

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

**FORM 10-Q**

(Mark One)

☒ **QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**  
**For the quarterly period ended September 30, 2019**

OR

☐ **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**  
**For the transition period from**                      **to**  
**Commission file number: 814-00939**

**HMS Income Fund, Inc.**

*(Exact Name of Registrant as Specified in its Charter)*

**Maryland**  
*(State or Other Jurisdiction of Incorporation or Organization)*

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

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

**77056-6118**  
*(Zip Code)*

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

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

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

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

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

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

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

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

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

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

The issuer had 79,009,406 shares of common stock outstanding as of November 12, 2019.

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# **PART I — FINANCIAL INFORMATION**

## **Item 1. Condensed Consolidated Financial Statements**

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

	<b>September 30, 2019</b>	<b>December 31, 2018</b>
	<b>(Unaudited)</b>	
<b>ASSETS</b>		
Portfolio investments at fair value:		
Non-Control/Non-Affiliate investments (amortized cost: \$900,620 and \$932,495 as of September 30, 2019 and December 31, 2018, respectively)	\$ 870,059	\$ 901,518
Affiliate investments (amortized cost: \$139,238 and \$143,372 as of September 30, 2019 and December 31, 2018, respectively)	150,491	149,323
Control investments (amortized cost: \$16,416 and \$45,821 as of September 30, 2019 and December 31, 2018, respectively)	32,932	55,727
Total portfolio investments (amortized cost: \$1,056,274 and \$1,121,688 as of September 30, 2019 and December 31, 2018, respectively)	1,053,482	1,106,568
Cash and cash equivalents	21,070	21,757
Interest receivable	9,590	9,292
Receivable for securities sold	—	918
Prepaid and other assets	4,414	4,038
Deferred financing costs (net of accumulated amortization of \$2,653 and \$1,642 as of September 30, 2019 and December 31, 2018, respectively)	3,854	4,857
<b>Total assets</b>	<b>\$ 1,092,410</b>	<b>\$ 1,147,430</b>
<b>LIABILITIES</b>		
Accounts payable and other liabilities	\$ 2,292	\$ 2,456
Stockholder distributions payable	4,521	4,676
Base management and incentive fees payable	6,706	5,854
Due to affiliates	166	57
Directors' fees payable	27	21
Payable for securities purchased	596	—
Credit facilities payable	458,000	509,000
<b>Total liabilities</b>	<b>472,308</b>	<b>522,064</b>
Commitments and Contingencies (Note 13)		
<b>NET ASSETS</b>		
Common stock, \$.001 par value; 150,000,000 shares authorized, 78,498,726 and 78,584,824 issued and outstanding as of September 30, 2019 and December 31, 2018, respectively	78	79
Additional paid-in capital	678,044	678,627
Total accumulated earnings (loss)	(58,020)	(53,340)
<b>Total net assets</b>	<b>620,102</b>	<b>625,366</b>
<b>Total liabilities and net assets</b>	<b>\$ 1,092,410</b>	<b>\$ 1,147,430</b>
<b>Net asset value per share</b>	<b>\$ 7.90</b>	<b>\$ 7.96</b>

*See notes to the condensed consolidated financial statements.*

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

	Three Months Ended		Nine Months Ended	
	September 30, 2019	September 30, 2018	September 30, 2019	September 30, 2018
<b>INVESTMENT INCOME:</b>				
From non-control/non-affiliate investments:				
Interest income	\$ 22,243	\$ 25,057	\$ 69,040	\$ 67,809
Fee income	325	748	750	1,669
Dividend income	(72)	268	1,114	797
From affiliate investments:				
Interest income	2,514	2,359	7,318	6,312
Fee income	28	16	90	118
Dividend income	1,001	843	2,035	1,870
From control investments:				
Interest income	161	151	428	463
Fee income	18	17	53	52
Dividend income	1,598	709	4,797	2,057
Total investment income	27,816	30,168	85,625	81,147
<b>EXPENSES:</b>				
Interest expense	6,214	6,626	19,942	17,861
Base management and incentive fees	6,707	8,439	20,796	19,870
Internal administrative services expenses	735	623	2,233	2,044
Offering costs	94	101	285	308
Professional fees	114	124	814	539
Insurance	114	47	210	143
Other general and administrative	595	511	1,651	1,447
Expenses before fee and expense waivers	14,573	16,471	45,931	42,212
Waiver of incentive fees	—	(2,535)	—	(2,535)
Waiver of internal administrative services expenses	(735)	(623)	(2,233)	(2,044)
Total expenses, net of fee and expense waivers	13,838	13,313	43,698	37,633
Net investment income before taxes	13,978	16,855	41,927	43,514
Income tax expense, including excise tax	82	(226)	241	(29)
<b>NET INVESTMENT INCOME</b>	13,896	17,081	41,686	43,543
<b>NET REALIZED GAIN (LOSS) ON INVESTMENTS</b>				
Non-Control/Non-Affiliate investments	(11,026)	(8,149)	(12,098)	(16,842)
Affiliate investments	—	(9)	(5,266)	903
Control investments	(35)	—	(633)	—
Total net realized gain (loss) on investments	(11,061)	(8,158)	(17,997)	(15,939)
<b>NET REALIZED INCOME</b>	2,835	8,923	23,689	27,604
<b>NET CHANGE IN UNREALIZED APPRECIATION (DEPRECIATION) ON INVESTMENTS</b>				
Non-Control/Non-Affiliate investments	2,579	7,391	755	14,707
Affiliate investments	237	3,378	4,674	4,258
Control investments	112	4,088	7,241	4,990
Total net change in unrealized appreciation (depreciation) on investments	2,928	14,857	12,670	23,955
<b>NET INCREASE IN NET ASSETS RESULTING FROM OPERATIONS</b>	\$ 5,763	\$ 23,780	\$ 36,359	\$ 51,559
<b>PER SHARE INFORMATION - BASIC AND DILUTED</b>				
NET INVESTMENT INCOME PER SHARE	\$ 0.18	\$ 0.22	\$ 0.53	\$ 0.55
NET REALIZED INCOME PER SHARE	\$ 0.04	\$ 0.12	\$ 0.30	\$ 0.35
NET INCREASE IN NET ASSETS RESULTING FROM OPERATIONS PER SHARE (EARNINGS PER SHARE)	\$ 0.07	\$ 0.30	\$ 0.46	\$ 0.65
WEIGHTED AVERAGE SHARES OUTSTANDING – BASIC AND DILUTED	78,794,751	78,982,226	78,807,179	79,383,151

*See notes to the condensed consolidated financial statements.*

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

	Three Months Ended		Nine Months Ended	
	September 30, 2019	September 30, 2018	September 30, 2019	September 30, 2018
<b>Change in Net Assets from Operations:</b>				
Net investment income	\$ 13,896	\$ 17,081	\$ 41,686	\$ 43,543
Net realized gain (loss) on investments	(11,061)	(8,158)	(17,997)	(15,939)
Net change in unrealized appreciation (depreciation) on investments	2,928	14,857	12,670	23,955
Net increase in net assets resulting from operations	5,763	23,780	36,359	51,559
<b>Change in Net Assets from Stockholders' Distributions:</b>				
Net decrease in net assets resulting from stockholders' distributions	(13,900)	(13,938)	(41,260)	(41,596)
<b>Change in Net Assets from Capital Share Transactions:</b>				
Reinvestment of stockholder distributions	6,247	6,731	18,982	20,550
Repurchase of common stock	(6,382)	(8,007)	(19,345)	(27,567)
Net decrease in net assets resulting from capital share transactions	(135)	(1,276)	(363)	(7,017)
Total Increase (Decrease) in Net Assets	(8,272)	8,566	(5,264)	2,946
Net Assets at beginning of the period	628,374	642,169	625,366	647,789
Net Assets at end of the period	\$ 620,102	\$ 650,735	\$ 620,102	\$ 650,735
NAV per share at end of the period	\$ 7.90	\$ 8.28	\$ 7.90	\$ 8.28
Distributions declared per share	\$ 0.17	\$ 0.17	\$ 0.52	\$ 0.52
Common shares outstanding, beginning of the period	78,530,056	78,788,407	78,584,824	79,511,731
Issuance of common shares pursuant to distribution reinvestment plan	773,449	810,611	2,342,092	2,477,245
Repurchase of common shares	(804,779)	(982,248)	(2,428,190)	(3,372,206)
Common shares outstanding, end of the period	78,498,726	78,616,770	78,498,726	78,616,770

*See notes to the condensed consolidated financial statements.*

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

	Nine Months Ended September 30, 2019	Nine Months Ended September 30, 2018
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Net increase in net assets resulting from operations	\$ 36,359	\$ 51,559
Adjustments to reconcile net increase in net assets resulting from operations to net cash generated from (used in) operating activities:		
Principal repayments received and proceeds from sales of investments in portfolio companies	280,055	386,110
Investments in portfolio companies	(222,627)	(476,524)
Net change in unrealized (appreciation) on portfolio investments	(12,670)	(23,955)
Net realized loss on sale of portfolio investments	17,997	15,939
Amortization of deferred financing costs	1,011	1,000
Amortization of deferred offering costs	285	308
Accretion of unearned income	(6,152)	(7,603)
Net payment-in-kind interest accrual	(3,351)	(977)
Changes in other assets and liabilities:		
Interest receivable	(298)	(566)
Prepaid and other assets	501	1,949
Base management and incentive fees payable	852	222
Due to affiliates	109	(21)
Directors' fees payable	6	10
Accounts payable and other liabilities	299	(348)
Net cash generated from (used in) operating activities	92,376	(52,897)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Redemption of common stock	(19,345)	(27,567)
Payment of offering costs	(285)	(308)
Payment of stockholder distributions	(22,433)	(21,291)
Repayments on credit facilities payable	(196,500)	(279,000)
Proceeds from credit facilities payable	145,500	359,000
Net cash generated from (used in) financing activities	(93,063)	30,834
<b>Net decrease in cash and cash equivalents</b>	<b>(687)</b>	<b>(22,063)</b>
<b>CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD</b>	<b>21,757</b>	<b>45,791</b>
<b>CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD</b>	<b>\$ 21,070</b>	<b>\$ 23,728</b>

*See notes to the condensed consolidated financial statements.*

**HMS Income Fund, Inc.**  
**Consolidated Schedule of Investments**  
**As of September 30, 2019**  
**(dollars in thousands)**

Portfolio Company (1) (3)	Business Description	Type of Investment (2) (3)	Index Rate (22)	Principal (7)	Cost (7)	Fair Value (26)
<b>Control Investments (6)</b>						
<b>CTMH, LP (9) (15)</b>	Investment Partnership	LP Interests (CTMH, LP) (Fully diluted 38.8%)	—	\$ —	\$ 872	\$ 872
<b>GRT Rubber Technologies, LLC (10) (13)</b>	Manufacturer of Engineered Rubber Products	LIBOR Plus 7.00% (Floor 1.00%), Current Coupon 9.10%, Secured Debt (Maturity - December 31, 2023) (8)	1 month LIBOR	7,396	7,374	7,396
		Member Units (2,896 units) (16)	—	—	6,435	22,644
					13,809	30,040
<b>Harris Preston Fund Investments (9) (15)</b>	Investment Partnership	LP Interests (2717 MH, LP) (Fully diluted 49.3%)	—	—	1,735	2,020
<b>Subtotal Control Investments (6) (3% of total investments at fair value)</b>					<b>\$ 16,416</b>	<b>\$ 32,932</b>
<b>Affiliate Investments (4)</b>						
<b>AFG Capital Group, LLC (10) (13)</b>	Provider of Rent-to-Own Financing Solutions and Services	10.00% Secured Debt (Maturity - May 25, 2022) (14)	None	\$ 231	\$ 231	\$ 231
		Member Units (46 units) (16)	—	—	300	1,260
					531	1,491
<b>Analytical Systems Keco, LLC (10) (13)</b>	Liquid and Gas Analyzers	LIBOR Plus 10.00% (Floor 2.00%), Current Coupon 12.50%, Secured Debt (Maturity - August 16, 2024) (8)	1 month LIBOR	1,400	1,266	1,273
		Preferred Member Units (800 units)	—	—	800	800
		Warrants (105 Equivalent Shares; Expiration - August 16, 2029; Strike Price - \$0.01 per Share)	—	—	79	79
					2,145	2,152
<b>Brewer Crane Holdings, LLC (10) (13)</b>	Provider of Crane Rental and Operating Services	LIBOR Plus 10.00% (Floor 1.00%), Current Coupon 12.10%, Secured Debt (Maturity - January 9, 2023) (8)	1 month LIBOR	2,294	2,262	2,262
		Preferred Member Units (737 units) (16)	—	—	1,070	1,070
					3,332	3,332
<b>Centre Technologies Holdings, LLC (10) (13)</b>	Provider of IT Hardware Services and Software Solutions	LIBOR Plus 9.00% (Floor 2.00%), Current Coupon 11.13%, Secured Debt (Maturity - January 4, 2024) (8)	1 month LIBOR	3,060	3,001	3,006
		Preferred Member Units (3,174 units)	—	—	1,460	1,460
					4,461	4,466
<b>Chamberlin Holding, LLC (10) (13)</b>	Roofing and Waterproofing Specialty Subcontractor	LIBOR Plus 10.00% (Floor 1.00%), Current Coupon 12.25%, Secured Debt (Maturity - February 23, 2023) (8)	1 month LIBOR	4,719	4,618	4,719
		Member Units (1,087 units) (16)	—	—	2,860	5,897
		Member Units (Chamberlin Langfield Real Estate, LLC) (261,786 units) (16)	—	—	262	262
					7,740	10,878
<b>Charlotte Russe, Inc.</b>	Fast-Fashion Retailer to Young Women	Common Stock (14,973 shares)	—	—	2,470	—
<b>Charps, LLC (10) (13)</b>	Pipeline Maintenance and Construction	15.00% Secured Debt (Maturity - June 5, 2022) (14)	None	500	500	500
		Preferred Member Units (400 units) (16)	—	—	100	1,368
					600	1,868
<b>Clad-Rex Steel, LLC (10) (13)</b>	Specialty Manufacturer of Vinyl-Clad Metal	LIBOR Plus 9.00% (Floor 1.00%), Current Coupon 11.10%, Secured Debt (Maturity - December 20, 2021) (8)	1 month LIBOR	2,820	2,790	2,820
		Member Units (179 units) (16)	—	—	1,820	2,504
		10.00% Secured Debt (Clad-Rex Steel RE Investor, LLC) (Maturity - December 19, 2036)	None	286	283	283
		Member Units (Clad-Rex Steel RE Investor, LLC) (200 units)	—	—	53	88
					4,946	5,695
<b>Copper Trail Energy Fund I, LP (9) (15)</b>	Investment Partnership	LP Interests (Copper Trail Energy Fund I, LP) (Fully diluted 12.4%) (16)	—	—	1,584	2,273
<b>Digital Products Holdings LLC (10) (13)</b>	Designer and Distributor of Consumer Electronics	LIBOR Plus 10.00% (Floor 1.00%), Current Coupon 12.13%, Secured Debt (Maturity - March 31, 2023) (8)	1 month LIBOR	\$ 4,987	\$ 4,909	\$ 4,842
		Preferred Member Units (863 units) (16)	—	—	2,375	1,917
					7,284	6,759
<b>Direct Marketing Solutions, Inc. (10) (13)</b>	Provider of Omni-Channel Direct Marketing Services	LIBOR Plus 11.00% (Floor 1.00%), Current Coupon 13.13%, Secured Debt (Maturity - February 13, 2023) (8)	1 month LIBOR	4,208	4,118	4,208
		Preferred Stock (2,100 shares)	—	—	2,100	4,471
					6,218	8,679
<b>Freeport Financial Funds (9) (15)</b>	Investment Partnership	LP Interests (Freeport First Lien Loan Fund III, LP) (Fully diluted 6.0%) (16)	—	—	10,555	10,291
<b>Gamber-Johnson Holdings, LLC (10) (13)</b>	Manufacturer of Ruggedized Computer Mounting Systems	LIBOR Plus 7.00% (Floor 2.00%), Current Coupon 9.10%, Secured Debt (Maturity - June 24, 2021) (8)	1 month LIBOR	4,755	4,700	4,755
		Member Units (2,155 units) (16)	—	—	3,711	11,627
					8,411	16,382
<b>Guerdon Modular Holdings, Inc. (10) (13)</b>	Multi-Family and Commercial Modular Construction Company	16.00% Secured Debt (Maturity - October 1, 2019) (18)	None	3,147	3,137	2,077
		LIBOR Plus 8.50% (Floor 1.00%), Current Coupon 10.82%, Secured Debt (Maturity - October 1, 2019) (8) (18)	3 month LIBOR	116	116	116
		Common Stock (53,008 shares)	—	—	746	—
		Class B Preferred Stock (101,250 shares)	—	—	285	—
					4,284	2,193
<b>Gulf Publishing Holdings, LLC (10) (13)</b>	Energy Industry Focused Media and Publishing	12.50% Secured Debt (Maturity - April 29, 2021)	None	3,133	3,109	3,109
		LIBOR Plus 9.50% (Floor 1.00%), Current Coupon 11.60%, Secured Debt (Maturity - September 30, 2020) (8)	1 month LIBOR	80	80	80
		Member Units (920 units)	—	—	920	963
					4,109	4,152

<b>Harris Preston Fund Investments (9) (15)</b>	Investment Partnership	LP Interests (HPEP 3, LP) (Fully diluted 8.2%)	—	—	2,474	2,474
<b>Hawk Ridge Systems, LLC (9) (10) (13)</b>	Value-Added Reseller of Engineering Design and Manufacturing Solutions	10.00% Secured Debt (Maturity - December 2, 2021)	None	3,350	3,314	3,350
		LIBOR Plus 6.00% (Floor 1.00%), Current Coupon 8.10%, Secured Debt (Maturity - December 2, 2021) (8)	1 month LIBOR	150	147	147
		Preferred Member Units (56 units) (16)	—	—	713	1,975
		Preferred Member Units (HRS Services, ULC) (56 units)	—	—	38	105
					4,212	5,577
<b>KMC Investor, LLC (10) (13)</b>	Precision Metal Parts Manufacturing	11.50% Secured Debt (Maturity - October 31, 2023)	None	6,800	6,620	6,625
		9.00% Secured Debt (Maturity October 31, 2048)	None	996	979	979
		Member Units (145 units)	—	—	248	248
		Member Units (KMC RE Investor, LLC) (200 units) (16)	—	—	3,060	3,060
					10,907	10,912
<b>Market Force Information, Inc. (10) (13)</b>	Provider of Customer Experience Management Services	LIBOR Plus 11.00% (Floor 1.00%), Current Coupon 13.52%, Secured Debt (Maturity - July 28, 2022) (8)	3 month LIBOR	5,700	5,633	5,665
		LIBOR Plus 7.00% (Floor 1.00%), Current Coupon 9.52%, Secured Debt (Maturity - July 28, 2022) (8)	3 month LIBOR	691	691	691
		Member Units (170,000 units)	—	—	3,675	1,764
					9,999	8,120
<b>M.H. Corbin Holding LLC (10) (13)</b>	Manufacturer and Distributor of Traffic Safety Products	5.00% Current / 5.00% PIK Secured Debt (Maturity - March 15, 2022)	None	\$ 2,185	\$ 2,161	\$ 2,185
		Preferred Member Units (16,500 units)	—	—	1,100	1,192
		Common Units (1,000 units)	—	—	1,500	5
					4,761	3,382
<b>Mystic Logistics Holdings, LLC (10) (13)</b>	Logistics and Distribution Services Provider for Large Volume Mailers	12.00% Secured Debt (Maturity - August 15, 2019) (19)	None	1,600	1,598	1,598
		Common Stock (1,468 shares) (16)	—	—	680	1,202
					2,278	2,800
<b>NexRev, LLC (10) (13)</b>	Provider of Energy Efficiency Products & Services	11.00% Secured Debt (Maturity - February 28, 2023)	None	4,251	4,180	4,187
		Preferred Member Units (21,600,000 units) (16)	—	—	1,720	1,719
					5,900	5,906
<b>NuStep, LLC (10) (13)</b>	Designer, Manufacturer and Distributor of Fitness Equipment	12.00% Secured Debt (Maturity - January 31, 2022)	None	5,150	5,092	5,092
		Preferred Member Units (102 units)	—	—	2,550	2,550
					7,642	7,642
<b>SI East, LLC (10) (13)</b>	Rigid Industrial Packaging Manufacturing	10.25% Secured Debt (Maturity - August 31, 2023)	None	10,988	10,842	10,988
		Preferred Member Units (52 units) (16)	—	—	2,000	2,446
					12,842	13,434
<b>Tedder Acquisition, LLC (10) (13)</b>	Manufacturer of Firearm Holsters and Accessories	12.00% Secured Debt (Maturity - August 31, 2023)	None	4,100	3,997	4,066
		12.00% Secured Debt (Maturity - August 31, 2020)	None	40	38	38
		Preferred Member Units (110 units)	—	—	2,034	2,034
					6,069	6,138
<b>Trantech Radiator Topco, LLC (10) (13)</b>	Transformer Cooling Products and Services	12.00% Secured Debt (Maturity - May 31, 2024)	None	2,400	2,320	2,331
		Common Stock (154 shares) (16)	—	—	1,164	1,164
					3,484	3,495
<b>Subtotal Affiliate Investments (4) (14% of total investments at fair value)</b>				<b>\$</b>	<b>139,238</b>	<b>\$ 150,491</b>
<b><u>Non-Control/Non-Affiliate Investments (5)</u></b>						
<b>AAC Holdings Inc. (8)</b>	Substance Abuse Treatment Service Provider	LIBOR Plus 6.75% (Floor 1.00%), Current Coupon 9.33% / 4.00% PIK, Current Coupon Plus PIK 13.33%, Secured Debt (Maturity - June 30, 2023) (18)	3 month LIBOR	\$ 14,396	\$ 14,025	\$ 10,797
		LIBOR Plus 11.00% (Floor 1.00%), Current Coupon 13.29%, Secured Debt (Maturity - April 15, 2020)	3 month LIBOR	1,855	1,692	1,855
					15,717	12,652
<b>Adams Publishing Group, LLC (8) (11)</b>	Local Newspaper Operator	LIBOR Plus 7.50% (Floor 1.50%), Current Coupon 9.78%, Secured Debt (Maturity - July 3, 2023)	3 month LIBOR	6,478	6,375	6,478
		LIBOR Plus 7.50% (Floor 1.50%), Current Coupon 9.61%, Secured Debt (Maturity - July 3, 2023)	3 month LIBOR	205	191	205
		PRIME Plus 5.00% (Floor 1.50%), Current Coupon 9.00%, Secured Debt (Maturity - July 3, 2023)	PRIME	5,000	4,925	5,000
					11,491	11,683
<b>ADS Tactical, Inc. (8) (11)</b>	Value-Added Logistics and Supply Chain Solutions Provider to the Defense Industry	LIBOR Plus 6.25% (Floor 0.75%), Current Coupon 8.29%, Secured Debt (Maturity - July 26, 2023)	1 month LIBOR	15,868	15,839	15,868
<b>Aethon United BR, LP (8) (11)</b>	Oil & Gas Exploration & Production	LIBOR Plus 6.75% (Floor 1.00%), Current Coupon 8.79%, Secured Debt (Maturity - September 8, 2023) (14)	1 month LIBOR	7,000	6,913	7,000
<b>Allen Media, LLC (8)</b>	Operator of Cable Television Networks	LIBOR Plus 6.50% (Floor 1.00%), Current Coupon 8.60%, Secured Debt (Maturity - August 30, 2023)	3 month LIBOR	\$ 16,490	\$ 16,090	\$ 15,954
<b>American Nuts, LLC (8) (11)</b>	Roaster, Mixer and Packager of Bulk Nuts and Seeds	LIBOR Plus 9.50% (Floor 1.00%), Current Coupon 11.82%, Secured Debt (Maturity - April 10, 2023)	3 month LIBOR	12,269	12,058	12,269
<b>American Teleconferencing Services, Ltd. (8)</b>	Provider of Audio Conferencing and Video Collaboration Solutions	LIBOR Plus 6.50% (Floor 1.00%), Current Coupon 8.71%, Secured Debt (Maturity - December 8, 2021)	2 month LIBOR	14,163	13,673	8,937
<b>APTIM Corp</b>	Engineering, Construction and Procurement	7.75% Secured Debt (Maturity - June 15, 2025)	None	6,952	6,231	4,936
<b>Arcus Hunting, LLC (8) (11)</b>	Manufacturer of Bowhunting and Archery Products and Accessories	LIBOR Plus 10.00% (Floor 1.00%), Current Coupon 12.32%, Secured Debt (Maturity - January 13, 2020)	1 month LIBOR	8,223	8,220	8,225
<b>Arise Holdings, Inc. (11)</b>	Tech-Enabled Business Process Outsourcing	Preferred Stock (1,000,000 shares)	—	—	1,000	2,498
<b>ASC Ortho Management Company, LLC (11)</b>	Provider of Orthopedic Services	LIBOR Plus 7.50% (Floor 1.00%), Current Coupon 9.82%, Secured Debt (Maturity - August 31, 2023) (8)	3 month LIBOR	4,572	4,489	4,552
		13.25% PIK Secured Debt (Maturity - December 1, 2023) (14)	None	1,734	1,695	1,734



