

As filed with the Securities and Exchange Commission on February 20, 2014

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

SCHEDULE TO  
Tender Offer Statement under Section 14(d)(1) or 13(e)(1)  
of the Securities Exchange Act of 1934

HMS INCOME FUND, INC.  
(Name of Subject Company (Issuer))

HMS INCOME FUND, INC.  
(Names of filing Persons (Offeror and Issuer))

Common Stock, Par Value \$0.001 per share  
(Title of Class of Securities)

40427D102  
(CUSIP Number of Class of Securities)

Sherri W. Schugart  
Chief Executive Officer  
HMS Income Fund, Inc.  
2800 Post Oak Boulevard, Suite 5000  
Houston, Texas 77056-6118  
Telephone: (888) 220-6121  
(Name, address and telephone number of person authorized to receive  
notices and communications on behalf of filing person)

*Copies to:*  
John A. Good, Esq.  
Morrison & Foerster LLP  
2000 Pennsylvania Ave., N.W., Suite 6000  
Washington, D.C. 20006-1888  
Tel: (202) 778-1655

CALCULATION OF FILING FEE

TRANSACTION VALUATION

\$586,022.49

AMOUNT OF FILING FEE

\$75.48

\* The Filing Fee is calculated in accordance with Rule 0-11(b) of the Securities Exchange Act of 1934, as amended, and equals \$128.80 for each \$1,000,000 of the value of the transaction.

Check the box if any part of the fee is offset as provided by Rule 0-11(a)(2) and identify the filing with which the offsetting fee was previously paid. Identify the previous filing by registration statement number, or the Form or Schedule and the date of its filing.

Amount Previously Paid: Not Applicable  
Form or Registration No.: Not Applicable  
Filing Party: Not Applicable  
Date Filed: Not Applicable

Check the box if the filing relates solely to preliminary communications made before the commencement of a tender offer.

Check the appropriate boxes below to designate any transactions to which the statement relates:

- third-party tender offer subject to Rule 14d-1.
- issuer tender offer subject to Rule 13e-4.
- going-private transaction subject to Rule 13e-3.
- amendment to Schedule 13D under Rule 13d-2.

Check the following box if the filing is a final amendment reporting the results of the tender offer:

### Item 1. Summary Term Sheet.

The information set forth in the section of the Offer to Purchase, dated February 20, 2014 (the “*Offer to Purchase*”), attached hereto as Exhibit 99(a)(1)(A), entitled “Summary Term Sheet,” is incorporated herein by reference.

### Item 2. Subject Company Information.

(a) **Name and Address.** The name of the issuer is HMS Income Fund, Inc., an externally managed, non-diversified, closed-end management investment company incorporated in Maryland (the “*Company*”). The address of its principal executive office is 2800 Post Oak Boulevard, Suite 5000, Houston, Texas 77056-6118; and the telephone number of its principal executive office is (888) 220-6121.

(b) **Securities.** This Tender Offer Statement on Schedule TO relates to an offer by the Company to purchase, as approved by the Company’s board of directors (the “*Board*”), 66,217.23 shares of its issued and outstanding common stock, par value \$0.001 per share (the “*Shares*”). As of February 18, 2014, there were 7,530,746.68 shares of common stock issued and outstanding. The offer is for cash at a purchase price of \$8.85 per Share, which is the net asset value per Share as of February 18, 2014, as determined by the pricing committee of the Board (the “*Purchase Price*”), and is made upon the terms and subject to the conditions set forth in the Offer to Purchase and the related Letter of Transmittal (which, together with any amendments or supplements thereto, collectively constitute the “*Offer*”).

The information set forth in the Offer to Purchase is incorporated herein by reference.

(c) **Trading Market and Price.** The Shares are not currently traded on an established trading market.

### Item 3. Identity and Background of Filing Person.

(a) **Name and Address.** The Company is the filing person and the subject company. The information set forth under Item 2(a) above and in the Offer to Purchase under Section 9 (“Interest of Directors, Executive Officers and Certain Related Persons; Transactions and Arrangements Concerning the Shares”) is incorporated herein by reference.

### Item 4. Terms of the Transaction.

(a) **Material Terms.** The information set forth in the Offer to Purchase under the “Summary Term Sheet,” Section 1 (“Purchase Price; Number of Shares; Expiration Date”), Section 3 (“Certain Conditions of the Offer”), Section 4 (“Procedures for Tendering Shares”), Section 5 (“Withdrawal Rights”), Section 6 (“Payment for Shares”), Section 9 (“Interest of Directors, Executive Officers and Certain Related Persons; Transactions and Arrangements Concerning the Shares”), Section 10 (“Certain Effects of the Offer”), Section 13 (“Certain United States Federal Income Tax Consequences”) and Section 14 (“Amendments; Extension of Tender Period; Termination”) is incorporated herein by reference.

(b) **Purchases.** The information set forth in the Offer to Purchase under Section 9 (“Interest of Directors, Executive Officers and Certain Related Persons; Transactions and Arrangements Concerning the Shares”) is incorporated herein by reference.

### Item 5. Past Contacts, Transactions, Negotiations and Agreements.

(e) **Agreements Involving the Subject Company’s Securities.** The information set forth in the Offer to Purchase under Section 9 (“Interest of Directors, Executive Officers and Certain Related Persons; Transactions and Arrangements Concerning the Shares”) is incorporated herein by reference. Additionally, Main Street Capital Corporation and an affiliate of the Company’s sponsor (the “*Hines Investor*”) 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. Except as set forth herein, the Company does not know of any other contract, arrangement, understanding or relationship relating, directly or indirectly, to the Offer (whether or not legally enforceable) between the Company, any of its executive officers or directors, any person controlling the Company or any officer or director of any corporation ultimately in control of the Company and any person with respect to any securities of the Company (including, but not limited to, any contract, arrangement, understanding or relationship concerning the transfer or the

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voting of any such securities, joint ventures, loan or option arrangements, puts or calls, guarantees of loans, guarantees against loss, or the giving or withholding of proxies, consents or authorizations).

**Item 6. Purposes of the Transaction and Plans or Proposals.**

**(a) Purposes.** The information set forth in the Offer to Purchase under Section 2 (“Purpose of the Offer; Plans or Proposals of the Company”) is incorporated herein by reference.

**(b) Use of Securities Acquired.** The information set forth in the Offer to Purchase under Section 2 (“Purpose of the Offer; Plans or Proposals of the Company”) and Section 10 (“Certain Effects of the Offer”) is incorporated herein by reference.

**(c) Plans.** Except as previously disclosed by the Company or as referred to in the Offer to Purchase under Section 2 (“Purpose of the Offer; Plans or Proposals of the Company”), Section 7 (“Source and Amount of Funds”) and Section 10 (“Certain Effects of the Offer”), each of which is incorporated herein by reference, the Company does not have any present plans or proposals and is not engaged in any negotiations that relate to or would result in:

- (1) any extraordinary transaction, such as a merger, reorganization or liquidation, involving the Company or any of its subsidiaries;
- (2) other than in connection with transactions in the ordinary course of the Company’s operations and for purposes of funding the Offer, any purchase, sale or transfer of a material amount of assets of the Company or any of its subsidiaries;
- (3) any material change in the Company’s present dividend rate or policy, or indebtedness or capitalization of the Company;
- (4) any change in the present Board or management of the Company, including, but not limited to, any plans or proposals to change the number or the term of directors or to fill any existing vacancies on the Board or to change any material term of the employment contract of any executive officer;
- (5) any other material change in the Company’s corporate structure or business, including any plans or proposals to make any changes in the Company’s investment policy for which a vote would be required by Section 13 of the Investment Company Act of 1940, as amended;
- (6) any class of equity securities of the Company to be delisted from a national securities exchange or to cease to be authorized to be quoted in an automated quotations system operated by a national securities association;
- (7) any class of equity securities of the Company becoming eligible for termination of registration under Section 12(g)(4) of the Securities Exchange Act or 1934, as amended (the “*Exchange Act*”);
- (8) the suspension of the Company’s obligation to file reports under Section 15(d) of the Exchange Act;
- (9) other than in connection with transactions in the ordinary course of the Company’s operations, the acquisition by any person of additional securities of the Company, or the disposition of securities of the Company; or
- (10) any changes in the Company’s charter, bylaws or other governing instruments or other actions that could impede the acquisition of control of the Company.

**Item 7. Source and Amount of Funds or Other Consideration.**

**(a) Source of Funds.** The information set forth in the Offer to Purchase under Section 7 (“Source and Amount of Funds”) is incorporated herein by reference.

**(b) Conditions.** Not applicable.

**(d) Borrowed Funds.** Not applicable.

**Item 8. Interest in Securities of the Subject Company.**

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**(a) Securities Ownership.** The information set forth in the Offer to Purchase under Section 9 (“Interest of Directors, Executive Officers and Certain Related Persons; Transactions and Arrangements Concerning the Shares”) is incorporated herein by reference.

**(b) Securities Transactions.** The information set forth in the Offer to Purchase under Section 9 (“Interest of Directors, Executive Officers and Certain Related Persons; Transactions and Arrangements Concerning the Shares”) is incorporated herein by reference.

**Item 9. Persons/Assets, Retained, Employed, Compensated or Used.**

**(a) Solicitations or Recommendations.** Not applicable.

**Item 10. Financial Statements.**

**(a) Financial Information.** Not applicable. Financial statements have not been included because the consideration offered to security holders consists solely of cash; the Offer is not subject to any financing condition; and the Company is a public reporting company under Section 13(a) of the Exchange Act and files its reports electronically on the EDGAR system.

**(b) Pro Forma Information.** Not applicable.

**Item 11. Additional Information.**

**(a) Agreements, Regulatory Requirements and Legal Proceedings.**

(1) The information set forth in the Offer to Purchase under Section 9 (“Interest of Directors, Executive Officers and Certain Related Persons; Transactions and Arrangements Concerning the Shares”) is incorporated herein by reference.

(2)-(5) Not applicable.

**(c) Other Material Information.** The entire text of the Offer to Purchase and the related Letter of Transmittal, attached hereto as Exhibits 99(a)(1)(A) and 99(a)(1)(B), respectively, is incorporated herein by reference.

**Item 12. Exhibits.**

| <b>EXHIBIT NO.</b> | <b>DESCRIPTION</b>   |
|--------------------|--|
| 99(a)(1)(A)        | Offer to repurchase, date February 20, 2014.                           |
| 99(a)(1)(B)        | Form of Letter of Transmittal.   |
| 99(a)(1)(C)        | Form of Notice of Withdrawal.  |
| 99(a)(1)(D)        | Stockholder Letter and Summary Advertisement, dated February 20, 2014. |

**Item 13. Information Required By Schedule 13E-3.**

Not applicable.

**SIGNATURE**

After due inquiry and to the best of my knowledge and belief, I certify that the information set forth in this statement is true, complete and correct.

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Dated: February 20, 2014

HMS INCOME FUND, INC.

