

**Report of Organizational Actions  
 Affecting Basis of Securities**

▶ See separate instructions.

**Part I Reporting Issuer**

<b>1</b> Issuer's name  HIGHLAND INCOME FUND		<b>2</b> Issuer's employer identification number (EIN)  45-6245636	
<b>3</b> Name of contact for additional information  SHAREHOLDER SERVICES	<b>4</b> Telephone No. of contact  1-800-357-9167	<b>5</b> Email address of contact	
<b>6</b> Number and street (or P.O. box if mail is not delivered to street address) of contact  200 CRESCENT COURT, SUITE 700		<b>7</b> City, town, or post office, state, and ZIP code of contact  DALLAS, TX 75201	
<b>8</b> Date of action  SEE BELOW		<b>9</b> Classification and description  NON-TAXABLE RETURN OF CAPITAL DISTRIBUTION	
<b>10</b> CUSIP number  43010E404	<b>11</b> Serial number(s)	<b>12</b> Ticker symbol  XHFOX	<b>13</b> Account number(s)

**Part II Organizational Action** Attach additional statements if needed. See back of form for additional questions.

**14** Describe the organizational action and, if applicable, the date of the action or the date against which shareholders' ownership is measured for the action ▶ THE HIGHLAND INCOME FUND PAID A NON-TAXABLE RETURN OF CAPITAL DISTRIBUTION DURING THE YEAR. PLEASE SEE ATTACHED STATEMENT FOR DETAIL.

**15** Describe the quantitative effect of the organizational action on the basis of the security in the hands of a U.S. taxpayer as an adjustment per share or as a percentage of old basis ▶ SEE ATTACHED STATEMENT FOR DETAIL

**16** Describe the calculation of the change in basis and the data that supports the calculation, such as the market values of securities and the valuation dates ▶ SEE ATTACHED STATEMENT FOR DETAIL

**Part II** Organizational Action (continued)

17 List the applicable Internal Revenue Code section(s) and subsection(s) upon which the tax treatment is based ▶ IRC 301 & 316

18 Can any resulting loss be recognized? ▶ NOT APPLICABLE TO THIS TRANSACTION AS NO LOSS MAY BE RECOGNIZED ON A RETURN OF CAPITAL DISTRIBUTIONS. THE SHAREHOLDERS COST BASIS SHOULD BE ADJUSTED TO REFLECT THE RETURN OF CAPITAL DISTRIBUTION WHICH MAY AFFECT THE GAIN OR LOSS REALIZED BY THE SHAREHOLDER UPON DISPOSITION OF THERE SHARES.

19 Provide any other information necessary to implement the adjustment, such as the reportable tax year ▶ THE INFORMATION PROVIDED HERIN HAS BEEN PROVIDED TO EACH SHAREHOLDER ON THEIR 2020 FORM 1099-DIV STATEMENT, BOX 3 FROM THEIR RESPECTIVE BROKER/DEALER.

Under penalties of perjury, I declare that I have examined this return, including accompanying schedules and statements, and to the best of my knowledge and belief, it is true, correct, and complete. Declaration of preparer (other than officer) is based on all information of which preparer has any knowledge.

**Sign Here**  
Signature ▶ SIGNATURE ON FILE Date ▶ 3/18/2021  
Print your name ▶ Frank Waterhouse Title ▶ PFO/CFO

<b>Paid Preparer Use Only</b>	Print/Type preparer's name	Preparer's signature	Date	Check <input type="checkbox"/> if self-employed	PTIN
	Firm's name ▶			Firm's EIN ▶	
	Firm's address ▶			Phone no.	

Send Form 8937 (including accompanying statements) to: Department of the Treasury, Internal Revenue Service, Ogden, UT 84201-0054

**Highland Income Fund**Supplemental Attachment to Form 8937  
Part II, Question 14, 15, 16

EIN: 45-6245636

Detail of the distributions paid during the fiscal year ending December 31, 2020 is described below:

FUND NAME	CUSIP	TICKER SYMBOL	RECORD DATE	EX DIVIDEND DATE	PAYABLE DATE	INCOME DIVIDENDS	% OF TAXABLE DISTRIBUTION	TAXABLE DIVIDENDS AMOUNT	% RETURN OF CAPITAL DISTRIBUTION	RETURN OF CAPITAL AMOUNT
Highland Income Fund	43010E404	XHFOX	01/24/2020	01/23/2020	01/31/2020	\$ 0.0770000	47.66%	\$ 0.0367000	52.34%	\$ 0.0403000
Highland Income Fund	43010E404	XHFOX	02/21/2020	02/20/2020	02/28/2020	\$ 0.0770000	47.66%	\$ 0.0367000	52.34%	\$ 0.0403000
Highland Income Fund	43010E404	XHFOX	03/24/2020	03/23/2020	03/31/2020	\$ 0.0770000	47.66%	\$ 0.0367000	52.34%	\$ 0.0403000
Highland Income Fund	43010E404	XHFOX	04/23/2020	04/22/2020	04/30/2020	\$ 0.0770000	47.66%	\$ 0.0367000	52.34%	\$ 0.0403000
Highland Income Fund	43010E404	XHFOX	05/22/2020	05/21/2020	05/29/2020	\$ 0.0770000	47.66%	\$ 0.0367000	52.34%	\$ 0.0403000
Highland Income Fund	43010E404	XHFOX	06/23/2020	06/22/2020	06/30/2020	\$ 0.0770000	47.66%	\$ 0.0367000	52.34%	\$ 0.0403000
Highland Income Fund	43010E404	XHFOX	07/24/2020	07/23/2020	07/31/2020	\$ 0.0770000	47.66%	\$ 0.0367000	52.34%	\$ 0.0403000
Highland Income Fund	43010E404	XHFOX	08/25/2020	08/24/2020	08/31/2020	\$ 0.0770000	47.66%	\$ 0.0367000	52.34%	\$ 0.0403000
Highland Income Fund	43010E404	XHFOX	09/22/2020	09/21/2020	09/30/2020	\$ 0.0770000	47.66%	\$ 0.0367000	52.34%	\$ 0.0403000
Highland Income Fund	43010E404	XHFOX	10/26/2020	10/23/2020	10/30/2020	\$ 0.0770000	47.66%	\$ 0.0367000	52.34%	\$ 0.0403000
Highland Income Fund	43010E404	XHFOX	11/23/2020	11/20/2020	11/30/2020	\$ 0.0770000	47.66%	\$ 0.0367000	52.34%	\$ 0.0403000
Highland Income Fund	43010E404	XHFOX	12/22/2020	12/21/2020	12/31/2020	\$ 0.0770000	47.66%	\$ 0.0367000	52.34%	\$ 0.0403000
						<b>\$ 0.9240000</b>		<b>\$ 0.4404000</b>		<b>\$ 0.4836000</b>