					6,184	6,286
<b>ATI Investment Sub, Inc. (8)</b>	Manufacturer of Solar Tracking Systems	LIBOR Plus 7.25% (Floor 1.00%), Current Coupon 9.31%, Secured Debt (Maturity - June 22, 2021)	1 month LIBOR	3,135	3,086	3,000
<b>ATX Networks Corp. (8) (9)</b>	Provider of Radio Frequency Management Equipment	LIBOR Plus 6.00% (Floor 1.00%), Current Coupon 8.35% / 1.00% PIK, Current Coupon Plus PIK 9.35%, Secured Debt (Maturity - June 11, 2021)	3 month LIBOR	13,735	13,596	12,979
<b>BarFly Ventures, LLC (11)</b>	Casual Restaurant Group	12.00% Secured Debt (Maturity - August 31, 2020)	None	3,395	3,374	3,128
		Warrants (.410 equivalent units, Expiration - August 31, 2025)	—	—	158	97
		Options (.99 equivalent units)	—	—	202	167
					3,734	3,392
<b>BBB Tank Services, LLC (10) (13)</b>	Maintenance, Repair and Construction Services to the Above-Ground Storage Tank Market	LIBOR Plus 11.00% (Floor 1.00%), Current Coupon 13.10%, Secured Debt (Maturity - April 8, 2021) (8)	1 month LIBOR	1,200	1,196	1,173
		Preferred Stock (28,280 units)	—	—	28	32
		Member Units (200,000 units)	—	—	200	30
					1,424	1,235
<b>Berry Aviation, Inc. (11)</b>	Airline Charter Service Operator	10.50% Current / 1.50% PIK, Secured Debt (Maturity - January 6, 2024) (14)	None	4,531	4,475	4,531
		Preferred Member Units (Berry Acquisition, LLC) (1,548,387 units, 8.00% cumulative) (16)	—	—	1,548	1,318
					6,023	5,849
<b>BigName Commerce, LLC (8) (11)</b>	Provider of Envelopes and Complimentary Stationery Products	LIBOR Plus 7.25% (Floor 1.00%), Current Coupon 9.57%, Secured Debt (Maturity - May 11, 2022)	1 month LIBOR	2,409	2,392	2,376
<b>Binswanger Enterprises, LLC (11)</b>	Glass Repair and Installation Service Provider	LIBOR Plus 8.50% (Floor 1.00%), Current Coupon 10.10%, Secured Debt (Maturity - March 9, 2022) (8)	3 month LIBOR	13,731	13,549	13,731
		Member Units (1,050,000 units)	—	—	1,050	950
					14,599	14,681
<b>Bluestem Brands, Inc. (8)</b>	Multi-Channel Retailer of General Merchandise	LIBOR Plus 7.50% (Floor 1.00%), Current Coupon 9.54%, Secured Debt (Maturity - November 6, 2020)	3 month LIBOR	11,592	11,526	8,791
<b>Bocella Precast Products, LLC (10) (13)</b>	Manufacturer of Precast Hollow Core Concrete	LIBOR Plus 12.00% (Floor 1.00%), Current Coupon 14.32%, Secured Debt (Maturity - June 30, 2022) (8)	3 month LIBOR	3,311	3,259	3,311
		Member Units (540,000 units) (16)	—	—	564	1,475
					3,823	4,786
<b>Brightwood Capital Fund Investments (9) (15)</b>	Investment Partnership	LP Interests (Brightwood Capital Fund III, LP) (Fully diluted 1.60%) (16)	—	\$ —	\$ 3,815	\$ 3,104
		LP Interests (Brightwood Capital Fund IV, LP) (Fully diluted 0.80%) (16)	—	—	9,037	9,126
					12,852	12,230
<b>Buca C, LLC (10) (13)</b>	Casual Restaurant Group	LIBOR Plus 9.25% (Floor 1.00%), Current Coupon 11.33%, Secured Debt (Maturity - June 30, 2020) (8)	1 month LIBOR	12,670	12,624	12,517
		Preferred Member Units (4 units, 6.00% cumulative) (16)	—	—	3,040	3,086
					15,664	15,603
<b>Cadence Aerospace, LLC (8) (11)</b>	Aerospace Manufacturing	LIBOR Plus 6.50% (Floor 1.00%), Current Coupon 8.54%, Secured Debt (Maturity - November 14, 2023)	3 month LIBOR	19,322	19,177	19,322
<b>CAI Software, LLC (10) (13)</b>	Provider of Specialized Enterprise Resource Planning Software	12.00% Secured Debt (Maturity - December 7, 2023)	None	2,290	2,297	2,290
		Member Units (16,742 units) (16)	—	—	188	1,235
					2,485	3,525
<b>Cenveo Corporation</b>	Provider of Digital Marketing Agency Services	LIBOR Plus 9.50% (Floor 1.00%), Current Coupon 11.56%, Secured Debt (Maturity - June 7, 2023) (8)	1 month LIBOR	4,449	4,161	4,449
		Common Stock (138,889 shares)	—	—	4,163	2,153
					8,324	6,602
<b>Chisholm Energy Holdings, LLC (8) (11)</b>	Oil & Gas Exploration & Production	LIBOR Plus 6.25% (Floor 1.50%), Current Coupon 8.41%, Secured Debt (Maturity - May 15, 2026) (14)	3 month LIBOR	3,571	3,475	3,475
<b>Clarius BIGS, LLC (11) (18)</b>	Prints & Advertising Film Financing	15.00% PIK Secured Debt (Maturity - January 5, 2015) (18)	None	2,105	1,847	27
		20.00% PIK Secured Debt (Maturity - January 5, 2015) (18)	None	764	671	10
					2,518	37
<b>Clickbooth.com, LLC (8) (11)</b>	Provider of Digital Advertising Performance Marketing Solutions	LIBOR Plus 8.50% (Floor 1.00%), Current Coupon 10.82%, Secured Debt (Maturity - December 5, 2022)	3 month LIBOR	2,682	2,641	2,682
<b>Construction Supply Investments, LLC (11)</b>	Distribution Platform of Specialty Construction Materials to Professional Concrete and Masonry Contractors	LIBOR Plus 6.00% (Floor 1.00%), Current Coupon 8.12%, Secured Debt (Maturity - June 30, 2023) (8)	1 month LIBOR	15,941	15,837	15,941
		Member units (42,207 units)	—	—	4,409	7,209
					20,246	23,150
<b>CTVSH, PLLC (8) (11) (13)</b>	Emergency Care and Specialty Service Animal Hospital	LIBOR Plus 8.00% (Floor 1.00%), Current Coupon 10.13%, Secured Debt (Maturity - August 3, 2022)	1 month LIBOR	2,562	2,529	2,562
<b>Datacom, LLC (10) (13)</b>	Technology and Telecommunications Provider	10.50% PIK Secured Debt (Maturity - May 31, 2021) (18)	None	1,384	1,346	1,113
		8.00% Secured Debt (Maturity - May 31, 2021) (18)	None	200	200	173
		Class A Preferred Member Units (1,530 units)	—	—	144	—
		Class B Preferred Member Units (717 units)	—	—	670	—
					2,360	1,286
<b>Digital River, Inc. (8)</b>	Provider of Outsourced e-Commerce Solutions and Services	LIBOR Plus 6.00% (Floor 1.00%), Current Coupon 8.12%, Secured Debt (Maturity - February 12, 2021)	3 month LIBOR	9,759	9,716	9,734
<b>DTE Enterprises, LLC (11)</b>	Industrial Powertrain Repair and Services	LIBOR Plus 7.50% (Floor 1.50%), Current Coupon 9.69%, Secured Debt (Maturity - April 13, 2023) (8)	3 month LIBOR	11,492	11,313	11,492
		Class AA Preferred Member Units (non-voting) (16)	—	—	817	837
		Class A Preferred Member Units (776,316 units) (16)	—	—	776	1,490
					12,906	13,819
<b>Dynamic Communities, LLC (8) (11)</b>	Developer of Business Events and Online Community Groups	LIBOR Plus 8.00% (Floor 1.00%), Current Coupon 10.10%, Secured Debt (Maturity - July 17, 2023)	3 month LIBOR	5,460	5,371	5,450
<b>Epic Y-Grade Services, LP (8)</b>	NGL Transportation & Storage	LIBOR Plus 5.50%, Current Coupon 7.54%, Secured Debt (Maturity - June 13, 2024)	3 month LIBOR	\$ 15,275	\$ 15,024	\$ 14,836

Evergreen Skills Lux S.à r.l. (d/b/a Skillsoft) (8) (9)	Technology-Based Performance Support Solutions	LIBOR Plus 8.25% (Floor 1.00%), Current Coupon 10.45%, Secured Debt (Maturity - April 28, 2022) (14)	3 month LIBOR	10,901	10,647	3,331
Felix Investments Holdings II, LLC (8) (11)	Oil and Gas Exploration and Production	LIBOR Plus 6.50% (Floor 1.00%), Current Coupon 8.68%, Secured Debt (Maturity - August 9, 2022)	3 month LIBOR	5,000	4,937	5,000
Flavors Holdings, Inc. (8)	Global Provider of Flavoring and Sweetening Products and Solutions	LIBOR Plus 5.75% (Floor 1.00%), Current Coupon 7.85%, Secured Debt (Maturity - April 3, 2020)	3 month LIBOR	10,719	10,609	9,995
GI KBS Merger Sub LLC (8)	Outsourced Janitorial Services to Retail/Grocery Customers	LIBOR Plus 8.50% (Floor 1.00%), Current Coupon 10.77%, Secured Debt (Maturity - April 29, 2022) (14)	3 month LIBOR	14,700	14,647	14,296
Good Source Solutions, Inc. (8) (11)	Specialized Food Distributor	LIBOR Plus 8.32% (Floor 1.00%), Current Coupon 10.36%, Secured Debt (Maturity - June 29, 2023)	3 month LIBOR	5,000	4,959	5,000
GoWireless Holdings, Inc. (8)	Provider of Wireless Telecommunications Carrier Services	LIBOR Plus 6.50% (Floor 1.00%), Current Coupon 8.54%, Secured Debt (Maturity - December 22, 2024)	3 month LIBOR	15,117	15,005	14,703
HDC/HW Intermediate Holdings, LLC (8) (11)	Managed Services and Hosting Provider	LIBOR Plus 7.50% (Floor 1.00%), Current Coupon 9.61%, Secured Debt (Maturity - December 21, 2023)	3 month LIBOR	1,895	1,861	1,892
Hoover Group, Inc. (8) (9) (11)	Provider of Storage Tanks and Related Products to the Energy and Petrochemical Markets	LIBOR Plus 7.25% (Floor 1.00%), Current Coupon 9.36%, Secured Debt (Maturity - January 28, 2021)	3 month LIBOR	22,083	21,429	20,758
Hunter Defense Technologies, Inc. (8) (11)	Provider of Military and Commercial Shelters and Systems	LIBOR Plus 7.00% (Floor 1.00%), Current Coupon 9.10%, Secured Debt (Maturity - March 29, 2023)	3 month LIBOR	16,157	15,878	16,157
HW Temps LLC (10) (13)	Temporary Staffing Solutions	8.00% Secured Debt (Maturity - March 29, 2023)	None	2,650	2,596	2,327
Hydrofarm Holdings, LLC (8) (11)	Wholesaler of Horticultural Products	LIBOR Plus 10.00%, Current Coupon 3.55% / 8.50% PIK, Current Coupon Plus PIK 12.05%, Secured Debt (Maturity - May 12, 2022)	1 month LIBOR	7,474	7,385	6,237
Hyperion Materials & Technologies, Inc. (8) (9)	Manufacturer of Cutting and Machine Tools & Specialty Polishing Compounds	LIBOR Plus 5.50% (Floor 1.00%), Current Coupon 7.54%, Secured Debt (Maturity - August 28, 2026)	3 month LIBOR	7,500	7,351	7,388
iEnergizer Limited (8) (9) (11)	Provider of Business Outsourcing Solutions	LIBOR Plus 6.00% (Floor 1.00%), Current Coupon 8.06%, Secured Debt (Maturity - April 17, 2024)	1 month LIBOR	13,725	13,598	13,598
Implus Footcare, LLC (8) (11)	Provider of Footwear and Related Accessories	LIBOR Plus 6.25% (Floor 1.00%), Current Coupon 8.35%, Secured Debt (Maturity - April 30, 2024)	3 month LIBOR	17,021	16,670	16,797
Independent Pet Partners Intermediate Holdings, LLC (8) (11)	Omnichannel Retailer of Specialty Pet Products	LIBOR Plus 9.00% (Floor 1.00%), Current Coupon 11.48%, Secured Debt (Maturity - November 19, 2023)	3 month LIBOR	14,412	14,146	14,412
		Member Units (1,191,667 units)	—	—	1,192	964
					15,338	15,376
Industrial Services Acquisitions, LLC (11)	Industrial Cleaning Services	6.00% Current / 7.00% PIK, Current Coupon 13.00%, Unsecured Debt (Maturity - December 17, 2022) (17)	None	11,803	11,779	11,803
		Member Units (Industrial Services Investments, LLC) (336 units; 10.00% cumulative)	—	—	202	218
		Preferred Member Units (Industrial Services Investments, LLC) (187 units, 20.00% cumulative)	—	—	124	124
		Member Units (Industrial Services Investments, LLC) (2,100 units)	—	—	2,100	1,352
					14,205	13,497
Interface Security Systems, L.L.C. (8) (11)	Commercial Security and Alarm Services	LIBOR Plus 7.00% (Floor 1.75%), Current Coupon 9.04%, Secured Debt (Maturity - August 7, 2023)	1 month LIBOR	7,500	7,355	7,355
Intermedia Holdings, Inc. (8)	Unified Communications as a Service	LIBOR Plus 6.00% (Floor 1.00%), Current Coupon 8.04%, Secured Debt (Maturity - July 19, 2025)	1 month LIBOR	3,525	3,495	3,530
Invincible Boat Company, LLC (8) (11)	Manufacturer of Sport Fishing Boats	LIBOR Plus 6.50% (Floor 1.00%), Current Coupon 8.61%, Secured Debt (Maturity - August 28, 2025)	3 month LIBOR	\$ 9,500	\$ 9,395	\$ 9,406
Isagenix International, LLC (8)	Direct Marketer of Health and Wellness Products	LIBOR Plus 5.75% (Floor 1.00%), Current Coupon 7.85%, Secured Debt (Maturity - June 14, 2025)	3 month LIBOR	6,025	5,973	4,654
Jackmont Hospitality, Inc. (8) (11)	Franchisee of Casual Dining Restaurants	LIBOR Plus 6.75% (Floor 1.00%), Current Coupon 8.79%, Secured Debt (Maturity - May 26, 2021)	1 month LIBOR	8,171	8,162	8,171
Joerns Healthcare, LLC	Manufacturer and Distributor of Health Care Equipment & Supplies	LIBOR Plus 6.00% (Floor 1.00%), Current Coupon 8.79%, Secured Debt (Maturity - August 21, 2024) (8)	3 month LIBOR	3,335	3,270	3,270
		Common Stock (472,579 shares)	—	—	3,678	3,678
					6,948	6,948
Kemp Technologies Inc. (8) (11)	Provider of Application Delivery Controllers	LIBOR Plus 6.25% (Floor 1.00%), Current Coupon 8.58%, Secured Debt (Maturity - March 29, 2024)	3 month LIBOR	7,481	7,338	7,338
Knight Energy Services LLC (11)	Oil and Gas Equipment and Services	8.50% Secured Debt (Maturity - February 9, 2024)	None	810	810	810
		Class A-2 Shares (25,692 units)	—	—	1,843	1,843
					2,653	2,653
Kore Wireless Group, Inc. (12)	Mission Critical Software Platform	LIBOR Plus 5.50% (Floor 1.00%), Current Coupon 7.60%, Secured Debt (Maturity - December 20, 2024) (8)	3 month LIBOR	6,075	6,049	6,037
Larchmont Resources, LLC	Oil & Gas Exploration & Production	LIBOR Plus 7.00% (Floor 1.00%), Current Coupon 9.14%, Secured Debt (Maturity - August 7, 2020) (8)	3 month LIBOR	3,614	3,614	3,361
		Member units (Larchmont Intermediate Holdco, LLC) (4,806 units)	—	—	601	1,201
					4,215	4,562
Laredo Energy VI, LP (8) (11)	Oil and Gas Exploration and Production	LIBOR Plus 10.50% (Floor 2.00%) PIK, Current Coupon 12.76%, Secured Debt (Maturity - November 19, 2021)	3 month LIBOR	10,627	10,460	10,627
Lightbox Holdings, L.P. (8)	Provider of Commercial Real Estate Software	LIBOR Plus 5.00% (Floor 0.00%), Current Coupon 7.05%, Secured Debt (Maturity - May 9, 2026)	1 month LIBOR	4,987	4,915	4,938
LL Management, Inc. (8) (11)	Medical Transportation Service Provider	LIBOR Plus 6.50% (Floor 1.00%), Current Coupon 8.84%, Secured Debt (Maturity - September 25, 2023)	3 month LIBOR	13,769	13,632	13,625
Logix Acquisition Company, LLC (8) (11)	Competitive Local Exchange Carrier	LIBOR Plus 5.75% (Floor 1.00%), Current Coupon 7.79%, Secured Debt (Maturity - December 22, 2024) (23)	1 month LIBOR	12,790	12,713	12,790
LSF9 Atlantis Holdings, LLC (8)	Provider of Wireless Telecommunications Carrier Services	LIBOR Plus 6.00% (Floor 1.00%), Current Coupon 8.04%, Secured Debt (Maturity - May 1, 2023)	1 month LIBOR	13,213	13,141	12,340
Lulu's Fashion Lounge, LLC (8) (11)	Fast Fashion E-Commerce Retailer	LIBOR Plus 9.00% (Floor 1.00%), Current Coupon 11.04%, Secured Debt (Maturity - August 28, 2022)	1 month LIBOR	5,795	5,648	5,680
Lynx FBO Operating LLC (11)	Fixed Based Operator in the General Aviation Industry	LIBOR Plus 5.75%, Current Coupon 7.86%, Secured Debt (Maturity - September 30, 2024) (8)	3 month LIBOR	13,750	13,438	13,475
		Member Units (3,704 units)	—	—	500	500
					13,938	13,975
Mac Lean-Fogg Company (11)	Manufacturer and Supplier for Auto and Power Markets	LIBOR Plus 5.00%, Current Coupon 7.04%, Secured Debt (Maturity - December 22, 2025) (8)	1 month LIBOR	7,153	7,100	7,100
		Preferred Stock (650 shares, 4.50% cash / 9.25% PIK, cumulative) (16)	—	—	764	764
					7,864	7,864
Mariner CLO 7, Ltd. (9) (15)	Structured Finance	Subordinated Structured Notes (estimated yield of 8.3% due April 30, 2032)	—	25,935	23,074	19,051
Meisler Operating, LLC (10) (13)	Provider of Short Term Trailer and Container Rental	LIBOR Plus 7.25% (Floor 1.00%), Current Coupon 9.58%, Secured Debt (Maturity - June 7, 2022) (8)	3 month LIBOR	6,810	6,687	6,810

		Member Units (Milton Meisler Holdings, LLC) (12,139 units)	—	—	1,214	2,095
					7,901	8,905
Mills Fleet Farm Group, LLC (8) (11)	Omnichannel Retailer of Work, Farm and Lifestyle Merchandise	LIBOR Plus 6.25% (Floor 1.00%), Current Coupon 8.29%, Secured Debt (Maturity - October 24, 2024)	3 month LIBOR	\$ 14,888	\$ 14,550	\$ 14,643
New Media Holdings II LLC (8) (9)	Local Newspaper Operator	LIBOR Plus 6.25% (Floor 1.00%), Current Coupon 8.29%, Secured Debt (Maturity - July 14, 2022)	1 month LIBOR	9,645	9,575	9,673
NNE Partners, LLC (8) (11)	Oil & Gas Exploration & Production	LIBOR Plus 8.00%, (Floor 0.00%) Current Coupon 10.14%, Secured Debt (Maturity - March 2, 2022)	3 month LIBOR	20,417	20,308	20,417
North American Lifting Holdings, Inc. (8)	Crane Service Provider	LIBOR Plus 4.50% (Floor 1.00%), Current Coupon 6.60%, Secured Debt (Maturity - November 27, 2020)	3 month LIBOR	6,195	5,918	5,679
Novetta Solutions, LLC (8)	Provider of Advanced Analytics Solutions for Defense Agencies	LIBOR Plus 5.00% (Floor 1.00%), Current Coupon 7.05%, Secured Debt (Maturity - October 17, 2022)	1 month LIBOR	14,861	14,591	14,587
NTM Acquisition Corp. (8)	Provider of B2B Travel Information Content	LIBOR Plus 6.25% (Floor 1.00%), Current Coupon 8.29%, Secured Debt (Maturity - June 7, 2022)	1 month LIBOR	3,922	3,900	3,863
Pasha Group (8)	Diversified Logistics and Transportation Provided	LIBOR Plus 7.50% (Floor 1.00%), Current Coupon 9.59%, Secured Debt (Maturity - January 26, 2023)	3 month LIBOR	9,473	9,247	9,544
PaySimple, Inc. (8) (11)	Leading Technology Services Commerce Platform	LIBOR Plus 3.50% (Floor 1.00%), Current Coupon 5.70%, Secured Debt (Maturity - April 30, 2021)	1 month LIBOR	3,150	3,088	3,103
Permian Holdco 2, Inc.	Storage Tank Manufacturer	14.00% PIK Unsecured Debt (Maturity - October 15, 2021) (17)	None	1,099	1,099	812
		18.00% PIK Unsecured Debt (Maturity - June 30, 2022) (17)	None	759	759	759
		Series A Preferred Shares (Permian Holdco 1, Inc.) (386,255 shares)	—	—	1,997	825
		Common Shares (Permian Holdco 1, Inc.) (386,255 shares)	—	—	—	—
					3,855	2,396
PricewaterhouseCoopers Public Sector LLP (8)	Provider of Consulting Services to Governments	LIBOR Plus 7.50%, Current Coupon 9.54%, Secured Debt (Maturity - May 1, 2026) (14)	1 month LIBOR	14,100	14,056	13,924
Rise Broadband (8) (11)	Fixed Wireless Broadband Provider	LIBOR Plus 8.00% (Floor 1.00%), Current Coupon 10.03%, Secured Debt (Maturity - May 2, 2023)	3 month LIBOR	14,775	14,660	14,775
RM Bidder, LLC (11)	Scripted and Unscripted TV and Digital Programming Provider	Common Stock (1,854 shares)	—	—	31	7
		Series A Warrants (124,915 equivalent units, Expiration - October 20, 2025)	—	—	284	—
		Series B Warrants (93,686 equivalent units, Expiration - October 20, 2025)	—	—	—	—
					315	7
Salient Partners, LP (8) (11)	Provider of Asset Management Services	LIBOR Plus 6.00% (Floor 1.00%), Current Coupon 8.04%, Secured Debt (Maturity - June 9, 2021)	1 month LIBOR	6,675	6,717	6,675
Slick Software Holdings LLC (10) (13)	Text Messaging Marketing Platform	14.00% Secured Debt (Maturity - September 13, 2023)	—	1,480	1,395	1,395
		Member units (17,500 units)	—	—	175	270
		Warrants (4,521 equivalent units, Expiration - September 13, 2028)	—	—	45	73
					1,615	1,738
Smart Modular Technologies, Inc. (8) (9) (11)	Provider of Specialty Memory Solutions	LIBOR Plus 6.25%, (Floor 1.00%), Current Coupon 8.43%, Secured Debt (Maturity - August 9, 2022)	3 month LIBOR	19,000	18,839	19,237
TE Holdings, LLC	Oil & Gas Exploration & Production	Common Units (72,785 units)	—	—	728	—
Teleguam Holdings, LLC (8)	Cable and Telecom Services Provider	LIBOR Plus 8.50% (Floor 1.00%), Current Coupon 10.54%, Secured Debt (Maturity - April 12, 2024) (14)	1 month LIBOR	7,750	7,634	7,798
TGP Holdings III LLC (8)	Outdoor Cooking & Accessories	LIBOR Plus 8.50% (Floor 1.00%), Current Coupon 10.54%, Secured Debt (Maturity - September 25, 2025) (14)	1 month LIBOR	5,000	5,000	4,700
TMC Merger Sub Corp (8)	Refractory & Maintenance Services Provider	LIBOR Plus 6.75% (Floor 1.00%), Current Coupon 8.81%, Secured Debt (Maturity - October 31, 2022) (25)	1 month LIBOR	\$ 17,069	\$ 16,909	\$ 16,920
TOMS Shoes, LLC (8)	Global Designer, Distributor, and Retailer of Casual Footwear	LIBOR Plus 5.50% (Floor 1.00%), Current Coupon 7.76%, Secured Debt (Maturity - October 30, 2020)	3 month LIBOR	4,775	4,673	3,056
U.S. Telepacific Corp. (8)	Provider of Communications and Managed Services	LIBOR Plus 5.00% (Floor 1.00%), Current Coupon 7.10%, Secured Debt (Maturity - May 2, 2023)	3 month LIBOR	12,500	12,281	12,196
VIP Cinema Holdings, Inc. (8)	Supplier of Luxury Seating to the Cinema Industry	LIBOR Plus 8.00% (Floor 1.00%), Current Coupon 8.04%, Secured Debt (Maturity - March 1, 2023)	1 month LIBOR	8,750	8,721	6,891
Vistar Media, Inc. (11)	Operator of Digital Out-of-Home Advertising Platform	LIBOR Plus 8.00% (Floor 1.00%), Current Coupon 10.09%, Secured Debt (Maturity - April 3, 2023) (8)	3 month LIBOR	5,690	5,478	5,690
		Warrants (69,675 equivalent units, Expiration - April 3, 2029)	—	—	—	1,220
		Preferred Stock (70,207 shares)	—	—	767	1,210
					6,245	8,120
Volusion, LLC (10) (13)	Provider of Online Software-as-a-Service eCommerce Solutions	11.50% Secured Debt (Maturity - January 24, 2020)	None	8,672	8,515	8,369
		8.00% Unsecured Debt (Maturity - November 16, 2023)	None	175	175	124
		Preferred Member Units (2,090,001 units)	—	—	6,000	6,000
		Warrants (784,866.80 equivalent units, Expiration - January 26, 2025)	—	—	1,104	244
					15,794	14,737
Wireless Vision Holdings, LLC (8) (11)	Provider of Wireless Telecommunications Carrier Services	LIBOR Plus 9.91% (Floor 1.00%), Current Coupon 11.69% / 1.00% PIK, Current Coupon Plus PIK 12.69%, Secured Debt (Maturity - September 29, 2022) (23)	1 month LIBOR	7,272	7,139	7,272
		LIBOR Plus 8.91% (Floor 1.00%), Current Coupon 10.96% / 1.00% PIK, Current Coupon Plus PIK 11.96%, Secured Debt (Maturity - September 29, 2022) (23)	1 month LIBOR	6,321	6,121	6,321
					13,260	13,593
					7,250	7,276
Subtotal Non-Control/Non-Affiliate Investments (5) (83% of total portfolio investments at fair value)					\$ 900,620	\$ 870,059
Total Portfolio Investments					\$ 1,056,274	\$ 1,053,482
Short Term Investments (20)						
Fidelity Institutional Money Market Funds (21)	—	Prime Money Market Portfolio, Class III Shares	—	—	\$ 9,631	\$ 9,631
US Bank Money Market Account (21)	—	—	—	—	4,856	4,856
Total Short Term Investments					\$ 14,487	\$ 14,487

(1) All investments are Middle Market (as defined in the notes to the financial statements) portfolio investments, unless otherwise noted. All of the assets of HMS Income Fund, Inc. (together with its consolidated subsidiaries, the “Company”) are encumbered as security for the Company’s credit agreements. See Note 6 — *Borrowings*.

