved for reimbursement by our 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 us, except for base management and incentive fees and administrative expenses waived by the Advisers and organizational and offering expenses.
(4) "Annualized Distribution Rate" equals $0.00191781 per share, per day based on the distributions declared by the Company's board of directors.
(5) Prior to December 31, 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, we are required to pay or reimburse our Advisers for administrative services expenses, which include all costs and expenses related to our 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 our Advisers ("Internal Administrative Services"). Our Advisers do not earn any profit under their provision of administrative services to us. For the years ended December 31, 2019, 2018 and 2017, we incurred, and our Advisers waived the reimbursement of Internal Administrative Services expenses of approximately $3.1 million, $2.7 million and $3.0 million, respectively. We and our 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 from January 1, 2016 through December 31, 2019. Since inception, our Advisers waived the reimbursement of total Internal Administrative Services expenses of $16.1 million. Waived Internal Administrative Services expenses are not subject to future reimbursement.

Allocation of the Adviser's Time

We rely, in part, on the Adviser to manage our day-to-day activities and to implement our investment strategy. Our Adviser and certain of its affiliates are presently, and plan in the future to continue to be, involved with activities which are unrelated to us. Additionally, except for certain restrictions on our Adviser set forth in the Sub-Advisory Agreement, our Adviser and its affiliates are not restricted from forming additional investment funds, from entering into other investment advisory relationships or from engaging in other business activities, even though such activities may be in competition with us and/or may involve substantial time and resources of our Adviser. As a result of these activities, our Adviser, its employees and certain of its affiliates will have conflicts of interest in allocating their time between us and other activities in which they are or may become involved. Therefore, our Adviser, its personnel, and certain affiliates may experience conflicts of interest in allocating management time, services, and functions among us and any other business ventures in which they or any of their key personnel, as applicable, are or may become involved. This could result in actions that are more favorable to other affiliated entities than to us. However, our Adviser believes that it and its affiliates have sufficient personnel to discharge fully their responsibilities to all activities in which they are involved.

Allocation of the Sub-Adviser's Time

We rely on the Sub-Adviser to identify investment opportunities, perform, or cause to be performed, due diligence procedures and provide due diligence information to our Adviser, monitor our investment portfolio and make investment recommendations to our Adviser, as well as provide ongoing portfolio management services to the Adviser with respect to our investment portfolio. The

Sub-Adviser, its affiliates and their respective members, partners, officers and employees will devote as much of their time to our activities as they deem necessary and appropriate. Except for certain restrictions on the Sub-Adviser set forth in the Sub-Advisory Agreement, the Sub-Adviser and its affiliates are not restricted from forming additional investment funds, from entering into other investment advisory relationships or from engaging in other business activities, even though such activities may be in competition with us and/or may involve substantial time and resources of the Sub-Adviser. These activities could be viewed as creating a conflict of interest in that the time and effort of the members of the Sub-Adviser, its affiliates and their officers and employees are not devoted exclusively to our business but will be allocated between us and the management of Main Street's assets.

Affiliated Dealer Manager

We have engaged Hines Securities, Inc., an affiliate of Hines, as our Dealer Manager and have paid fees to such entity pursuant to the Dealer Manager agreement. Under the terms of the Dealer Manager agreement, our Dealer Manager acted as our exclusive Dealer Manager until we closed our continuous public offering of our common stock to new investors effective September 30, 2017.

Co-Investment

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. However, we received exemptive relief from the SEC that permits us, subject to certain conditions, to co-invest with Main Street 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 would otherwise be prohibited under Section 57(a)(4) of the 1940 Act.

We expect that co-investments between us and Main Street will be the norm rather than the exception, as substantially all potential co-investments that are appropriate investments for us should also be appropriate investments for Main Street, and vice versa. Limited exceptions to co-investing will be based on available capital, diversification and other relevant factors. Accordingly, our Sub-Adviser treats every potential investment in lower middle market securities evaluated by Main Street as a potential investment opportunity for us, determines the appropriateness of each potential investment for co-investment by us, provides to our Adviser, in advance, information about each potential investment that it deems appropriate for us and proposes an allocation between us and Main Street. If our Adviser deems such potential co-investment transaction and proposed allocation appropriate for us, our Adviser will present the transaction and the proposed allocation to the members of our board of directors who are (1) not interested persons of us or Main Street, and (2) who do not have a financial interest in the proposed transaction or the proposed portfolio company, which directors are referred to as "Eligible Directors." Our Sub-Adviser will present the transaction and the proposed allocation for Main Street to the Eligible Directors of the Main Street board of directors. Each board of directors, including a majority of the Eligible Directors of each board of directors, will approve each proposed co-investment transaction and the related allocation prior to the consummation of any co-investment transaction. No independent director on our board of directors or Main Street's board of directors will have any direct or indirect financial interest in any co-investment transaction or any interest in any related portfolio company, other than through an interest (if any) in our or Main Street's securities, as applicable. Additional information regarding the operation of the co-investment program is set forth in the order granting exemptive relief, which may be reviewed on the SEC's website at *www.sec.gov*.

In addition to the co-investment program described above and in the exemptive relief, we may continue to co-invest in syndicated deals and secondary loan market purchases in accordance with applicable regulatory guidance or interpretations, which may include instances where price is the only negotiated point.

Appraisal and Compensation

Our Charter provides that, in connection with any transaction involving a merger, conversion or consolidation, either directly or indirectly, involving us and the issuance of securities of a surviving entity after the successful completion of such transaction, or "roll-up," an appraisal of all our assets will be obtained from a competent independent expert which will be filed as an exhibit to the registration statement registering the roll-up transaction. Such appraisal will be based on all relevant information and will indicate the value of our assets as of a date immediately prior to the announcement of the proposed roll-up. The engagement of such independent expert will be for the exclusive benefit of the Company and our stockholders. A summary of such appraisal will be included in a report to our stockholders in connection with a proposed roll-up. All stockholders will be afforded the opportunity to vote to approve such proposed roll-up, and will be permitted to (a) accept the securities of a roll-up entity offered in the proposed roll-up; or (b) one of the following: (i) remain as holders of common stock preserving their interests therein on the same terms and conditions as existed previously; or (ii) receive cash in an amount of such stockholder's pro rata share of the appraised value of our net assets.