By: /s/ Ryan T. Sims

Name: Ryan T. Sims

Title: Chief Financial Officer and Secretary



**Return to:**  
HMS Income Fund, Inc.  
430 W. 7th Street  
Kansas City, Missouri 64105

**Hines Investor Relations**  
Toll-Free: 888.220.6121

**Letter of Transmittal**

This is the Letter of Transmittal for the Share Repurchase Program pursuant to the Offer to Purchase dated February 20, 2014 (the "**Offer to Purchase**") to purchase 66,217.23 shares of issued and outstanding common stock, par value \$0.001 per share (the "**Shares**"), of HMS Income Fund, Inc. (the "**Company**") at a purchase price in cash of \$8.85 per Share, which is the net asset value per Share as of February 18, 2014 (the "**Purchase Price**") as determined by the pricing committee of the Company's board of directors (the "**Board**").

**THE OFFER WILL EXPIRE AT 5:00 P.M., CENTRAL TIME,**

**ON MARCH 26, 2014, (THE "EXPIRATION DATE") UNLESS THE OFFER IS EXTENDED.**

Any questions concerning the Offer to Purchase or this Letter of Transmittal may be directed to the following address:

**HMS Income Fund, Inc.**  
430 W. 7th Street  
Kansas City, Missouri 64105  
888.220.6121

Delivery of this Letter of Transmittal and all other documents to an address other than as set forth above will not constitute a valid delivery to the Company.

The Offer to Purchase and this entire Letter of Transmittal, including the accompanying instructions, should be read carefully before this Letter of Transmittal is completed.

**IF YOU WISH TO RETAIN YOUR SHARES YOU NEED NOT TAKE ANY ACTION.**

SIGNATURES MUST BE PROVIDED ON PAGE 6.

**Instructions**

**FORMING PART OF THE TERMS AND CONDITIONS OF THIS LETTER OF TRANSMITTAL**

*1. Guarantee of Signatures.* Signatures on this Letter of Transmittal must be guaranteed, if applicable, in Box 4 in accordance with Rule 17Ad-15 (promulgated under the Securities Exchange Act of 1934, as amended) by an eligible guarantor institution that is a participant in a stock transfer association recognized program, such as a firm that is a member of a registered national securities exchange, a member of the Financial Industry Regulatory Authority, by a commercial bank or trust company having an office or correspondent in the United States or by an international bank, securities dealer, securities broker or other financial institution licensed to do business in its home country (an "**Eligible Institution**").

*2. Delivery of Letter of Transmittal.* This Letter of Transmittal, properly completed and duly executed, should be sent by mail or courier or delivered by hand to the Company in each case at the address set forth on the front page of this Letter of Transmittal, in order to make an effective tender. A properly completed and duly executed Letter of Transmittal must be received by the Company at the address set forth on the front page of this Letter of Transmittal by 5:00 p.m., Central Time, on March 26, 2014, unless the Offer (as defined below) is extended. The Purchase Price will be paid and issued in exchange for the Shares tendered and accepted for purchase by the Company pursuant to the Offer to Purchase in all cases only after receipt by the Company of a properly completed and duly executed Letter of Transmittal.

The method of delivery of all documents is at the option and risk of the Signatory (as defined below) and the delivery will be deemed made only when actually received. If delivery is by mail, registered mail with return receipt requested, properly insured, is recommended.

*3. Signatures on this Letter of Transmittal, Powers of Attorney and Endorsements.*

(a) If this Letter of Transmittal is signed by the registered holder(s) of the Shares to be tendered, the signature(s) of the holder on this Letter of Transmittal must correspond exactly with the name(s) on the subscription agreement accepted by the Company in connection with the purchase of the Shares, unless such Shares have been transferred by the registered holder(s), in which event this Letter of Transmittal should be signed in exactly the same form as the name of the last transferee indicated on the stock ledger maintained in book-entry form by DST Systems, Inc., the Company's transfer agent.

(b) If any Shares tendered with this Letter of Transmittal are owned of record by two or more joint owners, all such owners must sign this Letter of Transmittal.

(c) If this Letter of Transmittal is signed by a person other than the registered holder(s) of the Shares listed, such person must so indicate when signing, and proper evidence satisfactory to the Company of such person's authority to so act must be submitted.

*4. Withholding.* Each stockholder accepting the Offer who has not previously submitted to the Company a correct, completed and signed Internal Revenue Service (**IRS**) Form W-9 ("**Form W-9**") or substituted Form W-9 (included with the original subscription) (for U.S. Stockholders) or IRS Form W-8BEN ("**Form W-8BEN**"), IRS Form W-8IMY ("**Form W-8IMY**"), IRS Form W-8ECI ("**Form W-8ECI**"), or other applicable form (for Non-U.S. Stockholders), or otherwise established an exemption from such withholding, must submit the appropriate form to the Company. This form requirement is intended to prevent the potential imposition of U.S. federal backup withholding tax on the gross payments made pursuant to the Offer, prior to receiving such payments. A stockholder should consult his or her tax advisor as to his or her qualification for exemption from the backup withholding requirements and the procedure for obtaining an exemption.

*5. Determinations of Validity.* All questions as to the form of documents and the validity of Shares will be resolved by the Company in its sole discretion, which determination shall be final and binding. The Company reserves the absolute right to reject any deliveries of any Shares that are not in proper form, or the acceptance of which would, in the opinion of the Company, be unlawful. The Company reserves the absolute right to waive any defect or irregularity of delivery for exchange with regard to any Shares, provided that any such waiver shall apply to all tenders of Shares.

*6. Cost Basis.* The Company has elected the first-in, first-out (FIFO) method as the default for calculating cost basis for covered shares as defined in the Company's offering documents. If you wish to change your cost basis method, please go to [www.hinessecurities.com](http://www.hinessecurities.com) to log into your account.

**DST SYSTEMS, INC., AS ADMINISTRATOR FOR THE COMPANY, WILL NOT BE OBLIGATED  
TO GIVE ANY NOTICE OF ANY DEFECT OR IRREGULARITY IN ANY TENDER, AND WILL NOT  
INCUR ANY LIABILITY FOR FAILURE TO GIVE ANY SUCH NOTICE.**

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**IMPORTANT: THIS LETTER OF TRANSMITTAL PROPERLY COMPLETED AND BEARING ORIGINAL SIGNATURE(S) AND THE ORIGINAL OF ANY REQUIRED SIGNATURE GUARANTEE(S) MUST BE RECEIVED BY THE COMPANY PRIOR TO THE EXPIRATION OF THE OFFER.**

**Letter of Transmittal - PLEASE CAREFULLY REVIEW THE INSTRUCTIONS AND COMPLETE THE FOLLOWING PAGE**

Ladies and Gentlemen:

The person(s) signing this Letter of Transmittal (the "*Signatory*") hereby tender(s) to the Company, which is an externally managed, non-diversified, closed-end management investment company incorporated in Maryland, the number of Shares specified on page 4 for purchase in cash by the Company at a purchase price of \$8.85 per Share, which is the net asset value per Share as of February 18, 2014 as determined by the pricing committee of the Board, under the terms and subject to the conditions set forth in the Offer to Purchase, receipt of which is hereby acknowledged, and in this Letter of Transmittal (which Offer to Purchase and Letter of Transmittal, together with any amendments or supplements thereto, collectively constitute the "*Offer*").

Subject to, and effective upon, acceptance for payment of, or payment for, Shares tendered herewith in accordance with the terms and subject to the conditions of the Offer (including, if the Offer is extended or amended, the terms or conditions of any such extension or amendment), the Signatory hereby sells, assigns and transfers to, or upon the order of, the Company, all right, title and interest in and to all of the Shares that are being tendered hereby that are purchased pursuant to the Offer, and hereby irrevocably constitutes and appoints DST Systems, Inc. as attorney-in-fact of the Signatory with respect to such Shares, with full power of substitution (such power of attorney being deemed to be an irrevocable power coupled with an interest), to receive all benefits and otherwise exercise all rights of beneficial ownership of such Shares, all in accordance with the terms and subject to the conditions set forth in the Offer.

The Signatory recognizes that, under certain circumstances as set forth in the Offer to Purchase, the Company may amend, extend or terminate the Offer or may not be required to purchase any of the Shares tendered hereby. In any such event, the Signatory understands that the Shares not purchased, if any, will continue to be held by the Signatory and will not be tendered.

The Signatory understands that acceptance of Shares by the Company for payment will constitute a binding agreement between the Signatory and the Company upon the terms and subject to the conditions of the Offer.

The Signatory understands that the payment of the Purchase Price for the Shares accepted for purchase by the Company will be made as promptly as practicable by the Company following the conclusion of the Offer and that in no event will the Signatory receive any interest on the Purchase Price or any distributions declared for record dates that occur after the date the Company accepts the Signatory's shares for repurchase. Payment of the Purchase Price for the Shares tendered by the undersigned will be made on behalf of the Company by check or bank wire or ACH in accordance with the Signatory's distribution instructions provided.

All authority herein conferred or agreed to be conferred shall survive the death or incapacity of the Signatory and all obligations of the Signatory hereunder shall be binding upon the heirs, personal representatives, successors and assigns of the Signatory. Except as stated in the Offer, this tender is irrevocable.

The Signatory hereby acknowledges that capitalized terms not defined in this Letter of Transmittal shall have the meanings ascribed to them in the Offer to Purchase.

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**One Investor Information**

Print name(s) as registered on the account.

Name(s) On the Account

HMS Account Number Social Security Number or TIN on Account

Financial Advisor Name and Phone Number

**Two Share Repurchase Request**

Enter Amount Number of Shares you are submitted for repurchase at a purchase price of \$8.85 per Share:

- All Shares as of the Expiration Date, or
Other number of Shares

NOTE: If the aggregate amount of Shares tendered for repurchase exceeds the number of Shares the Company seeks to repurchase, the Company will repurchase Shares on a pro rata basis. Further an investor with no Shares outstanding after the completion of this Offer will receive any accrued distributions as a separate cash distribution.

**Three Payment Instructions**

Payment Method Indicate how you wish to receive your payment below. If an option is not selected, a check will be sent to your address of record. Proceeds for qualified accounts, including IRAs and other Custodial accounts, and certain Broker-controlled accounts as required by your Broker/Dealer of record, will automatically be issued to the Custodian or Broker/Dealer of record, as applicable. All custodial held and broker-controlled accounts must include the Custodian and/or Broker/Dealer signature.

- Cash/Check Mailed to Address of Record
Cash/Check Mailed to Third Party/Custodian (Signature Guarantee required)

Name/Entity Name/Financial Institution:
Mailing Address:
City, State and Zip Code:
Account Number:

- Cash/Direct Deposit: Please attach a pre-printed voided check. (Signature Guarantee required) (Non-Custodial Investors Only)

I authorize HMS Income Fund, Inc. or its agent to deposit my distribution into my checking or savings account. In the event that HMS Income Fund, Inc. deposits funds erroneously into my account, they are authorized to debit my account for an amount not to exceed the amount of the erroneous deposit.