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

(4) Affiliate investments are generally defined by the Investment Company Act of 1940, as amended (the "1940 Act"), as investments in which between 5% and 25% of the voting securities are owned, or an investment in an investment company's investment adviser, and the investments are not classified as Control investments. Fair value as of December 31, 2018 and September 30, 2019 along with transactions during the nine months ended September 30, 2019 in these affiliated investments were as follows (in thousands):

Hawk Ridge Systems, LLC

Term loan	\$	3,575	\$	13	\$	(225)	\$	(13)	\$	3,350	\$	—	\$	275	\$	—	\$	—
Term loan		—		150		(3)		—		147				2				
Preferred member units		1,815		—		—		160		1,975		—		—		—		66
Preferred member units (HRS Services, ULC)		95		—		—		10		105		—		—		—		—

#### HWT, LLC

Term Loan		2,484		391		(2,875)		—		—		—		—		—		—
Member units		986		—		(986)		—		—		—		—		—		—

#### KMC Investor, LLC

Term loan		6,795		30		(200)		—		6,625		—		632		—		—
Term loan		259		2		(266)		5		—		—		4		—		—
Term loan		991		—		(12)		—		979		—		68		—		—
Member units		248		—		—		—		248		—		—		—		—
Member units (KMC RE Investor, LLC)		3,060		—		—		—		3,060		—		—		—		23

#### Market Force Information, Inc.

Term loan		5,617		17		(1)		32		5,665		—		601		—		—
Term loan		50		691		(50)		—		691		—		18		—		—
Member units		3,275		—		—		(1,511)		1,764		—		—		—		—

#### M.H. Corbin Holding, LLC

Term loan		2,934		242		(1,115)		124		2,185		10		233		—		—
Member units		—		1,100		—		92		1,192		—		—		—		—
Member units		250		—		—		(245)		5		—		—		—		—

#### Mystic Logistics Holdings, LLC

Term loan		1,877		10		(283)		(6)		1,598		—		173		—		—
Common stock		52		1		—		1,149		1,202		—		—		—		43

#### NexRev, LLC

Term loan		4,322		13		(108)		(40)		4,187		—		380		—		—
Preferred member units		1,972		—		—		(253)		1,719		—		—		—		44

#### NuStep, LLC

Term loan		5,073		19		—		—		5,092		—		489		—		—
Preferred member units		2,550		—		—		—		2,550		—		—		—		—

#### SI East, LLC

Term loan		11,582		33		(762)		135		10,988		—		942		—		—
Preferred member units		2,000		—		—		446		2,446		—		—		—		91

#### Soft Touch Medical Holdings, LLC

Member units		—		—		—		—		—		(41)		—		—		—
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#### Tedder Acquisition, LLC

Term loan		3,983		15		(1)		69		4,066		—		388		—		—
Term loan		118		180		(260)		—		38		—		11		2		—
Preferred member units		1,869		165		—		—		2,034		—		—		—		—

#### Trantech Radiator Topco, LLC

Term loan		—		2,610		(278)		(1)		2,331		—		116		—		—
Preferred member units		—		1,164		—		—		1,164		—		—		—		10

<b>Total Affiliate Investments</b>	<b>\$</b>	<b>149,323</b>	<b>\$</b>	<b>22,489</b>	<b>\$</b>	<b>(25,995)</b>	<b>\$</b>	<b>4,674</b>	<b>\$</b>	<b>150,491</b>	<b>\$</b>	<b>(5,266)</b>	<b>\$</b>	<b>7,318</b>	<b>\$</b>	<b>90</b>	<b>\$</b>	<b>2,035</b>
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\* Gross additions include increases in the cost basis of investments resulting from new portfolio investments, payment-in-kind ("PIK") interest, the amortization of unearned income, the exchange of one or more existing securities for one or more new securities and the movement of an existing portfolio company into this category from a different category.

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

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

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

(6) Control investments are generally defined by the 1940 Act as investments in which more than 25% of the voting securities are owned or where the ability to nominate greater than 50% of the board representation is maintained. Fair value as of December 31, 2018 and September 30, 2019 along with transactions during the nine months ended September 30, 2019 in these Control investments were as follows (in thousands):

Portfolio Company	Fair Value at December 31, 2018	Nine Months Ended September 30, 2019				Fair Value at September 30, 2019	Nine Months Ended September 30, 2019					
		Gross Additions (Cost)**	Gross Reductions (Cost)**	Net Unrealized Gain (Loss)	Net Realized Gain (Loss)		Interest Income	Fee Income	Dividend Income			
Control Investments												
Copper Trail Energy Fund I, LP												
LP interests	\$ 4,468	\$ 23	\$ (4,491)	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —
CTMH, LP												
LP interests	872	—	—	—	872	—	—	—	—	—	—	—
GRT Rubber Technologies, LLC												
Term loan	4,797	2,602	—	(3)	7,396	—	428	—	—	—	—	—
Member units	19,239	—	—	3,405	22,644	—	—	—	53	4,251		
Harris Preston Fund Investments												
LP interests (2717 HM, LP)	—	2,328	(497)	189	2,020							
HMS-ORIX SLF LLC												
Membership interests	26,351	—	(30,001)	3,650	—	(633)	—	—	—	546		
Total Control Investments	\$ 55,727	\$ 4,953	\$ (34,989)	\$ 7,241	\$ 32,932	\$ (633)	\$ 428	\$ 53	\$ 4,797			

\* Together with ORIX Funds Corp. ("Orix"), the Company co-invested through HMS-ORIX SLF LLC ("HMS-ORIX"), which is organized as a Delaware limited liability company. Pursuant to the terms of the limited liability company

agreement and through representation on the HMS-ORIX Board of Managers, the Company and Orix each had 50% voting control of HMS-ORIX and together agreed on all portfolio and investment decisions as well as all other significant actions for HMS-ORIX. Although the Company owned more than 25% of the voting securities of HMS-ORIX, the Company did not have sole control over significant actions of HMS-ORIX for purposes of the 1940 Act or otherwise.

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

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

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

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

(9) The investment is not a qualifying asset in an eligible portfolio company under Section 55(a) of the 1940 Act. A business development company ("BDC") may not acquire any asset other than qualifying assets in eligible portfolio companies unless, at the time the acquisition is made, qualifying assets represent at least 70% of the BDC's total assets. As of September 30, 2019, approximately 13.0% of the Company's total assets were considered non-qualifying.

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

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

(12) Investment or portion of investment is under contract to purchase and met trade date accounting criteria as of September 30, 2019. Settlement occurred or is scheduled to occur after September 30, 2019.

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

(14) Second lien secured debt investment.

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

(16) Income producing through dividends or distributions.

(17) Unsecured debt investment.

(18) Investment is on non-accrual status as of September 30, 2019.

(19) Maturity date is under on-going renegotiations with the portfolio company and other lenders, if applicable.

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

(21) Effective yield as of September 30, 2019 was approximately 0.15% at US Bank Money Market Account and 1.67% at Fidelity Institutional Money Market Funds.

(22) The 1, 2, 3, and 6-month London Interbank Offered Rate ("LIBOR") were 2.02%, 2.07%, 2.09% and 2.06%, respectively, as of September 30, 2019. The actual LIBOR for each loan listed may not be the applicable LIBOR as of September 30, 2019, as the loan may have been priced or repriced based on a LIBOR prior to September 30, 2019. The prime rate was 5.00% as of September 30, 2019.

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

(24) [Reserved]

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

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

*See notes to the condensed consolidated financial statements.*

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

Portfolio Company (1) (3)	Business Description	Type of Investment (2) (3)	Index Rate (22)	Principal (7)	Cost (7)	Fair Value (26)
<b>Control Investments (6)</b>						
<b>Copper Trail Energy Fund I, LP (9) (15)</b>	Investment Partnership	LP Interests (Copper Trail Energy Fund I, LP) (Fully diluted 30.10%) (16)	—	\$ —	\$ 3,745	\$ 4,468
<b>CTMH, LP (9) (15)</b>	Investment Partnership	LP Interests (CTMH, LP) (Fully diluted 38.80%)	—	—	872	872
<b>GRT Rubber Technologies, LLC (10) (13)</b>	Manufacturer of Engineered Rubber Products	LIBOR Plus 7.00% (Floor 1.00%), Current Coupon 9.35%, Secured Debt (Maturity - December 31, 2023) (8)	1 month LIBOR	4,797	4,770	4,797
		Member Units (2,896 units) (16)	—	—	6,434	19,239
					11,204	24,036
<b>HMS-ORIX SLF LLC (9) (15)</b>	Investment Partnership	Membership Interests (Fully diluted 60.00%) (16)	—	—	30,000	26,351
<b>Subtotal Control Investments (6) (5% of total investments at fair value)</b>					<b>\$ 45,821</b>	<b>\$ 55,727</b>
<b>Affiliate Investments (4)</b>						
<b>AFG Capital Group, LLC (10) (13)</b>	Provider of Rent-to-Own Financing Solutions and Services	Member Units (46 units) (16)	—	\$ —	\$ 300	\$ 995
		Warrants (10 equivalent units, Expiration - November 7, 2024)	—	—	65	237
					365	1,232
<b>Brewer Crane Holdings, LLC (10) (13)</b>	Provider of Crane Rental and Operating Services	LIBOR Plus 10.00% (Floor 1.00%), Current Coupon 12.35%, Secured Debt (Maturity - January 9, 2023) (8)	1 month LIBOR	2,387	2,347	2,347
		Preferred Member Units (737 units) (16)	—	—	1,070	1,070
					3,417	3,417
<b>Chamberlin Holding, LLC (10) (13)</b>	Roofing and Waterproofing Specialty Subcontractor	LIBOR Plus 10.00% (Floor 1.00%), Current Coupon 12.75%, Secured Debt (Maturity - February 23, 2023) (8)	1 month LIBOR	5,051	4,933	4,933
		Member Units (1,087 units) (16)	—	—	2,860	4,735
		Member Units (Langfield RE, LLC) (1 unit) (16)	—	—	183	183
					7,976	9,851
<b>Charlotte Russe, Inc.</b>	Fast-Fashion Retailer to Young Women	8.50% Secured Debt (Maturity - February 2, 2023)	None	6,237	6,237	3,090
		Common Stock (14,973 shares)	—	—	2,470	—
					8,707	3,090
<b>Charps, LLC (10) (13)</b>	Pipeline Maintenance and Construction	12.00% Secured Debt (Maturity - February 3, 2022)	None	2,975	2,922	2,975
		Preferred Member Units (400 units) (16)	—	—	100	568
					3,022	3,543
<b>Clad-Rex Steel, LLC (10) (13)</b>	Specialty Manufacturer of Vinyl-Clad Metal	LIBOR Plus 9.00% (Floor 1.00%), Current Coupon 11.35%, Secured Debt (Maturity - December 20, 2021) (8)	1 month LIBOR	3,020	2,979	3,020
		Member Units (179 units) (16)	—	—	1,820	2,653
		10.00% Secured Debt (Clad-Rex Steel RE Investor, LLC) (Maturity - December 19, 2036)	None	291	288	288
		Member Units (Clad-Rex Steel RE Investor, LLC) (200 units)	—	—	53	88
					5,140	6,049
<b>Digital Products Holdings LLC (10) (13)</b>	Designer and Distributor of Consumer Electronics	LIBOR Plus 10.00% (Floor 1.00%), Current Coupon 12.38%, Secured Debt (Maturity - March 31, 2023) (8)	1 month LIBOR	6,435	6,320	6,320
		Preferred Member Units (863 units) (16)	—	—	2,116	2,116
					8,436	8,436
<b>Direct Marketing Solutions, Inc. (10) (13)</b>	Provider of Omni-Channel Direct Marketing Services	LIBOR Plus 11.00% (Floor 1.00%), Current Coupon 13.38%, Secured Debt (Maturity - February 13, 2023) (8)	1 month LIBOR	4,503	4,396	4,404
		Preferred Stock (2,100 shares)	—	—	2,100	3,725
					6,496	8,129
<b>Freeport Financial Funds (9) (15)</b>	Investment Partnership	LP Interests (Freeport First Lien Loan Fund III, LP) (Fully diluted 6.00%) (16)	—	\$ —	\$ 11,155	\$ 10,980
<b>Gamber-Johnson Holdings, LLC (10) (13)</b>	Manufacturer of Ruggedized Computer Mounting Systems	LIBOR Plus 7.50% (Floor 2.00%), Current Coupon 9.85%, Secured Debt (Maturity - June 24, 2021) (8)	1 month LIBOR	5,371	5,299	5,371
		Member Units (2,155 units) (16)	—	—	3,711	11,365
					9,010	16,736
<b>Guerdon Modular Holdings, Inc. (10) (13)</b>	Multi-Family and Commercial Modular Construction Company	13.00% Secured Debt (Maturity - March 1, 2019)	None	3,147	3,124	3,001
		Common Stock (53,008 shares)	—	—	746	—
		Class B Preferred Stock (101,250 shares)	—	—	285	—
					4,155	3,001
<b>Gulf Publishing Holdings, LLC (10) (13)</b>	Energy Industry Focused Media and Publishing	12.50% Secured Debt (Maturity - April 29, 2021)	None	3,166	3,131	3,131
		Member Units (920 units)	—	—	920	1,030
					4,051	4,161
<b>Harris Preston Fund Investments (9) (15)</b>	Investment Partnership	LP Interests (HPEP 3, LP) (Fully diluted 8.20%) (16)	—	—	1,733	1,733
		LP Interests (2717 MH, LP) (Fully diluted 49.30%) (16)	—	—	1,040	1,133
					2,773	2,866
<b>Hawk Ridge Systems, LLC (9) (10) (13)</b>	Value-Added Reseller of Engineering Design and Manufacturing Solutions	10.50% Secured Debt (Maturity - December 2, 2021)	None	3,575	3,526	3,575
		Preferred Member Units (56 units) (16)	—	—	713	1,815
		Preferred Member Units (HRS Services, ULC) (56 units) (16)	—	—	38	95
					4,277	5,485



HW Temps LLC (10) (13)	Temporary Staffing Solutions	LIBOR Plus 13.00% (Floor 1.00%), Current Coupon 15.35%, Secured Debt (Maturity - July 2, 2020) (8)	1 month LIBOR	2,494	2,469	2,484
		Preferred Member Units (800 units) (16)	—	—	986	986
					3,455	3,470
KMC Investor, LLC (10) (13)	Precision Metal Parts Manufacturing	11.50% Secured Debt (Maturity - October 31, 2023)	None	7,000	6,795	6,795
		11.50% Secured Debt (Maturity - October 31, 2020)	None	266	259	259
		9.00% Secured Debt (Maturity - October 31, 2048)	None	1,001	991	991
		Member Units (145 units)	—	—	248	248
		Member Units (KMC RE Investor, LLC) (200 units)	—	—	3,060	3,060
					11,353	11,353
Market Force Information, Inc. (10) (13)	Provider of Customer Experience Management Services	LIBOR Plus 11.00% (Floor 1.00%), Current Coupon 13.74%, Secured Debt (Maturity - July 28, 2022) (8)	1 month LIBOR	5,700	5,617	5,617
		LIBOR Plus 7.00% (Floor 1.00%), Current Coupon 9.74%, Secured Debt (Maturity - July 28, 2022) (8)	1 month LIBOR	50	50	50
		Member Units (170,000 units)	—	—	3,675	3,275
					9,342	8,942
M.H. Corbin Holding LLC (10) (13)	Manufacturer and Distributor of Traffic Safety Products	10.00% Current / 3.00% PIK Secured Debt (Maturity - August 31, 2020) (18)	None	3,066	3,032	2,934
		Preferred Member Units (1,000 units)	—	—	1,500	250
					4,532	3,184
Mystic Logistics Holdings, LLC (10) (13)	Logistics and Distribution Services Provider for Large Volume Mailers	12.00% Secured Debt (Maturity - August 15, 2019)	None	1,884	1,871	1,877
		Common Stock (1,468 shares) (16)	—	—	680	52
					2,551	1,929
NexRev, LLC (10) (13)	Provider of Energy Efficiency Products & Services	11.00% Secured Debt (Maturity - February 28, 2023)	None	\$ 4,360	\$ 4,276	\$ 4,322
		Preferred Member Units (21,600,000 units) (16)	—	—	1,720	1,972
					5,996	6,294
NuStep, LLC (10) (13)	Designer, Manufacturer and Distributor of Fitness Equipment	12.00% Secured Debt (Maturity - January 31, 2022)	None	5,150	5,072	5,073
		Preferred Member Units (102 units)	—	—	2,550	2,550
					7,622	7,623
SI East, LLC (10) (13)	Rigid Industrial Packaging Manufacturing	10.25% Secured Debt (Maturity - August 31, 2023)	None	11,750	11,571	11,582
		Preferred Member Units (52 units)	—	—	2,000	2,000
					13,571	13,582
Tedder Acquisition, LLC (10) (13)	Manufacturer of Firearm Holsters and Accessories	12.00% Secured Debt (Maturity - August 31, 2023)	None	4,100	3,983	3,983
		12.00% Secured Debt (Maturity - August 31, 2020)	None	120	118	118
		Preferred Member Units (110 units)	—	—	1,869	1,869
					5,970	5,970
Subtotal Affiliate Investments (4) (13% of total investments at fair value)					\$ 143,372	\$ 149,323
Non-Control/Non-Affiliate Investments (5)						
AAC Holdings Inc. (8)	Substance Abuse Treatment Service Provider	LIBOR Plus 6.75% (Floor 1.00%), Current Coupon 9.28%, Secured Debt (Maturity - June 30, 2023)	3 month LIBOR	\$ 14,500	\$ 14,245	\$ 14,463
Adams Publishing Group, LLC (8) (11)	Local Newspaper Operator	LIBOR Plus 7.50% (Floor 1.00%), Current Coupon 9.93%, Secured Debt (Maturity - July 3, 2023)	3 month LIBOR	8,108	7,942	7,942
		PRIME Plus 4.00% (Floor 1.00%), Current Coupon 9.50%, Secured Debt (Maturity - July 3, 2023)	PRIME	4,250	4,160	4,160
					12,102	12,102
ADS Tactical, Inc. (8) (11)	Value-Added Logistics and Supply Chain Solutions Provider to the Defense Industry	LIBOR Plus 6.25% (Floor 0.75%), Current Coupon 8.77%, Secured Debt (Maturity - July 26, 2023)	1 month LIBOR	16,416	16,319	15,306
Aethon United BR, LP (8) (11)	Oil & Gas Exploration & Production	LIBOR Plus 6.75% (Floor 1.00%), Current Coupon 9.14%, Secured Debt (Maturity - September 8, 2023) (14)	1 month LIBOR	4,063	4,011	3,817
Allen Media, LLC (8)	Operator of Cable Television Networks	LIBOR Plus 6.50% (Floor 1.00%), Current Coupon 9.21%, Secured Debt (Maturity - August 30, 2023)	3 month LIBOR	17,142	16,671	16,650
Allflex Holdings III Inc. (8)	Manufacturer of Livestock Identification Products	LIBOR Plus 7.00% (Floor 1.00%), Current Coupon 9.48%, Secured Debt (Maturity - July 19, 2021) (14)	3 month LIBOR	13,232	13,321	13,125
American Nuts, LLC (8) (11)	Roaster, Mixer and Packager of Bulk Nuts and Seeds	LIBOR Plus 8.50% (Floor 1.00%), Current Coupon 10.90%, Secured Debt (Maturity - April 10, 2023)	3 month LIBOR	11,194	10,965	10,475
		LIBOR Plus 8.50% (Floor 1.00%), PIK 9.50%, Secured Debt (Maturity - April 10, 2023)	1 month LIBOR	1,125	1,107	1,107
					12,072	11,582
American Scaffold Holdings, Inc. (8) (11)	Marine Scaffolding Service Provider	LIBOR Plus 6.50% (Floor 1.00%), Current Coupon 9.30%, Secured Debt (Maturity - March 31, 2022)	3 month LIBOR	6,656	6,593	6,623
American Teleconferencing Services, Ltd. (8)	Provider of Audio Conferencing and Video Collaboration Solutions	LIBOR Plus 6.50% (Floor 1.00%), Current Coupon 9.09%, Secured Debt (Maturity - December 8, 2021)	3 month LIBOR	14,586	13,938	12,180
Apex Linen Service, Inc. (10) (13)	Industrial Launderers	16.00% Secured Debt (Maturity - October 30, 2022)	None	3,604	3,560	3,560
		LIBOR Plus 9.00% (Floor 1.00%), Current Coupon 11.35%, Secured Debt (Maturity - October 30, 2022) (8)	1 month LIBOR	600	600	600
					4,160	4,160
APTIM Corp	Engineering, Construction and Procurement	7.75% Secured Debt (Maturity - June 15, 2025)	None	\$ 6,952	\$ 6,163	\$ 5,284
Arcus Hunting, LLC (8) (11)	Manufacturer of Bowhunting and Archery Products and Accessories	LIBOR Plus 7.00% (Floor 1.00%), Current Coupon 9.40%, Secured Debt (Maturity - November 13, 2019)	1 month LIBOR	7,493	7,459	7,492
Arise Holdings, Inc. (11)	Tech-Enabled Business Process Outsourcing	Preferred Stock (1,000,000 shares)	—	—	1,000	1,704
ASC Ortho Management Company, LLC (11)	Provider of Orthopedic Services	LIBOR Plus 7.50% (Floor 1.00%), Current Coupon 9.90%, Secured Debt (Maturity - August 31, 2023) (8)	3 month LIBOR	4,660	4,560	4,574
		13.25% PIK Secured Debt (Maturity - December 1, 2023) (14)	None	1,571	1,532	1,532
					6,092	6,106
ATI Investment Sub, Inc. (8)	Manufacturer of Solar Tracking Systems	LIBOR Plus 7.25% (Floor 1.00%), Current Coupon 9.76%, Secured Debt (Maturity - June 22, 2021)	1 month LIBOR	4,135	4,062	3,718



ATX Networks Corp. (8) (9)	Provider of Radio Frequency Management Equipment	LIBOR Plus 6.00% (Floor 1.00%), Current Coupon 8.39%, Current Coupon plus PIK 9.39%, Secured Debt (Maturity - June 11, 2021)	3 month LIBOR	13,982	13,827	13,284
BarFly Ventures, LLC (11)	Casual Restaurant Group	12.00% Secured Debt (Maturity - August 31, 2020)	None	3,395	3,362	3,339
		Warrants (.410 equivalent units, Expiration - August 31, 2025)	—	—	158	137
		Options (.99 equivalent units)	—	—	202	313
					3,722	3,789
BBB Tank Services, LLC (10) (13)	Maintenance, Repair and Construction Services to the Above-Ground Storage Tank Market	LIBOR Plus 11.00% (Floor 1.00%), Current Coupon 13.35%, Secured Debt (Maturity - April 8, 2021) (8)	1 month LIBOR	1,000	992	962
		Preferred Stock (non-voting)	—	—	28	28
		Member Units (200,000 units)	—	—	200	58
					1,220	1,048
Berry Aviation, Inc. (11)	Charter Airline Services	10.50% Current / 1.50% PIK, Secured Debt (Maturity - January 6, 2024) (14)	None	4,480	4,417	4,438
		Preferred Member Units (Berry Acquisition, LLC) (1,548,387 units, 8.00% cumulative) (16)	—	—	1,548	1,609
					5,965	6,047
BigName Commerce, LLC (8) (11)	Provider of Envelopes and Complimentary Stationery Products	LIBOR Plus 7.25% (Floor 1.00%), Current Coupon 9.65%, Secured Debt (Maturity - May 11, 2022)	1 month LIBOR	2,462	2,441	2,370
Binswanger Enterprises, LLC (11)	Glass Repair and Installation Service Provider	LIBOR Plus 8.00% (Floor 1.00%), Current Coupon 10.74%, Secured Debt (Maturity - March 9, 2022) (8)	3 month LIBOR	14,270	14,073	13,651
		Member Units (1,050,000 units)	—	—	1,050	1,330
					15,123	14,981
Bluestem Brands, Inc. (8)	Multi-Channel Retailer of General Merchandise	LIBOR Plus 7.50% (Floor 1.00%), Current Coupon 10.02%, Secured Debt (Maturity - November 6, 2020)	3 month LIBOR	12,198	12,087	7,888
Bocella Precast Products, LLC (10) (13)	Manufacturer of Precast Hollow Core Concrete	LIBOR Plus 10.00% (Floor 1.00%), Current Coupon 12.40%, Secured Debt (Maturity - June 30, 2022) (8)	1 month LIBOR	3,931	3,856	3,931
		Member Units (540,000 units) (16)	—	—	540	1,270
					4,396	5,201
Brightwood Capital Fund Investments (9) (15)	Investment Partnership	LP Interests (Brightwood Capital Fund III, LP) (Fully diluted 1.60%) (16)	—	—	4,075	3,421
		LP Interests (Brightwood Capital Fund IV, LP) (Fully diluted 0.80%) (16)	—	—	4,037	4,126
					8,112	7,547
Buca C, LLC (10) (13)	Casual Restaurant Group	LIBOR Plus 9.25% (Floor 1.00%), Current Coupon 11.63%, Secured Debt (Maturity - June 30, 2020) (8)	1 month LIBOR	\$ 12,735	\$ 12,648	\$ 12,648
		Preferred Member Units (4 units, 6.00% cumulative) (16)	—	—	2,866	2,955
					15,514	15,603
Cadence Aerospace, LLC (8) (11)	Aerospace Manufacturing	LIBOR Plus 6.50% (Floor 1.00%), Current Coupon 9.06%, Secured Debt (Maturity - November 14, 2023)	3 month LIBOR	19,469	19,301	18,244
CAI Software, LLC (10) (13)	Provider of Specialized Enterprise Resource Planning Software	12.00% Secured Debt (Maturity - December 7, 2023)	None	2,720	2,715	2,720
		Member Units (16,742 units) (16)	—	—	188	679
					2,903	3,399
Cenveo Corporation	Provider of Digital Marketing Agency Services	LIBOR Plus 9.00% (Floor 1.00%), Current Coupon 11.54%, Secured Debt (Maturity - June 7, 2023) (8)	2 month LIBOR	4,995	4,618	4,742
		Common Stock (138,889 shares)	—	—	4,163	2,153
					8,781	6,895
Clarius BIGS, LLC (11) (18)	Prints & Advertising Film Financing	15.00% PIK Secured Debt (Maturity - January 5, 2015) (18)	None	2,128	1,870	32
		20.00% PIK Secured Debt (Maturity - January 5, 2015) (18)	None	770	677	12
					2,547	44
Clickbooth.com, LLC (8) (11)	Provider of Digital Advertising Performance Marketing Solutions	LIBOR Plus 8.50% (Floor 1.00%), Current Coupon 10.90%, Secured Debt (Maturity - December 5, 2022)	3 month LIBOR	2,925	2,876	2,750
Construction Supply Investments, LLC (11)	Distribution Platform of Specialty Construction Materials to Professional Concrete and Masonry Contractors	LIBOR Plus 6.00% (Floor 1.00%), Current Coupon 8.62%, Secured Debt (Maturity - June 30, 2023) (8)	2 month LIBOR	15,422	15,351	15,384
		Member units (42,207 units)	—	—	4,221	4,290
					19,572	19,674
CTVSH, PLLC (8) (11) (13)	Emergency Care and Specialty Service Animal Hospital	LIBOR Plus 8.00% (Floor 1.00%), Current Coupon 10.74%, Secured Debt (Maturity - August 3, 2022)	1 month LIBOR	2,813	2,768	2,735
Datacom, LLC (10) (13) (18)	Technology and Telecommunications Provider	5.25% Current / 5.25% PIK, Current Coupon 10.50% Secured Debt (Maturity - May 30, 2019) (18)	None	1,384	1,377	1,082
		8.00% Secured Debt (Maturity - May 30, 2018) (18)	None	200	200	188
		Class A Preferred Member Units (1,530 units)	—	—	144	—
		Class B Preferred Member Units (717 units)	—	—	670	—
					2,391	1,270
Digital River, Inc. (8)	Provider of Outsourced e-Commerce Solutions and Services	LIBOR Plus 6.00% (Floor 1.00%), Current Coupon 8.78%, Secured Debt (Maturity - February 12, 2021)	3 month LIBOR	9,779	9,710	9,681
DTE Enterprises, LLC (11)	Industrial Powertrain Repair and Services	LIBOR Plus 7.50% (Floor 1.00%), Current Coupon 10.12%, Secured Debt (Maturity - April 13, 2023) (8)	3 month LIBOR	12,491	12,263	11,593
		Class AA Preferred Member Units (non-voting) (16)	—	—	758	778
		Class A Preferred Member Units (776,316 units) (16)	—	—	776	1,300
					13,797	13,671
Dynamic Communities, LLC (8) (11)	Developer of Business Events and Online Community Groups	LIBOR Plus 8.00% (Floor 1.00%), Current Coupon 10.80%, Secured Debt (Maturity - July 17, 2023)	3 month LIBOR	5,565	5,460	5,462
Elite SEM, Inc. (8) (11)	Provider of Digital Marketing Agency Services	LIBOR Plus 8.50% (Floor 1.00%), Current Coupon 11.27%, Secured Debt (Maturity - February 1, 2022)	3 month LIBOR	6,875	6,749	6,749
Epic Y-Grade Services, LP (8)	NGL Transportation & Storage	LIBOR Plus 5.50% (Floor 1.00%), Current Coupon 8.02%, Secured Debt (Maturity - June 13, 2024)	1 month LIBOR	17,500	17,174	16,625
Evergreen Skills Lux S.á r.l. (d/b/a Skillsoft) (8) (9)	Technology-Based Performance Support Solutions	LIBOR Plus 8.25% (Floor 1.00%), Current Coupon 10.77%, Secured Debt (Maturity - April 28, 2022) (14)	1 month LIBOR	\$ 10,900	\$ 10,585	\$ 6,123

