



# FS Investment Corporation

THIRD QUARTER 2014 FINANCIAL INFORMATION

# Important Disclosure Notice

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This presentation contains certain financial measures that have not been prepared in accordance with U.S. generally accepted accounting principles (GAAP). FSIC uses these non-GAAP financial measures internally in analyzing financial results and believes that the presentation of these non-GAAP financial measures is useful to investors as an additional tool to evaluate ongoing results and trends and in comparing FSIC's financial results with other business development companies.

Non-GAAP financial measures are not meant to be considered in isolation or as a substitute for comparable GAAP financial measures, and should be read only in conjunction with FSIC's consolidated financial statements prepared in accordance with GAAP. A reconciliation of non-GAAP financial measures to the most directly comparable GAAP measures has been provided in the table on page 15 included in this presentation and investors are encouraged to review the reconciliation.

Certain figures in this presentation have been rounded.

# Financial and Portfolio Highlights

## Financial Highlights

(all per share amounts are basic and diluted) <sup>1</sup>	Q3-14	Q2-14	Q3-13	9ME-14	9ME-13
Net investment income per share	\$ 0.25	\$ 0.23	\$ 0.26	\$ 0.69	\$ 0.76
Adjusted net investment income per share <sup>2*</sup>	\$ 0.25	\$ 0.26	\$ 0.25	\$ 0.75	\$ 0.76
Total net realized and unrealized gain (loss) on investments per share	\$ (0.02)	\$ 0.04	\$ (0.03)	\$ 0.12	\$ (0.01)
Net increase (decrease) in net assets resulting from operations (Earnings per Share)	\$ 0.23	\$ 0.27	\$ 0.23	\$ 0.81	\$ 0.74
Stockholder distributions per share <sup>3**</sup>	\$ 0.3228	\$ 0.2228	\$ 0.2093	\$ 0.7616	\$ 0.6166
<b>Net asset value per share at period end</b>	<b>\$ 10.19</b>	<b>\$ 10.28</b>	<b>\$ 10.10</b>	<b>\$ 10.19</b>	<b>\$ 10.10</b>
Weighted average shares outstanding	239,548,922	255,301,300	256,108,444	251,603,035	254,322,277
Shares outstanding, end of period	240,001,859	239,026,360	257,190,300	240,001,859	257,190,300

## Portfolio Highlights

(in thousands)	Q3-14	Q2-14	Q3-13	9ME-14	9ME-13
Purchases	\$ 432,026	\$ 737,704	\$ 875,476	\$ 1,641,221	\$ (2,204,560)
Sales and Redemptions	(348,358)	(609,417)	(668,647)	(1,523,890)	1,974,977
<b>Net Portfolio Activity</b>	<b>\$ 83,668</b>	<b>\$ 128,287</b>	<b>\$ 206,829</b>	<b>\$ 117,331</b>	<b>\$ (229,583)</b>
Total fair value of investments	\$ 4,316,524	\$ 4,227,103	\$ 4,200,801	\$ 4,316,524	\$ 4,200,801
Total assets	\$ 4,570,655	\$ 4,572,364	\$ 4,633,585	\$ 4,570,655	\$ 4,633,585

\*See page 15 hereof for reconciliations between net investment income per share and adjusted net investment income per share.

\*\*On July 1, 2014, the board of directors of FSIC declared a special cash distribution of \$0.10 per share, which was paid on August 15, 2014 to stockholders of record as of the close of business on July 31, 2014.

Endnotes begin on page 16.



# Select Historical Information

	As of				
(dollar amounts in thousands)	9/30/2014	6/30/2014	3/31/2014	12/31/2013	9/30/2013
Investments, at fair value	\$ 4,316,524	\$ 4,227,103	\$ 4,077,627	\$ 4,137,581	\$ 4,200,801
<b>Portfolio Data</b>					
Number of Portfolio Companies	128	125	148	165	182
Average Annual EBITDA of Portfolio Companies	\$ 148,000	\$ 181,000	\$ 174,200	\$ 190,700	\$ 252,900
Weighted Average Purchase Price of Investments (as a % of par or stated value)	97.7%	97.4%	97.1%	97.3%	97.3%
Weighted Average Credit Rating of Investments that were Rated <sup>4</sup>	B3	B3	B3	B3	B3
% of Investments on Non-Accrual (based on fair value) <sup>5</sup>	0.5%	0.5%	—	—	—
<b>Asset Class (based on fair value)</b>					
Senior Secured Loans—First Lien	54%	54%	50%	51%	51%
Senior Secured Loans—Second Lien	18%	18%	22%	22%	22%
Senior Secured Bonds	8%	9%	10%	9%	9%
Subordinated Debt	11%	10%	10%	10%	11%
Collateralized Securities	3%	3%	3%	4%	3%
Equity/Other	6%	6%	5%	4%	4%
<b>Portfolio Composition by Strategy (based on fair value)<sup>6</sup></b>					
Direct Originations	70%	66%	57%	51%	52%
Opportunistic	20%	22%	26%	28%	25%
Broadly Syndicated/Other	10%	12%	17%	21%	23%
<b>Interest Rate Type (based on fair value)</b>					
% Variable Rate	71.4%	71.2%	71.3%	72.2%	70.0%
% Fixed Rate	22.1%	22.9%	22.9%	23.5%	26.3%
% Income Producing Equity or Other Investments	2.5%	2.5%	2.5%	2.4%	2.2%
% Non-Income Producing Equity or Other Investments	4.0%	3.4%	3.3%	1.9%	1.5%
<b>Yields</b>					
Gross Portfolio Yield Prior to Leverage (based on amortized cost)	9.9%	9.9%	10.2%	10.1%	10.4%
Gross Portfolio Yield Prior to Leverage (based on amortized cost)—Excluding Non-Income Producing Assets	10.3%	10.3%	10.3%	10.2%	10.6%