Bank/Financial Institution:
Mailing Address:
City, State and Zip Code:
Your Bank/Financial Institution's ABA Routing Number:
Your Bank Account Number:

- Checking Account
Savings Account

|  |  |
|--|--|
| <b>Four</b>  | <b>Distribution Reinvestment</b>   |
| <b>Only applicable to Distribution Reinvestment Plan participants.</b> | Your participation in the Distribution Reinvestment Plan will continue unless 1) you have no Shares outstanding after the completion of this Offer or 2) the Company is otherwise notified by you. If you wish to discontinue your participation, you must complete the Distribution Election Form which can be obtained by contacting Hines Investor Relations at 888.220.6121. |

|  |                              |
|--|------------------------------|
| <b>Five</b>  | <b>Authorized Signatures</b> |
| By executing this Letter of Transmittal, the undersigned hereby delivers to the Company in connection with the Offer to Purchase the number of Shares indicated above. |                              |

*All Custodial held and Broker-controlled accounts must include the Custodian and/or Broker/Dealer signature.*

*Additional documentation may be required if redeeming due to Death or from a Trust, Corporation, Pension Plan, or Partnership account. Contact Investor Relations for detailed instructions at 888.220.6121.*

**IMPORTANT: Signature Guarantee is required if any of the following applies:**

- Amount to be redeemed is \$100,000 or more.
- The redemption is to be sent to an address other than the address we have had on record for the past 30 days.
- The redemption is to be sent to an address other than the address on record.
- If name has changed from the name in the account registration, we must have a one-and-the-same name signature guarantee. A one-and-the-same signature guarantee must state “<Previous Name> is one-and-the-same as <New Name>” and you must sign your old and new name.
- The redemption proceeds are deposited directly according to banking instructions provided on this form. *(Non Custodial Investors Only)*

Signature(s) must correspond exactly with the name(s) and account registration in which you held the shares.

|                                     |                  |             |
|-------------------------------------|------------------|-------------|
| <b>Investor Name (Please Print)</b> | <b>Signature</b> | <b>Date</b> |
|                                     |                  |             |
| <b>Investor Name (Please Print)</b> | <b>Signature</b> | <b>Date</b> |
|                                     |                  |             |

|   |
|---|
| <b>Signature Guarantee Stamp</b><br><i>(Affix Medallion or Signature Guarantee Stamp Below)</i> |
|   |

|  |
|--|
| <b>Custodian And/or Broker/Dealer Authorization</b> <i>(if applicable)</i> |
|  |
| <hr style="width: 80%; margin: 0 auto;"/> Signature of Authorized Person   |





**Return to:**  
HMS Income Fund, Inc.  
430 W. 7th Street  
Kansas City, Missouri 64105

**Hines Investor Relations**  
Toll-Free: 888.220.6121

**NOTICE OF WITHDRAWAL OF TENDER REGARDING SHARES HELD IN HMS INCOME FUND, INC.**

**COMPLETING AND RETURNING THIS FORM WILL RESCIND YOUR SHARE REPURCHASE REQUEST. PLEASE ONLY COMPLETE AND RETURN THIS FORM IF YOU WISH TO RESCIND YOUR PENDING SHARE REPURCHASE REQUEST FOR THE OFFER DATED FEBRUARY 20, 2014.**

The undersigned recognizes that upon the receipt on a timely basis of this Notice of Withdrawal of Tender, properly executed, the shares (the "*Shares*") of HMS Income Fund, Inc. (the "*Company*") previously tendered will not be purchased by the Company.

**Information**

Tendered pursuant to the Offer to Purchase dated February 20, 2014.

**The offer and withdrawal rights will expire at, and this Notice of Withdrawal must be received by the Company either by hand-delivery, mail or facsimile before 5:00 P.M., Central Time, on March 26, 2014, unless the offer is extended.**

COMPLETE THIS NOTICE OF WITHDRAWAL AND RETURN TO THE FOLLOWING ADDRESS:

**HMS Income Fund, Inc.**  
430 W. 7th Street  
Kansas City, Missouri 64105  
Phone: 888.220.6121  
Fax: 713.966.2661

You are responsible for confirming that this Notice of Withdrawal is received by the Company at the address above.

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**One Investor Information**

|  |                               |
|--|-------------------------------|
| <b>Print name(s) as registered on the account.</b> | <b>Name(s) On the Account</b> |
|--|-------------------------------|

|  |   |
|--|---|
| <b>HMS Account Number</b>                      | <b>Social Security Number or TIN on Account</b> |
| <b>Financial Advisor Name and Phone Number</b> |   |

**Two Withdrawal Request**

The undersigned hereby withdraws the tender of its Shares to the Company for purchase by the Company that previously was submitted by the undersigned in a Letter of Transmittal dated \_\_\_\_\_, 2014.

This tender was in the amount of:  All Shares as of the Expiration Date, or  \_\_\_\_\_ Number of Shares.

The undersigned recognizes that upon the receipt on a timely basis of this Notice of Withdrawal of Tender, properly executed, the Shares previously tendered will not be purchased by the Company.

**Three Authorized Signatures**

|   |                                     |                  |             |
|---|-------------------------------------|------------------|-------------|
| <b>Sign exactly as your account is registered</b> | <b>Investor Name (Please Print)</b> | <b>Signature</b> | <b>Date</b> |
|   | <b>Investor Name (Please Print)</b> | <b>Signature</b> | <b>Date</b> |



**Return to:**  
HMS Income Fund, Inc.  
430 W. 7th Street  
Kansas City, Missouri 64105

**Hines Investor Relations**  
Toll-Free: 888.220.6121

**THIS IS NOTIFICATION OF THE SHARE REPURCHASE OFFER**

**DATED FEBRUARY 20, 2014**

Dear Stockholder:

We have sent this letter to you to announce the quarterly share repurchase offer by HMS Income Fund, Inc. The purpose of this Offer (as defined below) is to provide limited liquidity to holders of shares of our common stock by offering to repurchase certain of those shares at a purchase price of \$8.85 per share, which is the net asset value per share as of February 18, 2014 as determined by the pricing committee of our board of directors (the "**Board**").

On August 30, 2013, the Board, after finding it to be in our best interest and the best interests of our stockholders, terminated the share repurchase program, as described in Section 5.10(a) of the our articles of amendment and restatement (the "**Charter**"), and the repurchase right in the event of the death or Disability (as defined in the Charter) of a holder of common stock, as described in Section 5.11(a) of the Charter. Concurrently therewith, the Board adopted a new share repurchase program that is further described in the Share Repurchase Package (as defined below) and the prospectus supplement to the prospectus dated May 14, 2013 filed with the Securities and Exchange Commission on August 30, 2013 in accordance with Rule 497 of the Securities Act of 1933, as amended. The new share repurchase program will be conducted pursuant to Rule 13e-4 of the Securities Exchange Act of 1934, as amended (the "**Exchange Act**").

**IF YOU HAVE NO DESIRE TO SELL ANY OF YOUR SHARES AT A PURCHASE PRICE OF \$8.85 PER SHARE, PLEASE DISREGARD THE REMAINDER OF THIS NOTICE.**

We will contact you again next quarter and each quarter thereafter to notify you if the Company intends to offer to repurchase a portion of its issued and outstanding shares of common stock.

If you would like to tender a portion or all of your shares pursuant to the terms of this Offer, you must obtain from our website, or request that we mail to you, a copy of the Offer to Purchase, the Letter of Transmittal and other documents related to the Offer (which together, as they may be amended and supplemented from time to time, constitute the "**Share Repurchase Package**"). Please read the following pages and the Share Repurchase Package carefully as they contain important information about the Offer. Requests for the Share Repurchase Package may be directed to the Company as follows.

Our website: [www.hinessecurities.com/bdcs/hms-income-fund/](http://www.hinessecurities.com/bdcs/hms-income-fund/)  
Our toll-free phone number: 888.220.6121  
Our mailing address: HMS Income Fund, Inc.  
430 W. 7th Street  
Kansas City, Missouri 64105

Stockholders may also contact their financial advisor, broker, dealer, commercial bank or trust company for assistance concerning the Offer.

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*This announcement is neither an offer to purchase nor a solicitation of an offer to sell shares. The Offer is made solely by the Offer to Purchase, dated February 20, 2014, and the related Letter of Transmittal, and any amendments or supplements thereto. The Offer is not being made to, nor will tenders be accepted from or on behalf of, holders of shares of common stock in any jurisdiction in which the making or acceptance or offers to sell shares would not be in compliance with the laws of that jurisdiction.*

**HMS INCOME FUND, INC.**

**SHARE REPURCHASE TERMS**

HMS Income Fund, Inc., an externally managed, non-diversified, closed-end management investment company incorporated in Maryland (the "**Company**," "**we**," or "**us**"), is offering to purchase 66,217.23 shares of our issued and outstanding common stock (the "**Shares**") upon the terms and subject to the conditions described in the Offer to Purchase, dated February 20, 2014 (the "**Offer to Purchase**"), and the related Letter of Transmittal (the "**Letter of Transmittal**") (which together, as they may be amended and supplemented from time to time, constitute the "**Offer**"). This Offer has been approved by the Board.

THE OFFER, PRORATION PERIOD AND WITHDRAWAL RIGHTS WILL EXPIRE AT 5:00 P.M., CENTRAL TIME, ON MARCH 26, 2014, UNLESS THE OFFER IS EXTENDED.

The Offer is not conditioned upon any minimum number of Shares being tendered. The Offer is, however, subject to other conditions as set forth in the Offer to Purchase. The Offer is for cash at a purchase price of \$8.85 per Share, which is the net asset value per Share as of February 18, 2014 (the "**Purchase Price**") as determined by the pricing committee of the Board.

**NEITHER THE COMPANY, THE BOARD, HMS ADVISER LP, MAIN STREET CAPITAL CORPORATION, MSC ADVISER I, LLC NOR HINES SECURITIES, INC., MAKES ANY RECOMMENDATION TO ANY STOCKHOLDER AS TO WHETHER TO TENDER OR REFRAIN FROM TENDERING SHARES. NO PERSON HAS BEEN AUTHORIZED TO MAKE ANY RECOMMENDATION ON BEHALF OF THE COMPANY, THE BOARD, THE ADVISERS OR HINES SECURITIES, INC. AS TO WHETHER STOCKHOLDERS SHOULD TENDER OR REFRAIN FROM TENDERING SHARES PURSUANT TO THE OFFER OR TO MAKE ANY REPRESENTATION OR TO GIVE ANY INFORMATION IN CONNECTION WITH THE OFFER OTHER THAN AS CONTAINED IN THE OFFER TO PURCHASE OR IN THE LETTER OF TRANSMITTAL.**

The Company will purchase, at the Purchase Price, all Shares properly tendered and not properly withdrawn prior to the Expiration Date (as defined below), upon the terms and subject to the conditions of the Offer, including the proration provisions (as described in the Offer to Purchase). Under no circumstances will the Company pay interest on the purchase price for the Shares, regardless of any delay in making payment, nor will you be entitled to distributions on record dates that occur on or after the date that Company accepts your Shares for purchase.

The term "**Expiration Date**" means 5:00 p.m., Central Time, on March 26, 2014, unless the Company, in its sole discretion, shall have extended the period of time during which the Offer will remain open, in which event the term "Expiration Date" shall refer to the latest time and date at which the Offer, as so extended, shall expire.

