

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

▶ See separate instructions.

Part I Reporting Issuer

1 Issuer's name HIGHLAND INCOME FUND		2 Issuer's employer identification number (EIN) 45-6245636	
3 Name of contact for additional information SHAREHOLDER SERVICES	4 Telephone No. of contact 1-800-357-9167	5 Email address of contact	
6 Number and street (or P.O. box if mail is not delivered to street address) of contact 300 CRESCENT COURT, SUITE 700		7 City, town, or post office, state, and ZIP code of contact DALLAS, TX 75201	
8 Date of action SEE BELOW		9 Classification and description NON-TAXABLE RETURN OF CAPITAL DISTRIBUTION	
10 CUSIP number 43010E404	11 Serial number(s)	12 Ticker symbol XHFOX	13 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. PLESAE 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 THEIR SHARES.

19 Provide any other information necessary to implement the adjustment, such as the reportable tax year ▶ THE INFORMATION PROVIDED HEREIN HAS BEEN PROVIDED TO EACH SHAREHOLDER ON THEIR 2022 FORM 1099-DIV STATEMENT, BOX 3 FROM THEIR RESPECTIVE BROKER/DEALER.

Sign Here	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.			
	A signed copy is maintained by the issuer			
	Signature ▶ _____	Date ▶ _____		
	Print your name ▶ <u>FRANK WATERHOUSE</u>	Title ▶ <u>PFO/CFO</u>		
Paid Preparer Use Only	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, 2022 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	01/24/2022	01/21/2022	01/31/2022	\$ 0.0770000	56.88%	\$ 0.043800000	43.12%	\$ 0.0332000
Highland Income Fund	43010E404	XHFOX	02/18/2022	02/17/2022	02/28/2022	\$ 0.0770000	56.88%	\$ 0.043800000	43.12%	\$ 0.0332000
Highland Income Fund	43010E404	XHFOX	03/24/2022	03/23/2022	03/31/2022	\$ 0.0770000	56.88%	\$ 0.043800000	43.12%	\$ 0.0332000
Highland Income Fund	43010E404	XHFOX	04/22/2022	04/21/2022	04/29/2022	\$ 0.0770000	56.88%	\$ 0.043800000	43.12%	\$ 0.0332000
Highland Income Fund	43010E404	XHFOX	05/24/2022	05/23/2022	05/31/2022	\$ 0.0770000	56.88%	\$ 0.043800000	43.12%	\$ 0.0332000
Highland Income Fund	43010E404	XHFOX	06/30/2022	06/22/2022	06/23/2022	\$ 0.0770000	56.88%	\$ 0.043800000	43.12%	\$ 0.0332000
Highland Income Fund	43010E404	XHFOX	07/22/2022	07/21/2022	07/29/2022	\$ 0.0770000	56.88%	\$ 0.043800000	43.12%	\$ 0.0332000
Highland Income Fund	43010E404	XHFOX	08/24/2022	08/23/2022	08/31/2022	\$ 0.0770000	56.88%	\$ 0.043800000	43.12%	\$ 0.0332000
Highland Income Fund	43010E404	XHFOX	09/23/2022	09/22/2022	09/30/2022	\$ 0.0770000	56.88%	\$ 0.043800000	43.12%	\$ 0.0332000
Highland Income Fund	43010E404	XHFOX	10/24/2022	10/21/2022	10/31/2022	\$ 0.0770000	56.88%	\$ 0.043800000	43.12%	\$ 0.0332000
Highland Income Fund	43010E404	XHFOX	11/23/2022	11/22/2022	11/30/2022	\$ 0.0770000	56.88%	\$ 0.043800000	43.12%	\$ 0.0332000
Highland Income Fund	43010E404	XHFOX	12/23/2022	12/22/2022	12/30/2022	\$ 0.0770000	56.88%	\$ 0.043800000	43.12%	\$ 0.0332000
						\$ 0.9240000		\$ 0.525600000		\$ 0.3984000