# Select Direct Origination Information

	Three Months Ended				
(dollar amounts in thousands)	9/30/2014	6/30/2014	3/31/2014	12/31/2013	9/30/2013
<b>New Direct Originations</b>					
Total Commitments (including unfunded commitments)	\$ 451,931	\$ 529,871	\$ 369,033	\$ 86,913	\$ 614,862
Exited Investments (including partial paydowns)	(213,837)	(114,422)	(126,964)	(188,718)	(97,561)
<b>Net Direct Originations</b>	<b>\$ 238,094</b>	<b>\$ 415,449</b>	<b>\$ 242,069</b>	<b>\$ (101,805)</b>	<b>\$ 517,301</b>
<b>New Direct Originations by Asset Class (including unfunded commitments)</b>					
Senior Secured Loans—First Lien	80%	76%	24%	78%	67%
Senior Secured Loans—Second Lien	11%	—	65%	—	23%
Senior Secured Bonds	—	5%	4%	—	—
Subordinated Debt	9%	12%	2%	—	6%
Collateralized Securities	—	—	—	19%	—
Equity/Other	0%	7%	5%	3%	4%
Average New Direct Origination Commitment Amount	\$ 37,661	\$ 44,156	\$ 28,387	\$ 21,728	\$ 55,897
Weighted Average Maturity for New Direct Originations	3/18/2020	1/6/2020	10/12/2020	5/19/2019	7/31/2018
Gross Portfolio Yield Prior to Leverage (based on amortized cost) of New Direct Originations during Period	9.7%	10.4%	9.1%	9.2%	11.7%
Gross Portfolio Yield Prior to Leverage (based on amortized cost) of New Direct Originations during Period—Excluding Non-Income Producing Assets	9.7%	11.2%	9.6%	9.5%	11.8%
Gross Portfolio Yield Prior to Leverage (based on amortized cost) of Direct Originations Exited during Period	10.0%	11.2%	9.4%	16.9%	11.0%

	As of	
<b>Characteristics of All Direct Originations held in Portfolio</b>	<b>9/30/2014</b>	<b>12/31/2013</b>
Direct Originations, at fair value	\$ 3,001,347	\$ 2,096,806
Number of Portfolio Companies	48	35
Average Annual EBITDA of Portfolio Companies	\$ 48,800	\$ 34,900
Average Leverage Through Tranche of Portfolio Companies—Excluding Equity/Other and Collateralized Securities	4.4x	4.0x
% of Investments on Non-Accrual	—	—
Gross Portfolio Yield Prior to Leverage (based on amortized cost) of Funded Direct Originations	9.8%	9.9%
Gross Portfolio Yield Prior to Leverage (based on amortized cost) of Funded Direct Originations—Excluding Non-Income Producing Assets	10.1%	10.0%



# Quarterly Operating Results

## Three Months Ended

(dollar amounts in thousands, except per share amounts)	9/30/2014	6/30/2014	3/31/2014	12/31/2013	9/30/2013
Total investment income	\$ 115,917	\$ 120,721	\$ 114,796	\$ 116,866	\$ 123,307
Net expenses	(55,814)	(62,748)	(58,919)	(59,446)	(54,793)
<b>Net investment income before taxes</b>	<b>\$ 60,103</b>	<b>\$ 57,973</b>	<b>\$ 55,877</b>	<b>\$ 57,420</b>	<b>\$ 68,514</b>
Excise taxes	—	—	—	(5,000)	(742)
<b>Net investment income</b>	<b>\$ 60,103</b>	<b>\$ 57,973</b>	<b>\$ 55,877</b>	<b>\$ 52,420</b>	<b>\$ 67,772</b>
Total net realized and unrealized gain (loss) on investments	(4,504)	11,338	24,183	24,388	(8,155)
<b>Net increase (decrease) in net assets resulting from operations</b>	<b>\$ 55,599</b>	<b>\$ 69,311</b>	<b>\$ 80,060</b>	<b>\$ 76,808</b>	<b>\$ 59,617</b>
<b>Per share<sup>1</sup></b>					
Net investment income	\$ 0.25	\$ 0.23	\$ 0.22	\$ 0.20	\$ 0.26
Adjusted net investment income <sup>2</sup>	\$ 0.25	\$ 0.26	\$ 0.23	\$ 0.24	\$ 0.25
Net increase (decrease) in net assets resulting from operations (Earnings per Share)	\$ 0.23	\$ 0.27	\$ 0.31	\$ 0.30	\$ 0.23
Stockholder distributions <sup>3</sup>	\$ 0.3228	\$ 0.2228	\$ 0.2160	\$ 0.2137	\$ 0.2093
Weighted average shares outstanding	239,548,922	255,301,300	260,185,661	258,262,842	256,108,444
Shares outstanding, end of period	240,001,859	239,026,360	261,301,955	259,320,161	257,190,300