For purposes of the Offer, the Company will be deemed to have accepted for payment and, therefore, purchased, Shares properly tendered (and not properly withdrawn), only when, as and if the Company gives oral or written notice to DST Systems, Inc., the depositary and transfer agent for the Offer (the "**Transfer Agent**"), of its acceptance of such Shares for payment under the Offer.

Upon the terms and subject to the conditions of the Offer, if more than 66,217.23 Shares have been properly tendered and not properly withdrawn prior to the Expiration Date, the Company will purchase properly tendered Shares on a pro-rata basis (with appropriate adjustments to avoid purchases of fractional Shares) from all stockholders who properly tender Shares and do not properly withdraw them before the Expiration Date.

We expressly reserve the right, in our sole discretion, at any time and from time to time, to extend the period of time during which the Offer is open and thereby delay acceptance for payment of, and payment for, any Shares by giving oral or written notice of such extension to the Transfer Agent and making a public announcement thereof no later than 9:00 a.m.,

Eastern Time, on the next business day after the last previously scheduled or announced Expiration Date. During any such extension, all Shares previously tendered and not properly withdrawn will remain subject to the Offer and to the right of a tendering stockholder to withdraw such stockholder's Shares. The Company also expressly reserves the right to terminate the Offer, as described in the Offer to Purchase. Subject to compliance with applicable law, the Company further reserves the right, regardless of whether any of the circumstances described in the Offer to Purchase shall have occurred or shall be deemed by the Company to have occurred, to amend the Offer in any respect, including, without limitation, by increasing or decreasing the consideration offered. The Company will announce any such termination or amendment to the Offer by making a public announcement of the termination or amendment in accordance with applicable law. Without limiting the manner in which the Company may choose to make a public announcement, except as required by applicable law (including Rule 13e-4 under the Exchange Act), the Company shall have no obligation to publish, advertise or otherwise communicate any such public announcement other than by making a release through PRWeb, Marketwire or another comparable service.

Generally, the receipt of cash from the Company in exchange for a stockholder's Shares will be a taxable event for the stockholder for U.S. federal income tax purposes. The receipt of cash for a stockholder's Shares generally will be treated for U.S. federal income tax purposes either as (1) a sale or exchange of the Shares or (2) a distribution in respect of stock from the Company. The Transfer Agent (or other applicable withholding agent) may be required to withhold U.S. federal taxes on the gross proceeds of the Offer paid to a non-U.S. stockholder. For additional information, see Section 13 of the Offer to Purchase. Each stockholder is urged to consult his, her or its own tax advisor to determine the particular tax consequences to him, her or it of the Offer, including the applicability and effect of federal, state, local and foreign tax laws.

To prevent the potential imposition of U.S. federal backup withholding on the gross payments made pursuant to the Offer, prior to receiving such payments, each stockholder accepting the Offer who has not previously submitted to the Company a correct, completed and signed Internal Revenue Service ("**IRS**") Form W-9 or substituted Form W-9 (included with the original subscription) (for U.S. stockholders) or IRS Form W-8BEN, IRS Form W-8IMY, IRS Form W-8ECI, or other applicable form (for non-U.S. stockholders), or otherwise established an exemption from such withholding, must submit the appropriate form to the Company.

Tenders of Shares under the Offer are irrevocable, except that such Shares may be withdrawn at any time prior to the Expiration Date, and, unless previously accepted for payment by the Company under the Offer, may also be withdrawn at any time after April 16, 2014. For such withdrawal to be effective, the Transfer Agent must timely receive a written, telegraphic or facsimile transmission notice of withdrawal at the respective addresses or facsimile number specified for such manner of delivery set forth on the notice of withdrawal. Any such notice of withdrawal must specify the name of the tendering stockholder, the number of Shares to be withdrawn and the name of the registered holder of such Shares. If Shares have been tendered pursuant to the procedure for book-entry transfer set forth in the Offer to Purchase, any notice of withdrawal also must specify the name and the number of the account at the book-entry transfer facility to be credited with the withdrawn Shares and must otherwise comply with such book-entry transfer facility's procedures.

The Company will determine, in its sole discretion, all questions as to the form and validity of any notice of withdrawal, including the time of receipt, and such determination will be final and binding, subject to a stockholder's right to challenge the Company's determination in a court of competent jurisdiction. DST Systems, Inc., as administrator for the Company, will not be under any duty to give notification of any defects or irregularities in any tender or notice of withdrawal or incur any liability for failure to give any such notification.

The information required to be disclosed by Rule 13e-4(d)(1) under the Exchange Act is contained in the Offer to Purchase and is incorporated herein by reference.

The purpose of the Offer is to provide limited liquidity to our stockholders, because there is otherwise no public market for the Shares. Under our share repurchase program, we plan to conduct quarterly tender offers for the lesser of approximately 2.5% per quarter of our weighted average number of outstanding Shares for the trailing four quarters or the number of shares we can repurchase with the proceeds we receive from the sale of shares of our common stock under our distribution reinvestment plan during any calendar year. We will repurchase tendered Shares at a price equal to the net asset value per share, as determined within 48 hours prior to the date of dissemination of the applicable offer to purchase, subject to weekends and holidays. We anticipate that offers to purchase shares will be disseminated during the second month of the quarter, and each offer to purchase shares will expire in the third month of the quarter and shares tendered will be purchased on the last business day of each calendar quarter, unless otherwise determined by the Board.

Our repurchase program recognizes that our Shares are not listed on a national securities exchange and have limited liquidity prior to the occurrence of a "liquidity event." 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 on a national

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securities exchange, or (3) a merger or another transaction approved by the Board in which our stockholders will receive cash or shares of a publicly traded company. While our intention is to seek to explore a potential liquidity event between four and six years following the completion of our offering period, there can be no assurance that a suitable transaction will be available or that market conditions for a liquidity event will be favorable during that timeframe. In making a determination of what type of liquidity event is in our best interest, the Board, including our independent directors, may consider a variety of criteria, including, but not limited to, 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 securities, internal management considerations and the potential for stockholder liquidity.



**OFFER TO PURCHASE 66,217.23 SHARES OF COMMON STOCK FOR CASH  
AT A PURCHASE PRICE OF \$8.85 PER SHARE**

**THE OFFER WILL EXPIRE AND THE LETTER OF TRANSMITTAL MUST BE RECEIVED BY  
HMS INCOME FUND, INC. BY 5:00 P.M., CENTRAL TIME, ON MARCH 26, 2014, UNLESS THE OFFER IS EXTENDED.**

To the Stockholders of HMS Income Fund, Inc.:

HMS Income Fund, Inc., an externally managed, non-diversified, closed-end management investment company incorporated in Maryland (the "*Company*," "*we*," or "*us*"), is offering to purchase 66,217.23 shares of our issued and outstanding common stock, \$0.001 par value per share (the "*Shares*"). The purpose of the offer is to provide our stockholders ("*Stockholders*") with limited liquidity because there is otherwise no public market for the Shares. See Section 2 below. The offer is for cash at a purchase price of \$8.85 per Share, which is the net asset value per Share as of February 18, 2014 (the "*Purchase Price*") as determined by the pricing committee of the Company's Board of Directors (the "*Board*"), and is made upon the terms and subject to the conditions set forth in this Offer to Purchase and the related Letter of Transmittal (which, together with any amendments or supplements thereto, collectively constitute the "*Offer*"). The Offer will expire at 5:00 p.m., Central Time, on March 26, 2014 (the "*Expiration Date*"), unless extended.

**THE OFFER IS NOT CONDITIONED ON ANY MINIMUM NUMBER OF SHARES BEING TENDERED. THE OFFER IS, HOWEVER, SUBJECT TO OTHER CONDITIONS. SEE SECTION 3 BELOW.**

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## IMPORTANT INFORMATION

Stockholders who desire to tender their Shares should either: (i) properly complete and sign the Letter of Transmittal, provide thereon the original of any required signature guarantee(s) and mail or deliver it and any other documents required by the Letter of Transmittal; or (ii) request their broker, dealer, commercial bank, trust company or other nominee to effect the transaction on their behalf. Stockholders who desire to tender Shares registered in the name of such a firm must contact that firm to effect a tender on their behalf. Tendering Stockholders will not be obligated to pay brokerage commissions in connection with their tender of Shares, but they may be charged a fee by such a firm for processing the tender(s). The Company reserves the absolute right to reject tenders determined not to be in appropriate form.

**IF YOU DO NOT WISH TO TENDER YOUR SHARES, YOU NEED NOT TAKE ANY ACTION.**

**NEITHER THE COMPANY, THE BOARD, HMS ADVISER LP (“HMS ADVISER”), MAIN STREET CAPITAL CORPORATION (“MAIN STREET”), MSC ADVISER I, LLC, A WHOLLY OWNED SUBSIDIARY OF MAIN STREET (“MSC ADVISER I”) AND, TOGETHER WITH MAIN STREET AND HMS ADVISER, THE “ADVISERS”) NOR HINES SECURITIES, INC., MAKES ANY RECOMMENDATION TO ANY STOCKHOLDER AS TO WHETHER TO TENDER OR REFRAIN FROM TENDERING SHARES. NO PERSON HAS BEEN AUTHORIZED TO MAKE ANY RECOMMENDATION ON BEHALF OF THE COMPANY, THE BOARD, THE ADVISERS OR HINES SECURITIES, INC., AS TO WHETHER STOCKHOLDERS SHOULD TENDER OR REFRAIN FROM TENDERING SHARES PURSUANT TO THE OFFER OR TO MAKE ANY REPRESENTATION OR TO GIVE ANY INFORMATION IN CONNECTION WITH THE OFFER OTHER THAN AS CONTAINED HEREIN OR IN THE ACCOMPANYING LETTER OF TRANSMITTAL. IF MADE OR GIVEN, ANY SUCH RECOMMENDATION, REPRESENTATION OR INFORMATION MUST NOT BE RELIED UPON AS HAVING BEEN AUTHORIZED BY THE COMPANY, THE BOARD, THE ADVISERS OR HINES SECURITIES, INC. STOCKHOLDERS ARE URGED TO EVALUATE CAREFULLY ALL INFORMATION IN THE OFFER, CONSULT THEIR OWN INVESTMENT AND TAX ADVISORS AND MAKE THEIR OWN DECISIONS WHETHER TO TENDER OR REFRAIN FROM TENDERING THEIR SHARES.**

Neither the Securities and Exchange Commission (the “SEC”) nor any state securities commission nor any other regulatory authority has approved or disapproved of these transactions or determined if the information contained herein is truthful or complete. Any representation to the contrary is a criminal offense.

*The Offer does not constitute an offer to buy or the solicitation of an offer to sell securities in any circumstances or jurisdiction in which such offer or solicitation is unlawful. The delivery of the materials pertaining to the Offer shall not under any circumstances create any implication that the information contained therein is current as of any time subsequent to the date of such information.*

**The Date of this Offer to Purchase is February 20, 2014.**

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## SUMMARY TERM SHEET

*(Section references are to this Offer to Purchase)*

This Summary Term Sheet highlights the material information concerning the Offer. For a more complete discussion of the terms and conditions of the Offer, you should read carefully the entire Offer to Purchase and the related Letter of Transmittal.