Stockholders who vote against either proposal will not have appraisal or other similar rights with respect to such proposal.

Sales and Leases to Company

Our Charter provides that, except as otherwise permitted under the 1940 Act, the Company may not purchase or lease assets in which our Adviser or any of its affiliates has an interest unless all of the following conditions are met: (a) the transaction occurs at the formation of the Company and is fully disclosed to the stockholders in a prospectus or in a periodic report; and (b) the assets are sold or leased upon terms that are reasonable to the Company and at a price not to exceed the lesser of cost or FMV as determined by an independent expert. However, our Adviser may purchase assets in its own name (and assume loans in connection therewith) and temporarily hold title, for the purposes of facilitating the acquisition of the assets, the borrowing of money, obtaining financing for the Company, or the completion of construction of the assets, so long as all of the following conditions are met: (i) the assets are purchased by the Company at a price no greater than the cost of the assets to our Adviser; (ii) all income generated by, and the expenses associated with, the assets so acquired will be treated as belonging to the Company; and (iii) there are no other benefits arising out of such transaction to our Adviser apart from compensation otherwise permitted by the NASAA Omnibus Guidelines.

Sales and Leases to the Adviser, Directors or Affiliates

As also prohibited by the 1940 Act, our Charter provides that the Company may not sell assets to our Adviser or any affiliate thereof unless such sale is duly approved by the holders of shares of stock entitled to cast a majority of all the votes entitled to be cast on the matter. The Company may not lease assets to our Adviser or any affiliate thereof unless all of the following conditions are met: (a) the transaction is fully disclosed to the stockholders in a periodic report filed with the SEC or otherwise; and (b) the terms of the transaction are fair and reasonable to the Company.

Loans

Our Charter provides that, except for the advancement of indemnification funds, no loans, credit facilities, credit agreements or otherwise may be made by the Company to our Adviser or any of its affiliates.

Commissions on Financing, Refinancing or Reinvestment

Our Charter provides that the Company generally may not pay, directly or indirectly, a commission or fee to our Adviser or any affiliate thereof in connection with the reinvestment of profits and available reserves or of the proceeds of the refinancing of assets.

Lending Practices

Our Charter provides that any adviser may not provide financing with a term in excess of 12 months for the Company, and with respect to financing made available to the Company by any adviser, such adviser may not receive interest in excess of the lesser of such adviser's cost of funds or the amounts that would be charged by unrelated lending institutions on comparable loans for the same purpose. An adviser may not impose a prepayment charge or penalty in connection with such financing and such adviser may not receive points or other financing charges.

Director Independence

While we are not listed on Nasdaq, we comply with Nasdaq's corporate governance rules requiring listed companies to have a board of directors with at least a majority of independent directors. Under Nasdaq's corporate governance rules, in order for a director to be deemed independent, our board of directors must determine that the individual does not have a relationship that would interfere with the director's exercise of independent judgment in carrying out his or her responsibilities. On an annual basis, each member of our board of directors is required to complete an independence questionnaire designed to provide information to assist the board of directors in determining whether the director is independent under Nasdaq's corporate governance rules, the 1940 Act and our corporate governance guidelines. Our board of directors has determined that each of our directors, other than Mr. Meserve and Ms. Schugart, is independent under the listing standards of the Nasdaq Stock Market LLC, the Exchange Act and the 1940 Act.

Item 14. ***Principal Accounting Fees and Services***

Our Audit Committee has appointed Grant Thornton LLP ("Grant Thornton") as our independent registered public accounting firm for the fiscal year ending December 31, 2020, subject to ratification by our stockholders.

Grant Thornton's aggregate fees billed to us for the fiscal years ended December 31, 2019 and December 31, 2018 are as follows:

Period	Audit Fees (1)	Audit-Related Fees (2)	Tax Fees (3)	All Other Fees (4)	Total Fees
Fiscal year ended December 31, 2019	$ 450,791	$ —	$ —	$ —	$ 450,791
Fiscal year ended December 31, 2018	432,311	—	—	—	432,311

(1) *"Audit Fees"* are those fees billed for professional services rendered for the audit of our year-end financial statements and services that are normally provided in connection with statutory and regulatory filings.

(2) "*Audit-Related Fees*" are those fees billed for assurance and related services that are reasonably related to the performance of the audit or review of our financial statements and are not reported under "Audit Fees." These services include attestation services that are not required by statute or regulation and consultations concerning financial accounting and reporting standards.

(3) "*Tax Fees*" are those fees billed for professional services for tax compliance. Grant Thornton provided no professional services for tax compliance during the fiscal years ended December 31, 2019 and 2018.

(4) "*All Other Fees*" are those fees billed for services, other than the services reported above, related to our registration statements and related prospectuses. Such fees are incurred by our Adviser and reimbursed by us on a monthly basis, up to a maximum aggregate amount of 1.5% of the gross stock offering proceeds.

Pre-approval Policies and Procedures

Our Audit Committee has adopted a pre-approval policy requiring the Audit Committee to pre-approve all audit and permissible non-audit services to be performed by Grant Thornton. In determining whether or not to pre-approve services, the Audit Committee will consider whether the service is a permissible service under the rules and regulations promulgated by the SEC, and, if permissible, the potential effect of such services on the independence of Grant Thornton. All services performed for us for the fiscal years ended December 31, 2019 and December 31, 2018 were pre-approved or ratified by our Audit Committee.

PART IV

Item 15. Exhibits, Financial Statement Schedules

a. **Consolidated Financial Statements**

The following financial statements are set forth in Item 8:

b. **Exhibits**

The following exhibits are filed as part of this Form 10-K or hereby incorporated by reference to exhibits previously filed with the SEC:

2.1	Agreement and Plan of Merger (filed as Exhibit (k)(3) to Pre-Effective Amendment No. 3 to the Registrant's Registration Statement on Form N-2, filed on May 31, 2012 (File No. 333-178548) and incorporated herein by reference).
3.1	Articles of Amendment and Restatement of the Registrant (filed as Exhibit 3.1 to the Registrant's current report on Form 8-K, filed on December 21, 2016 (File No. 814-00939) and incorporated herein by reference).
3.2	Amended and Restated Bylaws of the Registrant (filed as Exhibit 3.1 to the Registrant's current report on Form 8-K, filed on September 24, 2015 (File No. 814-00939) and incorporated herein by reference).
4.1	Distribution Reinvestment Plan (filed as Exhibit (e) to Pre-Effective Amendment No. 2 to the Registrant's Registration Statement on Form N-2, filed on November 23, 2015 (File No. 333-204659) and incorporated herein by reference).
4.2	Form of Subscription Agreement (filed as Appendix A to the Supplement on Form 497 to the Registrant's Registration Statement on Form N-2, filed on October 6, 2016 (File No. 333-204659) and incorporated herein by reference).
4.3	Amended and Restated Distribution Reinvestment Plan, effective as of November 1, 2017 (filed as Exhibit 4.1 to the Registrant's current report on Form 8-K, filed on October 19, 2017 (File No. 814-00939) and incorporated herein by reference).
4.4	Description of Securities (filed herewith).
10.1	Investment Advisory and Administrative Services Agreement by and between the Registrant and HMS Adviser LP (filed as Exhibit (g)(1) to Pre-Effective Amendment No. 3 to the Registrant's Registration Statement on Form N-2, filed on May 31, 2012 (File No. 333-178548) and incorporated herein by reference).
10.2	Investment Sub-Advisory Agreement by and among the Registrant, HMS Adviser LP, Main Street Capital Partners, LLC and Main Street Capital Corporation (filed as Exhibit (g)(2) to Pre-Effective Amendment No. 3 to the Registrant's Registration Statement on Form N-2, filed on May 31, 2012 (File No. 333-178548) and incorporated herein by reference).
10.3	Assignment and Assumption of Investment Sub-Advisory Agreement by and among Main Street Capital Partners, LLC, Main Street Capital Corporation and MSC Adviser I, LLC (filed as Exhibit (g)(3) to the Registrant's Post-Effective Amendment No. 6 to the Registration Statement on Form N-2 filed with the SEC on March 17, 2014 (File No. 333-178548) and incorporated herein by reference).
10.4	Dealer Manager Agreement by and between the Registrant and Hines Securities, Inc. (filed as Exhibit (h)(1) to Pre-Effective Amendment No. 2 to the Registrant's Registration Statement on Form N-2, filed on November 23, 2015 (File No. 333-204659) and incorporated herein by reference).
10.5	Form of Indemnification for Affiliated Directors and Officers (filed as Exhibit (k)(5) to Pre-Effective Amendment No. 3 to the Registrant's Registration Statement on Form N-2, filed on May 31, 2012 (File No. 333-178548) and incorporated herein by reference).
10.6	Form of Indemnification for Independent Directors (filed as Exhibit (k)(6) to Pre-Effective Amendment No. 3 to the Registrant's Registration Statement on Form N-2, filed on May 31, 2012 (File No. 333-178548) and incorporated herein by reference).
10.7	Escrow Agreement by and among the Registrant, Hines Securities, Inc. and UMB Bank, N.A. (filed as Exhibit (k)(7) to Post-Effective Amendment No. 1 to the Registrant's Registration Statement on Form N-2, filed on June 25, 2012 (File No. 333-178548) and incorporated herein by reference).

10.8	Second Amended and Restated Custody Agreement, dated May 29, 2014, by and among the Registrant, HMS Equity Holding, LLC and Amegy Bank National Association (Filed as Exhibit (j)(2) to the Registrant's Pre-Effective Amendment No. 1 to the Registration Statement on Form N-2 filed with the SEC on July 17, 2015 (File No. 333-204659) and incorporated herein by reference).
10.9	Securities Account Control Agreement, dated June 2, 2014, by and between HMS Funding I LLC, as pledgor, and U.S. Bank National Association, as collateral agent and securities intermediary (Filed as Exhibit (j)(3) to the Registrant's Pre-Effective Amendment No. 1 to the Registration Statement on Form N-2 filed with the SEC on July 17, 2015 (File No. 333-204659) and incorporated herein by reference).
10.10	Amended and Restated Loan Financing and Servicing Agreement, dated as of May 18, 2015, by and between HMS Funding I LLC, as Borrower, HMS Income Fund, Inc, as Equityholder and Servicer, the financial institutions party thereto as lenders, Deutsche Bank AG, New York branch, as Administrative Agent and as a lender, and U.S. Bank National Association, as Collateral Agent and Collateral Custodian (filed as Exhibit 10.1 to the Registrant's current report on Form 8-K, filed on May 22, 2015 (File No. 814-00939) and incorporated herein by reference).
10.11	First Amendment to the Amended and Restated Loan Financing and Servicing Agreement, dated as of June 17, 2015, by and among HMS Funding I, LLC, as Borrower, HMS Income Fund, Inc., as Equityholder and Servicer, the financial institutions party thereto as Lenders, U.S. Bank National Association, as Collateral Agent and Deutsche Bank AG, New York Branch, as Administrative Agent (filed as Exhibit 10.1 to the Registrant's current report on Form 8-K, filed on June 23, 2015 (File No. 814-00939) and incorporated herein by reference).
10.12	Second Amendment to the Amended and Restated Loan Financing and Servicing Agreement, dated as of September 23, 2015, by and among HMS Funding I LLC, as Borrower, HMS Income Fund, Inc., as Equityholder and Servicer, the financial institutions party thereto as Lenders, U.S. Bank National Association, as Collateral Agent and Deutsche Bank AG, New York Branch, as Administrative Agent (filed as Exhibit 10.1 to the Registrant's current report on Form 8-K, filed on September 24, 2015 (File No. 814-00939) and incorporated herein by reference).
10.13	Third Amendment to the Amended and Restated Loan Financing and Servicing Agreement, dated as of February 9, 2016, by and among HMS Funding I LLC, as borrower, HMS Income Fund, Inc., as Equityholder and Servicer, the financial institutions party thereto as lenders, Deutsche Bank AG, New York Branch, as administrative agent, and U.S. Bank National Association, as collateral agent (filed as Exhibit 10.1 to the Registrant's current report on Form 8-K, filed on February 11, 2016 (File No. 814-00939) and incorporated herein by reference).
10.14	Amended and Restated Senior Secured Revolving Credit Agreement, dated as of March 6, 2017, by and among the Registrant, HMS Equity Holding, LLC, HMS Equity Holding II, Inc., the financial institutions party thereto and EverBank Commercial Finance, Inc. (filed as Exhibit 10.40 to the Registrant's annual report on Form 10-K, filed on March 7, 2017 (File No. 814-00939) and incorporated herein by reference).
10.15	First Quarter 2017 Conditional Income Incentive Fee Waiver Agreement, dated as of April 24, 2017, 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 April 27, 2017 (File No. 814-00939) and incorporated herein by reference).
10.16	Fourth Amendment to the Amended and Restated Loan Financing and Servicing Agreement, dated as of June 30, 2017, by and among HMS Funding I LLC, as borrower, the Registrant as equityholder and servicer, the financial institutions party thereto as lenders, Deutsche Bank AG, New York Branch, as administrative agent, and U.S. Bank National Association, as collateral agent (filed as Exhibit 10.1 to the Registrant's current report on Form 8-K, filed on July 5, 2017 (File No. 814-00939) and incorporated herein by reference).
10.17	Second Quarter 2017 Conditional Income Incentive Fee Waiver Agreement, dated as of July 26, 2017, 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 July 31, 2017 (File No. 814-00939) and incorporated herein by reference).
10.18	First Amendment to the Amended and Restated Senior Secured Revolving Credit Agreement, dated as of October 19, 2017, by and among the Registrant, HMS Equity Holding, LLC, HMS Equity Holding II, Inc., the financial institutions party thereto and EverBank Commercial Finance, Inc. (filed as Exhibit 10.1 to the Registrant's current report on Form 8-K, filed on October 19, 2017 (File No. 814-00939) and incorporated herein by reference).
10.19	Third Quarter 2017 Conditional Income Incentive Fee Waiver Agreement, dated as of October 19, 2017, by and among the Registrant, HMS Adviser LP and MSC Adviser I, LLC (filed as Exhibit 10.2 to the Registrant's current report on Form 8-K, filed on October 19, 2017 (File No. 814-00939) and incorporated herein by reference).
10.20	Fifth Amendment to the Amended and Restated Loan Financing and Servicing Agreement, dated as of November 20, 2017, by and among HMS Funding I LLC, as borrower, the Registrant as equityholder and servicer, the financial institutions party thereto, as lenders, Deutsche Bank AG, New York Branch, as administrative agent and lender, and U.S. Bank National Association, as collateral agent and collateral custodian (filed as Exhibit 10.1 to the Registrant's current report on Form 8-K, filed on November 27, 2017 (File No. 814-00939) and incorporated herein by reference).
10.21	Fourth Quarter 2017 Conditional Income Incentive Fee Waiver Agreement, dated January 31, 2018, by and among the Registrant, HMS Adviser LP and MSC Adviser I, LLC (filed as Exhibit 10.1 to the Registrant's current report on Form 8-K, filed on January 31, 2018 (File No. 814-00939) and incorporated herein by reference).
10.22	First Quarter 2018 Conditional Income Incentive Fee Waiver Agreement, dated May 4, 2018, by and among the Registrant, HMS Adviser LP and MSC Adviser I, LLC (filed as Exhibit 10.1 to the Registrant's current report on Form 8-K, filed on May 8, 2018 (File No. 814-00939) and incorporated herein by reference).