Extreme Reach, Inc. (8)	Integrated TV and Video Advertising Platform	LIBOR Plus 6.25% (Floor 1.00%), Current Coupon 8.78%, Secured Debt (Maturity - February 7, 2020)	1 month LIBOR	16,152	16,145	16,065
Felix Investments Holdings II, LLC (8) (11)	Oil and Gas Exploration and Production	LIBOR Plus 6.50% (Floor 1.00%), Current Coupon 9.10%, Secured Debt (Maturity - August 9, 2022)	3 month LIBOR	3,333	3,279	3,141
Flavors Holdings, Inc. (8)	Global Provider of Flavoring and Sweetening Products and Solutions	LIBOR Plus 5.75% (Floor 1.00%), Current Coupon 8.55%, Secured Debt (Maturity - April 3, 2020)	3 month LIBOR	11,666	11,367	10,849
GI KBS Merger Sub LLC (8)	Outsourced Janitorial Service Provider	LIBOR Plus 8.50% (Floor 1.00%), Current Coupon 11.02%, Secured Debt (Maturity - April 29, 2022) (14)	3 month LIBOR	14,700	14,634	14,828
Good Source Solutions, Inc. (8) (11)	Specialized Food Distributor	LIBOR Plus 8.34% (Floor 1.00%), Current Coupon 11.14%, Secured Debt (Maturity - June 29, 2023)	3 month LIBOR	5,000	4,952	4,952
GoWireless Holdings, Inc. (8)	Provider of Wireless Telecommunications Carrier Services	LIBOR Plus 6.50% (Floor 1.00%), Current Coupon 9.02%, Secured Debt (Maturity - December 22, 2024)	3 month LIBOR	15,740	15,609	15,313
HDC/HW Intermediate Holdings, LLC (8) (11)	Managed Services and Hosting Provider	LIBOR Plus 7.50% (Floor 1.00%), Current Coupon 10.29%, Secured Debt (Maturity - December 21, 2023)	3 month LIBOR	1,799	1,759	1,763
Hoover Group, Inc. (8) (9) (11)	Provider of Storage Tanks and Related Products to the Energy and Petrochemical Markets	LIBOR Plus 7.25% (Floor 1.00%), Current Coupon 9.90%, Secured Debt (Maturity - January 28, 2021)	3 month LIBOR	14,697	14,089	13,815
		LIBOR Plus 6.00% (Floor 1.00%), Current Coupon 8.71%, Secured Debt (Maturity - January 28, 2020)	3 month LIBOR	5,125	4,664	4,657
					18,753	18,472
Hunter Defense Technologies, Inc. (8) (11)	Provider of Military and Commercial Shelters and Systems	LIBOR Plus 7.00% (Floor 1.00%), Current Coupon 9.80%, Secured Debt (Maturity - March 29, 2023)	3 month LIBOR	8,811	8,531	8,262
Hydrofarm Holdings, LLC (8) (11)	Wholesaler of Horticultural Products	LIBOR Plus 10.00%, Current Coupon 3.62% / 8.61% PIK, Current Coupon Plus PIK 12.30%, Secured Debt (Maturity - May 12, 2022)	1 month LIBOR	7,214	7,084	5,643
iEnergizer Limited (8) (9)	Provider of Business Outsourcing Solutions	LIBOR Plus 6.00% (Floor 1.25%), Current Coupon 8.53%, Secured Debt (Maturity - May 1, 2019)	1 month LIBOR	12,086	12,050	12,101
Implus Footcare, LLC (8) (11)	Provider of Footwear and Related Accessories	LIBOR Plus 6.75% (Floor 1.00%), Current Coupon 9.55%, Secured Debt (Maturity - April 30, 2021)	3 month LIBOR	17,153	17,000	16,762
Independent Pet Partners Intermediate Holdings, LLC (11)	Omnichannel Retailer of Specialty Pet Products	LIBOR Plus 9.00% (Floor 1.00%), Current Coupon 11.90%, Secured Debt (Maturity - November 19, 2023) (8)	6 month LIBOR	1,589	1,557	1,557
		Member Units (1,191,667 units)	—	—	1,192	1,192
					2,749	2,749
Industrial Services Acquisitions, LLC (11)	Industrial Cleaning Services	6.00% Current / 7.00% PIK, Current Coupon 13.00%, Unsecured Debt (Maturity - December 17, 2022) (17)	None	11,198	11,048	10,246
		Member Units (Industrial Services Investments, LLC) (336 units; 10.00% cumulative)	—	—	202	202
		Member Units (Industrial Services Investments, LLC) (2,100,000 units)	—	—	2,100	490
					13,350	10,938
Inn of the Mountain Gods Resort and Casino	Hotel & Casino Owner & Operator	9.25% Secured Debt (Maturity - November 30, 2020) (14)	None	8,254	8,254	7,882
Intermedia Holdings, Inc. (8)	Unified Communications as a Service	LIBOR Plus 6.00% (Floor 1.00%), Current Coupon 8.52%, Secured Debt (Maturity - July 19, 2025)	1 month LIBOR	11,571	11,461	11,557
Isagenix International, LLC (8)	Direct Marketer of Health and Wellness Products	LIBOR Plus 5.75% (Floor 1.00%), Current Coupon 8.55%, Secured Debt (Maturity - June 14, 2025)	3 month LIBOR	6,268	6,208	6,095
JAB Wireless, Inc. (8) (11)	Fixed Wireless Broadband Provider	LIBOR Plus 8.00% (Floor 1.00%), Current Coupon 10.39%, Secured Debt (Maturity - May 2, 2023)	1 month LIBOR	14,888	14,753	13,987
Jacent Strategic Merchandising, LLC (8) (11)	General Merchandise Distribution	LIBOR Plus 7.50% (Floor 1.00%), Current Coupon 10.27%, Secured Debt (Maturity - September 16, 2020)	3 month LIBOR	\$ 10,740	\$ 10,641	\$ 10,688
Jackmont Hospitality, Inc. (8) (11)	Franchisee of Casual Dining Restaurants	LIBOR Plus 6.75% (Floor 1.00%), Current Coupon 9.26%, Secured Debt (Maturity - May 26, 2021)	1 month LIBOR	8,329	8,314	8,329
Jacuzzi Brands LLC (8)	Manufacturer of Bath and Spa Products	LIBOR Plus 7.00% (Floor 1.00%), Current Coupon 9.52%, Secured Debt (Maturity - June 28, 2023)	1 month LIBOR	5,775	5,681	5,746
Joerns Healthcare, LLC (8)	Manufacturer and Distributor of Health Care Equipment & Supplies	LIBOR Plus 6.00% (Floor 1.00%), Current Coupon 8.71%, Secured Debt (Maturity - May 9, 2020)	3 month LIBOR	11,119	11,016	9,965
Knight Energy Services LLC (11)	Oil and Gas Equipment & Services	8.50% Secured Debt (Maturity - February 9, 2024)	None	760	760	760
		Class A-2 Shares (25,692 units)	—	—	1,843	1,843
					2,603	2,603
Larchmont Resources, LLC (9)	Oil & Gas Exploration & Production	LIBOR Plus 9.00% (Floor 1.00%) PIK, 11.77% PIK, Secured Debt (Maturity - August 7, 2020) (8)	3 month LIBOR	3,898	3,898	3,820
		Member units (Larchmont Intermediate Holdco, LLC) (4,806 units)	—	—	601	1,201
					4,499	5,021
Logix Acquisition Company, LLC (8) (11)	Competitive Local Exchange Carrier	LIBOR Plus 5.75% (Floor 1.00%), Current Coupon 8.27%, Secured Debt (Maturity - December 22, 2024) (23)	1 month LIBOR	9,628	9,542	9,532
LSF9 Atlantis Holdings, LLC (8)	Provider of Wireless Telecommunications Carrier Services	LIBOR Plus 6.00% (Floor 1.00%), Current Coupon 8.38%, Secured Debt (Maturity - May 1, 2023)	1 month LIBOR	13,475	13,390	12,863
Lulu's Fashion Lounge, LLC (8) (11)	Fast Fashion E-Commerce Retailer	LIBOR Plus 7.00% (Floor 1.00%), Current Coupon 9.52%, Secured Debt (Maturity - August 28, 2022)	1 month LIBOR	6,179	6,028	5,994
Meisler Operating, LLC (10) (13)	Provider of Short Term Trailer and Container Rental	LIBOR Plus 8.50% (Floor 1.00%), Current Coupon 10.90%, Secured Debt (Maturity - June 7, 2022) (8)	1 month LIBOR	5,120	5,015	5,022
		Member Units (Milton Meisler Holdings, LLC) (12,139 units)	—	—	1,214	1,445
					6,229	6,467
MHVC Acquisition Corp. (8)	Provider of Differentiated Information Solutions, Systems Engineering and Analytics	LIBOR Plus 5.25% (Floor 1.00%), Current Coupon 8.06%, Secured Debt (Maturity - April 29, 2024)	3 month LIBOR	7,860	7,817	7,664
Mills Fleet Farm Group LLC (8) (11)	Omnichannel Retailer of Work, Farm and Lifestyle Merchandise	LIBOR Plus 6.25% (Floor 1.00%), Current Coupon 8.77%, Secured Debt (Maturity - October 24, 2024)	1 month LIBOR	15,000	14,707	15,000
Mobileum, Inc. (8) (11)	Provider of Big Data Analytics to Telecom Service Providers	LIBOR Plus 10.25% (Floor 0.75%), Current Coupon 13.06%, Secured Debt (Maturity - May 1, 2022) (14)	2 month LIBOR	7,500	7,429	7,429
New Era Technology, Inc. (8) (11)	Managed Services and Hosting Provider	LIBOR Plus 6.50% (Floor 1.00%), Current Coupon 8.99%, Secured Debt (Maturity - June 22, 2023)	1 month LIBOR	7,654	7,518	7,616
New Media Holdings II LLC (8) (9)	Local Newspaper Operator	LIBOR Plus 6.25% (Floor 1.00%), Current Coupon 8.77%, Secured Debt (Maturity - July 14, 2022)	1 month LIBOR	9,718	9,622	9,645
NNE Partners, LLC (8) (11)	Oil & Gas Exploration & Production	LIBOR Plus 8.00%, Current Coupon 10.74%, Secured Debt (Maturity - March 2, 2022)	3 month LIBOR	20,417	20,271	19,572
North American Lifting Holdings, Inc. (8)	Crane Service Provider	LIBOR Plus 4.50% (Floor 1.00%), Current Coupon 7.30%, Secured Debt (Maturity - November 27, 2020)	3 month LIBOR	6,244	5,803	5,701
Novetta Solutions, LLC (8)	Provider of Advanced Analytics Solutions for Defense Agencies	LIBOR Plus 5.00% (Floor 1.00%), Current Coupon 7.53%, Secured Debt (Maturity - October 17, 2022)	1 month LIBOR	14,977	14,648	14,602
NTM Acquisition Corp. (8)	Provider of B2B Travel Information Content	LIBOR Plus 6.25% (Floor 1.00%), Current Coupon 8.96%, Secured Debt (Maturity - June 7, 2022)	3 month LIBOR	4,092	4,060	4,051
Pasha Group (8)	Diversified Logistics and Transportation Provided	LIBOR Plus 7.50% (Floor 1.00%), Current Coupon 10.06%, Secured Debt (Maturity - January 26, 2023)	2 month LIBOR	10,938	10,642	11,006

<b>Permian Holdco 2, Inc.</b>	Storage Tank Manufacturer	14.00% PIK Unsecured Debt (Maturity - October 15, 2021) (17) Series A Preferred Shares (Permian Holdco 1, Inc.) (386,255 shares) Common Shares (Permian Holdco 1, Inc.) (386,255 shares)	None — —	\$ 990 — —	\$ 990 1,997 —	\$ 990 2,299 —
					2,987	3,289
<b>Pernix Therapeutics Holdings, Inc. (11)</b>	Pharmaceutical Royalty	12.00% Secured Debt (Maturity - August 1, 2020)	None	2,652	2,639	1,782
<b>Pier 1 Imports, Inc. (8)</b>	Decorative Home Furnishings Retailer	LIBOR Plus 3.50% (Floor 1.00%), Current Coupon 6.38%, Secured Debt (Maturity - April 30, 2021)	3 month LIBOR	7,455	7,164	5,358
<b>PricewaterhouseCoopers Public Sector LLP (8)</b>	Provider of Consulting Services to Governments	LIBOR Plus 7.50%, Current Coupon 9.74%, Secured Debt (Maturity - May 1, 2026) (14)	1 month LIBOR	13,100	13,054	13,166
<b>Prowler Acquisition Corporation (8)</b>	Specialty Distributor to the Energy Sector	LIBOR Plus 4.50% (Floor 1.00%), Current Coupon 7.30%, Secured Debt (Maturity - January 28, 2020)	3 month LIBOR	12,280	11,624	12,096
<b>Resolute Industrial, LLC (11)</b>	HVAC Equipment Rental and Remanufacturing	Class A units (601 units)	—	—	750	920
<b>RM Bidder, LLC (11)</b>	Scripted and Unscripted TV and Digital Programming Provider	Common Stock (1,854 shares)	—	—	31	7
		Series A Warrants (124,915 equivalent units, Expiration - October 20, 2025)	—	—	284	—
		Series B Warrants (93,686 equivalent units, Expiration - October 20, 2025)	—	—	—	—
					315	7
<b>Salient Partners, LP (8) (11)</b>	Provider of Asset Management Services	LIBOR Plus 5.75% (Floor 1.00%), Current Coupon 8.27%, Secured Debt (Maturity - June 9, 2021)	1 month LIBOR	7,313	7,300	7,300
<b>Slick Software Holdings LLC (10) (13)</b>	Text Messaging Marketing Platform	14.00% Secured Debt (Maturity - September 13, 2023) Member units (17,500 units) Warrants (4,521 equivalent units, Expiration - September 13, 2028)	None — —	1,800 — —	1,703 175 45	1,703 175 45
					1,923	1,923
<b>Smart Modular Technologies, Inc. (8) (9) (11)</b>	Provider of Specialty Memory Solutions	LIBOR Plus 6.25% (Floor 1.00%), Current Coupon 8.86%, Secured Debt (Maturity - August 9, 2022)	3 month LIBOR	19,000	18,793	19,095
<b>Sorenson Communications, Inc. (8)</b>	Manufacturer of Communication Products for Hearing Impaired	LIBOR Plus 5.75% (Floor 2.25%), Current Coupon 8.56%, Secured Debt (Maturity - April 30, 2020)	3 month LIBOR	2,916	2,908	2,905
<b>STL Parent Corp. (8)</b>	Manufacturer and Servicer of Tank and Hopper Railcars	LIBOR Plus 7.00%, Current Coupon 9.52%, Secured Debt (Maturity - December 5, 2022)	1 month LIBOR	12,000	11,585	11,639
<b>Strike, LLC (8)</b>	Pipeline Construction and Maintenance Services	LIBOR Plus 8.00% (Floor 1.00%), Current Coupon 10.59%, Secured Debt (Maturity - November 30, 2022)	3 month LIBOR	9,000	8,803	9,011
<b>TE Holdings, LLC</b>	Oil & Gas Exploration & Production	Common Units (72,785 units)	—	—	728	49
<b>Teleguam Holdings, LLC (8)</b>	Cable and Telecom Services Provider	LIBOR Plus 8.50% (Floor 1.00%), Current Coupon 11.02%, Secured Debt (Maturity - April 12, 2024) (14)	1 month LIBOR	7,750	7,620	7,798
<b>TGP Holdings III LLC (8)</b>	Outdoor Cooking & Accessories	LIBOR Plus 8.50% (Floor 1.00%), Current Coupon 11.30%, Secured Debt (Maturity - September 25, 2025) (14)	3 month LIBOR	5,000	5,000	4,850
<b>TMC Merger Sub Corp (8)</b>	Refractory & Maintenance Services Provider	LIBOR Plus 6.75% (Floor 1.00%), Current Coupon 9.31%, Secured Debt (Maturity - October 31, 2022) (25)	1 month LIBOR	18,657	18,448	18,564
<b>TOMS Shoes, LLC (8)</b>	Global Designer, Distributor, and Retailer of Casual Footwear	LIBOR Plus 5.50% (Floor 1.00%), Current Coupon 8.30%, Secured Debt (Maturity - October 30, 2020)	3 month LIBOR	4,813	4,641	3,798
<b>Turning Point Brands, Inc. (8) (9) (11)</b>	Marketer/Distributor of Tobacco Products	LIBOR Plus 7.00%, Current Coupon 9.46%, Secured Debt (Maturity - March 7, 2024) (14)	1 month LIBOR	8,500	8,424	8,585
<b>TVG-I-E CMN Acquisition, LLC (8) (11)</b>	Organic Lead Generation for Online Postsecondary Schools	LIBOR Plus 6.00% (Floor 1.00%), Current Coupon 8.52%, Secured Debt (Maturity - November 3, 2021)	1 month LIBOR	19,504	19,197	19,455
<b>U.S. Telepacific Corp. (8)</b>	Provider of Communications and Managed Services	LIBOR Plus 5.00% (Floor 1.00%), Current Coupon 7.80%, Secured Debt (Maturity - May 2, 2023)	3 month LIBOR	\$ 16,453	\$ 16,110	\$ 15,449
<b>VIP Cinema Holdings, Inc. (8)</b>	Supplier of Luxury Seating to the Cinema Industry	LIBOR Plus 6.00% (Floor 1.00%), Current Coupon 8.53%, Secured Debt (Maturity - March 1, 2023)	1 month LIBOR	9,125	9,090	8,960
<b>Vistar Media, Inc. (11)</b>	Operator of Digital Out-of-Home Advertising Platform	LIBOR Plus 10.00% (Floor 1.00%), Current Coupon 12.74%, Secured Debt (Maturity - February 16, 2022) (8) Warrants (70,207 equivalent units, Expiration - February 17, 2027)	3 month LIBOR —	3,263 —	3,046 331	2,987 790
					3,377	3,777
<b>Volusion, LLC (10) (13)</b>	Provider of Online Software-as-a-Service eCommerce Solutions	11.50% Secured Debt (Maturity - January 24, 2020) 8.00% Unsecured Convertible Debt (Maturity - November 16, 2023) Preferred Member Units (2,090,001 units) Warrants (784,866.80 equivalent units, Expiration - January 26, 2025)	None None — —	8,260 127 — —	7,843 127 6,000 1,104	7,843 127 6,000 810
					15,074	14,780
<b>Wireless Vision Holdings, LLC (8) (11)</b>	Provider of Wireless Telecommunications Carrier Services	LIBOR Plus 8.91% (Floor 1.00%), Current Coupon 11.43%, Secured Debt (Maturity - September 29, 2022) (23)	1 month LIBOR	14,198	13,932	13,338
<b>YS Garments, LLC (8)</b>	Designer and Provider of Branded Activewear	LIBOR Plus 6.00% (Floor 1.00%), Current Coupon 8.42%, Secured Debt (Maturity - August 9, 2024)	1 month LIBOR	7,453	7,382	7,379
<b>Subtotal Non-Control/Non-Affiliate Investments (5) (81% of total portfolio investments at fair value)</b>				<b>\$</b>	<b>932,495</b>	<b>\$ 901,518</b>
<b>Total Portfolio Investments</b>				<b>\$</b>	<b>1,121,688</b>	<b>\$ 1,106,568</b>

#### Short Term Investments (20)

<b>Fidelity Institutional Money Market Funds (21)</b>	—	Prime Money Market Portfolio, Class III Shares	—	—	\$ 4,450	\$ 4,450
<b>US Bank Money Market Account (21)</b>	—	—	—	—	15,574	15,574
<b>Total Short Term Investments</b>				<b>\$</b>	<b>20,024</b>	<b>\$ 20,024</b>

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

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

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

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

Affiliate Investments	Fair Value at December 31, 2017	Twelve Months Ended December 31, 2018				Twelve Months Ended December 31, 2018			
		Gross Additions (Cost)*	Gross Reductions (Cost)**	Net Unrealized Gain (Loss)***	Fair Value at December 31, 2018	Net Realized Gain (Loss)	Interest Income	Fee Income	Dividend Income

AFG Capital Group, LLC																		
Member units	\$	897	\$	1	\$	—	\$	97	\$	995	\$	—	\$	—	\$	—	\$	10
Warrants		215		—		—		22		237		—		—		—		—
Brewer Crane Holdings, LLC																		
Term loan		—		2,489		(142)		—		2,347		—		298		—		—
Preferred member units		—		1,070		—		—		1,070		—		—		—		29
Chamberlin Holding, LLC																		
Term loan		—		5,417		(484)		—		4,933		—		587		2		—
Member units		—		2,861		—		1,874		4,735		—		—		35		354
Member units (Langfield RE, LLC)		—		183		—		—		183		—		—		—		183
Charlotte Russe, Inc.																		
Term loan		—		6,285		(49)		(3,146)		3,090		—		492		—		—
Common stock		—		2,470		—		(2,470)		—		—		—		—		—
Charps, LLC																		
Term loan	\$	4,500	\$	50	\$	(1,627)	\$	52	\$	2,975	\$	—	\$	537	\$	—	\$	—
Term loan		—		402		(402)		—		—		—		11		2		—
Preferred member units		163		1		—		404		568		—		—		—		62
Clad-Rex Steel, LLC																		
Term loan		3,320		16		(298)		(18)		3,020		—		387		—		—
Member units		2,375		1		(1)		278		2,653		—		—		—		—
Term loan (Clad-Rex Steel RE Investor, LLC)		293		—		(5)		—		288		—		29		—		—
Member units (Clad-Rex Steel RE Investor, LLC)		70		—		—		18		88		—		—		—		152
Digital Products Holdings, LLC																		
Term loan		—		6,617		(297)		—		6,320		—		620		—		—
Preferred member units		—		2,200		(84)		—		2,116		—		—		—		38
Direct Marketing Solutions, Inc.																		
Term loan		—		4,727		(322)		(1)		4,404		—		572		3		—
Preferred stock		—		2,100		—		1,625		3,725		—		—		—		—
Freeport Financial Funds																		
LP interests		8,506		2,597		—		(123)		10,980		—		—		—		1,038
Gamber-Johnson Holdings, LLC																		
Term loan		5,850		26		(479)		(26)		5,371		—		656		—		104
Member units		5,843		—		—		5,522		11,365		—		—		12		322
Guerdon Modular Holdings, Inc.																		
Term loan		2,660		516		(37)		(138)		3,001		—		412		—		—
Term loan		—		70		(70)		—		—		—		2		—		—
Common stock		—		—		—		—		—		—		—		—		—
Class B preferred stock		—		—		—		—		—		—		—		—		—
Gulf Publishing Holdings, LLC																		
Term loan		3,151		13		(33)		—		3,131		—		415		—		—
Term loan		20		40		(60)		—		—		—		3		—		—
Member units		1,210		—		(1)		(179)		1,030		—		—		—		—
Harris Preston Fund Investments																		
LP interests (HPEP 3, LP)		943		790		—		—		1,733		—		—		—		—
LP interests (2717 HM, LP)		536		504		—		93		1,133		—		—		—		—
Hawk Ridge Systems, LLC																		
Term loan		3,574		14		—		(13)		3,575		—		396		—		—
Preferred member units		950		—		—		865		1,815		—		—		—		102
Preferred member units (HRS Services, ULC)		50		1		—		44		95		—		—		—		—
HW Temps, LLC																		
Term loan		2,454		14		—		16		2,484		—		366		—		—
Preferred member units		985		1		—		—		986		—		—		35		8
KMC Investor, LLC																		
Term loan		—		7,005		(210)		—		6,795		—		144		—		—
Term loan		—		266		(7)		—		259		—		6		—		—
Term loan		—		1,002		(11)		—		991		—		16		—		—
Member units		—		248		—		—		248		—		—		—		—
Member units (KMC RE Investor, LLC)		—		3,460		(400)		—		3,060		—		—		—		—
Market Force Information, Inc.																		
Term loan		5,732		25		(140)		—		5,617		—		795		—		—
Term loan		—		170		(120)		—		50		—		6		—		—
Member units		3,675		—		—		(400)		3,275		—		—		—		—
M.H. Corbin Holding, LLC																		
Term loan		3,130		64		(162)		(98)		2,934		—		461		—		—
Preferred member units		1,500		—		—		(1,250)		250		—		—		35		—

<b>Mystic Logistics Holdings, LLC</b>									
Term loan	1,916	14	(58)	5	1,877	—	247	—	—
Common stock	1,705	1	—	(1,654)	52	—	—	—	—
<b>NexRev, LLC</b>									
Term loan	—	4,381	(98)	39	4,322	—	404	—	—
Preferred member units	—	1,720	—	252	1,972	—	—	3	15
<b>NuStep, LLC</b>									
Term loan	5,048	25	—	—	5,073	—	653	—	—
Preferred member units	2,550	1	(1)	—	2,550	—	—	—	—

<b>SI East, LLC</b>									
Term loan	\$ —	\$ 12,311	\$ (727)	\$ (2)	\$ 11,582	\$ —	\$ 431	\$ —	\$ —
Preferred member units	—	2,000	—	—	2,000	—	—	3	—
<b>SoftTouch Medical Holdings, LLC</b>									
Term loan	1,260	10	(1,260)	(10)	—	—	26	—	—
Member units	1,781	—	(870)	(911)	—	903	—	11	134

<b>Tedder Acquisition, LLC</b>									
Term loan	—	4,106	(123)	—	3,983	—	174	—	—
Term loan	—	120	(2)	—	118	—	3	—	—
Preferred member units	—	1,869	—	—	1,869	—	—	—	—
<b>Total Affiliate Investments</b>	<b>\$ 76,862</b>	<b>\$ 80,274</b>	<b>\$ (8,580)</b>	<b>\$ 767</b>	<b>\$ 149,323</b>	<b>\$ 903</b>	<b>\$ 9,149</b>	<b>\$ 141</b>	<b>\$ 2,551</b>

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

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

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

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

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

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

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

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

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

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

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

(9) The investment is not a qualifying asset under the 1940 Act. A BDC may not acquire any asset other than qualifying assets unless, at the time the acquisition is made, qualifying assets represent at least 70% of the BDC's total assets. As of December 31, 2018, approximately 12.7% of the Company's investments were considered non-qualifying.