### **What is the Offer?**

- We are offering to purchase up to 59,354.49 Shares. The Offer is for cash at a purchase price of \$8.85 per Share, which is the net asset value per Share as of February 18, 2014 as determined by the pricing committee of the Board, upon the terms and subject to the conditions set forth in this Offer to Purchase and the related Letter of Transmittal.

### **Why is the Company making the tender offer?**

- The Offer is designed to provide limited liquidity to Stockholders, for which there is otherwise no current public market. Under our share repurchase program, we plan to conduct quarterly tender offers for the lesser of approximately 2.5% per quarter of our weighted average number of outstanding Shares for the trailing four quarters or the number of shares we can repurchase with the proceeds we receive from the sale of shares of our common stock under our distribution reinvestment plan during any calendar year.

### **When will the Offer expire, and may the Offer be extended?**

- The Offer will expire at 5:00 p.m., Central Time, on March 26, 2014, unless extended. The Company may extend the period of time the Offer will be open by issuing a press release or making some other public announcement by no later than 9:00 a.m., Eastern Time, on the next business day after the Offer otherwise would have expired. See Section 14 below.

### **Are there conditions to the Offer?**

- Yes. If the amount of repurchase requests exceeds the number of Shares we seek to repurchase, we will repurchase Shares on a pro rata basis. See Section 3 below for a more complete description of the conditions to the Offer.

### **How do I tender my Shares?**

- If your Shares are registered in your name, you should obtain the Offer, which consists of the Offer to Purchase, the related Letter of Transmittal and any amendments or supplements thereto, read the materials, and if you should decide to tender, complete a Letter of Transmittal and submit any other documents required by the Letter of Transmittal. These materials must be received by the Company at the address listed in Section 4 of this Offer to Purchase, in proper form, before 5:00 p.m., Central Time, on March 26, 2014 (unless the Offer is extended by the Company, in which case the new deadline will be as stated in the public announcement of the extension). If your Shares are custodial held or broker controlled, approval signoff is required from the third party. The Letter of Transmittal must be signed by the third party. See Section 4 below.

### **Is there any cost to me to tender?**

- There is no cost charged by the Company in connection with the Offer. Your broker, dealer, commercial bank, trust company or other nominee may charge you fees according to its individual policies. See the Letter of Transmittal.

### **May I withdraw my Shares after I have tendered them and, if so, by when?**

- Yes, you may withdraw your Shares at any time prior to the expiration of the Offer (including any extension period) by submitting a Notice of Withdrawal to the Company at the address listed in Section 4 of this Offer to Purchase. In addition, you may withdraw your tendered Shares any time after April 17, 2014 (which is 40 business days after the commencement of the Offer) if they have not been accepted for payment by that date. See Section 5 below for more details.

### **How do I withdraw tendered Shares?**

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- A Notice of Withdrawal of tendered Shares must be timely received by the Company specifying the name of the Stockholder who tendered the Shares, the number of Shares being withdrawn and other information. See Section 5 below and the Form of Notice of Withdrawal which accompanies the Offer.

**If I change my mind after tendering my Shares and it is past the Expiration Date, and I have received payment for my tendered Shares may I rescind my tender?**

- No.

**May I place any conditions on my tender of Shares?**

- No.

**Who may sign on my behalf?**

- Only the holder of record as registered on the account or an authorized power of attorney. If a power of attorney signs on behalf of the holder of record, the document evidencing the power must accompany the Letter of Transmittal and must be dated or recertified within one year.

**Is there a limit on the number of Shares I may tender?**

- You may tender all of the Shares you own as of the Expiration Date of the Offer. However, we are limiting the aggregate number of Shares to be repurchased from all Stockholders to 66,217.23. See Section 1 below.

**What if more than the amount of Shares offered for repurchase are tendered (and not timely withdrawn)?**

- The Company will purchase duly tendered Shares from tendering Stockholders pursuant to the terms and conditions of the Offer on a pro rata basis in accordance with the number of Shares tendered by each Stockholder (and not timely withdrawn).

**If I decide not to tender, how will the Offer affect the Shares I hold?**

- If any Shares are tendered by Stockholders (and not timely withdrawn), and the Company does not issue any additional shares, your percentage ownership interest in the Company will increase after completion of the Offer. See Section 10 below.

**Does the Company have the financial resources to make payment for Shares accepted in the Offer?**

- Yes. See Section 7 below.

**If Shares I tender are accepted by the Company, when will payment be made?**

- Payment for properly tendered Shares (not timely withdrawn) will be made as promptly as practicable following expiration of the Offer. See Section 6 below.

**Is my sale of Shares pursuant to the Offer a taxable transaction?**

- We anticipate U.S. Stockholders, other than those who are tax-exempt, who sell Shares in the Offer will recognize gain or loss for U.S. federal income tax purposes equal to the difference between the cash they receive for the Shares sold and their adjusted tax basis in such Shares. Shortly after the end of the calendar year, most taxpayers who sell their Shares will receive an IRS Form 1099-B which will also be provided to the Internal Revenue Service (the “*IRS*”). See Section 13 below for details, including the nature of the income or loss and the possibility of other tax treatment. Section 13 also discusses the treatment of Non-U.S. Stockholders. You are urged to consult your own tax advisor regarding the tax consequences to you of any sale of Shares pursuant to the Offer.

**Is the Company required to complete the Offer and purchase all Shares tendered, assuming the total Shares tendered are less than the total Shares offered?**

- Under most circumstances, yes. There are certain circumstances, however, in which the Company will not be required to purchase any Shares tendered, as described in Section 3 below.
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**Is there any reason Shares tendered would not be accepted?**

- In addition to those circumstances described in Section 3 below under which the Company is not required to accept tendered Shares, the Company has reserved the right to reject any and all tenders determined by it not to be in appropriate form. If a properly completed tender is not timely submitted prior to the Expiration Date, an investor must subsequently submit new tender documentation during the next offer period in order for his or her shares to be repurchased during that period.

**How will tendered Shares be accepted for payment?**

- Properly tendered Shares will be accepted for payment by the Company promptly following expiration of the Offer. See Section 6 below.

**What action need I take if I decide not to tender my Shares?**

- None.

**Does management encourage Stockholders to participate in the Offer, and will they participate in the Offer?**

- Neither the Company, nor the Board nor any of the Advisers, nor Hines Securities, Inc. is making any recommendation to tender or not to tender Shares in the Offer. Based upon information provided or available to us, none of our directors, officers or affiliates intends to tender Shares pursuant to the Offer. The Offer does not, however, restrict the purchase of Shares pursuant to the Offer from any such person. See Section 9 below.

**How do I obtain information?**

- Questions and requests for assistance or requests for additional copies of the Offer to Purchase, the Letter of Transmittal and all other Offer documents should be directed to the Company as follows.

Our website: [www.hinessecurities.com/bdcs/hms-income-fund/](http://www.hinessecurities.com/bdcs/hms-income-fund/)

Our toll-free phone number: 888.220.6121

Our mailing address: HMS Income Fund, Inc.  
430 W. 7th Street  
Kansas City, Missouri 64105

Stockholders may also contact their broker, dealer, commercial bank or trust company for assistance concerning the Offer.

The properly completed Letter of Transmittal should be sent to the Company at the following address:

HMS Income Fund, Inc.  
430 W. 7th Street  
Kansas City, Missouri 64105  
Phone: 888.220.6121

**1. Purchase Price; Number of Shares; Expiration Date.**

We are offering to purchase 66,217.23 Shares. The purpose of the Offer is to provide Stockholders with limited liquidity because there is otherwise no public market for the Shares. See Section 2 below. The Offer is for cash at a purchase price of \$8.85 per Share, which is the net asset value per Share as of February 18, 2014 as determined by the pricing committee of the Board, and is made upon the terms and subject to the conditions set forth in this Offer to Purchase and the related Letter of Transmittal. You will not receive interest on the Purchase Price under any circumstances, and you will not be entitled to any distributions on declared distribution record dates that occur on or after the date that Company has accepted your Shares for purchase.

If more than the number of Shares offered for repurchase are duly tendered pursuant to the Offer (and not timely withdrawn, as provided in Section 5 below), we will repurchase Shares on a pro rata basis, in accordance with the number of Shares duly

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tendered by or on behalf of each Stockholder (and not so withdrawn). As a result, we may repurchase less than the full amount of Shares that you request to have repurchased.

As of February 18, 2014, there were 7,530,746.68 Shares issued and outstanding, and there were 1,512 holders of record of Shares. Certain of these holders of record were brokers, dealers, commercial banks and trust companies.

The Offer will remain open until 5:00 p.m., Central Time, on March 26, 2014, unless and until we, in our discretion, extend the period of time during which the Offer will remain open. If we extend the period of time during which the Offer remains open, the term "Expiration Date" will refer to the latest time and date at which the Offer expires. See Section 14 below for a description of our rights to extend, delay, terminate and/or amend the Offer.

We will publish a notice to all Stockholders by means of a public press release or some other public announcement, if we decide to extend, terminate, supplement or amend the terms of the Offer. If the Offer is scheduled to expire within ten (10) business days from the date we notify you of a significant amendment to the Offer, we also intend to extend the Offer, if necessary, to ensure that the Offer remains open for at least ten (10) business days after the date we publish notice of the amendment.

A "business day" means any day other than a Saturday, Sunday or federal holiday and consists of the time period from 12:01 a.m. through midnight, Eastern Time.

In the judgment of the Board, including the independent directors, the Offer is in the best interests of our Stockholders and does not violate applicable law. Under the Maryland General Corporation Law, a Maryland corporation may not make a distribution to Stockholders, including pursuant to our share 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.

The Board also considered 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.

The Board has approved the Offer. The Board recognizes that the decision to accept or reject the Offer is an individual one that should be based on a variety of factors, and Stockholders should consult with their personal advisors if they have questions about their financial and/or tax situations. As a result, we are not expressing any opinion as to whether a Stockholder should accept or reject the Offer.

## **2. Purpose of the Offer; Plans or Proposals of the Company.**

The purpose of the Offer is to provide limited liquidity to our Stockholders because there is otherwise no public market for the Shares. Under our share repurchase program, we plan to conduct quarterly tender offers for the lesser of approximately 2.5% per quarter of our weighted average number of outstanding Shares for the trailing four quarters or the number of shares we can repurchase with the proceeds we receive from the sale of shares of our common stock under our distribution reinvestment plan during any calendar year. We will repurchase tendered Shares to allow our Stockholders to receive a purchase price of \$8.85 per Share, which is the net asset value per Share as of February 18, 2014 as determined by the pricing committee of the Board. Our repurchase program recognizes that our Shares are not listed on a national securities exchange and have limited liquidity prior to the occurrence of a "liquidity event." 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 on a national securities exchange, or (3) a merger or another transaction approved by our Board in which our Stockholders will receive cash or shares of a publicly traded company. While our intention is to seek to explore a potential liquidity event between four and six years following the completion of our offering period, there can be no assurance that a suitable transaction will be available or that market conditions for a liquidity event will be favorable during that timeframe. In making a determination of what type of liquidity event is in our best interest, our Board, including our independent directors, may consider a variety of criteria, including, but not limited to, portfolio diversification, portfolio performance, our financial condition, potential access to capital

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as a listed company, market conditions for the sale of our assets or listing of our securities, internal management considerations and the potential for Stockholder liquidity.