10.23	Second Quarter 2018 Conditional Income Incentive Fee Waiver Agreement, dated August 8, 2018, by and among the Registrant, HMS Adviser LP and MSC Adviser I, LLC (filed as Exhibit 10.1 to the Registrant's current report on Form 8-K, filed on August 9, 2018 (File No. 814-00939) and incorporated herein by reference).
10.24	Third Quarter 2018 Conditional Income Incentive Fee Waiver Agreement, dated October 31, 2018, by and among the Registrant, HMS Adviser LP and MSC Adviser I, LLC (filed as Exhibit 10.1 to the Registrant's current report on Form 8-K, filed on October 31, 2018 (File No. 814-00939) and incorporated herein by reference).
10.25	Fourth Quarter 2018 Conditional Income Incentive Fee Waiver Agreement, dated 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).
10.26	Second Amendment to Amended and Restated Senior Secured Revolving Credit Agreement, dated as of March 5, 2020, by and among the Registrant, HMS Equity Holding, LLC, HMS Equity Holding II, Inc., HMS California Holdings GP LLC, HMS California Holdings, LP, the lenders party thereto and TIAA, FSB. (filed as Exhibit 10.1 to the Registrant's current report on Form 8-K, filed on March 5, 2020 (File No. 814-00939) and incorporated herein by reference).
14.1	Code of Ethics of the Registrant (filed as Exhibit 14.1 to the Registrant's annual report on Form 10-K, filed on March 21, 2018 (File 814-00939) and incorporated herein by reference).
14.2	Code of Ethics of HMS Adviser LP (filed as Exhibit 14.2 to the Registrant's annual report on Form 10-K, filed on March 21, 2018 (File 814-00939) and incorporated herein by reference).
14.3	Amended and Restated Code of Ethics of Main Street Capital Corporation and MSC Adviser I, LLC (filed as Exhibit 14.3 to the Registrant's annual report on Form 10-K, filed on March 21, 2018 (File 814-00939) and incorporated herein by reference).
21.1	List of Subsidiaries (filed herewith).
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 Section 13 or 15(d) of the Securities Exchange Act of 1934, as amended, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

			HMS INCOME FUND, INC.
Date:	March 19, 2020	By:	/s/ SHERRI W. SCHUGART
			Sherri W. Schugart
			Chairman and Chief Executive Officer

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the registrant and in the capacities indicated on the dates indicated.

Signature	Title	Date
/s/ Sherri W. Schugart Sherri W. Schugart	Chairman, Chief Executive Officer and Director (Principal Executive Officer)	March 19, 2020
/s/ David M. Covington David M. Covington	Chief Financial Officer (Principal Financial Officer)	March 19, 2020
/s/ Jeffrey S. Folkerts Jeffrey S. Folkerts	Chief Accounting Officer and Treasurer (Principal Accounting Officer)	March 19, 2020
/s/ John O. Niemann, Jr. John O. Niemann, Jr.	Director	March 19, 2020
/s/ Peter Shaper Peter Shaper	Director	March 19, 2020
/s/ Gregory Geib Gregory Geib	Director	March 19, 2020
/s/ Nicholas T. Meserve Nicholas T. Meserve	Director	March 19, 2020

EXHIBIT 4.4

DESCRIPTION OF SECURITIES

The following description is based on relevant portions of the Maryland General Corporation Law (the "MGCL") and on the Articles of Amendment and Restatement (our "Charter") and Amended and Restated Bylaws (our "Bylaws") of HMS Income Fund, Inc. ("we," "our," or the "Company"). This summary is not necessarily complete, and we refer you to the MGCL and our Charter and Bylaws for a more detailed description of the provisions summarized below.