(10) Investment is classified as a Lower Middle Market investment.

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

(12) Investment or portion of investment is under contract to purchase and met trade date accounting criteria as of December 31, 2018. Settlement occurred or is scheduled to occur after December 31, 2018. See Note 2 — *Basis of Presentation and Summary of Significant Accounting Policies* for Summary of Security Transactions.

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

(14) Second lien secured debt investment.

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

(16) Income producing through dividends or distributions.

(17) Unsecured debt investment.

(18) Investment is on non-accrual status as of December 31, 2018.

(19) [Reserved]

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

(21) Effective yield as of December 31, 2018 was approximately 0.03% at US Bank Money Market Account and 2.10% at Fidelity Institutional Money Market Funds.

(22) The 1, 2, 3 and 6 month LIBOR rates were 2.50%, 2.61%, 2.81% and 2.88%, respectively, as of December 31, 2018. The actual LIBOR rate for each loan listed may not be the applicable LIBOR rate as of December 31, 2018, as the loan may have been priced or repriced based on a LIBOR rate prior to or subsequent to December 31, 2018. The prime rate was 5.50% as of December 31, 2018.

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

(24) [Reserved]

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

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

*See notes to the condensed consolidated financial statements.*

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

**Note 1 — Principal Business and Organization**

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

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

The Company previously registered for sale up to 150,000,000 shares of common stock pursuant to a registration statement on Form N-2 (File No. 333-178548) which was initially declared effective by the Securities and Exchange Commission (the “SEC”) on June 4, 2012 (the “Initial Offering”). The Initial Offering terminated on December 1, 2015. The Company raised approximately \$601.2 million under the Initial Offering, including proceeds from the distribution reinvestment plan of approximately \$22.0 million. The Company also registered for sale up to \$1,500,000,000 worth of shares of common stock (the “Offering”) pursuant to a new registration statement on Form N-2 (File No. 333-204659), as amended and declared effective by the SEC on May 1, 2017. With the approval of the Company’s board of directors, the Company closed the Offering to new investors effective September 30, 2017. Through September 30, 2019, the Company raised approximately \$230.2 million in the Offering, including proceeds from the distribution reinvestment plan of approximately \$98.5 million.

HMS Funding I LLC (“HMS Funding”) and HMS Equity Holding, LLC (“HMS Equity Holding”) are both wholly owned subsidiaries of the Company that were organized as Delaware limited liability companies. HMS Equity Holding II, Inc. (“HMS Equity Holding II”) is a wholly owned subsidiary of the Company that was organized as a Delaware corporation. HMS California Holdings LP (“HMS California Holdings”) is a wholly owned subsidiary of the Company that was organized as a Delaware limited partnership. HMS California Holdings GP LLC (“HMS California Holdings GP”) is a wholly owned subsidiary of the Company that was organized as a Delaware limited liability company. HMS Funding was created for the Deutsche Bank Credit Facility (as defined below in Note 6 — *Borrowings*) in order to function as a “Structured Subsidiary,” which is permitted to incur debt outside of the TIAA Credit Facility (as defined below in Note 6 — *Borrowings*) since it is not a guarantor under the TIAA Credit Facility. Two of the Company’s wholly owned subsidiaries, HMS Equity Holding and HMS Equity Holding II, have elected to be taxable entities and primarily hold equity investments in certain portfolio companies which are “pass through” entities for tax purposes.

The business of the Company is managed by HMS Adviser LP (the “Adviser”), a Texas limited partnership and affiliate of Hines Interests Limited Partnership (“Hines”), under an Investment Advisory and Administrative Services Agreement dated May 31, 2012 (as amended, the “Investment Advisory Agreement”). The Company and the Adviser have retained MSC Adviser I, LLC (the “Sub-Adviser”), a wholly owned subsidiary of Main Street Capital Corporation (“Main Street”), a New York Stock Exchange listed BDC, as the Company’s investment sub-adviser, pursuant to an Investment Sub-Advisory Agreement (the “Sub-Advisory Agreement”), to identify, evaluate, negotiate and structure prospective investments, make investment and portfolio management recommendations for approval by the Adviser, monitor the Company’s investment portfolio and provide certain ongoing administrative services to the Adviser. The Adviser and the Sub-Adviser are collectively referred to as the “Advisers,” and each is registered as an investment adviser under the Investment Advisers Act of 1940, as amended. Upon the execution of the Sub-Advisory Agreement, Main Street became an affiliate of the Company. The Company’s board of directors most recently reapproved the Investment Advisory Agreement and Sub-Advisory Agreement on May 23, 2019. The Company engaged Hines Securities, Inc. (the “Dealer Manager”), an affiliate of the Adviser, to serve as the Dealer Manager for the Company’s offerings, if any.

## **Note 2 — Basis of Presentation and Summary of Significant Accounting Policies**

### *Basis of Presentation and Consolidation*

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

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

Amounts as of December 31, 2018 included in the unaudited condensed consolidated financial statements have been derived from the Company’s audited consolidated financial statements as of that date. All intercompany accounts and transactions have been eliminated in consolidation. Certain financial information that is normally included in annual financial statements, including certain financial statement footnotes, prepared in accordance with GAAP, is not required for interim reporting purposes and has been condensed or omitted herein. The current period’s results of operations are not necessarily indicative of results that ultimately may be achieved for the year. Therefore, these financial statements should be read in conjunction with the Company’s financial statements and notes related thereto included in the Company’s Annual Report on Form 10-K (as amended) for the year ended December 31, 2018, which was filed with the SEC on March 8, 2019.

### *Reclassifications*

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

### *Interest, Fee and Dividend Income*

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

Interest income from investments in the “equity” class of security of collateralized loan obligation (“CLO”) funds (typically subordinated notes) is recorded based upon an estimation of an effective yield to expected maturity utilizing assumed cash flows in accordance with ASC 325-40, *Beneficial Interests in Securitized Financial Assets*. The Company monitors the expected cash



inflows from its investment in a CLO, including the expected residual payments, and the effective yield is determined and updated periodically.

As of September 30, 2019, the Company had seven debt investments in four portfolio companies that were on non-accrual status and more than 90 days past due. The debt investments on non-accrual status comprised approximately 1.4% of the Company's total investment portfolio at fair value and 2.0% of the total investment portfolio at cost. Each of these portfolio companies experienced a significant decline in credit quality raising doubt regarding the Company's ability to collect the principal and interest contractually due. Given the credit deterioration of these portfolio companies, the Company ceased accruing interest income on the non-accrual debt investments and wrote off any previously accrued interest deemed uncollectible. As of September 30, 2019, the Company is not aware of any other material changes to the creditworthiness of the borrowers underlying its debt investments.

As of December 31, 2018, the Company had six debt investments in four portfolio companies that were more than 90 days past due, including five debt investments in three portfolio companies which were on non-accrual status. The debt investments on non-accrual status comprised approximately 0.4% of the Company's total investment portfolio at fair value and 0.6% of the total investment portfolio at cost. Each of these portfolio companies experienced a significant decline in credit quality after the Company acquired its investments, raising doubt regarding the Company's ability to collect the principal and interest contractually due. Given the credit deterioration, the Company ceased accruing interest income on the non-accrual debt investments and wrote off any previously accrued interest deemed uncollectible.

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

As of September 30, 2019 and December 31, 2018, the Company held 30 and 24 investments, respectively, which contained a PIK provision. As of September 30, 2019, six of the 30 investments with PIK provisions were on non-accrual status. No PIK interest was recorded on these six non-accrual investments during the three and nine months ended September 30, 2019. As of December 31, 2018, four of the 24 investments with PIK provisions were on non-accrual status. No PIK interest was recorded on these investments during the year ended December 31, 2018. For the three months ended September 30, 2019 and 2018, the Company capitalized approximately \$1.0 million and \$494,000, respectively, of PIK interest income. For the nine months ended September 30, 2019 and 2018, the Company capitalized approximately \$3.4 million and \$977,000, respectively, of PIK interest income. The Company stops accruing PIK interest and writes off any accrued and uncollected interest in arrears when it determines that such PIK interest in arrears is no longer collectible.

The Company may periodically provide services, including structuring and advisory services, to its portfolio companies or other third parties. The income from such services is non-recurring. For services that are separately identifiable and evidence exists to substantiate fair value, income is recognized as earned, which is generally when the investment or other applicable transaction closes. For the three months ended September 30, 2019 and 2018, the Company recognized approximately \$371,000 and \$781,000, respectively, of non-recurring fee income received from its portfolio companies or other third parties, which accounted for approximately 1.3% and 2.6%, respectively, of the Company's total investment income during such period. For the nine months ended September 30, 2019 and 2018, the Company recognized approximately \$893,000 and \$1.8 million, respectively, of non-recurring fee income received from its portfolio companies or other third parties, which accounted for approximately 1.0% and 2.3%, respectively, of the Company's total investment income during such period. Fees received in connection with debt financing transactions for services that do not meet these criteria are treated as debt origination fees and are deferred and accreted into interest income over the life of the financing.

#### *Recent Accounting Pronouncements*

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

In August 2018, the SEC adopted rules (the "SEC Release") that require disclosure of changes in net assets within a registrant's Form 10-Q filing on a quarter-to-date and year-to-date basis for both the current year and prior year comparative periods. The

Company adopted the new requirement to present changes in net assets in interim financial statements within Form 10-Q filings beginning January 1, 2019. The compliance date for the SEC Release was for all filings, as applicable, on or after November 5, 2018. The adoption of this rule did not have a material impact on the Company's condensed consolidated financial statements.

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

### **Note 3 — Fair Value Hierarchy for Investments**

#### *Fair Value Hierarchy*

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

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

- Level 1—Valuations based on quoted prices in active markets for identical assets or liabilities that the Company has the ability to access.
- Level 2—Valuations based on inputs other than quoted prices in active markets, which are either directly or indirectly observable for essentially the full term of the investment. Level 2 inputs include quoted prices for similar assets in active markets, quoted prices for identical or similar assets in non-active markets (for example, thinly traded public companies), pricing models whose inputs are observable for substantially the full term of the investment, and pricing models whose inputs are derived principally from or corroborated by, observable market data through correlation or other means for substantially the full term of the investment.
- Level 3—Valuations based on inputs that are unobservable and significant to the overall fair value measurement. Such information may be the result of consensus pricing information or broker quotes for which sufficient observable inputs were not available.

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

As of September 30, 2019 and December 31, 2018, the Company's investment portfolio was comprised of debt securities, equity investments and Other Portfolio investments. The fair value determination for these investments primarily consisted of unobservable (Level 3) inputs.

As of September 30, 2019 and December 31, 2018, all of the Company's LMM portfolio investments consisted of illiquid securities issued by private companies. The fair value determination for the LMM portfolio investments primarily consisted of unobservable inputs. As a result, all of the Company's LMM portfolio investments were categorized as Level 3 as of September 30, 2019 and December 31, 2018.

As of September 30, 2019 and December 31, 2018, the Company's Middle Market portfolio investments consisted primarily of Middle Market investments in secured and unsecured debt investments and independently rated debt investments. The fair value determination for these investments consisted of a combination of (1) observable inputs in non-active markets for which sufficient observable inputs were available to determine the fair value of these investments, (2) observable inputs in non-active markets for which sufficient observable inputs were not available to determine the fair value of these investments and (3) unobservable inputs. As a result, all of the Company's Middle Market portfolio investments were categorized as Level 3 as of September 30, 2019 and December 31, 2018.

As of September 30, 2019 and December 31, 2018, the Company's Private Loan portfolio investments consisted primarily of debt investments. The fair value determination for Private Loan investments consisted of a combination of observable inputs in non-active markets for which sufficient observable inputs were not available to determine the fair value of these investments and unobservable inputs. As a result, all of the Company's Private Loan portfolio investments were categorized as Level 3 as of September 30, 2019 and December 31, 2018.

As of September 30, 2019 and December 31, 2018, the Company's Other Portfolio investments consisted primarily of illiquid securities issued by private companies. The Company relies primarily on information provided by managers of private investment funds in valuing these investments and considers whether it is appropriate, in light of all relevant circumstances, to value the Other Portfolio investments at the net asset value ("NAV") reported by the private investment fund at the time of valuation or to adjust the value to reflect a premium or discount. Additionally, as of September 30, 2019, the Company's Other Portfolio investments included an investment in subordinated notes of a CLO, which are carried at a fair value determined by taking into account information received from a third-party, independent valuation firm. The fair value determination for the Company's Other Portfolio investments primarily consisted of unobservable inputs. As a result, all of the Company's Other Portfolio investments were categorized as Level 3 as of September 30, 2019 and December 31, 2018.

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

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

The following table presents fair value measurements of the Company's investments, by type of investment, as of September 30, 2019 according to the fair value hierarchy (dollars in thousands):

	Fair Value Measurements			
	Level 1	Level 2	Level 3	Total
First lien secured debt investments	\$ —	\$ —	\$ 808,214	\$ 808,214
Second lien secured debt investments	—	—	61,520	61,520
Unsecured debt investments	—	—	13,498	13,498
Equity investments <sup>(1)</sup>	—	—	170,250	170,250
<b>Total</b>	<b>\$ —</b>	<b>\$ —</b>	<b>\$ 1,053,482</b>	<b>\$ 1,053,482</b>

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

The following table presents fair value measurements of the Company's investments, by type of investment, as of December 31, 2018 according to the fair value hierarchy (dollars in thousands):

	Fair Value Measurements			
	Level 1	Level 2	Level 3	Total
First lien secured debt investments	\$ —	\$ —	\$ 846,427	\$ 846,427
Second lien secured debt investments	—	—	93,573	93,573
Unsecured debt investments	—	—	11,236	11,236
Equity investments <sup>(1)</sup>	—	—	155,332	155,332
Total	\$ —	\$ —	\$ 1,106,568	\$ 1,106,568

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

The following table presents fair value measurements of the Company's investments, by investment classification, segregated by the level within the fair value hierarchy as of September 30, 2019 (dollars in thousands):

	Fair Value Measurements			
	Level 1	Level 2	Level 3	Total
LMM portfolio investments	\$ —	\$ —	\$ 219,635	\$ 219,635
Private Loan investments	—	—	474,990	474,990
Middle Market investments	—	—	309,646	309,646
Other Portfolio investments <sup>(1)</sup>	—	—	49,211	49,211
Total	\$ —	\$ —	\$ 1,053,482	\$ 1,053,482

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

The following table presents fair value measurements of the Company's investments, by investment classification, segregated by the level within the fair value hierarchy as of December 31, 2018 (dollars in thousands):

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

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

The significant unobservable inputs used in the fair value measurement of the Company's LMM, Middle Market and Private Loan debt investments are (i) risk adjusted discount rates used in the yield-to-maturity valuation technique (described in Note 2 — *Basis of Presentation and Summary of Significant Accounting Policies — Valuation of Portfolio Investments* in the Company's Annual Report on Form 10-K, as amended, for the year ended December 31, 2018, which was filed with the SEC on March 8, 2019) and (ii) the percentage of expected principal recovery. Increases (decreases) in any of these discount rates in isolation could result in a significantly lower (higher) fair value measurement. Increases (decreases) in any of these expected principal recovery percentages in isolation could result in a significantly higher (lower) fair value measurement. The significant unobservable inputs used in the fair value measurement of the Company's LMM equity securities and Private Loan equity securities, which are generally valued through an average of the discounted cash flow technique and the market comparable/enterprise value technique (unless one of these approaches is not applicable), are (i) EBITDA multiples and (ii) the weighted average cost of capital ("WACC"). Increases (decreases) in EBITDA multiple inputs in isolation could result in a significantly higher (lower) fair value measurement. Conversely, increases (decreases) in WACC inputs in isolation could result in a significantly lower (higher) fair value measurement. However, due to the nature of certain investments, fair value measurements may be based on other criteria, such as third-party appraisals of collateral and fair values as determined by independent third parties, which are not presented in the table below.

The following table, which is not intended to be all inclusive, presents the significant unobservable inputs of the Company's Level 3 investments as of September 30, 2019 (dollars in thousands):

	Fair Value	Valuation Technique	Significant Unobservable Inputs	Range	Weighted Average <sup>(2)</sup>
LMM equity investments	\$ 90,414	Discounted Cash Flows	WACC	11.5% - 18.1%	13.8%
		Market Approach/Enterprise Value	EBITDA Multiples <sup>(1)</sup>	4.5x - 12.0x	6.9x
LMM debt investments	129,221	Discounted Cash Flows	Expected Principal Recovery	78.0% - 100.0%	99.5%
			Risk Adjusted Discount Factor	8.0% - 26.5%	12.7%
Private Loan debt investments	374,713	Discounted Cash Flows	Expected Principal Recovery	1.4% - 100.0%	100.0%
			Risk Adjusted Discount Factor	4.5% - 19.3%	7.8%
	77,509	Market Approach	Third Party Quotes	94.0% - 101.3%	98.5%
Private Loan equity investments	22,768	Market Approach/Enterprise Value	EBITDA Multiples <sup>(1)</sup>	4.9x - 9.5x	7.6x
		Discounted Cash Flows	WACC	10.6% - 15.0%	12.2%
Middle Market debt investments	17,223	Discounted Cash Flows	Expected Principal Recovery	79.7% - 100.0%	87.3%
			Risk Adjusted Discount Factor	10.9% - 36.5%	23.9%
	284,566	Market Approach	Third Party Quotes	30.6% - 100.7%	93.9%
Middle Market equity investments	7,857	Market Approach	Third Party Quotes	\$0.0 - \$200.0	\$104.8
		Discounted Cash Flows	WACC	17.4% - 18.0%	17.4%
		Market Approach/Enterprise Value	EBITDA Multiples <sup>(1)</sup>	3.9x - 5.5x	5.5x
Other Portfolio investments <sup>(3)</sup>	30,160	Market Approach	NAV <sup>(1)</sup>	83.0% - 143.5%	102.3%
	19,051	Discounted Cash Flows	Constant Default Rate	1.0%	1.0%
			Constant Prepayment Rate	20.0%	20.0%
			Reinvestment Spread	3.5%	3.5%
			Reinvestment Price	99.5%	99.5%
			Recovery Rate	70.0%	70.0%
			Yield to Maturity	12.5%	12.5%
	<u>\$ 1,053,482</u>				

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

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

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

The following table, which is not intended to be all inclusive, presents the significant unobservable inputs of the Company's Level 3 investments as of December 31, 2018 (dollars in thousands):

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

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

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

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

The following table provides a summary of changes in fair value of the Company's Level 3 portfolio investments for thenine months ended September 30, 2019 (dollars in thousands):

Type of Investment	December 31, 2018 Fair Value	PIK Interest Accrual	New Investments <sup>(1)</sup>	Sales/ Repayments	Net Change in Unrealized Appreciation (Depreciation) <sup>(2)</sup>	Net Realized Gain (Loss)	September 30, 2019 Fair Value
LMM Equity	\$ 79,641	\$ 174	\$ 5,130	\$ (1,198)	\$ 6,519	\$ 148	\$ 90,414
LMM Debt	130,633	220	15,709	(16,319)	(1,032)	10	129,221
Private Loan Equity	16,905	56	2,366	(2,128)	4,543	1,026	22,768
Private Loan Debt	392,034	2,543	141,698	(92,457)	10,628	(2,224)	452,222
Middle Market Debt	428,569	358	29,959	(134,202)	(6,572)	(16,323)	301,789
Middle Market Equity	5,702	—	3,679	—	(1,524)	—	7,857
Other Portfolio <sup>(3)</sup>	53,084	—	30,834	(33,710)	(363)	(634)	49,211
Total	<u>\$ 1,106,568</u>	<u>\$ 3,351</u>	<u>\$ 229,375</u>	<u>\$ (280,014)</u>	<u>\$ 12,199</u>	<u>\$ (17,997)</u>	<u>\$ 1,053,482</u>

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

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

(3) Includes the Company's investments in both HMS-ORIX and CLO subordinated notes. (See Note 4 — *Investment in HMS-ORIX SLF LLC*)

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

Type of Investment	December 31, 2017 Fair Value	PIK Interest Accrual	New Investments <sup>(1)</sup>	Sales/ Repayments	Net Change in Unrealized Appreciation (Depreciation) <sup>(2)</sup>	Net Realized Gain (Loss)	September 30, 2018 Fair Value
LMM Equity	\$ 47,876	\$ —	\$ 14,630	\$ (3,106)	\$ 10,029	\$ 1,684	\$ 71,113
LMM Debt	87,781	18	45,121	(8,936)	642	(1,140)	123,486
Private Loan Equity	8,612	—	4,748	(450)	(534)	352	12,728
Private Loan Debt	306,770	411	216,372	(146,276)	17	282	377,576
Middle Market Debt	545,217	548	180,284	(241,254)	14,527	(17,117)	482,205
Middle Market Equity	4,575	—	6,633	—	(701)	—	10,507
Other Portfolio <sup>(3)</sup>	48,608	—	3,912	—	187	—	52,707
Total	<u>\$ 1,049,439</u>	<u>\$ 977</u>	<u>\$ 471,700</u>	<u>\$ (400,022)</u>	<u>\$ 24,167</u>	<u>\$ (15,939)</u>	<u>\$ 1,130,322</u>

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

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

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

The total net change in unrealized appreciation (depreciation) for thenine months ended September 30, 2019 and 2018 included in the Condensed Consolidated Statements of Operations that related to Level 3 assets still held as of September 30, 2019 and 2018 was approximately \$3.1 million and \$12.6 million, respectively. For the nine months ended September 30, 2019 and 2018, there were no transfers between Level 2 and Level 3 portfolio investments.

#### Portfolio Investment Composition

The composition of the Company's investments as of September 30, 2019, at cost and fair value, was as follows (dollars in thousands):

	Investments at Cost	Cost Percentage of Total Portfolio	Investments at Fair Value	Fair Value Percentage of Total Portfolio
First lien secured debt investments	\$ 829,409	78.5 %	\$ 808,214	76.7 %
Second lien secured debt investments	69,273	6.6	61,520	5.8
Unsecured debt investments	13,812	1.3	13,498	1.3
Equity investments <sup>(1)</sup>	142,189	13.5	168,616	16.0
Equity warrants	1,591	0.1	1,634	0.2
Total	<u>\$ 1,056,274</u>	<u>100.0 %</u>	<u>\$ 1,053,482</u>	<u>100.0 %</u>

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

The composition of the Company's investments as of December 31, 2018, at cost and fair value, was as follows (dollars in thousands):

	Investments at Cost	Cost Percentage of Total Portfolio	Investments at Fair Value	Fair Value Percentage of Total Portfolio
First lien secured debt investments	\$ 873,331	77.8 %	\$ 846,427	76.5 %
Second lien secured debt investments	98,281	8.8	93,573	8.4
Unsecured debt investments	12,038	1.1	11,236	1.0
Equity investments <sup>(1)</sup>	136,051	12.1	153,313	13.9
Equity warrants	1,987	0.2	2,019	0.2
Total	<u>\$ 1,121,688</u>	<u>100.0 %</u>	<u>\$ 1,106,568</u>	<u>100.0 %</u>

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

The composition of the Company's investments by geographic region as of September 30, 2019, at cost and fair value, was as follows (dollars in thousands) (since the Other Portfolio investments do not represent a single geographic region, this information excludes Other Portfolio investments):

	Investments at Cost	Cost Percentage of Total Portfolio	Investments at Fair Value	Fair Value Percentage of Total Portfolio
Northeast	\$ 140,543	14.0 %	\$ 135,210	13.4 %
Southeast	210,331	21.0	219,618	21.9
West	187,903	18.7	179,981	17.9
Southwest	195,739	19.5	195,369	19.5
Midwest	233,784	23.3	239,718	23.9
Non-United States	34,828	3.5	34,375	3.4
Total	<u>\$ 1,003,128</u>	<u>100.0 %</u>	<u>\$ 1,004,271</u>	<u>100.0 %</u>

The composition of the Company's investments by geographic region as of December 31, 2018, at cost and fair value, was as follows (dollars in thousands) (since the Other Portfolio investments do not represent a single geographic region, this information excludes Other Portfolio investments):

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

The composition of the Company's total investments by industry as of September 30, 2019 and December 31, 2018, at cost and fair value, was as follows (since the Other Portfolio investments do not represent a single industry, this information excludes Other Portfolio investments):

	Cost		Fair Value	
	September 30, 2019	December 31, 2018	September 30, 2019	December 31, 2018
Commercial Services and Supplies	7.3 %	6.7 %	6.9 %	6.3 %
Oil, Gas, and Consumable Fuels	6.7	4.7	6.7	4.7
Media	6.0	5.5	6.2	5.5
Machinery	5.9	4.0	7.5	5.3
Aerospace and Defense	5.0	4.7	5.0	4.6
Communications Equipment	4.9	4.1	4.3	3.8
IT Services	4.8	5.8	4.8	5.9
Diversified Telecommunication Services	4.4	4.6	4.2	4.4
Leisure Equipment and Products	4.0	3.4	3.8	3.4
Internet Software and Services	3.8	4.9	3.7	5.0
Health Care Providers and Services	3.6	2.8	3.3	2.8
Construction and Engineering	3.3	4.9	3.5	5.1
Specialty Retail	3.2	3.1	3.0	2.5
Hotels, Restaurants, and Leisure	2.8	3.4	2.7	3.4
Energy Equipment and Services	2.8	3.4	2.6	3.5
Computers and Peripherals	2.7	2.6	3.6	3.4
Construction Materials	2.4	2.3	2.8	2.4
Distributors	2.4	3.2	2.3	3.1
Diversified Consumer Services	2.4	2.3	1.6	1.8
Transportation Infrastructure	2.3	1.0	2.3	1.0
Food & Staples Retailing	1.7	1.6	1.7	1.6
Internet and Catalog Retail	1.7	1.7	1.4	1.3
Food Products	1.6	2.9	1.5	2.9
Professional Services	1.6	1.6	1.5	1.6
Trading Companies and Distributors	1.6	1.5	1.6	1.4
Wireless Telecommunication Services	1.4	1.4	1.5	1.3
Containers and Packaging	1.3	1.3	1.3	1.3
Household Durables	1.2	1.3	1.1	1.3
Textiles, Apparel & Luxury Goods	1.2	1.1	1.0	1.0
Other (1)	6.0	8.2	6.6	8.4
Total	100.0 %	100.0 %	100.0 %	100.0 %

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

#### Note 4 — Investment in HMS-ORIX SLF LLC

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

On November 20, 2018, HMS-ORIX closed on a \$170.0 million credit facility with Citibank, N.A. (the "Refinanced HMS-ORIX Credit Facility"). The proceeds from the Refinanced HMS-ORIX Credit Facility were used to pay off the outstanding balance on the \$100.0 million credit facility with Bank of America, N.A., which was subsequently terminated. The reinvestment period for the Refinanced HMS-ORIX Credit Facility was scheduled to expire on September 6, 2019, and the maturity date was nine months after expiration of the reinvestment period (unless terminated earlier pursuant to the terms of the Refinanced HMS-ORIX Credit Facility). Borrowings under the Refinanced HMS-ORIX Credit Facility bore interest at a rate equal to the three-month LIBOR plus 1.15%. As of December 31, 2018, \$98.8 million of advances were outstanding under the Refinanced HMS-ORIX Credit



Facility. Borrowings under the facility were secured by substantially all of the assets of HMS-ORIX. Proceeds from the HMS-ORIX Holdings Merger were used to pay off the Refinanced HMS-ORIX Credit Facility.