At the sole discretion of our Board, we may use cash on hand, cash available from borrowings and cash from liquidation of investments as of the end of the applicable period to repurchase Shares.

We do not have any present plans or proposals and are not engaged in any negotiations that relate to or would result in (i) any extraordinary transaction, such as a merger, reorganization or liquidation, involving the Company or any of its subsidiaries; (ii) other than in connection with transactions in the ordinary course of the Company's operations and for purposes of funding the Offer, any purchase, sale or transfer of a material amount of assets of the Company or any of its subsidiaries; (iii) any material change in the Company's present dividend rate or policy, or indebtedness or capitalization of the Company; (iv) any change in the present Board or management of the Company, including, but not limited to, any plans or proposals to change the number or the term of directors or to fill any existing vacancies on the Board or to change any material term of the employment contract of any executive officer; (v) any other material change in the Company's corporate structure or business, including any plans or proposals to make any changes in the Company's investment policy for which a vote would be required by Section 13 of the Investment Company Act of 1940, as amended (the "*1940 Act*"); (vi) any class of equity securities of the Company becoming eligible for termination of registration pursuant to Section 12(g)(4) of the Securities Exchange Act of 1934, as amended (the "*Exchange Act*"); (vii) the suspension of the Company's obligation to file reports pursuant to Section 15(d) of the Exchange Act; (viii) other than in connection with transactions in the ordinary course of the Company's operations, the acquisition by any person of additional securities of the Company, or the disposition of securities of the Company; or (ix) any changes in the Company's charter, bylaws or other governing instruments or other actions that could impede the acquisition of control of the Company.

### **3. Certain Conditions of the Offer.**

Notwithstanding any other provision of the Offer, we will not be required to purchase any Shares tendered pursuant to the Offer if such purchase will cause us to be in violation of the securities, commodities or other laws of the United States or any other relevant jurisdiction. Further, we will not be required to purchase any Shares tendered in the Offer if there is any (i) material legal action or proceeding instituted or threatened which challenges, in the Board's judgment, the Offer or otherwise materially adversely affects the Company, (ii) declaration of a banking moratorium by federal, state or foreign authorities or any suspension of payment by banks in the United States, New York State or in a foreign country which is material to the Company, (iii) limitation which affects the Company or the issuers of its portfolio securities imposed by federal, state or foreign authorities on the extension of credit by lending institutions or on the exchange of foreign currencies, (iv) commencement of war, armed hostilities or other international or national calamity directly or indirectly involving the United States or any foreign country that is material to the Company, or (v) other event or condition that, in the Board's judgment, would have a material adverse effect on the Company or its Stockholders if Shares tendered pursuant to the Offer were purchased.

The foregoing conditions are for our sole benefit and may be asserted by us regardless of the circumstances giving rise to any such condition, and any such condition may be waived by us, in whole or in part, at any time and from time to time in our reasonable judgment. Our failure at any time to exercise any of the foregoing rights shall not be deemed a waiver of any such right; the waiver of any such right with respect to particular facts and circumstances shall not be deemed a waiver with respect to any other facts or circumstances; and each such right shall be deemed an ongoing right which may be asserted at any time and from time to time; provided that any such waiver shall apply to all tenders of Shares. Any determination by us concerning the events described in this Section 3 shall be final and binding.

We reserve the right, at any time during the pendency of the Offer, to amend, extend or terminate the Offer in any respect. See Section 14 below.

### **4. Procedures for Tendering Shares.**

Participation in the Offer is voluntary. If you elect not to participate in the Offer, your Shares will remain outstanding. To participate in the Offer, you must complete and deliver the accompanying Letter of Transmittal to us at:

HMS Income Fund, Inc.  
430 W. 7th Street  
Kansas City, Missouri 64105  
Phone: 888.220.6121

The Letter of Transmittal must be received by us at the address above before 5:00 p.m., Central Time, on the Expiration Date.

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*a. Proper Tender of Shares and Method of Delivery.* For Shares to be properly tendered pursuant to the Offer, a properly completed and duly executed Letter of Transmittal bearing original signature(s) for all Shares to be tendered and any other documents required by the Letter of Transmittal must be physically received by us at the address listed above before 5:00 p.m., Central Time, on the Expiration Date. These materials may be sent via mail, courier or personal delivery. If your Shares are custodial held or broker controlled, approval signoff is required from the third party. The Letter of Transmittal must be signed by the third party.

**THE METHOD OF DELIVERY OF THE LETTER OF TRANSMITTAL AND ANY OTHER REQUIRED DOCUMENTS IS AT THE OPTION AND SOLE RISK OF THE TENDERING STOCKHOLDER. IF DOCUMENTS ARE SENT BY MAIL, REGISTERED MAIL WITH RETURN RECEIPT REQUESTED, PROPERLY INSURED, IS RECOMMENDED.**

Stockholders have the responsibility to cause their Shares to be tendered, the Letter of Transmittal properly completed and bearing original signature(s) and the original of any required signature guarantee(s), and any other documents required by the Letter of Transmittal, to be timely delivered. Timely delivery is a condition precedent to acceptance of Shares for purchase pursuant to the Offer and to payment of the purchase amount.

*b. Determination of Validity.* All questions as to the validity, form, eligibility (including time of receipt) and acceptance of tenders will be determined by us, in our sole discretion, which determination shall be final and binding. We reserve the absolute right to reject any or all tenders determined not to be in appropriate form or to refuse to accept for payment, purchase, or pay for, any Shares if accepting, purchasing or paying for such Shares would be unlawful. We also reserve the absolute right to waive any of the conditions of the Offer or any defect in any tender, whether generally or with respect to any particular Share(s) or Stockholder(s). Our interpretations, in consultation with our counsel, of the terms and conditions of the Offer shall be final and binding.

**DST SYSTEMS, INC., AS ADMINISTRATOR FOR THE COMPANY, WILL NOT BE OBLIGATED TO GIVE ANY NOTICE OF ANY DEFECT OR IRREGULARITY IN ANY TENDER, AND WILL NOT INCUR ANY LIABILITY FOR FAILURE TO GIVE ANY SUCH NOTICE.**

*c. United States Federal Backup Withholding.* Each Stockholder accepting the Offer who has not previously submitted to the Company a correct, completed and signed IRS Form W-9 ("**Form W-9**") or substituted IRS Form W-9 (included with the original subscription) (for U.S. Stockholders) or IRS Form W-8BEN ("**Form W-8BEN**"), IRS Form W-8IMY ("**Form W-8IMY**"), IRS Form W-8ECI ("**Form W-8ECT**"), or other applicable form (for Non-U.S. Stockholders), or otherwise established an exemption from such withholding, must submit the appropriate form to the Company. This form requirement is intended to prevent the potential imposition of U.S. federal backup withholding tax on the gross payments made pursuant to the Offer, prior to receiving such payments. See Section 13 below.

For this purpose, a "U.S. Stockholder" is, in general, a Stockholder that is (i) a citizen or resident of the United States, (ii) a corporation, partnership or other entity created or organized in or under the laws of the United States or any political subdivision thereof, (iii) an estate the income of which is subject to United States federal income taxation regardless of the source of such income or (iv) a trust if (A) a court within the United States is able to exercise primary supervision over the administration of the trust and (B) one or more U.S. persons have the authority to control all substantial decisions of the trust. A "Non-U.S. Stockholder" is any Stockholder other than a U.S. Stockholder.

#### **5. Withdrawal Rights.**

At any time prior to 5:00 p.m., Central Time, on the Expiration Date, and, if the Shares have not by then been accepted for payment by us, at any time April 17, 2014 (which is 40 business days after the commencement of the Offer), any Stockholder may withdraw any number of the Shares that the Stockholder has tendered. To be effective, a written notice of withdrawal of Shares tendered must be timely received by us via mail, courier, facsimile or personal delivery at the address listed in Section 4 of this Offer to Purchase. Any notice of withdrawal must be substantially in the form that accompanies the Offer and specify the name(s) of the person having tendered the Shares to be withdrawn and the number of Shares to be withdrawn.

All questions as to the validity, form and eligibility (including time of receipt) of notices of withdrawal will be determined by us in our sole discretion, which determination shall be final and binding. Shares properly withdrawn will not thereafter be deemed to be tendered for purposes of the Offer. Withdrawn Shares, however, may be re-tendered by following the procedures described in Section 4 above prior to 5:00 p.m., Central Time, on the Expiration Date.

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## **6. Payment for Shares.**

Our acceptance of your Shares will form a binding agreement between you and the Company on the terms and subject to the conditions of the Offer. We will have accepted for payment Shares validly submitted for purchase and not timely withdrawn, when we give oral or written notice to DST Systems, Inc., our transfer agent (the "**Transfer Agent**"), of our acceptance for payment of such Shares pursuant to the Offer. The Purchase Price will be \$8.85 per Share, which is the net asset value per Share as of February 18, 2014 as determined by the pricing committee of the Board. You will not receive interest on the Purchase Price under any circumstances.

In all cases, payment for Shares purchased pursuant to the Offer will be made only after timely receipt by us of: (i) a Letter of Transmittal properly completed and (ii) any other documents required by the Letter of Transmittal. Stockholders may be charged a fee by their broker, dealer or other institution for processing the tender requested. We may not be obligated to purchase Shares pursuant to the Offer under certain conditions. See Section 3 above.

Any tendering Stockholder or other payee who has not previously submitted a correct, completed and signed Form W-9, Form W-8BEN, Form W-8IMY, Form W-8ECI or other appropriate form, as necessary, and who fails to complete fully and sign either the Substitute Form W-9 in the Letter of Transmittal or other appropriate form (e.g., Form W-8BEN, Form W-8IMY or Form W-8ECI) and provide such properly completed form to us may be subject to federal backup withholding tax on the gross proceeds paid to such Stockholder or other payee pursuant to the Offer. See Section 13 regarding this tax as well as possible withholding on the gross proceeds payable to tendering Non-U.S. Stockholders.

## **7. Source and Amount of Funds.**

The total cost to us of purchasing a maximum of 66,217.23 of our issued and outstanding Shares pursuant to the Offer, at a Purchase Price of \$8.85 per Share, which is our net asset value per Share as of February 18, 2014, would be \$586,022.49. As discussed in Section 1, we are limiting the aggregate number of Shares to be repurchased to 66,217.23 Shares. The actual number of Shares that will be repurchased and, therefore, our total cost of purchasing Shares pursuant to the Offer, is not determinable at this time. Unless our board of directors determines otherwise, for the purposes of this Tender Offer, we will limit the repurchase of shares to proceeds we receive from the sale of shares of our common stock under our distribution reinvestment plan during this calendar year. At the sole discretion of our board of directors, we may also use cash on hand, cash available from borrowings and cash from liquidation of investments as of the end of the applicable period to repurchase shares.