Stock

As of December 31, 2019, our authorized stock consisted of 500,000,000 shares of stock, par value $0.001 per share, of which 450,000,000 shares are classified as common stock and 50,000,000 shares are classified as preferred stock. There is currently no market for our common stock, and we do not expect that a market for our shares will develop in the future. No stock has been authorized for issuance under any equity compensation plans. Under Maryland law, our stockholders generally will not be personally liable for our debts or obligations.

Common Stock

Under the terms of our Charter, all shares of our common stock have equal rights as to voting and distributions and, when they are issued, will be duly authorized, validly issued, fully paid and nonassessable. Distributions may be paid to the holders of our common stock if, as and when authorized by our board of directors and declared by us out of funds legally available therefor. Shares of our common stock have no preemptive, exchange, conversion or redemption rights, but are entitled to the limited repurchase rights described below relating to our share repurchase program and repurchases upon the death or disability of a stockholder. Shares of our common stock are freely transferable, except where their transfer is restricted by federal and state securities laws or by contract. In the event of our liquidation, dissolution or winding up, each share of common stock would be entitled to be paid, out of the assets of the Company that are legally available for distribution to our stockholders after we pay or make reasonable provision for the payment of all claims and obligations and subject to any preferential rights of holders of our preferred stock, if any preferred stock is outstanding at such time, a liquidation payment equal to the net asset value per share; provided, however, that if the available assets of the Company are insufficient to pay in full the above described liquidation payment, then such assets, or the proceeds thereof, shall be distributed among the holders of shares of common stock ratably in the same proportion as the respective amounts that would be payable on such shares of common stock if all amounts payable thereon were paid in full. Except as may otherwise be specified in our Charter, each share of our common stock is entitled to one vote on all matters submitted to a vote of stockholders, including the election of directors; provided, however, that the holders of common stock will have (i) exclusive voting rights on a charter amendment that would alter only the contract rights, as expressly set forth in our Charter and (ii) voting rights as set forth in Rule 18f-3(a)(2)-(3) promulgated under the Investment Company Act of 1940, as amended (the "1940 Act"). Except as provided with respect to any other class or series of stock, the holders of our common stock possess exclusive voting power. There is no cumulative voting in the election of directors, which means that holders of a majority of the outstanding shares of common stock are able to elect all of our directors, and holders of less than a majority of such shares are not able to elect any director.

Preferred Stock

Under the terms of our Charter, our board of directors is authorized to issue shares of preferred stock in one or more classes or series without stockholder approval. The board of directors has discretion to set the terms, preferences, conversion or other rights, voting powers, restrictions, limitations as to dividends or other distributions, qualifications and terms or conditions of redemption for each class or series of preferred stock. Every issuance of preferred stock will be required to comply with the requirements of the 1940 Act. The 1940 Act requires that (1) immediately after issuance and before any distribution is made with respect to our common stock and before any purchase of common stock is made, such preferred stock together with all other senior securities must not exceed an amount equal to 50% of our total assets after deducting the amount of such distribution or purchase price, as the case may be, and (2) the holders of shares of preferred stock, if any are issued, must be entitled as a class to elect two directors at all times and to elect a majority of the directors if distributions on such preferred stock are in arrears by two years or more. Certain matters under the 1940 Act require the separate vote of the holders of any issued and outstanding preferred stock. Pursuant to the Omnibus Guidelines published by the North American Securities Administrators Association (“NASAA”), before any preferred stock may be issued by us, a majority of our independent directors that do not have an interest in the transaction must (i) approve any such offering of preferred stock; and (ii) have access, at our expense, to our securities counsel or independent legal counsel.

Provisions of the Maryland General Corporation Law and Our Charter and Bylaws

The MGCL and our Charter and Bylaws contain provisions that could make it more difficult for a potential acquirer to acquire us by means of a tender offer, proxy contest or otherwise. These provisions are expected to discourage certain coercive takeover practices and inadequate takeover bids and to encourage persons seeking to acquire control of us to negotiate first with the board of directors. We believe that the benefits of these provisions outweigh the potential disadvantages of discouraging any such acquisition proposals because the negotiation of such proposals may improve their terms.

Under our Bylaws, the Circuit Court for Baltimore City, Maryland, or, if that Court does not have jurisdiction, the United States District Court for the District of Maryland, Baltimore Division, shall be the sole and exclusive forum for certain litigation.

Share Repurchase Program

Our Charter contains provisions governing our share repurchase program. Under our share repurchase program, we plan to conduct quarterly tender offers up to the lesser of (i) the number of shares of common stock we can repurchase with the proceeds we receive from the issuance of shares of common stock under our distribution reinvestment plan during the prior calendar quarter and (ii) 2.5% of our weighted average number of shares of common stock outstanding in the prior four calendar quarters on such terms as may be determined by our board of directors in its complete and absolute discretion unless, in the judgment of the independent directors of our board of directors, such repurchases would not be in the best interests of our stockholders or would violate applicable law. Under the MGCL, except as provided in the following sentence, a Maryland corporation may not make a distribution to stockholders, including pursuant to our repurchase program, if, after giving effect to the distribution, (i) the corporation would not be able to pay its indebtedness in the ordinary course or (ii) the corporation’s total assets would be less than its total liabilities plus preferential amounts payable on dissolution with respect to preferred stock (unless our Charter provides otherwise). Notwithstanding the provision requiring total assets to exceed total liabilities plus senior liquidation preferences, a corporation may make a distribution, including a repurchase, from: (i) the net earnings of the corporation for the fiscal year in which the distribution is made; (ii) the net earnings of the corporation for the preceding fiscal year; or (iii) the sum of the net earnings of the corporation for the preceding eight fiscal quarters. We will conduct such repurchase offers in accordance with the requirements of Rule 13e-4 of the Securities Exchange Act of 1934, as amended (the “Exchange Act”) and the 1940 Act. In months in which we repurchase shares, we will generally conduct repurchases during the last week of the third month of the quarter. Any offer to repurchase shares will be conducted solely through tender offer materials mailed to each stockholder and is not being made through this prospectus.