On May 8, 2019, HMS-ORIX Holdings I LLC, a wholly owned subsidiary of HMS-ORIX, which held all of the investments in broadly-syndicated loans held by HMS-ORIX, was merged (the “HMS-ORIX Holdings Merger”) into Mariner CLO 7, Ltd., an exempted company incorporated under the laws of the Cayman Islands (“Mariner CLO”). In connection with the HMS-ORIX Holdings Merger, HMS-ORIX made certain distributions to its members. The Company used the cash proceeds it received from the HMS-ORIX Holdings Merger to purchase an aggregate principal amount of approximately \$25.9 million of the “Subordinated Notes” due in 2032 issued by Mariner CLO in connection with an offering of \$405.9 million aggregate principal amount of notes (the “CLO Offering”). After distribution to its members of residual cash remaining after the HMS-ORIX Holdings Merger, HMS-ORIX was fully liquidated on September 26, 2019. As of December 31, 2018, HMS-ORIX had total assets of \$162.5 million and HMS-ORIX’s portfolio consisted of 107 broadly-syndicated loans, all of which were secured by first-priority liens, generally in industries similar to those in which the Company may directly invest. As of December 31, 2018, there were no loans in HMS-ORIX’s portfolio that were on non-accrual status.

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

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

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

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

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

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

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

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

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

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

**HMS-ORIX**  
**Loan Portfolio**  
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**(dollars in thousands)**

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

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

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

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

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

For the three months ended September 30, 2019 and 2018, the Company recognized approximately \$0 and \$536,000, respectively, of dividend income in respect of its investment in HMS-ORIX. For the nine months ended September 30, 2019 and 2018, the Company recognized approximately \$546,000 and \$1.6 million, respectively, of dividend income in respect of its investment in HMS-ORIX.

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

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

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

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

	Three Months Ended		Nine Months Ended	
	September 30, 2019	September 30, 2018	September 30, 2019	September 30, 2018
<b>Investment income</b>				
Interest income	\$ 2	\$ 1,944	\$ 3,030	\$ 5,566
Dividend income	—	—	—	—
Fee income	—	—	—	—
Other income	—	—	—	—
<b>Total investment income</b>	<b>2</b>	<b>1,944</b>	<b>3,030</b>	<b>5,566</b>
<b>Expenses</b>				
Interest expense	—	988	2,130	2,759
Other expenses	—	(1)	—	1
General and administrative expenses	60	20	96	67
<b>Total expenses</b>	<b>60</b>	<b>1,007</b>	<b>2,226</b>	<b>2,827</b>
<b>Net investment income (loss)</b>	<b>(58)</b>	<b>937</b>	<b>804</b>	<b>2,739</b>
<b>Net realized loss from investments</b>	<b>—</b>	<b>(18)</b>	<b>(1,514)</b>	<b>(392)</b>
<b>Net realized income (loss)</b>	<b>(58)</b>	<b>919</b>	<b>(710)</b>	<b>2,347</b>
<b>Net change in unrealized appreciation (depreciation) on investments</b>	<b>—</b>	<b>1,013</b>	<b>6,647</b>	<b>15</b>
<b>Net increase (decrease) in net assets resulting from operations</b>	<b>\$ (58)</b>	<b>\$ 1,932</b>	<b>\$ 5,937</b>	<b>\$ 2,362</b>

**Note 5 — Unconsolidated Significant Subsidiaries**

In accordance with Rules 3-09 and 4-08(g) of Regulation S-X, the Company must determine which of its unconsolidated controlled portfolio companies, if any, are considered "significant subsidiaries." After performing this analysis, the Company determined that GRT Rubber Technologies, LLC ("GRT") was a significant subsidiary for the three months ended September 30, 2019 and for the year ended December 31, 2018, under at least one of the significance conditions of Rule 4-08(g) of Regulation S-X. The

Company had no “significant subsidiaries” under Rule 3-09 for the three months ended September 30, 2019 and 2018 or for the year ended December 31, 2018, and under Rule 4-08(g) of Regulation S-X for the three months ended September 30, 2018.

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

	As of			
	September 30, 2019		December 31, 2018	
Balance Sheet Data				
Current assets	\$	10,958	\$	8,399
Non current assets		21,644		24,242
Current liabilities		3,920		2,870
Non current liabilities		22,412		14,445

	Three Months Ended September 30,		Nine Months Ended September 30,					
	2019	2018	2019	2018				
Summary of Operations								
Total revenue	\$	10,892	\$	10,021	\$	31,532	\$	29,619
Gross profit		2,637		2,595		8,862		7,585
Income from operations		1,513		1,476		5,409		4,104
Net income		657		964		3,055		2,345

#### Note 6 — Borrowings

A BDC has historically been able to issue “senior securities,” including borrowing money from banks or other financial institutions, only in amounts such that its asset coverage, as defined in the 1940 Act, equals at least 200% after such incurrence or issuance. In March 2018, the Small Business Credit Availability Act (the “SBCAA”) was enacted into law. The SBCAA, among other things, amended the 1940 Act to reduce the asset coverage requirement applicable to BDCs from 200% to 150% so long as the BDC meets certain disclosure requirements, obtains certain approvals and, in the case of unlisted BDCs, makes an offer to repurchase shares held by its stockholders as of the date of the requisite approval. Effectiveness of the reduced asset coverage requirements to a BDC requires approval by either (1) a “required majority” (as defined in Section 57(o) of the 1940 Act) of such BDC’s board of directors with effectiveness one year after the date of such approval or (2) a majority of the votes cast at a special or annual meeting of such BDC’s stockholders at which a quorum is present, which is effective the day after such stockholder approval. The Company has not requested or obtained any such approval and, as a result, remains subject to the 200% asset coverage requirement.

On March 6, 2017, the Company entered into an amended and restated senior secured revolving credit agreement (the “TIAA Credit Facility”) with TIAA, FSB (formerly known as EverBank Commercial Finance, Inc. prior to June 18, 2018) (“TIAA Bank”), as administrative agent, and with TIAA Bank and other financial institutions as lender. The TIAA Credit Facility, as amended, features aggregate revolver commitments of \$120.0 million and will mature March 6, 2020, with two one-year extension options, subject to lender approval. Borrowings under the TIAA Credit Facility bear interest, subject to the Company’s election, on a per annum basis equal to (i) the adjusted LIBOR plus 2.75% or (ii) the base rate plus 1.75%. The base rate is defined as the higher of (a) the prime rate, (b) the Federal Funds Rate (as defined in the credit agreement) plus 0.5% or (c) the adjusted LIBOR plus 1.0%. The adjusted LIBOR is defined in the credit agreement for the TIAA Credit Facility as the one-month LIBOR plus an adjustment for statutory reserve requirements for Eurocurrency liabilities as described in the credit agreement. As of September 30, 2019, the one-month LIBOR was 2.02%. Additionally, the Company pays an annual unused commitment fee of 0.30% on the unused revolver commitments if more than 50% of the revolver commitments are being used and an annual unused commitment fee of 0.625% on the unused revolver commitments if less than 50% of the revolver commitments are being used. As of September 30, 2019, the Company was not aware of any instances of noncompliance with covenants related to the TIAA Credit Facility.

On May 18, 2015, HMS Funding entered into an amended and restated credit agreement (as amended, the “Deutsche Bank Credit Facility”) among HMS Funding, as borrower, the Company, as equityholder and as servicer, Deutsche Bank AG, New York Branch (“Deutsche Bank”), as administrative agent, the financial institutions party thereto as lenders (together with Deutsche Bank, the “HMS Funding Lenders”), and U.S. Bank National Association, as collateral agent and collateral custodian. As of September 30, 2019, the Deutsche Bank Credit Facility, as amended, provided a borrowing capacity of \$450.0 million, with an accordion provision allowing increases in aggregate commitments, not to exceed \$550.0 million, with lender consent. Under the Deutsche Bank Credit Facility, interest is calculated as the sum of the index plus the applicable margin of 2.35%. The index will be equal to one-month LIBOR, or, in the event that LIBOR is not reasonably available, the higher of Deutsche Bank’s base commercial lending rate and the interest rate equal to 0.5% above the federal funds rate. As of September 30, 2019, the one-month LIBOR was 2.02%. The Deutsche Bank Credit Facility provides for a revolving period until November 20, 2020, unless otherwise extended with the consent of the HMS Funding Lenders. The amortization period begins the day after the last day of the revolving period and ends on November 20, 2022, the maturity date. During the amortization period, the applicable margin will increase by 0.25%. During the revolving period, HMS Funding will pay a utilization fee equal to 2.50% of the undrawn amount of the required utilization, which is 75% of the loan commitment amount. HMS Funding will incur an undrawn fee equal to 0.40% per annum of the difference between the aggregate commitments and the outstanding advances under the facility, provided that the undrawn fee relating to any utilization shortfall will not be payable to the extent that the utilization fee relating to such utilization shortfall is incurred. Additionally, under the terms of a fee letter executed on November 20, 2017, HMS Funding pays Deutsche Bank an administrative agent fee of 0.25% per annum of the aggregate revolver commitments. As of September 30, 2019, the Company was not aware of any instances of noncompliance with covenants related to the Deutsche Bank Credit Facility.

As of September 30, 2019, the Company had borrowings of \$120.0 million outstanding on the TIAA Credit Facility and had borrowings of \$338.0 million outstanding on the Deutsche Bank Credit Facility, both of which the Company estimated approximated fair value.

A summary of the Company’s significant contractual payment obligations for the repayment of outstanding borrowings at September 30, 2019 is as follows:

	Payments Due By Period (dollars in thousands)				
	Total	Less than 1 year	1-3 years	3-5 years	After 5 years
TIAA Credit Facility <sup>(1)</sup>	\$ 120,000	\$ 120,000	\$ —	\$ —	\$ —
Deutsche Bank Credit Facility <sup>(2)</sup>	338,000	—	—	338,000	—
<b>Total Credit Facilities</b>	<b>\$ 458,000</b>	<b>\$ 120,000</b>	<b>\$ —</b>	<b>\$ 338,000</b>	<b>\$ —</b>

(1) At September 30, 2019, the Company had no availability under the TIAA Credit Facility.

(2) At September 30, 2019, \$112.0 million remained available under the Deutsche Bank Credit Facility; however, the Company’s borrowing ability is limited to the asset coverage restrictions imposed by the 1940 Act, as discussed above.



## Note 7 – Financial Highlights

The following is a schedule of financial highlights of the Company for the nine months ended September 30, 2019 and 2018.

Per Share Data:	Nine Months Ended September 30, 2019	Nine Months Ended September 30, 2018
<b>NAV at beginning of period</b>	\$ 7.96	\$ 8.15
<b>Results from Operations</b>		
Net investment income <sup>(1) (2)</sup>	0.53	0.55
Net realized loss on investments <sup>(1) (2)</sup>	(0.23)	(0.20)
Net change in unrealized appreciation on investments <sup>(1) (2)</sup>	0.16	0.30
Net increase in net assets resulting from operations	0.46	0.65
<b>Stockholder distributions <sup>(1) (3)</sup></b>		
Distributions from net investment income <sup>(1) (2)</sup>	(0.52)	(0.52)
Distributions from realized appreciation <sup>(1) (2)</sup>	—	—
Net decrease in net assets resulting from stockholder distributions	(0.52)	(0.52)
<b>Capital share transactions</b>		
Issuance of common stock above NAV, net of offering costs <sup>(1)</sup>	—	—
Net increase in net assets resulting from capital share transactions	—	—
<b>NAV at end of the period</b>	\$ 7.90	\$ 8.28
Shares of common stock outstanding at end of period	78,498,726	78,616,770
Weighted average shares of common stock outstanding	78,807,179	79,383,151

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

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

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

	Nine Months Ended September 30, 2019	Nine Months Ended September 30, 2018
	(dollars in thousands)	
Net assets at end of period	\$ 620,102	\$ 650,735
Average net assets	\$ 626,059	\$ 646,940
Average Credit Facilities borrowings	\$ 481,250	\$ 475,500

<b>Ratios to average net assets:</b>		
Ratio of total expenses to average net assets <sup>(1)</sup>	7.02 %	5.81 %
Ratio of net investment income to average net assets <sup>(1)</sup>	6.66 %	6.73 %
Portfolio turnover ratio	25.82 %	36.77 %
Total return <sup>(2)</sup>	5.78 %	7.98 %

(1) Ratio of total expenses to average net assets is calculated net of any waiver of advisory fees or reimbursement of internal administrative services expenses. For the nine months ended September 30, 2019, the Advisers earned, but did not waive, a subordinated incentive fee on income of \$3.9 million, while the Advisers earned, but waived in full, a subordinated incentive fee on income of \$2.5 million for the nine months ended September 30, 2018. For the nine months ended September 30, 2019 and 2018, the Advisers also waived reimbursement of internal administrative services expenses of approximately \$2.2 million and \$2.0 million, respectively. Excluding interest expense, the ratio of total expenses to average net assets for the nine months ended September 30, 2019 and 2018 was 3.83% and 3.05%, respectively. See Note 11 — *Related Party Transactions and Arrangements* for further discussion of fee waivers provided by the Advisers.

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

## Note 8 – Stockholder Distributions

The following table reflects the cash distributions per share that the Company declared on its common stock during the nine months ended September 30, 2019 and 2018 (dollars in thousands except per share amounts).

	Distributions	
	Per Share	Amount
<b>2019</b>		
Three months ended September 30, 2019	\$ 0.17	\$ 13,900
Three months ended June 30, 2019	\$ 0.18	\$ 13,754
Three months ended March 31, 2019	\$ 0.17	\$ 13,606
<b>2018</b>		
Three months ended September 30, 2018	\$ 0.17	\$ 13,938
Three months ended June 30, 2018	\$ 0.18	\$ 13,855
Three months ended March 31, 2018	\$ 0.17	\$ 13,803

On September 9, 2019, with the authorization of the Company's board of directors, the Company declared distributions to its stockholders for the period of October 2019 through December 2019. These distributions have been, or will be, calculated based on stockholders of record each day from October 1, 2019 through December 31, 2019 in an amount equal to \$0.00191781 per share, per day. Distributions are paid on the first business day following the completion of each month to which they relate.

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

The following table reflects the sources of the cash distributions that the Company declared and, in some instances, paid on its common stock during the nine months ended September 30, 2019 and 2018.

	Nine Months Ended September 30, 2019		Nine Months Ended September 30, 2018	
	(dollars in thousands)			
Source of Distribution	Distribution Amount	Percentage	Distribution Amount	Percentage
Net realized income from operations (before waiver of incentive fees)	\$ 23,689	57.4%	\$ 25,069	60.3%
Waiver of incentive fees	—	—	2,535	6.1
Distributions in excess of net realized income from operations <sup>(1)</sup>	17,571	42.6	13,992	33.6
Total	\$ 41,260	100.0%	\$ 41,596	100.0%

(1) Includes adjustments made to GAAP-basis net investment income to arrive at taxable income available for distributions. See Note 9 — *Taxable Income* for the sources of the Company's cash distributions on a tax basis.

The Company may fund its cash distributions from all sources of funds legally available, including stock offering proceeds, if any, borrowings, net investment income from operations, capital gains proceeds from the sale of assets, non-capital gains proceeds from the sale of assets, dividends or other distributions paid to it on account of preferred and common equity investments in portfolio companies, and fee waivers from its Advisers. The Company has not established limits on the amount of funds that the Company may use from legally available sources to make distributions. The Company expects that for the foreseeable future, a portion of the distributions may be paid from sources other than net realized income from operations, which may include stock offering proceeds, if any, borrowings, and fee waivers from the Advisers. See Note 11 — *Related Party Transactions and Arrangements — Advisory Agreements and Conditional Fee Waiver and Expense Reimbursement Waivers*.

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

## Note 9 – Taxable Income

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

each taxable year generally at least equal to 90% of its investment company taxable income, determined without regard to any deduction for dividends paid, in order to maintain its ability to be subject to taxation as a RIC. As a part of maintaining its RIC status, undistributed taxable income (subject to a 4% nondeductible, U.S. federal excise tax) pertaining to a given taxable year may be distributed up to 12 months subsequent to the end of that taxable year, provided such distributions are declared prior to the later of eight-and-one-half months after the close of the taxable year in which such taxable income was generated or the extended due date for the timely filing of the tax return related to the tax year in which such taxable income was generated and paid to the shareholders in the 12-month period following the close of such taxable year and not later than the date of the first dividend payment of the same type of dividend made after such declaration. For the taxable year ended December 31, 2017, the Company distributed \$14.9 million, or \$0.187394 per share, of its taxable income in 2018, prior to the filing of its U.S. federal income tax return for its 2017 taxable year. As a result, the Company was subject to a 4% nondeductible, U.S. federal excise tax liability of approximately \$542,000. For the taxable year ended December 31, 2018, the Company distributed \$20.5 million, or \$0.260865 per share, of its taxable income in 2019, prior to filing of its U.S. federal income tax return for its 2018 taxable year. As a result, the Company was subject to a 4% nondeductible, U.S. federal excise tax liability of approximately \$765,000.

The Company accounts for income taxes in conformity with ASC Topic 740 - *Income Taxes*, which provides guidelines for how uncertain tax positions should be recognized, measured, presented and disclosed in financial statements. ASC Topic 740 requires the evaluation of tax positions taken in the course of preparing the Company's tax returns to determine whether the tax positions are "more-likely-than-not" to be sustained by the applicable tax authority. For tax positions meeting the more-likely-than-not threshold, the amount recognized in the Company's financial statements is the largest benefit or expense that has a greater than 50% likelihood of being realized upon its ultimate settlement with the relevant tax authority. Positions not deemed to meet the more-likely-than-not threshold would be recorded as a tax benefit or expense in the current year. It is the Company's policy to recognize accrued interest and penalties related to uncertain tax benefits, if any, in income tax expense. Conclusions regarding tax positions are subject to review and may be adjusted at a later date based on factors including, but not limited to, on-going analyses of tax laws, regulations and interpretations thereof. Management has analyzed the Company's tax positions, and has concluded that there were no material uncertain income tax positions through September 30, 2019. The Company identifies its major tax jurisdiction as the United States, and the Company is not aware of any tax positions for which it is reasonably possible that the total amounts of unrecognized tax benefits will change materially in the next 12 months. Tax returns for the 2015 through 2018 taxable years remain subject to examination by U.S. federal and most state tax authorities.

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

Listed below is a reconciliation of "Net increase (decrease) in net assets resulting from operations" to taxable income and to total distributions declared to common stockholders for the nine months ended September 30, 2019 and 2018 (dollars in thousands).

	Nine Months Ended September 30, 2019	Nine Months Ended September 30, 2018
Net increase (decrease) in net assets resulting from operations	\$ 36,359	\$ 51,559
Net change in unrealized (appreciation) depreciation	(12,670)	(23,955)
Income tax provision	241	(29)
Pre-tax book loss not consolidated for tax purposes	10,799	16,018
Book income and tax income differences, including debt origination, structuring fees, dividends, realized gains and changes in estimates	273	(45)
Estimated taxable income <sup>(1)</sup>	35,002	43,548
Taxable income earned in prior year and carried forward for distribution in current year	20,574	15,005
Taxable income earned prior to period end and carried forward for distribution next period	(18,837)	(21,484)
Dividend accrued as of period end and paid-in the following period	4,521	4,527
Taxable income earned to be carried forward	\$ (14,316)	\$ (16,957)
<b>Total distributions accrued or paid to common stockholders</b>	<b>\$ 41,260</b>	<b>\$ 41,596</b>

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

The income tax expense, or benefit, and the related tax assets and liabilities generated by HMS Equity Holding and HMS Equity Holding II, if any, are reflected in the Company's Condensed Consolidated Financial Statements. For the nine months ended September 30, 2019 and 2018, the Company recognized a net income tax (benefit) provision of \$241,000 and \$(29,000), respectively, related to deferred taxes (benefit) of \$0.5 million and \$1.6 million, respectively, and other taxes (benefit) of \$241,000 and \$(29,000), respectively, offset by a valuation allowance of \$(0.5) million and \$(1.6) million, respectively. For the nine months ended September 30, 2019 and 2018, the other taxes (benefit) included \$241,000 and \$(29,000), respectively, related to accruals for state and other taxes.

As of September 30, 2019, the cost basis of the Company's portfolio investments for tax purposes was \$1.0 billion, with such investments having an estimated net unrealized depreciation of \$2.8 million, composed of gross unrealized appreciation of \$52.2 million and gross unrealized depreciation of \$55.0 million. As of December 31, 2018, the cost basis of investments for tax purposes was \$1.1 billion, with such investments having an estimated net unrealized depreciation of \$15.1 million, composed of gross unrealized appreciation of \$37.5 million and gross unrealized depreciation of \$52.6 million.

The net deferred tax assets at both September 30, 2019 and December 31, 2018 was \$0, primarily related to loss carryforwards, timing differences in net unrealized depreciation of portfolio investments, and basis differences of portfolio investments held by HMS Equity Holding and HMS Equity Holding II offset by a valuation allowance. Based on HMS Equity Holding's and HMS Equity Holding II's short operating history, management believes it is more likely than not that there will be inadequate profits in HMS Equity Holding and HMS Equity Holding II against which the deferred tax assets can be offset. Accordingly, the Company recorded a full valuation allowance against such deferred tax assets.

The following table sets forth the significant components of net deferred tax assets and liabilities as of September 30, 2019 and December 31, 2018 (amounts in thousands):

	September 30, 2019	December 31, 2018
<b>Deferred tax assets:</b>		
Net operating loss carryforwards	\$ 1,044	\$ 1,861
Foreign tax credit carryforwards	10	10
Capital loss carryforwards	15,179	10,696
Net basis differences in portfolio investments	—	—
Net unrealized depreciation of portfolio investments	—	—
Total deferred tax assets	16,233	12,567
<b>Deferred tax liabilities:</b>		
Net basis differences in portfolio investments	(2,535)	(1,540)
Net unrealized appreciation of portfolio investments	(5,826)	(3,693)
Other	—	—
Total deferred tax liabilities	(8,361)	(5,233)
Valuation allowance	(7,872)	(7,334)
Total net deferred tax assets (liabilities)	\$ —	\$ —

For federal income tax purposes, the net operating loss carryforwards generated prior to December 31, 2017 expire in various taxable years from 2034 through 2037. Any net operating losses generated in 2018 and future periods will have an indefinite carryforward. The net capital loss carryforwards of the Company expire in taxable years 2020 through 2024. The timing and manner in which HMS Equity Holding and HMS Equity Holding II will utilize any net loss carryforwards in such taxable years, or in total, may be limited in the future under the provisions of the Code.

For the years ending December 31, 2018, 2017 and 2016, respectively, the tax characteristics of distributions paid to shareholders were as follows (amounts in thousands):

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

The determination of the tax attributes of the Company's distributions is made annually at the end of the Company's taxable year based upon the Company's taxable income for the full taxable year and distributions paid for the full taxable year. Therefore, a determination made on an interim basis may not be representative of the actual tax attributes of distributions for a full year. If the Company had determined the tax attributes of its distributions taxable year-to-date as of September 30, 2019, 100% would be from its current and accumulated earnings and profits. However, there can be no certainty to stockholders that this determination is representative of what the actual tax attributes of the Company's anticipated fiscal and taxable years ending December 31, 2019 distributions to stockholders will be. The actual tax characteristics of distributions to stockholders will be reported to the Internal Revenue Service and stockholders subject to information reporting shortly after the close of each calendar year on Form 1099-DIV.

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

#### Note 10 – Supplemental Cash Flow Disclosures

Listed below are the supplemental cash flow disclosures for the nine months ended September 30, 2019 and 2018 (dollars in thousands):

Supplemental Disclosure of Cash Flow Information	Nine Months Ended September 30, 2019	Nine Months Ended September 30, 2018
Cash paid for interest	\$ 18,999	\$ 16,764
Cash paid for income taxes	1,221	690
<b>Supplemental Disclosure of Non-Cash Flow Information</b>		
Stockholder distributions declared and unpaid	4,521	4,527
Stockholder distributions reinvested	18,982	20,550
Unpaid deferred financing costs	8	6

#### Note 11 — Related Party Transactions and Arrangements

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

The Company and the Advisers entered into conditional income incentive fee waiver agreements (the "2016-2018 Conditional Income Incentive Fee Waiver Agreements"), most recently on March 4, 2019, pursuant to which, for a period from January 1, 2016 through December 31, 2018, the Advisers would waive payments in respect of the "subordinated incentive fee on income," as such term is defined in the Investment Advisory Agreement, upon the occurrence of any event that, in the Advisers' sole discretion, causes such waiver to be deemed necessary. The 2016-2018 Conditional Income Incentive Fee Waiver Agreements may require the Company to repay base management fees or incentive fees previously waived by the Advisers under certain circumstances and to the extent eligible for repayment.