## **8. Financial Statements.**

Financial statements have not been included herein because the consideration offered to Stockholders consists solely of cash; the Offer is not subject to any financing condition; and the Company is a public reporting company under Section 13(a) of the Exchange Act and files its reports electronically on the EDGAR system.

Information about the Company and reports filed with the SEC can be viewed and copied at the SEC's Public Reference Room in Washington, DC. Information about the Reference Room's operations may be obtained by calling the SEC at (202) 551-8090. Reports and other information about the Company are available on the EDGAR Database on the SEC's Internet site ([www.sec.gov](http://www.sec.gov)), and copies of this information may be obtained, after paying a duplicating fee, by electronic request at the following E-mail address: [publicinfo@sec.gov](mailto:publicinfo@sec.gov), or by writing the Public Reference Section of the SEC, 100 F Street, N.E., Washington, DC 20549.

## **9. Interest of Directors, Executive Officers and Certain Related Persons; Transactions and Arrangements Concerning the Shares.**

As of the date hereof, HMS Investor LLC is a beneficial owner of more than 5% of our outstanding Shares, as determined in accordance with Rule 13d-3 under the Exchange Act. The following table sets forth information with respect to the beneficial ownership of our Shares as of February 18, 2014, by (1) HMS Investor LLC, (2) our directors, (3) our executive officers and (4) all of our directors and executive officers as a group. Except as otherwise indicated, all shares are owned directly, and the owner of such shares has the sole voting and investment power with respect thereto.

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| Name and Address(1)   | Shares Beneficially Owned as of<br>February 18, 2014 |               |
|---|--|---------------|
|   | Number(2)  | Percentage(3) |
| <b>5% Stockholders:</b>                                     |  |               |
| HMS Investor LLC(4)   | 861,323.81   | 11.44%        |
| <b>Interested Directors:</b>                                |  |               |
| Charles N. Hazen  | —  | —             |
| Curtis L. Hartman(5)  | —  | —             |
| <b>Independent Directors:</b>                               |  |               |
| Peter Shaper  | —  | —             |
| John O. Niemann, Jr.  | —  | —             |
| Gregory R. Geib   | —  | —             |
| <b>Officers (that are not directors)</b>                    |  |               |
| Sherri W. Schugart  | —  | —             |
| Ryan T. Sims  | —  | —             |
| Susan Dudley  | 2,702.82   | *             |
| Margaret Fitzgerald   | —  | —             |
| <b>All officers and directors as a group (nine persons)</b> | <b>2,702.82</b>                                      | <b>*</b>      |

\* Amount represents less than 1%

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

(2)For purposes of this table, “beneficial ownership” is determined in accordance with Rule 13d-3 under Exchange Act pursuant to which a person is deemed to have “beneficial ownership” of shares of our stock that the person has the right to acquire within 60 days. For purposes of computing the percentage of outstanding shares of the Company’s stock held by each person or group of persons named in the table, any shares that such person or persons have the right to acquire within 60 days of February 18, 2014 are deemed to be outstanding, but are not deemed to be outstanding for the purpose of computing the percentage ownership of any other persons.

(3)Based on a total of 7,530,746.68 shares of our Common Stock issued and outstanding on February 18, 2014.

(4)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.

(5)Mr. Hartman’s address is c/o Main Street Capital Corporation, 1300 Post Oak Boulevard, Suite 800, Houston, Texas 77056-6118.

Additionally, Main Street and an affiliate of the Company’s sponsor (the “*Hines Investor*”) 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.

Except for transactions pursuant to the distribution reinvestment plan, based upon our records and upon information provided to us, there have not been any other transactions in Shares that were effected during such period by any of our directors or executive officers, any person controlling the Company, any director or executive officer of any corporation or other person ultimately in control of the Company, any associate or minority-owned subsidiary of the Company or any executive officer or director of any subsidiary of the Company. Except as set forth in the Offer, neither we nor, to the best of our knowledge, any of the above-mentioned persons, is a party to any contract, arrangement, understanding or relationship with any other person relating, directly or indirectly, to the Offer with respect to any of our securities (including, but not limited to, any contract, arrangement, understanding or relationship concerning the transfer or the voting of any such securities, joint ventures, loan or option arrangements, puts or calls, guaranties of loans, guaranties against loss or the giving or withholding of proxies, consents or authorizations). Based upon information provided or available to us, none of our directors, officers or affiliates intends to

tender Shares pursuant to the Offer. The Offer does not, however, restrict the purchase of Shares pursuant to the Offer from any such person.

#### **10. Certain Effects of the Offer.**

The purchase of Shares pursuant to the Offer will have the effect of increasing the proportionate interest in the Company of Stockholders who do not tender Shares. All Stockholders remaining after the Offer will be subject to any increased risks associated with the reduction in the number of outstanding Shares and the reduction in the Company's assets resulting from payment for the tendered Shares. See Section 7 above. All Shares purchased by the Company pursuant to the Offer will be retired and thereafter will be authorized and unissued Shares.

#### **11. Certain Information about the Company.**

We are a non-diversified closed-end management investment company that has elected to be treated as a business development company under the 1940 Act. Formed as a Maryland corporation on November 28, 2011, we are externally managed by HMS Adviser. HMS Adviser has entered into a sub-advisory agreement with Main Street and Main Street Partners, which has been assigned such that MSC Adviser will act as our investment sub-adviser. Our Advisers are collectively responsible for sourcing potential investments, conducting due diligence on prospective investments, analyzing investment opportunities, structuring investments and monitoring our portfolio on an ongoing basis. Both of HMS Adviser and MSC Adviser are registered as investment advisers with the SEC. We intend to elect to be treated for federal income tax purposes, and intend to qualify annually thereafter, as a RIC under the Internal Revenue Code of 1986, as amended (the "*Code*").

Our primary investment objective is to generate current income through debt and equity investments. A secondary objective is to generate long-term capital appreciation through such investments. We anticipate that during our offering period we will invest a majority of the net proceeds from the offering in senior secured and second lien debt securities, issued by middle market companies in private placements and negotiated transactions, which are traded in private over-the-counter markets for institutional investors. We collectively refer to these securities as over-the-counter debt securities. We define middle market companies as those with annual revenues generally between \$10 million and \$3 billion.

As we increase our capital base during our offering period, we will continue investing in, and ultimately intend to have a significant portion of our assets invested in, customized direct secured and unsecured loans to and equity securities of lower middle market companies. We refer to these securities as customized lower middle market securities. In most cases, companies that issue customized lower middle market securities to us will be privately held at the time we invest in them. While the structure of our investments in customized lower middle market 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 qualification as a RIC.

We leverage the experience and expertise of the principals of our Advisers to execute our investment strategies. Our Adviser's senior management team, through affiliates of Hines Interests Limited Partnership ("*Hines*"), has sponsored and manages two publicly offered and non-traded real estate investment trusts which collectively have investments in aggregate gross real estate assets of approximately \$8.7 billion. Hines is a fully integrated real estate investment and management firm which, with its predecessor, has been investing in real estate assets and providing acquisition, development, financing, property management, leasing and disposition services for over 55 years. This experience includes credit evaluation and underwriting of tenants across numerous industries and geographic markets, including middle market companies. Main Street's primary investment focus is providing customized debt and equity financing to lower middle market companies and debt capital to middle market companies that operate in diverse industry sectors. As of September 30, 2013, Main Street had debt and equity portfolio investments with an aggregate fair value of \$1.0 billion, including investments in customized lower middle market securities with an aggregate fair value of approximately \$635.8 million in 62 portfolio companies and investments in over-the-counter securities with an aggregate fair value of approximately \$391.1 million in 83 portfolio companies. The principals of our Adviser and Sub-Adviser have access to a broad network of relationships with financial sponsors, commercial and investment banks, middle market companies and leaders within a number of industries that we believe will produce significant investment opportunities.

Our address is 2800 Post Oak Boulevard, Suite 5000, Houston, Texas 77056-6118.

#### **12. Additional Information.**

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Information concerning our business, including our background, strategy, business, investment portfolio, competition and personnel, as well as our financial information, is included in:

- our Annual Report on Form 10-K for the fiscal year ended December 31, 2012, as filed with the SEC on March 27, 2013;
- our Quarterly Reports on Form 10-Q for the quarters ended March 31, 2013, June 30, 2013 and September 30, 2013, as filed with the SEC on May 15, 2013, August 14, 2013 and November 13, 2013, respectively; and
- our Current Reports on Form 8-K, as filed with the SEC on January 11, 2013, March 1, 2013, March 28, 2013, April 12, 2013, June 14, 2013, June 28, 2013, August 7, 2013, August 13, 2013, August 22, 2013, September 30, 2013, November 12, 2013, November 25, 2013, December 20, 2013 and January 6, 2014; and
- our Issuer Tender Offer Statements on Schedule TO, as filed with the SEC on August 30, 2013, November 22, 2013, and February 20, 2014.

Each of the foregoing documents is incorporated by reference herein. We also hereby incorporate by reference additional documents that we may file with the SEC prior to the Expiration Date. You may inspect and copy these reports, proxy statements and other information at the Public Reference Room of the SEC at 100 F Street, N.E., Washington, D.C. 20549. You may obtain information on the operation of the Public Reference Room by calling the SEC at 1-800-SEC-0330. The SEC maintains an Internet site that contains reports, proxy and information statements and other information filed electronically by us with the SEC, which are available on the SEC's website at [www.sec.gov](http://www.sec.gov). Copies of these reports, proxy and information statements and other information may be obtained, after paying a duplicating fee, by electronic request at the following e-mail address: [publicinfo@sec.gov](mailto:publicinfo@sec.gov), or by writing the SEC's Public Reference Section, 100 F Street, N.E., Washington, D.C. 20549.