The board of directors also will consider the following factors, among others, in making its determination regarding whether to cause us to offer to repurchase shares and under what terms:

- the effect of such repurchases on our qualification as a regulated investment company (“RIC”) (including the consequences of any necessary asset sales);
- the liquidity of our assets (including fees and costs associated with disposing of assets);
- our investment plans and working capital requirements;
- the relative economies of scale with respect to our size;
- our history in repurchasing shares or portions thereof; and
- the condition of the securities markets.

Any tender offer presented to our stockholders will remain open for a minimum of 20 business days following the commencement of the tender offer. In the materials that we will send to our stockholders, we will include the date that the tender offer will expire. All tenders for repurchase requests must be received prior to the expiration of the tender offer in order to be valid. If there are any material revisions to the tender offer materials (not including the price at which shares may be tendered) sent to our stockholders, we will send revised materials reflecting such changes and will extend the tender offer period by a minimum of an additional five business days. If the price at which shares may be tendered is changed, we will extend the tender offer period by a minimum of an additional ten business days.

We will not repurchase shares, or fractions thereof, if such repurchase will cause us to be in violation of the securities or other laws of the United States, Maryland or any other relevant jurisdiction. While we intend to conduct quarterly tender offers as described above, we are not required to do so and may amend, suspend or terminate the share repurchase program at any time.

Election of Directors, Number of Directors; Vacancies; Removal

As permitted by Maryland law, a plurality of all the votes cast at a meeting of stockholders duly called and at which a quorum is present will be required to elect a director.

Our Charter provides that a majority of our board of directors must be independent directors except for a period of up to 60 days after the death, removal or resignation of an independent director pending the election of such independent director's successor, and the 1940 Act requires that a majority of our board of directors be persons other than "interested persons" as defined in the 1940 Act.

Our Charter provides that the number of directors will initially be five, which number may be increased or decreased by the board of directors in accordance with our Bylaws. The number of directors currently on our board of directors is five. Our Bylaws provide that a majority of our entire board of directors may at any time establish, increase or decrease the number of directors. However, the number of directors may never be less than three or more than fifteen. Except as may be provided by the board of directors in setting the terms of any class or series of preferred stock, any and all vacancies on the board of directors may be filled only by the affirmative vote of a majority of the remaining directors in office, even if the remaining directors do not constitute a quorum, and any director elected to fill a vacancy will serve for the remainder of the full term of the directorship in which the vacancy occurred and until a successor is elected and qualifies, subject to any applicable requirements of the 1940 Act.

Action by Stockholders

The MGCL provides that stockholder action can be taken only at an annual or special meeting of stockholders or by unanimous consent in lieu of a meeting (unless the charter permits consent by the stockholders entitled to cast not less than the minimum number of votes that would be necessary to authorize or take the action at a meeting, which our Charter does not). These provisions, combined with the requirements of our Bylaws regarding the calling of a stockholder-requested special meeting of stockholders discussed below, may have the effect of delaying consideration of a stockholder proposal until the next annual meeting.

Advance Notice Provisions for Stockholder Nominations and Stockholder Proposals

Our Bylaws provide that, with respect to an annual meeting of stockholders, nominations of individuals for election to the board of directors and the proposal of other business to be considered by stockholders may be made only (a) pursuant to our notice of the meeting, (b) by or at the direction of the board of directors or (c) by a stockholder who is a stockholder of record both at the time of giving notice required by our Bylaws and at the time of the meeting, who is entitled to vote at the meeting in the election of each individual so nominated or on such other business and who has complied with the advance notice procedures of the Bylaws. With respect to special meetings of stockholders, only the business specified in our notice of the meeting may be brought before the meeting. Nominations of individuals for election to the board of directors at a special meeting may be made only (i) by or at the direction of the board of directors or (ii) provided that has been called in accordance with our Bylaws for the purpose of electing directors, by a stockholder who is a stockholder of record both at the time of giving notice required by our Bylaws and at the time of the meeting, who is entitled to vote at the meeting in the election of each individual so nominated and who has complied with the advance notice provisions of the Bylaws.

The purpose of requiring stockholders to give us advance notice of nominations and other business is to afford our board of directors a meaningful opportunity to consider the qualifications of the proposed nominees and the advisability of any other proposed business and, to the extent deemed necessary or desirable by our board of directors, to inform stockholders and make recommendations about such qualifications or business, as well as to provide a more orderly procedure for conducting meetings of stockholders. Although our Bylaws do not give our board of directors any power to disapprove stockholder nominations for the election of directors or proposals recommending certain action, they may have the effect of precluding a contest for the election of directors or the consideration of stockholder proposals if proper procedures are not followed and of discouraging or deterring a third party from conducting a solicitation of proxies to elect its own slate of directors or to approve its own proposal without regard to whether consideration of such nominees or proposals might be harmful or beneficial to us and our stockholders.

Calling of Special Meetings of Stockholders

Our Bylaws provide that special meetings of stockholders may be called by our board of directors and certain of our officers. Additionally, our Bylaws provide that, subject to the satisfaction of certain procedural and informational requirements by the stockholders requesting the meeting, a special meeting of stockholders will be called by our Secretary to act on any matter that may properly be considered at a meeting of stockholders upon the written request of stockholders who are stockholders of record at the time of the request and are entitled to cast not less than 10% of all the votes entitled to be cast on such matter at such meeting.

Approval of Extraordinary Corporate Action; Amendment of Charter and Bylaws

Under Maryland law, a Maryland corporation generally cannot dissolve, amend its charter, merge, convert, sell all or substantially all of its assets, engage in a share exchange or engage in similar transactions outside the ordinary course of business, unless approved by the affirmative vote of stockholders entitled to cast at least two-thirds of the votes entitled to be cast on the matter. However, a Maryland corporation may provide in its charter for approval of these matters by a lesser percentage, but not less than a majority of all of the votes entitled to be cast on the matter.