Previously waived fees are potentially subject to repayment by the Company, if at all, within a period not to exceed three years from the date of each respective fee waiver. Thus, in any quarter where a surplus exists and the conditions described below are satisfied, the surplus will be available, subject to approval of the Company's board of directors, to reimburse waived fees. Reimbursement of previously waived fees will only be permitted if the operating expense ratio is equal to or less than the operating expense ratio at the time the corresponding fees were waived and if the annualized rate of regular cash distributions to stockholders is equal to or greater than the annualized rate of the regular cash distributions at the time the corresponding fees were waived.

For the three months ended September 30, 2019 and 2018, the Company incurred base management fees of approximately \$5.5 million and \$5.9 million, respectively, and

subordinated incentive fees on income of \$1.2 million and \$2.5 million, respectively. For each of the three months ended September 30, 2019 and 2018, the Company did not incur any capital gains incentive fees. For each of the nine months ended September 30, 2019 and 2018, the Company incurred base management fees of approximately \$16.9 million and \$17.3 million, respectively, and subordinated incentive fees on income of \$3.9 million and \$2.5 million, respectively. For each of the nine months ended September 30, 2019 and 2018, the Company did not incur any capital gains incentive fees.

For the nine months ended September 30, 2019 and 2018, the Company did not record an accrual for any previously waived fees. Any future reimbursement of previously waived fees to the Advisers will not be accrued until the reimbursement of the waived fees becomes probable and estimable, which will be upon approval of the Company's board of directors. To date, none of the previously waived fees has been approved by the Company's board of directors for reimbursement.

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

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

(1) Fees waived pursuant to the 2016-2018 Conditional Income Incentive Fee Waiver Agreements.

(2) Subject to the approval of the Company's board of directors, in future periods previously waived fees may be paid to the Advisers, if the Company's cumulative net increase in net assets resulting from operations exceeds the amount of cumulative distributions paid to stockholders. The previously waived fees are potentially subject to repayment by the Company, if at all, within a period not to exceed three years from the date of each respective fee waiver. To date, none of the previously waived fees have been approved for reimbursement by the Company's board of directors.

(3) The "Operating Expense Ratio" is calculated on a quarterly basis as a percentage of average net assets and includes all expenses borne by the Company, except for base management and incentive fees and administrative expenses waived by the Advisers and organizational and offering expenses.

(4) "Annualized Distribution Rate" equals \$0.00191781 per share, per day based on the distributions declared by the Company's board of directors.

(5) Prior to September 30, 2016, the Advisers waived total management fees of \$2.8 million, total subordinated incentive fees of \$2.5 million and total capital gain incentive fees of \$8,000. Due to the passage of time, such waived fees are not eligible for repayment under the applicable fee waiver agreements.

Pursuant to the Investment Advisory Agreement and Sub-Advisory Agreement, the Company is required to pay or reimburse the Advisers for administrative services expenses, which include all costs and expenses related to the Company's day-to-day administration and management not related to advisory services, whether such administrative services were performed by a third party service provider or affiliates of the Advisers ("Internal Administrative Services"). The Advisers do not earn any profit under their provision of administrative services to the Company. For the three months ended September 30, 2019 and 2018, the Company incurred, and the Advisers waived the reimbursements of, Internal Administrative Services expenses of approximately \$735,000 and \$623,000, respectively. For the nine months ended September 30, 2019 and 2018, the Company incurred, and the Advisers waived the reimbursements of, Internal Administrative Services expenses of approximately \$2.2 million and \$2.0 million, respectively. The Company and the Advisers entered into an expense support and conditional reimbursement agreement, as amended from time to time, which extends the period for waiver of reimbursement of Internal Administrative Services expenses accrued pursuant to the Investment Advisory Agreement and the Sub-Advisory Agreement through December 31, 2019. Since inception, the Advisers waived the reimbursement of total Internal Administrative Services expenses of \$15.2 million. Waived Internal Administrative Services expenses are not subject to future reimbursement.

The table below outlines fees incurred and expense reimbursements payable to the Adviser, the Sub-Adviser and their respective affiliates for the three and nine months ended September 30, 2019 and 2018 and amounts unpaid as of September 30, 2019 and December 31, 2018 (dollars in thousands).

Type and Recipient	Incurred		Incurred		Unpaid as of	
	Three Months Ended September 30,		Nine Months Ended September 30,			
	2019	2018	2019	2018	September 30, 2019	December 31, 2018
Offering Costs - the Adviser, Sub-Adviser	\$ 94	\$ 101	\$ 285	\$ 308	\$ —	\$ —
Other <sup>(2)</sup> - the Adviser	263	155	644	488	166	57
Selling Commissions - Dealer Manager	—	—	—	—	—	—
Dealer Manager Fee - Dealer Manager	—	—	—	—	—	—
<b>Due to Affiliates</b>					<b>\$ 166</b>	<b>\$ 57</b>
Base Management Fees - the Adviser, Sub-Adviser	5,498	5,904	16,857	17,335	\$ 5,496	\$ 5,854
Incentive Fees on Income - the Adviser, Sub-Adviser <sup>(1)</sup>	1,209	—	3,939	—	1,210	—
<b>Base Management and Incentive Fees Payable</b>					<b>\$ 6,706</b>	<b>\$ 5,854</b>

(1) Net of amounts waived by the Advisers.

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

#### Offering Costs

In accordance with the Investment Advisory Agreement and the Sub-Advisory Agreement, the Company reimburses the Advisers for any offering costs that are paid on the Company's behalf, which consist of, among other costs, actual legal, accounting, bona fide out-of-pocket itemized and detailed due diligence costs, printing, filing fees, transfer agent costs, postage, escrow fees, advertising and sales literature and other costs incurred in connection with an offering of the Company including the Company's distribution reinvestment plan. Pursuant to the terms of the Investment Advisory Agreement and the Sub-Advisory Agreement, the Company expects to reimburse the Advisers for such costs incurred on the Company's behalf on a monthly basis, up to a maximum aggregate amount of 1.5% of the gross stock offering proceeds. The Advisers are responsible for the payment of offering costs to the extent they exceed 1.5% of the aggregate gross stock offering proceeds.

As of September 30, 2019, the Company has reimbursed the Advisers approximately \$12.4 million since inception for offering costs. As of September 30, 2019, the Advisers carried a balance of approximately \$908,000 for offering costs incurred on the Company's behalf, net of reimbursement payments from the Company.

#### Note 12 – Share Repurchase Plan

Since inception of the share repurchase program in 2015, the Company has funded the repurchase of \$90.6 million in shares of common stock. For the nine months ended September 30, 2019 and 2018, the Company funded \$19.3 million and \$27.6 million, respectively, for shares of common stock tendered for repurchase under the plan approved by the board of directors.

For the Quarter Ended	Repurchase Date	Shares Repurchased	Percentage of Shares Tendered that were Repurchased	Repurchase Price per Share	Aggregate Consideration for Repurchased Shares
March 31, 2019	February 28, 2019	820,174.35	56.1%	\$ 7.99	\$ 6,553,193
June 30, 2019	May 31, 2019	803,239.68	46.1%	\$ 7.98	\$ 6,409,850
September 30, 2019	September 3, 2019	804,778.33	40.4%	\$ 7.93	\$ 6,381,892

On September 30, 2019, the Company filed a tender offer statement on Schedule TO with the SEC to commence an offer by the Company to purchase, as approved by its board of directors, an estimated 788,400.00 shares of the Company's issued and outstanding common stock up to approximately \$6.3 million. The offer is for cash at a purchase price equal to the NAV per share to be determined within 48 hours of the repurchase date.

#### Note 13 – Commitments and Contingencies

As of September 30, 2019, the Company had a total of approximately \$39.7 million in outstanding commitments comprising (i) 36 commitments to fund revolving loans that had not been fully drawn or term loans that had not been funded and (ii) four capital commitments that had not been fully called. The Company recognized unrealized appreciation of approximately \$362,000 on the



outstanding unfunded loan commitments and no unrealized appreciation or depreciation on the outstanding unfunded capital commitments during the nine months ended September 30, 2019. As of December 31, 2018, the Company had a total of approximately \$62.5 million in outstanding commitments comprising (i) 36 commitments to fund revolving loans that had not been fully drawn or term loans that had not been funded and (ii) four capital commitments that had not been fully called. The Company recognized unrealized depreciation of \$132,000 on the outstanding unfunded loan commitments and no unrealized appreciation or depreciation on the outstanding unfunded capital commitments during the year ended December 31, 2018.

		Commitments and Contingencies	
		(dollars in thousands)	
		September 30, 2019	December 31, 2018
Unfunded Loan Commitments			
Adams Publishing Group, LLC	\$	762	\$ 1,735
American Nuts, LLC		247	1,266
Analytical Systems Keco, LLC		200	—
Apex Linen Services, Inc.		—	403
Arcus Hunting, LLC		120	904
ASC Ortho Management Company, LLC		750	750
BarFly Ventures, LLC		—	123
BBB Tank Services		—	200
BigName Holdings, LLC		—	29
Boccella Precast Products, LLC		500	500
Centre Technologies Holdings, LLC		600	—
Chamberlin HoldCo, LLC		400	400
Charps, LLC		—	1,000
Chisholm Energy Holdings, LLC		1,429	—
Clad-Rex Steel, LLC		—	100
CTVSH, PLLC		200	200
Direct Marketing Solutions, Inc.		400	400
DTE Enterprises, LLC		750	750
Dynamic Communities, LLC		250	250
Gamber-Johnson Holdings, LLC		300	300
GRT Rubber Technologies, LLC		1,526	4,125
Guerdon Modular Holdings, Inc.		284	400
Hawk Ridge Systems, LLC		350	400
HDC/HW Intermediate Holdings, Inc.		70	180
Hoover Group, Inc.		—	2,375
Hunter Defense Technologies, Inc.		2,105	—
HW Temps LLC		200	200
Implus Footcare, LLC		—	44
Independent Pet Partners Intermediate Holdings, LLC		9,357	22,244
Invincible Boat Company, LLC		1,080	—
Joerns Healthcare, LLC		—	—
KMC Acquisition, LLC		500	500
Laredo Energy VI, LP		250	—
LL Management, Inc.		1,182	—
Lynx FBO Operating LLC		1,875	—
Mac Lean-Fogg Company		313	—
Market Force Information, Inc.		9	350
Meisler Operating, LLC		400	400
Mystic Logistics Holdings, LLC		200	200
New Era Technology, Inc.		—	479
NexRev, LLC		1,000	1,000
NuStep, LLC		300	300
PaySimple, Inc.		1,017	—
SI East , LLC		2,500	2,500
Tedder Acquisition, LLC		260	180
Trantech Radiator Topco, LLC		400	—
Volusion LLC		—	1,961

	Commitments and Contingencies	
	(dollars in thousands)	
	September 30, 2019	December 31, 2018
Wireless Vision Holdings, LLC	\$ —	\$ 693
<b>Unfunded Capital Commitments</b>		
Brightwood Capital Fund III, LP	1,260	1,000
Brightwood Capital Fund IV, LP	1,000	8,000
Copper Trail Energy Fund I LP	3,416	1,754
Freeport Financial Funds	1,945	3,942
<b>Total</b>	<b>\$ 39,707</b>	<b>\$ 62,537</b>

#### Note 14 – Subsequent Events

No subsequent events to report.

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

*The following discussion is based on the condensed consolidated financial statements as of September 30, 2019 (unaudited) and December 31, 2018 and for the three and nine months ended September 30, 2019 and 2018. Amounts as of December 31, 2018 included in the unaudited condensed consolidated financial statements have been derived from the Company's audited consolidated financial statements as of that date. This information should be read in conjunction with the accompanying unaudited condensed consolidated financial statements and the notes thereto, as well as the audited consolidated financial statements, notes and management's discussion and analysis of financial condition and results of operations included in our Annual Report on Form 10-K (as amended) for the year ended December 31, 2018. Capitalized terms used in this Item 2 have the same meaning as in the accompanying condensed consolidated financial statements in Item 1 unless otherwise defined in this Report.*

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

### Forward-Looking Statements

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

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

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

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

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

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

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

## OVERVIEW

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

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

We previously registered for sale up to 150,000,000 shares of common stock pursuant to a registration statement on Form N-2 (File No. 333-178548) which was initially declared effective by the SEC on June 4, 2012 (the “Initial Offering”). The Initial Offering terminated on December 1, 2015. We raised approximately \$601.2 million in the Initial Offering, including proceeds from the dividend reinvestment plan of approximately \$22.0 million. We also registered for sale up to \$1,500,000,000 worth of shares of common stock (the “Offering”) pursuant to a new registration statement on Form N-2 (File No. 333-204659), as amended. With the approval of our board of directors, we closed the Offering to new investors effective September 30, 2017. Through September 30, 2019, we raised approximately \$230.2 million in the Offering, including proceeds from the distribution reinvestment plan of approximately \$98.5 million.

Our business is managed by the Adviser, an affiliate of Hines, under an Investment Advisory and Administrative Services Agreement dated May 31, 2012 (as amended the “Investment Advisory Agreement”). We and the Adviser have retained MSC Adviser I, LLC (the “Sub-Adviser”), a wholly owned subsidiary of Main Street, as our investment sub-adviser pursuant to an Investment Sub-Advisory Agreement (the “Sub-Advisory Agreement”) to identify, evaluate, negotiate and structure prospective investments, make investment and portfolio management recommendations for approval by the Adviser, monitor our investment portfolio and provide certain ongoing administrative services to the Adviser. The Adviser and the Sub-Adviser are collectively referred to as the “Advisers,” and each is registered under the Investment Advisers Act of 1940, as amended. Upon the execution of the Sub-Advisory Agreement, Main Street became our affiliate. Our board of directors most recently reapproved the Investment Advisory Agreement and the Sub-Advisory Agreement on May 23, 2019. We have engaged Hines Securities, Inc. (the “Dealer Manager”), an affiliate of the Adviser, to serve as the Dealer Manager for our offerings, if any.

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

As of September 30, 2019, we had investments in 38 Middle Market debt investments, 52 Private Loan debt investments, 41 LMM debt investments, 42 LMM equity investments, seven Middle Market equity investments, 20 Private Loan equity investments and eight Other Portfolio investments with an aggregate fair value of approximately \$1,053.5 million, a cost basis of approximately \$1,056.3 million and a weighted average effective annual yield of approximately 9.0%. The weighted average annual yield was calculated using the effective interest rates for all investments at September 30, 2019, including accretion of original issue discount

and amortization of premium to par value, the amortization of fees received in connection with transactions, and assumes zero yield for investments on non-accrual status. Approximately 80.5% and 6.1% of our total portfolio investments (at fair value, excluding our Other Portfolio investments) were secured by first priority liens and second priority liens, respectively, on portfolio company assets with the remainder in unsecured debt investments and equity investments.

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

#### *Investment Income*

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

#### *Expenses*

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

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

- corporate and organizational expenses relating to offerings of our common stock, subject to certain limitations;
- the cost of calculating our net asset value ("NAV"), including the cost of any third-party valuation services;
- the cost of effecting sales and repurchases of shares of our common stock and other securities;
- fees payable to third parties relating to, or associated with, monitoring our financial and legal affairs, making investments, and valuing investments, including fees and expenses associated with performing due diligence reviews of prospective investments;
- interest payable on debt, if any, including any hedging costs;
- investment advisory fees;
- transfer agent and custodial fees;
- fees and expenses associated with marketing efforts;
- federal and state registration fees;
- federal, state and local taxes;
- independent directors' fees and expenses, including travel expenses;
- costs of director and stockholder meetings, proxy statements, stockholders' reports and notices;
- cost of fidelity bond, directors and officers/errors and omissions liability insurance and other insurance premiums;
- direct costs such as printing of stockholder reports and advertising or sales materials, mailing, long distance telephone, and staff;
- fees and expenses associated with independent audits and outside legal costs, including compliance with the Sarbanes-Oxley Act of 2002, the 1940 Act, and other applicable federal and state securities laws and regulations;
- costs associated with our reporting and compliance obligations under the 1940 Act and other applicable federal and state securities laws and regulations;
- brokerage commissions for our investments;

- all other expenses incurred by our Advisers in performing their obligations, subject to the limitations included in the Investment Advisory Agreement and Sub-Advisory Agreement; and
- all other expenses incurred by us or any administrator in connection with administering our business, including payments under any administration agreement that will be based upon our allocable portion of overhead and other expenses incurred by any administrator in performing its obligations under any proposed administration agreement, including rent and our allocable portion of the costs of compensation and related expenses of our Chief Compliance Officer and Chief Financial Officer and their respective staffs.

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

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

From time to time, our Advisers may waive certain fees and expense reimbursements accrued under the Investment Advisory Agreement and the Sub-Advisory Agreement, as applicable. Under certain circumstances, we may reimburse such waived fees within three years from the date of each respective fee reimbursement waiver. See Note 11 — *Related Party Transactions and Arrangements — Advisory Agreements and Conditional Fee and Expense Reimbursement Waivers* to our condensed consolidated financial statements included elsewhere in this Report for additional information on our fee and expense reimbursement waivers.

## **CRITICAL ACCOUNTING POLICIES**

Each of our critical accounting policies involves the use of estimates that require management to make assumptions that are subjective in nature. Management relies on its experience, collects historical and current market data, and analyzes these assumptions in order to arrive at what it believes to be reasonable estimates. In addition, application of these accounting policies involves the exercise of judgments regarding assumptions as to future uncertainties. Actual results could materially differ from these estimates. A disclosure of our critical accounting policies is included in our Annual Report on Form 10-K (as amended) for the year ended December 31, 2018 in Management's Discussion and Analysis of Financial Condition and Results of Operations. There have been no changes to our critical accounting policies during 2019, except to the extent described below.

#### *Basis of Presentation and Consolidation*

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

## **PORTFOLIO INVESTMENT COMPOSITION**

Our Middle Market portfolio investments primarily consist of direct or secondary purchases of interest-bearing debt securities in companies that are generally larger in size than the LMM companies included in our LMM portfolio. While our Middle Market debt investments are generally secured by a first priority lien, 14.2% of the fair value of our Middle Market portfolio, as of September 30, 2019, is secured by second priority liens.

As of September 30, 2019, LMM portfolio consists of debt investments secured by a first priority lien (68.5% of the total fair value of the LMM portfolio) on the assets of the portfolio companies and equity investments (41.1% of the total fair value of the LMM portfolio) in privately held LMM companies. The LMM debt investments generally mature between five and seven years

from the original investment date. The LMM equity investments represent an equity position or the right to acquire an equity position through warrants.

As of September 30, 2019, our Private Loan portfolio primarily consists of debt investments secured by first and second priority liens 89.2% and 3.5% of the total fair value of the Private Loan portfolio, respectively) on the assets of the portfolio companies, unsecured debt investments (2.5% of the total fair value of the Private Loan portfolio) and equity investments (4.8% of the total fair value of the Private Loan portfolio) in Private Loan companies. The Private Loan debt investments typically have stated terms between three and seven years from the original investment date. The Private Loan equity investments represent an equity position or the right to acquire an equity position through warrants.

Our Other Portfolio investments primarily consist of investments managed by third parties, which differ from the typical profiles for LMM, Middle Market and Private Loan portfolio investments. In the Other Portfolio investments, we may incur indirect fees and expenses in connection with investments managed by third parties, such as investments in other investment companies, private funds or collateralized loan obligations (“CLOs”).

During the nine months ended September 30, 2019, we funded investment purchases of approximately \$222.6 million and had one investment under contract to purchase as of September 30, 2019 for an aggregate purchase price of approximately \$596,000, which settled or was scheduled to settle after September 30, 2019. We also received proceeds from sales and repayments of existing portfolio investments of approximately \$280.1 million, including \$168.4 million in sales. We had no investments under contract to sell as of September 30, 2019. The combined result of these transactions decreased our portfolio, on a cost basis, by approximately \$65.4 million, or 5.9%, and increased the number of portfolio investments by six, or 3.0%, compared to the portfolio as of December 31, 2018. As of September 30, 2019, the largest investment in an individual portfolio company represented approximately 2.9% of our portfolio’s fair value, with remaining investments in any individual portfolio company ranging from 0.0% to 2.2%. The average investment in our portfolio is approximately \$5.1 million or 0.5% of our total portfolio as of September 30, 2019. Our portfolio extends across individual portfolio investments, geographic regions, and industries. Further, our total portfolio’s investment composition (excluding our Other Portfolio investments) at fair value comprises 80.5% first lien debt securities and 6.1% second lien debt securities, with the remainder in unsecured debt investments and equity investments. First lien debt securities have priority over subordinated debt owed by the issuer with respect to the collateral pledged as security for the loan. Due to the relative priority of payment of first lien investments, these generally have lower yields than lower priority, less secured investments.

During the nine months ended September 30, 2018, we made investment purchases of approximately \$476.5 million and had four investments under contract to purchase as of September 30, 2018 for an aggregate purchase price of approximately \$16.9 million, which settled after September 30, 2018. We also received proceeds from sales and repayments of existing portfolio investments of approximately \$386.1 million including \$175.3 million in sales and had three investments under contract to sell as of September 30, 2018 for approximately \$17.3 million, which represented the contract sales price.

Based upon our investment rating system, which is described further below, the weighted average rating of our LMM investment portfolio was approximately 2.5 as of both September 30, 2019 and December 31, 2018. See “Portfolio Asset Quality” below for a description of the system used to rate our investments. Lastly, the overall weighted average effective yield on our investment portfolio was 9.0% and 9.5% as of September 30, 2019 and December 31, 2018, respectively.

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

Cost:	September 30, 2019				December 31, 2018			
	LMM	Private Loan	Middle Market	Total	LMM	Private Loan	Middle Market	Total
First Lien Secured Debt	68.3%	90.2%	80.3%	82.7%	70.4%	87.3%	81.8%	82.0%
Second Lien Secured Debt	0.4	3.5	15.2	6.9	—	6.2	15.8	9.2
Unsecured Debt	0.1	2.5	0.5	1.4	—	2.6	0.2	1.1
Equity	30.6	3.7	4.0	8.9	28.9	3.7	2.2	7.5
Equity warrants	0.6	0.1	—	0.1	0.7	0.2	—	0.2
Total	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%

Fair Value:	September 30, 2019				December 31, 2018			
	LMM	Private Loan	Middle Market	Total	LMM	Private Loan	Middle Market	Total
First Lien Secured Debt	58.5%	89.2%	82.7%	80.5%	62.1%	87.1%	82.9%	80.3%
Second Lien Secured Debt	0.3	3.5	14.2	6.1	—	6.3	15.6	8.9
Unsecured Debt	0.1	2.5	0.5	1.3	—	2.5	0.2	1.1
Equity	41.0	4.5	2.6	11.9	37.4	3.9	1.3	9.5
Equity warrants	0.1	0.3	—	0.2	0.5	0.2	—	0.2
Total	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%

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

#### Investment in HMS-ORIX

We previously co-invested in broadly-syndicated loans with Orix through our investment in HMS-ORIX, which was organized as a Delaware limited liability company. On November 20, 2018, HMS-ORIX closed on a \$170.0 million credit facility with Citibank, N.A. (the “Refinanced HMS-ORIX Credit Facility”). The proceeds from the Refinanced HMS-ORIX Credit Facility were used to pay off the outstanding balance on the Initial HMS-ORIX Credit Facility, which was subsequently terminated. The reinvestment period for the Refinanced HMS-ORIX Credit Facility was scheduled to expire on September 6, 2019, and the maturity date was nine months after expiration of the reinvestment period (unless terminated earlier pursuant to the terms of the Refinanced HMS-ORIX Credit Facility). Borrowings under the Refinanced HMS-ORIX Credit Facility bore interest at a rate equal to the three-month LIBOR plus 1.15%. As of December 31, 2018, \$98.8 million was outstanding under this facility. Borrowings under the facility were secured by substantially all of the assets of HMS-ORIX. Proceeds from the HMS-ORIX Holdings Merger were used to pay off the Refinanced HMS-ORIX Credit Facility.

On May 8, 2019, HMS-ORIX Holdings I LLC, a wholly owned subsidiary of HMS-ORIX, which held all of the investments in broadly-syndicated loans held by HMS-ORIX, was merged (the “HMS-ORIX Holdings Merger”) into Mariner CLO 7, Ltd., an exempted company incorporated under the laws of the Cayman Islands (“Mariner CLO”). HMS-ORIX was fully liquidated on September 26, 2019.

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

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

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

(1) At principal amount.

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



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

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

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

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

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

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

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

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

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

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

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

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

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

For the three months ended September 30, 2019 and 2018, we recognized approximately \$0 and \$536,000, respectively, of dividend income in respect of our investment in HMS-ORIX. For the nine months ended September 30, 2019 and 2018, the Company recognized approximately \$546,000 and \$1.6 million, respectively, of dividend income in respect of its investment in HMS-ORIX.

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

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

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

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

	Three Months Ended		Nine Months Ended	
	September 30, 2019	September 30, 2018	September 30, 2019	September 30, 2018
<b>Investment income</b>				
Interest income	\$ 2	\$ 1,944	\$ 3,030	\$ 5,566
Dividend income	—	—	—	—
Fee income	—	—	—	—
Other income	—	—	—	—
<b>Total investment income</b>	<b>2</b>	<b>1,944</b>	<b>3,030</b>	<b>5,566</b>
<b>Expenses</b>				
Interest expense	—	988	2,130	2,759
Other expenses	—	(1)	—	1
General and administrative expenses	60	20	96	67
<b>Total expenses</b>	<b>60</b>	<b>1,007</b>	<b>2,226</b>	<b>2,827</b>
<b>Net investment income (loss)</b>	<b>(58)</b>	<b>937</b>	<b>804</b>	<b>2,739</b>
<b>Net realized loss from investments</b>	<b>—</b>	<b>(18)</b>	<b>(1,514)</b>	<b>(392)</b>
<b>Net realized income (loss)</b>	<b>(58)</b>	<b>919</b>	<b>(710)</b>	<b>2,347</b>
<b>Net change in unrealized appreciation (depreciation) on investments</b>	<b>—</b>	<b>1,013</b>	<b>6,647</b>	<b>15</b>
<b>Net increase (decrease) in net assets resulting from operations</b>	<b>\$ (58)</b>	<b>\$ 1,932</b>	<b>\$ 5,937</b>	<b>\$ 2,362</b>

**PORTFOLIO ASSET QUALITY**

As of September 30, 2019, we owned a broad portfolio of 208 investments in 125 companies representing a wide range of industries. We believe that this broad portfolio adds to the structural protection of the portfolio, revenue sources, income, cash flows and dividends. The portfolio included the following:

- 38 debt investments in 36 Middle Market portfolio companies with an aggregate fair value of approximately \$301.8 million and a cost basis of approximately \$329.1 million. The Middle Market debt investments had a weighted average annual effective yield of approximately 9.1%, which is calculated assuming the investments on non-accrual status have a zero yield, and 84.9% of the Middle Market debt investments were secured by first priority liens. Further, 97.8% of the Middle Market debt investments contain variable interest rates, though a majority of the investments with variable rates are subject to contractual minimum base interest rates between 100 and 150 basis points.
- 52 debt investments in 47 Private Loan portfolio companies with an aggregate fair value of approximately \$452.2 million and a cost basis of approximately \$452.9 million. The Private Loan debt investments had a weighted average annual effective yield of approximately 10.1%, which is calculated assuming the investments on non-accrual status have a zero yield, and 93.7% of the Private Loan debt investments were secured by first priority liens. Further, 95.1% of the Private Loan debt investments contain variable interest rates, though a majority of the investments with variable interest rates are subject to contractual minimum base interest rates between 100 and 150 basis points.
- 41 debt investments in 32 LMM portfolio companies with an aggregate fair value of approximately \$129.2 million and a cost basis of approximately \$130.4 million. The LMM debt investments had a weighted average annual effective yield of approximately 11.7%, and 99.3% of the debt investments were secured by first priority liens. Also, 49.2% of the LMM debt investments are fixed rate investments with fixed interest rates between 8.0% and 15.0%. Also, 29 LMM debt investments, representing approximately 50.8% of the LMM debt investments have variable interest rates subject to a contractual minimum base interest rate of 100 basis points.
- 71 equity investments and six equity warrant investments in 31 LMM portfolio companies, 13 Private Loan portfolio companies, six Middle Market portfolio companies and six Other Portfolio companies with an aggregate fair value of approximately \$170.3 million and a cost basis of approximately \$143.8 million.