### **13. Certain United States Federal Income Tax Consequences.**

The following discussion is a general summary of certain United States federal income tax consequences of a sale of Shares pursuant to the Offer. This summary is based upon the Code, applicable Treasury regulations promulgated thereunder, rulings and administrative pronouncements and judicial decisions, changes in which could affect the tax consequences described herein and could apply on a retroactive basis. This summary addresses only Shares held as capital assets. This summary does not address all of the tax consequences that may be relevant to Stockholders in light of their particular circumstances. In addition, this summary does not address (i) any state, local or foreign tax considerations that may be relevant to a Stockholder's decision to tender Shares pursuant to the Offer; or (ii) any tax consequences to any corporation, partnership, estate, trust or other entity created or organized in or under the laws of the United States or any state thereof or the District of Columbia for U.S. federal tax purposes (or their partners, members, etc.) tendering Shares pursuant to the Offer. Stockholders should consult their own tax advisors regarding the federal, state, local and foreign tax consequences of a sale of Shares pursuant to the Offer.

a. U.S. Stockholders. The sale of Shares by a U.S. Stockholder pursuant to the Offer generally will be treated as a sale or exchange for federal income tax purposes or under certain circumstances, as a "dividend." Under Section 302(b) of the Code, a sale of Shares pursuant to the Offer generally will be treated as a "sale or exchange" if the sale: (i) results in a "complete termination" of the U.S. Stockholder's interest in the Company, (ii) is "substantially disproportionate" with respect to the U.S. Stockholder or (iii) is "not essentially equivalent to a dividend" with respect to the U.S. Stockholder. In determining whether any of these tests has been met, Shares actually owned, as well as Shares considered to be owned by the U.S. Stockholder by reason of certain constructive ownership rules set forth in Section 318 of the Code, generally must be taken into account. If any of these three tests for "sale or exchange" treatment is met, the U.S. Stockholder will recognize gain or loss equal to the difference between the amount of cash received pursuant to the Offer and the adjusted tax basis of the Shares sold. Such gain or loss generally will be a capital gain or loss and will be long-term capital gain or loss if the holding period for such Shares is more than one year. The ability to deduct capital losses is limited. Under the "wash sale" rules of the Code, recognition of a loss on Shares sold pursuant to the Offer will ordinarily be disallowed to the extent a U.S. Stockholder acquires substantially identical Shares, including Shares purchased pursuant to the Company's Distribution Reinvestment Program, within 30 days before or after the date the Shares are purchased by the Company pursuant to the Offer. In that event, the basis and holding period of the Shares acquired by the U.S. Stockholder will be adjusted to reflect the disallowed loss. Additionally, any loss realized upon a taxable disposition of Shares held for six months or less will be treated as a long-term capital loss to the extent of any capital gains dividends received by the U.S. Stockholder (or amounts credited to the U.S. Stockholder as undistributed capital gains) with respect to such Shares.

If none of the tests set forth in Section 302(b) of the Code is met, amounts received by a U.S. Stockholder who sells Shares pursuant to the Offer will be taxable to the U.S. Stockholder as a "dividend" to the extent of such U.S. Stockholder's share of the Company's current and accumulated earnings and profits, and the excess of such amounts received over the portion that is taxable as a dividend will constitute a non-taxable return of capital (to the extent of the U.S. Stockholder's adjusted tax basis in the Shares sold pursuant to the Offer). Any amounts received in excess of the U.S. Stockholder's adjusted tax basis in such case will constitute taxable gain. If the amounts received by a tendering U.S. Stockholder are treated as a "dividend," the tax basis

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(after an adjustment for non-taxable return of capital discussed above) in the Shares tendered to the Company will be transferred to any remaining Shares held by such U.S. Stockholder.

In addition, if a tender of Shares is treated as a “dividend” to a tendering U.S. Stockholder, the IRS may take the position that a constructive distribution under Section 305(c) of the Code may result to a U.S. Stockholder whose proportionate interest in the earnings and assets of the Company has been increased by such tender. U.S. Stockholders are urged to consult their own tax advisors regarding the possibility of deemed distributions resulting from the sale of Shares pursuant to the Offer.

We cannot predict whether or the extent to which the Offer will be oversubscribed. If the Offer is oversubscribed, proration of tenders pursuant to the Offer will cause us to accept fewer Shares than are tendered. Therefore, a U.S. Stockholder can be given no assurance that a sufficient number of such U.S. Stockholder’ Shares will be purchased pursuant to the Offer to ensure that such purchase will be treated as a sale or exchange, rather than as a dividend, for U.S. federal income tax purposes pursuant to the rules discussed above.

The Company may be required to withhold 28% of the gross proceeds paid to a U.S. Stockholder or other payee pursuant to the Offer as backup withholding unless the U.S. Stockholder has completed and submitted to the Company an IRS Form W-9 (or substitute IRS Form W-9), providing the U.S. Stockholder’s employer identification number or social security number, as applicable, and certifying under penalties of perjury that: (a) such number is correct; (b) either (i) the U.S. Stockholder is exempt from backup withholding, (ii) the U.S. Stockholder has not been notified by the IRS that the U.S. Stockholder is subject to backup withholding as a result of an under-reporting of interest or dividends, or (iii) the IRS has notified the U.S. Stockholder that the U.S. Stockholder is no longer subject to backup withholding; or (c) an exception applies under applicable law. Even though the Company may have received a completed IRS Form W-9 from a U.S. Stockholder, the Company may nevertheless be required to backup withhold if it receives a notice from the IRS to that effect.

b. Non-U.S. Stockholders. The U.S. federal income taxation of a Non-U.S. Stockholder on a sale of Shares pursuant to the Offer depends on whether the sale is “effectively connected” with a trade or business carried on in the U.S. by the Non-U.S. Stockholder (and if an income tax treaty applies, on whether the Non-U.S. Stockholder maintains a U.S. permanent establishment) as well as the tax characterization of the transaction as either a sale of the Shares or a dividend distribution by the Company, as discussed above for U.S. Stockholders. If the sale of Shares pursuant to the Offer is not so “effectively connected” (or, if an income tax treaty applies, the Non-U.S. Stockholder does not maintain a U.S. permanent establishment) and if, as anticipated for U.S. Stockholders, the sale is treated as a sale or exchange rather than a dividend for federal income tax purposes, any gain realized by a Non-U.S. Stockholder upon the tender of Shares pursuant to the Offer will not be subject to U.S. federal income tax or to any U.S. tax withholding; provided, however, that such a gain will be subject to U.S. federal income tax at the rate of 30% (or such lower rate as may be applicable under an income tax treaty) if the Non-U.S. Stockholder is a non-resident alien individual who is physically present in the United States for more than 182 days during the taxable year of the sale. If, however, Non-U.S. Stockholders are deemed, for the reasons described above in respect of U.S. Stockholders, to receive a dividend distribution from the Company with respect to Shares they tender, the portion of the distribution treated as a dividend (which may not include the portion of such dividend attributable to certain interest income and certain capital gain income) to the Non-U.S. Stockholder would be subject to a U.S. withholding tax at the rate of 30% (or such lower rate as may be applicable under a tax treaty) if the dividend is not effectively connected with the conduct of a trade or business in the United States by the Non-U.S. Stockholder (or, if an income tax treaty applies, the Non-U.S. Stockholder does not maintain a U.S. permanent establishment).

If the amount realized on the tender of Shares by a Non-U.S. Stockholder is effectively connected with the conduct of a trade or business in the United States by the Non-U.S. Stockholder (and, if an income tax treaty applies, the Non-U.S. Stockholder maintains a U.S. permanent establishment), regardless of whether the tender is characterized as a sale or as giving rise to a dividend distribution from the Company for U.S. federal income tax purposes, the transaction will be treated and taxed in the same manner as if the Shares involved were tendered by a U.S. Stockholder.

Any dividends received by a corporate Non-U.S. Stockholder that are effectively connected with a U.S. trade or business in which the corporate Stockholder is engaged (and if an income tax treaty applies, are attributable to a permanent establishment maintained by the corporate Non-U.S. Stockholder) also may be subject to an additional branch profits tax at a 30% rate, or lower applicable treaty rate.

Non-U.S. Stockholders should provide the Company with a properly completed IRS Form W-8BEN, IRS Form W-8IMY, IRS Form W-8ECI or other applicable form in order to avoid backup withholding (at a rate of 28%) on the cash they receive from the Company regardless of how they are taxed with respect to their tender of the Shares involved.

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United States IRS Circular 230 Notice: To ensure compliance with IRS Circular 230, Stockholders are hereby notified that: (a) any discussion of U.S. federal tax issues contained or referred to in this Offer to Purchase or any document referred to herein is not intended or written to be used, and cannot be used by Stockholders for the purpose of avoiding penalties that may be imposed on them under the Code; (b) such discussion is written for use in connection with the promotion or marketing of the transactions or matters addressed herein; and (c) Stockholders should seek advice based on their particular circumstances from an independent tax advisor.

The tax discussion set forth above is included for general information only. Each Stockholder is urged to consult such Stockholder's own tax advisor to determine the particular tax consequences to such Stockholder of the Offer, including the applicability and effect of federal, state, local and foreign tax laws.

#### **14. Amendments; Extension of Tender Period; Termination.**

We reserve the right, at any time during the pendency of the Offer, to amend, supplement, extend or terminate the Offer in any respect. Without limiting the manner in which we may choose to make a public announcement of such an amendment, supplement, extension or termination, we shall have no obligation to publish, advertise or otherwise communicate any such public announcement, except as provided by applicable law (including Rules 14e-1(d) and 13e-4(e)(3) promulgated under the Exchange Act).

We may extend the period of time the Offer will be open by issuing a press release or making some other public announcement by no later than 9:00 a.m., Eastern Time, on the next business day after the Offer otherwise would have expired. Except to the extent required by applicable law (including Rule 13e-4(f)(1) promulgated under the Exchange Act), we will have no obligation to extend the Offer.

#### **15. Forward Looking Statements; Miscellaneous.**

The Offer may include forward-looking statements. Words like "anticipate," "believe," "expect" and "intend" indicate a forward-looking statement, although not all forward-looking statements include these words. Although we believe that the expectations reflected in such forward-looking statements are based upon reasonable assumptions, our actual results could differ materially from those set forth in the forward-looking statements. Some factors that might cause such a difference include the following: the current global economic downturn, increased direct competition, changes in government regulations or accounting rules, changes in local, national and global capital market conditions, our ability to obtain or maintain credit lines or credit facilities on satisfactory terms, changes in interest rates, availability of proceeds from our offering, our ability to identify suitable investments, our ability to close on identified investments, inaccuracies of our accounting estimates, our ability to locate suitable borrowers for our loans and the ability of such borrowers to make payments under their respective loans.

Our actual results could differ materially from those implied or expressed in the forward-looking statements for any reason.

We have based the forward-looking statements included in the Offer on information available to us on the date of the Offer, and we assume no obligation to update any such forward-looking statements. Except as required by the federal securities laws, we undertake no obligation to revise or update any forward-looking statements, whether as a result of new information, future events or otherwise. You are advised to consult any additional disclosures that we may make directly to you or through reports that we may file in the future with the SEC, including annual reports on Form 10-K, quarterly reports on Form 10-Q and current reports on Form 8-K. The forward-looking statements and projections contained in the Offer are excluded from the safe harbor protection provided by Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Exchange Act.

The Offer is not being made to, nor will we accept tenders from or on behalf of, owners of Shares in any jurisdiction in which the making of the Offer or its acceptance would not comply with the securities or "blue sky" laws of that jurisdiction. We are not aware of any jurisdiction in which the making of the Offer or the acceptance of tenders of, purchase of, or payment for, Shares in accordance with the Offer would not be in compliance with the laws of such jurisdiction. We, however, reserve the right to exclude Stockholders in any jurisdiction in which it is asserted that the Offer cannot lawfully be made or tendered Shares cannot lawfully be accepted, purchased or paid for. So long as we make a good-faith effort to comply with any state law deemed applicable to the Offer, we believe that the exclusion of holders residing in any such jurisdiction is permitted under Rule 13e-4(f)(9) promulgated under the Exchange Act. In any jurisdiction where the securities, blue sky or other laws require the Offer to be made by a licensed broker or dealer, the Offer shall be deemed to be made on our behalf by one or more brokers or dealers licensed under the laws of such jurisdiction.