Under our Charter, provided that our directors then in office have approved and declared the action advisable and submitted such action to the stockholders, an amendment to our Charter that requires stockholder approval, a merger, a conversion or a sale of all or substantially all of our assets or a similar transaction outside the ordinary course of business, must generally be approved by the affirmative vote of stockholders entitled to cast at least a majority of all the votes entitled to be cast on the matter. Notwithstanding the foregoing, (i) amendments to our Charter to make our common stock a “redeemable security” or to convert the Company, whether by merger or otherwise, from a closed-end company to an open-end company, (ii) amendments to our Charter relating to the vote required for certain actions and (iii) the dissolution of the Company each must be approved by the affirmative vote of stockholders entitled to cast at least two-thirds of all the votes entitled to be cast on the matter.

Our Charter and Bylaws provide that the board of directors has the exclusive power to make, alter, amend or repeal any provision of our Bylaws.

Our Charter provides that the stockholders may, upon the affirmative vote of stockholders entitled to cast a majority of all the votes entitled to be cast on the matter,

- Amend the Charter (other than as described above);
- Remove HMS Adviser LP (our “Adviser”) and elect a new investment adviser; and
- Approve or disapprove the sale of all or substantially all of the Company’s assets when such sale is to be made other than in the ordinary course of the Company’s business.

Without the approval of stockholders entitled to cast a majority of all the votes entitled to be cast on the matter, our board of directors may not:

- Amend the Investment Advisory and Administrative Services Agreement dated May 31, 2012, except for amendments that would not adversely affect the interests of our stockholders; or

- Except as permitted by our Charter, permit our Adviser to voluntarily withdraw as our investment adviser unless such withdrawal would not affect our tax status and would not materially adversely affect our stockholders;
- Appoint a new investment adviser;
- Unless otherwise permitted by law, sell all or substantially all of our assets other than in the ordinary course of business; and
- Unless otherwise permitted by law, approve a merger or similar reorganization of our Company.

No Appraisal Rights

Except with respect to appraisal rights arising in connection with the Control Share Acquisition Act under the MGCL (the "Control Share Act") discussed below, as permitted by the MGCL, our stockholders are not entitled to exercise appraisal rights unless our board of directors determines that appraisal rights apply, with respect to all or any classes or series of stock, to one or more transactions occurring after the date of such determination in connection with which stockholders would otherwise be entitled to exercise appraisal rights.

Restrictions on Roll-Up Transactions

In connection with a proposed "roll-up transaction," which, in general terms, is any transaction involving the acquisition, merger, conversion or consolidation, directly or indirectly, of our Company and the issuance of securities of an entity that would be created or would survive after the successful completion of the roll-up transaction, we will obtain an appraisal of all of our assets from an independent expert. In order to qualify as an independent expert for this purpose, the person or entity must have no material current or prior business or personal relationship with our Adviser or any affiliate of our Adviser and must be engaged to a substantial extent in the business of rendering opinions regarding the value of assets of the type held by us. If the appraisal will be included in a prospectus used to offer the securities of the entity that would be created or would survive after the successful completion of the roll-up transaction, the appraisal will be filed with the Securities and Exchange Commission (the "SEC") and the states in which the securities are being registered as an exhibit to the registration statement. Our assets will be appraised on a consistent basis, and the appraisal will be based on the evaluation of all relevant information and will indicate the value of our assets as of a date immediately prior to the announcement of the proposed roll-up transaction. The appraisal will assume an orderly liquidation of assets over a 12-month period. The terms of the engagement of such independent expert will clearly state that the engagement is for our benefit and the benefit of our stockholders. We will include a summary of the independent appraisal, indicating all material assumptions underlying the appraisal, in a report to the stockholders in connection with a proposed roll-up transaction.

In connection with a proposed roll-up transaction, the person sponsoring the roll-up transaction must offer to common stockholders who vote against the proposal a choice of: (1) accepting the securities of the entity that would be created or would survive after the successful completion of the roll-up transaction offered in the proposed roll-up transaction; or (2) one of the following: (i) remaining stockholders and preserving their interests in us on the same terms and conditions as existed previously or (ii) receiving cash in an amount equal to their pro rata share of the appraised value of our net assets.

We are prohibited from participating in any proposed roll-up transaction: (a) which would result in common stockholders having voting rights in the entity that would be created or would survive after the successful completion of the roll-up transaction that are less than those provided in our Charter, including rights with respect to the amendment of the Charter and our merger or sale of all or substantially all of our assets; (b) which includes provisions that would operate as a material impediment to, or frustration of, the accumulation of shares by any purchaser of the securities of the entity that would be created or would survive after the successful completion of the roll-up transaction, except to the minimum extent necessary to preserve the tax status of such entity, or which would limit the ability of an investor to exercise the voting rights of its securities of the entity that would be created or would survive after the successful completion of the roll-up transaction on the basis of the number of shares held by that investor; (c) in which our common stockholders' rights to access of records of the entity that would be created or would survive after the successful completion of the roll-up transaction will be less than those provided in our Charter; or (d) in which we would bear any of the costs of the roll-up transaction if our common stockholders reject the roll-up transaction.

Control Share Acquisitions

The MGCL provides that control shares of a Maryland corporation acquired in a control share acquisition (the acquisition of issued and outstanding control shares, subject to certain exceptions) have no voting rights except to the extent approved by a vote of two-thirds of the votes entitled to be cast on the matter, which we refer to as the Control Share Act. Shares owned by the acquiror, by officers or by employees who are directors of the corporation are excluded from shares entitled to vote on the matter. Control shares are voting shares of stock which, if aggregated with all other shares of stock owned by the acquirer or in respect of which the acquirer is able to exercise or direct the exercise of voting power (except solely by virtue of a revocable proxy), would entitle the acquirer to exercise voting power in electing directors within one of the following ranges of voting power:

- one-tenth or more but less than one-third;
- one-third or more but less than a majority; or
- a majority or more of all voting power.

The requisite stockholder approval must be obtained each time an acquirer crosses one of the thresholds of voting power set forth above. Control shares do not include shares the acquiring person is then entitled to vote as a result of having previously obtained stockholder approval.

A person who has made or proposes to make a control share acquisition may compel the board of directors of the corporation to call a special meeting of stockholders to be held within 50 days of demand to consider the voting rights of the shares. The right to compel the calling of a special meeting is subject to the satisfaction of certain conditions. If no request for a meeting is made, the corporation may itself present the question at any stockholders meeting.