Overall, as of September 30, 2019, our investment portfolio had a weighted average effective yield on our investments of approximately 9.0%, and 76.7% of our total portfolio's investments (including our Other Portfolio investments) were secured by first priority liens.

As of September 30, 2019, we had seven investments in four portfolio companies that were on non-accrual status, which comprised approximately 1.4% of our total investment portfolio at fair value and 2.0% of the total investment portfolio at cost. As of December 31, 2018, we had five investments in three portfolio companies that were on non-accrual status, which comprised approximately 0.4% of the total investment portfolio at fair value and 0.6% of the total investment portfolio at cost. For those investments in which S&P credit ratings are available, which represents approximately 27.4% of the portfolio as of September 30, 2019, the portfolio had a weighted average effective credit rating of B.

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

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

The following table shows the distribution of our LMM portfolio investments on the 1 to 5 investment rating system of our Sub-Adviser at fair value as of September 30, 2019 and December 31, 2018 (dollars in thousands):

Investment Rating	September 30, 2019		December 31, 2018	
	Investments at Fair Value	Percentage of Total LMM Portfolio	Investments at Fair Value	Percentage of Total LMM Portfolio
1	\$ 63,669	29.0 %	\$ 56,937	27.1 %
2	47,591	21.7	15,038	7.1
3	46,595	21.2	124,397	59.2
4	61,780	28.1	10,718	5.1
5	—	—	3,184	1.5
<b>Total</b>	<b>\$ 219,635</b>	<b>100.0 %</b>	<b>\$ 210,274</b>	<b>100.0 %</b>

Based upon this investment rating system, the weighted average rating of our LMM portfolio at fair value was approximately 2.5 as of both September 30, 2019 and December 31, 2018.

## DISCUSSION AND ANALYSIS OF RESULTS OF OPERATIONS

### RESULTS COMPARISONS FOR THE THREE MONTHS ENDED SEPTEMBER 30, 2019 AND SEPTEMBER 30, 2018

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

For the three months ended September 30, 2019 and 2018, our total investment income was approximately \$27.8 million and \$30.2 million, respectively, consisting predominately of interest income and dividend income. The decrease in total investment income was primarily driven by a decrease in interest income of approximately \$2.6 million, offset by an increase in dividend income of approximately \$0.7 million. The decrease in interest income was primarily due to the timing of repayments and the recognition of unamortized discounts into interest income. Additionally, the weighted average annual effective yield on investments in our portfolio decreased slightly from 9.2% as of September 30, 2018 to 9.0% as of September 30, 2019. The dividend income increase is primarily due to improving performance of certain of our LMM equity investments.

For the three months ended September 30, 2019 and 2018, we recognized \$371,000 and \$781,000, respectively, of non-recurring fee income received from our portfolio companies or other third parties, which accounted for approximately 1.3% and 2.6%, respectively, of our total investment income during such periods. Such fee income is transaction based and typically consists of prepayment fees, structuring fees, amendment and consent fees and other non-recurring fees. As such, future fee income is generally dependent on new direct origination investments and the occurrence of prepayments and other events at existing portfolio companies resulting in such fees.



For the three months ended September 30, 2019 and 2018, expenses, net of internal administrative services expense waivers, were approximately \$13.9 million and \$13.1 million, respectively. The increase in expenses is primarily due to an increase in incentive fees (net of waivers) of \$1.2 million, offset by a decrease in interest expense of approximately \$412,000. For the three months ended September 30, 2019, the Advisers earned, but did not waive, a subordinated incentive fee on income of \$1.2 million, while the Advisers earned, but waived in full, a subordinated incentive fee on income of \$2.5 million for the three months ended September 30, 2018. Interest expense was lower for the three months ended September 30, 2019 due to a decrease in the annualized interest rate on our borrowings, from approximately 4.8% as of September 30, 2018 to approximately 4.6% as of September 30, 2019.

For the three months ended September 30, 2019, the net increase in net assets resulting from operations (gross of stockholder distributions declared) was approximately \$5.8 million. The increase was attributable to (i) net investment income of approximately \$13.9 million and (ii) net change in unrealized appreciation on investments of approximately \$2.9 million, offset by net realized loss on investments of approximately \$11.1 million.

For the three months ended September 30, 2018, the net increase in net assets resulting from operations (gross of stockholder distributions declared) was approximately \$23.8 million. The increase was primarily attributable to (i) net investment income of approximately \$17.1 million and (ii) net change in unrealized appreciation on investments of approximately \$14.9 million, offset by net realized loss on investments of approximately \$8.2 million.

#### **RESULTS COMPARISONS FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2019 AND SEPTEMBER 30, 2018**

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

For the nine months ended September 30, 2019 and 2018, our total investment income was approximately \$85.6 million and \$81.1 million, respectively, consisting predominately of interest income and dividend income. The increase in total investment income was primarily driven by an increase in dividend income of approximately \$3.2 million and an increase in interest income of approximately \$2.2 million. Dividend income increased primarily due to improving performance of certain of our Lower Middle Market equity investments. As of September 30, 2019 and 2018, our portfolio had a weighted average annual effective yield on investments of approximately 9.0% and 9.2%, respectively.

For the nine months ended September 30, 2019 and 2018, we recognized \$893,000 and \$1.8 million, respectively, of non-recurring fee income received from our portfolio companies or other third parties, which accounted for approximately 1.0% and 2.3%, respectively, of our total investment income during such period. Such fee income is transaction based and typically consists of prepayment fees, structuring fees, amendment and consent fees and other non-recurring fees. As such, future fee income is generally dependent on new direct origination investments and the occurrence of prepayments and other events at existing portfolio companies resulting in such fees.

For the nine months ended September 30, 2019 and 2018, expenses, net of internal administrative services expense waivers, were approximately \$43.9 million and \$37.6 million, respectively. The increase in expenses is primarily due to an increase in incentive fees of \$3.9 million and an increase in interest expense of \$2.1 million. For the nine months ended September 30, 2019, the Advisers earned, but did not waive, a subordinated incentive fee on income of \$3.9 million, while the Advisers earned, but waived in full, a subordinated incentive fee on income of \$2.5 million for the nine months ended September 30, 2018. Interest expense increased primarily due to an increase in our average borrowings of approximately \$5.8 million during the period and an increase in our cost of borrowing on the Credit Facilities. Average borrowings under the Credit Facilities were \$481.3 million for the nine months ended September 30, 2019 compared to \$475.5 million for the nine months ended September 30, 2018. As of September 30, 2019 and 2018, the annualized interest rate on borrowings was 4.6% and 4.8%, respectively.

For the nine months ended September 30, 2019, the net increase in net assets resulting from operations (gross of stockholder distributions declared) was approximately \$36.4 million. The increase was attributable to (i) net investment income of approximately \$41.7 million and (ii) net unrealized appreciation on investments of approximately \$12.7 million, offset by realized losses on investments of approximately \$18.0 million.

For the nine months ended September 30, 2018, the net increase in net assets resulting from operations (gross of stockholder distributions declared) was approximately \$51.6 million. The increase was attributable to (i) net investment income of approximately \$43.5 million and (ii) unrealized appreciation on investments of approximately \$24.0 million, offset by net realized losses of approximately \$15.9 million.

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

### **Overview**

As of September 30, 2019, we had approximately \$21.1 million in cash and cash equivalents, which we held in various custodial accounts. In addition, as of September 30, 2019, we had \$112.0 million in capacity available under the Credit Facilities, in the aggregate. To seek to enhance our returns, we intend to continue to employ leverage as market conditions permit and at the discretion of our Adviser, subject to asset coverage restrictions under the 1940 Act. See “*Financial Condition, Liquidity and Capital Resources — Financing Arrangements.*”

As of September 30, 2019, we had 36 senior secured loan investments and four equity investments with aggregate unfunded commitments of \$39.7 million. We believe that we maintain sufficient cash and cash equivalents on hand and available borrowings to fund such unfunded commitments should the need arise.

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

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

### **Liquidity and Capital Resources**

#### *Cash Flows*

For the nine months ended September 30, 2019, we experienced a net decrease in cash and cash equivalents of approximately \$687,000. During that period, approximately \$92.4 million of cash was generated from our operating activities, which principally consisted of principal repayments from and sales of investments in portfolio companies of \$280.1 million and a net increase in net assets resulting from operations of approximately \$36.4 million, offset by the purchase of new portfolio investments of \$222.6 million. During the nine months ended September 30, 2019, approximately \$93.1 million was used in financing activities, which principally consisted of a net \$51.0 million decrease in borrowings under the Credit Facilities, \$19.3 million used for the redemption of our common stock and \$22.4 million in cash distributions paid to stockholders.

For the nine months ended September 30, 2018, we experienced a net increase in cash and cash equivalents of approximately \$22.1 million. During that period, approximately \$52.9 million of cash was used in our operating activities, which principally consisted of the purchase of new portfolio investments of \$476.5 million and accretion of unearned income of \$7.6 million, offset by principal repayments from and sales of investments in portfolio companies of \$386.1 million and a net increase in net assets resulting from operations of approximately \$51.6 million. During the nine months ended September 30, 2018, approximately \$30.8 million was generated from financing activities, which principally consisted of a net \$80.0 million increase in borrowings under the Credit Facilities, offset by \$27.6 million in cash used for the redemption of our common stock and \$21.3 million in cash distributions paid to stockholders.

#### *Continuous Public Offering*

With the approval of our board of directors, we closed the Offering to new investors effective September 30, 2017. During the nine months ended September 30, 2019, we raised proceeds of \$19.0 million from our distribution reinvestment plan.

During the nine months ended September 30, 2018, we raised proceeds of \$20.5 million from our distribution reinvestment plan.

## Distributions

The following table reflects the cash distributions per share that we have declared on our common stock during the nine months ended September 30, 2019 and 2018 (dollars in thousands except per share amounts).

	Distributions	
	Per Share	Amount
<b>2019</b>		
Three months ended September 30, 2018	\$ 0.17	\$ 13,900
Three months ended June 30, 2019	\$ 0.18	\$ 13,754
Three months ended March 31, 2019	\$ 0.17	\$ 13,606
<b>2018</b>		
Three months ended September 30, 2018	\$ 0.17	\$ 13,938
Three months ended June 30, 2018	\$ 0.18	\$ 13,855
Three months ended March 31, 2018	\$ 0.17	\$ 13,803

On September 9, 2019, with the authorization of our board of directors, we declared distributions to our stockholders for the period of October 2019 through December 2019. These distributions have been, or will be, calculated based on stockholders of record each day from October 1, 2019 through December 31, 2019 in an amount equal to \$0.00191781 per share, per day. Distributions are paid on the first business day following the completion of each month to which they relate.

For the years ending December 31, 2018, 2017 and 2016, respectively, the tax characteristics of distributions paid to stockholders were as follow (amounts in thousands):

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

The determination of the tax attributes of our distributions is made annually at the end of our taxable year, based upon our taxable income for the full taxable year and distributions paid for the full taxable year. Therefore, a determination made on an interim basis may not be representative of the actual tax attributes of distributions for a full year. If we had determined the tax attributes of our distributions taxable year-to-date as of September 30, 2019, 100% would be from our current and accumulated earnings and profits. However, there can be no certainty to stockholders that this determination is representative of what the actual tax attributes of our fiscal and taxable years ending December 31, 2019 distributions to stockholders will be. The actual tax characteristics of distributions to stockholders will be reported to the Internal Revenue Service and stockholders subject to information reporting after the close of each calendar year on Form 1099-DIV.

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

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

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

In order to satisfy the Code’s requirements applicable to entities subject to tax as RICs, we are required to distribute substantially all of our taxable income to our stockholders on an annual basis. However, we may elect to spill over certain excess undistributed taxable income from one taxable year into the next taxable year, which may require us to incur a 4% nondeductible U.S. federal excise tax on such excess undistributed taxable income. In order to avoid the imposition of the 4% nondeductible excise tax, we need to distribute, in respect of each calendar year dividends for U.S. federal income tax purposes of an amount at least equal to the sum of (1) 98.0% of our net ordinary income (taking into account certain deferrals and elections) for the calendar year, (2) 98.2% of our capital gain in excess of capital loss, or capital gain net income, adjusted for certain ordinary losses, generally for the one-year period ending on October 31 of such calendar year (or, if we so elect, for the calendar year) and (3) any net ordinary

income and capital gain net income for the preceding calendar years that was not distributed during such calendar years and on which we incurred no U.S. federal income tax.

#### *Financing Arrangements*

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

As of September 30, 2019, we had \$120.0 million outstanding and no availability under our TIAA Credit Facility, and \$338.0 million outstanding and \$112.0 million available under the Deutsche Bank Credit Facility, both of which we estimated approximated fair value. Availability under each of the Credit Facilities is subject to certain limitations and the asset coverage restrictions under the 1940 Act. For further information on our Credit Facilities, including key terms and financial covenants, refer to Note 6 — *Borrowings* to the consolidated financial statements included in our Annual Report on Form 10-K (as amended) for the year ended December 31, 2018 as well as Note 6 — *Borrowings* to the condensed consolidated financial statements included elsewhere in this Report.

As a BDC, we are able to issue “senior securities,” including borrowing money from banks or other financial institutions, only in amounts such that our asset coverage, as defined in the 1940 Act, equals at least 200% after such incurrence or issuance. The Small Business Credit Availability Act, enacted into law in March 2018, among other things, amended the 1940 Act to reduce the asset coverage requirement applicable to BDCs from 200% to 150% so long as the BDC meets certain disclosure requirements, obtains certain approval and, in the case of unlisted BDCs, makes an offer to repurchase shares held by its stockholders as of the date of the requisite approval. Effectiveness of the reduced asset coverage requirements to a BDC requires approval by either (1) a “required majority” (as defined in Section 57(o) of the 1940 Act) of such BDC’s board of directors with effectiveness one year after the date of such approval or (2) a majority of the votes cast at a special or annual meeting of such BDC’s stockholders at which a quorum is present, which is effective the day after such stockholder approval. The Company has not requested or obtained either such approval. As of September 30, 2019 and December 31, 2018, our asset coverage ratio under BDC regulations was 235% and 223%, respectively.

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

#### **Related Party Transactions and Agreements**

We have entered into agreements with our Adviser, our Sub-Adviser and our Dealer Manager, whereby we pay certain fees and reimbursements to these entities. These included payments to our Dealer Manager for selling commissions and the Dealer Manager fee and include payments to our Adviser for reimbursement of offering costs. In addition, we make payments for certain services that include the identification, execution, and management of our investments and also the management of our day-to-day operations provided to us by our Adviser and Sub-Adviser, pursuant to various agreements that we have entered into. See Note 11 — *Related Party Transactions and Arrangements* to the financial statements included elsewhere in this Report for additional information regarding related party transactions.

#### **Contractual Obligations**

As of September 30, 2019, we had \$458.0 million in borrowings outstanding under the Credit Facilities. Our TIAA Credit Facility will mature March 6, 2020, with two one-year extension options, subject to lender approval, and the Deutsche Bank Credit Facility will mature on November 20, 2022. See Note 6 — *Borrowings* to the financial statements included elsewhere in this Report for a description of the Credit Facilities.

A summary of our significant contractual payment obligations for the repayment of outstanding borrowings at September 30, 2019 is as follows:

	Payments Due By Period (dollars in thousands)				
	Total	Less than 1 year	1-3 years	3-5 years	After 5 years
TIAA Credit Facility <sup>(1)</sup>	\$ 120,000	\$ 120,000	\$ —	\$ —	\$ —
Deutsche Bank Credit Facility <sup>(2)</sup>	338,000	—	—	338,000	—
<b>Total Credit Facilities</b>	<b>\$ 458,000</b>	<b>\$ 120,000</b>	<b>\$ —</b>	<b>\$ 338,000</b>	<b>\$ —</b>

(1) At September 30, 2019, we had no availability under our TIAA Credit Facility.

(2) At September 30, 2019, \$112.0 million remained available under the Deutsche Bank Credit Facility; however, our borrowing ability is limited to the asset coverage restrictions imposed by the 1940 Act, as discussed above.

#### Off-Balance Sheet Arrangements

As of September 30, 2019, we had a total of approximately \$39.7 million in outstanding commitments comprised of (i) 36 commitments to fund revolving loans that had not been fully drawn or term loans that had not been funded and (ii) four capital commitments that had not been fully called. We recognized unrealized appreciation of approximately \$362,000 on our outstanding unfunded loan commitments and no unrealized appreciation or depreciation on our outstanding unfunded capital commitments during the nine months ended September 30, 2019. We reasonably believe that we maintain sufficient assets and available borrowings to adequately cover and allow us to satisfy our outstanding unfunded commitments should the need arise. As of December 31, 2018, we had a total of approximately \$62.5 million in outstanding commitments comprised of (i) 36 commitments to fund revolving loans that had not been fully drawn or term loans that had not been funded and (ii) four capital commitments that had not been fully called. We recognized unrealized depreciation of approximately \$132,000 on our outstanding unfunded loan commitments and no unrealized appreciation or depreciation on our outstanding unfunded capital commitments during the year ended December 31, 2018. As of December 31, 2018, we had equity commitments of up to \$30.0 million to HMS-ORIX, which were fully funded as of such date. We did not have any equity commitments to HMS-ORIX as of September 30, 2019.

	Commitments and Contingencies (dollars in thousands)	
	September 30, 2019	December 31, 2018
<b>Unfunded Loan Commitments</b>		
Adams Publishing Group, LLC	\$ 762	\$ 1,735
American Nuts, LLC	247	1,266
Analytical Systems Keco, LLC	200	—
Apex Linen Services, Inc.	—	403
Arcus Hunting, LLC	120	904
ASC Ortho Management Company, LLC	750	750
BarFly Ventures, LLC	—	123
BBB Tank Services	—	200
BigName Holdings, LLC	—	29
Boccella Precast Products, LLC	500	500
Centre Technologies Holdings, LLC	600	—
Chamberlin HoldCo, LLC	400	400
Charps, LLC	—	1,000
Chisholm Energy Holdings, LLC	1,429	—
Clad-Rex Steel, LLC	—	100
CTVSH, PLLC	200	200
Direct Marketing Solutions, Inc.	400	400
DTE Enterprises, LLC	750	750
Dynamic Communities, LLC	250	250
Gamber-Johnson Holdings, LLC	300	300
GRT Rubber Technologies, LLC	1,526	4,125
Guerdon Modular Holdings, Inc.	284	400
Hawk Ridge Systems, LLC	350	400
HDC/HW Intermediate Holdings, Inc.	70	180
Hoover Group, Inc.	—	2,375

Commitments and Contingencies (dollars in thousands)		
	September 30, 2019	December 31, 2018
Hunter Defense Technologies, Inc.	\$ 2,105	\$ —
HW Temps LLC	200	200
Implus Footcare, LLC	—	44
Independent Pet Partners Intermediate Holdings, LLC	9,357	22,244
Invincible Boat Company, LLC	1,080	—
Joerns Healthcare, LLC	—	—
KMC Acquisition, LLC	500	500
Laredo Energy VI, LP	250	—
LL Management, Inc.	1,182	—
Mac Lean-Fogg Company	313	—
Market Force Information, Inc.	9	350
Meisler Operating, LLC	400	400
Mystic Logistics Holdings, LLC	200	200
New Era Technology, Inc.	—	479
NexRev, LLC	1,000	1,000
NuStep, LLC	300	300
PaySimple, Inc.	1,017	—
SI East , LLC	2,500	2,500
Tedder Acquisition, LLC	260	180
Trantech Radiator Topco, LLC	400	—
Volusion LLC	—	1,961
Wireless Vision Holdings, LLC	—	693
<b>Unfunded Capital Commitments</b>		
Brightwood Capital Fund III, LP	1,260	1,000
Brightwood Capital Fund IV, LP	1,000	8,000
Copper Trail Energy Fund I LP	3,416	1,754
Freeport Financial Funds	1,945	3,942
<b>Total</b>	<b>\$ 37,832</b>	<b>\$ 62,537</b>

#### Recent Developments and Subsequent Events

No recent developments or subsequent events to report.

### Item 3. Quantitative and Qualitative Disclosures about Market Risk.

#### *Quantitative and Qualitative Disclosures about Market Risk*

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

Our interest income will be affected by changes in various interest rates, including LIBOR and prime rates, to the extent any of our debt investments include floating interest rates. We generally invest in floating rate debt instruments, meaning that the interest rate payable on such instrument resets periodically based upon changes in a specified interest rate index, typically the one-month or three-month LIBOR. As of September 30, 2019, approximately 89.3% of our LMM, Private Loan, and Middle Market portfolio debt investments (based on cost) contained floating interest rates. As of September 30, 2019, the one-month LIBOR was approximately 2.02% and the three-month LIBOR was approximately 2.09%. Many of our investments provide that the specified interest rate index on such instruments will never fall below a level, or floor, generally between 100 and 150 basis points regardless of the level of the specified index rate, which minimizes the negative impact to our interest income that would result from a decline in index rates.

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

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

The following table shows the approximate annualized increase or decrease (dollars in thousands) in the components of net investment income due to hypothetical interest rate index changes, assuming no changes in our investments and borrowings as of September 30, 2019.

Change in interest rates	Increase (Decrease) in Interest Income	Increase (Decrease) in Interest Expense	Net Increase (Decrease) in Net Investment Income
Down 200 basis points	\$ (8,378 )	\$ (9,160 )	782
Down 100 basis points	(7,932 )	(4,580 )	(3,352 )
Down 50 basis points	(4,026 )	(2,290 )	(1,736 )
Up 50 basis points	4,133	2,290	1,843
Up 100 basis points	8,266	4,580	3,686
Up 200 basis points	16,531	9,160	7,371

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

If deemed prudent, we may use interest rate risk management techniques in an effort to minimize our exposure to interest rate fluctuations. These techniques may include various interest rate hedging activities to the extent permitted by the 1940 Act. Adverse developments resulting from changes in interest rates or hedging transactions could have a material adverse effect on our business, financial condition and results of operations. As of September 30, 2019, we had not entered into any interest rate hedging arrangements.

**Item 4. Controls and Procedures.**

In accordance with the Exchange Act, Rules 13a-15 and 15d-15, we carried out an evaluation, under the supervision and with the participation of management, including our Chief Executive Officer and Chief Financial Officer, of the effectiveness of our disclosure controls and procedures as of the end of the period covered by this Report. Based on that evaluation, our Chief Executive Officer and Chief Financial Officer concluded that our disclosure controls and procedures were effective as of September 30, 2019 to provide reasonable assurance that information required to be disclosed in our reports filed or submitted under the Exchange Act is (i) recorded, processed, summarized and reported within the time periods specified in the SEC's rules and forms and (ii) accumulated and communicated to our management, including our Chief Executive Officer and Chief Financial Officer, as appropriate to allow timely decisions regarding required disclosure.

No change occurred in our internal controls over financial reporting (as defined in Rule 13a-15(f) of the Exchange Act), during the three months ended September 30, 2019 that has materially affected, or is reasonably likely to materially affect, our internal controls over financial reporting.



## PART II — OTHER INFORMATION

### Item 1. Legal Proceedings.

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

### Item 1A. Risk Factors.

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

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

#### *Issuer Purchases of Equity Securities*

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

Period	Total Number of Shares Purchased	Average Price Paid per Share	Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs	Maximum Number (or Approximate Dollar Value) of Shares that May Yet Be Purchased Under the Plans or Programs (in millions)
July 1, 2019 through July 31, 2019	—	\$ —	—	—
August 1, 2019 through August 31, 2019	—	—	—	—
September 1, 2019 through September 30, 2019	804,778.33	7.93	804,778.33	—
Total	804,778.33		804,778.33	—

### Item 3. Defaults upon Senior Securities.

None.

### Item 4. Mine Safety Disclosures.

Not applicable.

### Item 5. Other Information.

Not applicable.

**Item 6. Exhibits.**

<b>Exhibit No.</b>	<b>Description</b>
<a href="#"><u>31.1</u></a>	Certification of Chief Executive Officer of the Registrant, pursuant to Rule 13a-14(a) of the Securities Exchange Act of 1934, as Adopted Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 (Filed herewith).
<a href="#"><u>31.2</u></a>	Certification of Chief Financial Officer of the Registrant, pursuant to Rule 13a-14(a) of the Securities Exchange Act of 1934, as Adopted Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 (Filed herewith).
<a href="#"><u>32.1</u></a>	Certification of Chief Executive Officer and Chief Financial Officer of the Registrant, pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 (Filed herewith).

## SIGNATURES

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

Date: November 13, 2019

HMS INCOME FUND, INC.

By: /s/ SHERRI W. SCHUGART

Sherri W. Schugart

Chairman and Chief Executive Officer

Date: November 13, 2019

By: /s/ DAVID M. COVINGTON

David M. Covington

Chief Financial Officer

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

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

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

Date: November 13, 2019

By: /s/ SHERRI W. SCHUGART  
 Sherri W. Schugart  
 Chairman and Chief Executive Officer

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

I, David M. Covington, Chief Financial Officer, certify that:

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

Date: November 13, 2019

By: /s/ DAVID M. COVINGTON

David M. Covington  
Chief Financial Officer

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

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

(a) the Quarterly Report on Form 10-Q of the Company for the quarterly period ended September 30, 2019, filed on the date hereof with the Securities and Exchange Commission (the “Report”) fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

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

Date: November 13, 2019

By: /s/ SHERRI W. SCHUGART  
Sherri W. Schugart  
Chairman and Chief Executive Officer

Date: November 13, 2019

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