If voting rights are not approved at the meeting or if the acquiring person does not deliver an acquiring person statement as required by the statute, then the corporation may redeem for fair value any or all of the control shares, except those for which voting rights have previously been approved. The right of the corporation to redeem control shares is subject to certain conditions and limitations, including compliance with the 1940 Act. If voting rights for control shares are approved at a stockholders meeting and the acquirer becomes entitled to vote a majority of the shares entitled to vote, all other stockholders may exercise appraisal rights.

The Control Share Act does not apply (a) to shares acquired in a merger, consolidation or share exchange if the corporation is a party to the transaction or (b) to acquisitions approved or exempted by the charter or bylaws of the corporation. Our Bylaws contain a provision exempting from the Control Share Act any and all acquisitions by any person of our shares of stock. There can be no assurance that such provision will not be amended or eliminated at some time in the future. However, we will amend our Bylaws to be subject to the Control Share Act only if the board of directors determines that it would be in the best interests of our stockholders and if the SEC staff expressly approves that our being subject to the Control Share Act does not conflict with the 1940 Act. The SEC staff has issued informal guidance setting forth its position that certain provisions of the Control Share Act, if implemented, would violate Section 18(i) of the 1940 Act.

Business Combinations

Under Maryland law, “business combinations” between a Maryland corporation and an interested stockholder or an affiliate of an interested stockholder are prohibited for five years after the most recent date on which the interested stockholder becomes an interested stockholder, which we refer to as the “Business Combination Act.” These business combinations include a merger, consolidation, share exchange or, in circumstances specified in the statute, an asset transfer or issuance or reclassification of equity securities. An interested stockholder is defined as:

- any person who beneficially owns, directly or indirectly, 10% or more of the voting power of the corporation’s outstanding voting stock; or

- an affiliate or associate of the corporation who, at any time within the two-year period immediately prior to the date in question, was the beneficial owner of, directly or indirectly, 10% or more of the voting power of the then outstanding stock of the corporation.

A person is not an interested stockholder under this statute if the board of directors approved in advance the transaction by which he otherwise would have become an interested stockholder. However, in approving a transaction, the board of directors may provide that its approval is subject to compliance, at or after the time of approval, with any terms and conditions determined by the board of directors.

After the five-year prohibition, any business combination between the Maryland corporation and an interested stockholder generally must be recommended by the board of directors of the corporation and approved by the affirmative vote of at least:

- 80% of the votes entitled to be cast by holders of outstanding shares of voting stock of the corporation; and
- two-thirds of the votes entitled to be cast by holders of voting stock of the corporation other than shares held by the interested stockholder with whom or with whose affiliate the business combination is to be effected or held by an affiliate or associate of the interested stockholder.

These super-majority vote requirements do not apply if the corporation's common stockholders receive a minimum price, as defined under Maryland law, for their shares in the form of cash or other consideration in the same form as previously paid by the interested stockholder for its shares.

The statute permits various exemptions from its provisions, including business combinations that are exempted by the board of directors prior to the time that the interested stockholder becomes an interested stockholder. Our board of directors has adopted a resolution exempting any business combination between us and any other person from the provisions of the Business Combination Act, provided that the business combination is first approved by the board of directors, including a majority of the directors who are not interested persons as defined in the 1940 Act. This resolution, however, may be altered or repealed in whole or in part at any time. If this resolution is repealed, or the board of directors does not otherwise approve a business combination, the statute may discourage others from trying to acquire control of us and increase the difficulty of consummating any offer.

Additional Provisions of Maryland Law

Maryland law provides that a Maryland corporation that is subject to the Exchange Act and has at least three independent directors can elect by resolution of the board of directors to be subject to some corporate governance provisions notwithstanding any provision in the corporation's charter and bylaws. Under the applicable statute, a board of directors may classify itself without the vote of stockholders. Further, the board of directors may, by electing into applicable statutory provisions and notwithstanding any contrary provision in the charter or bylaws.

- provide that a stockholder-requested special meeting of stockholders will be called only at the request of stockholders entitled to cast at least a majority of the votes entitled to be cast at the meeting;
- reserve for itself the exclusive power to fix the number of directors;
- provide that a director may be removed only by the vote of stockholders entitled to cast two-thirds of all the votes entitled to be cast generally in the election of directors; and
- provide that all vacancies on the board of directors may be filled only by the affirmative vote of a majority of the remaining directors in office, even if the remaining directors do not constitute a quorum, and that any director elected to fill a vacancy will serve for the remainder of the full term of the directorship and until his or her successor is elected and qualifies.

Pursuant to our Charter, we have elected to provide that all vacancies on the board of directors resulting from an increase in the size of the board of directors or the death, resignation or removal of a director may be filled only by the affirmative vote of a majority of the remaining directors, even if the remaining directors do not constitute a quorum and that any director elected to fill a vacancy will serve for the remainder of the full term of the directorship and until a successor is elected and qualifies. Such election is subject to applicable requirements of the 1940 Act and to the provisions of any class or series of preferred stock established by the board of directors.

EXHIBIT 21.1

LIST OF SUBSIDIARIES

HMS Equity Holding, LLC, a Delaware limited liability company

HMS Equity Holding II, Inc., a Delaware corporation

HMS Funding I LLC, a Delaware limited liability company

HMS California Holdings LP, a Delaware limited partnership

HMS California Holdings GP LLC, a Delaware limited liability company

EXHIBIT 31.1

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

I, Sherri W. Schugart, certify that:

1. I have reviewed this Annual Report on Form 10-K 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:	March 19, 2020	By:	/s/ SHERRI W. SCHUGART
			Sherri W. Schugart
			Chairman and Chief Executive Officer

EXHIBIT 31.2

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

I, David M. Covington, certify that:

1. I have reviewed this Annual Report on Form 10-K 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: March 19, 2020

By: /s/ DAVID M. COVINGTON
David M. Covington
Chief Financial Officer

EXHIBIT 32.1

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 Annual Report on Form 10-K of the Company for the year ended December 31, 2019, filed on the date hereof with the Securities and Exchange Commission (the “Report”) fully complies with the requirements of Section l3(a) or 15(d) of the Securities Exchange Act of 1934, as amended; and

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

Date:	March 19, 2020	By:	/s/ SHERRI W. SCHUGART
			Sherri W. Schugart
			Chairman and Chief Executive Officer
Date:	March 19, 2020	By:	/s/ DAVID M. COVINGTON
			David M. Covington
			Chief Financial Officer