## Nine Months Ended

(dollar amounts in thousands, except per share amounts)	9/30/2014	9/30/2013
Total investment income	\$ 351,434	\$ 357,700
Net expenses	(177,481)	(164,402)
<b>Net investment income before taxes</b>	<b>\$ 173,953</b>	<b>\$ 193,298</b>
Excise taxes	—	(742)
<b>Net investment income</b>	<b>\$ 173,953</b>	<b>\$ 192,556</b>
Total net realized and unrealized gain (loss) on investments	31,017	(3,524)
<b>Net increase (decrease) in net assets resulting from operations</b>	<b>\$ 204,970</b>	<b>\$ 189,032</b>
<b>Per share<sup>1</sup></b>		
Net investment income	\$ 0.69	\$ 0.76
Adjusted net investment income <sup>2</sup>	\$ 0.75	\$ 0.76
Net increase (decrease) in net assets resulting from operations (Earnings per Share)	\$ 0.81	\$ 0.74
Stockholder distributions <sup>3</sup>	\$ 0.7616	\$ 0.6166
Weighted average shares outstanding	251,603,035	254,322,277
Shares outstanding, end of period	240,001,859	257,190,300

\*On July 1, 2014, the board of directors of FSIC declared a special cash distribution of \$0.10 per share, which was paid on August 15, 2014 to stockholders of record as of the close of business on July 31, 2014.



# Quarterly Operating Results Detail

	Three Months Ended				
(in thousands)	9/30/2014	6/30/2014	3/31/2014	12/31/2013	9/30/2013
<b>Investment income</b>					
Interest income—unaffiliated	\$ 104,823	\$ 102,096	\$ 104,711	\$ 109,907	\$ 109,886
Fee income—unaffiliated	10,606	18,450	10,085	6,903	11,975
Dividend income—unaffiliated	488	175	—	56	1,446
<b>Total investment income</b>	<b>\$ 115,917</b>	<b>\$ 120,721</b>	<b>\$ 114,796</b>	<b>\$ 116,866</b>	<b>\$ 123,307</b>
<b>Operating expenses</b>					
Management fees	\$ 20,000	\$ 22,695	\$ 22,371	\$ 22,706	22,720
Capital gains incentive fees <sup>7</sup>	(910)	2,268	4,836	4,794	(1,548)
Subordinated income incentive fees	14,794	15,061	15,178	14,303	16,555
Administrative services expenses	1,202	1,189	1,200	1,131	1,243
Stock transfer agent fees	4	546	451	420	610
Accounting and administrative fees	172	320	332	327	343
Interest expense	18,940	14,129	12,700	13,653	13,098
Directors' fees	266	264	265	254	241
Listing advisory fees	—	5,043	—	—	—
Other general and administrative expenses	1,346	4,070	1,586	1,858	1,531
<b>Total operating expenses</b>	<b>\$ 55,814</b>	<b>\$ 65,585</b>	<b>\$ 58,919</b>	<b>\$ 59,446</b>	<b>\$ 54,793</b>
Management fee waiver	—	(2,837)	—	—	—
<b>Net expenses</b>	<b>\$ 55,814</b>	<b>\$ 62,748</b>	<b>\$ 58,919</b>	<b>\$ 59,446</b>	<b>\$ 54,793</b>
<b>Net investment income before taxes</b>	<b>\$ 60,103</b>	<b>\$ 57,973</b>	<b>\$ 55,877</b>	<b>\$ 57,420</b>	<b>\$ 68,514</b>
Excise taxes	—	—	—	(5,000)	(742)
<b>Net investment income</b>	<b>\$ 60,103</b>	<b>\$ 57,973</b>	<b>\$ 55,877</b>	<b>\$ 52,420</b>	<b>\$ 67,772</b>



# Quarterly Gain/Loss Information

## Three Months Ended

(in thousands)

9/30/2014      6/30/2014      3/31/2014      12/31/2013      9/30/2013

### Realized gain/loss

Net realized gain (loss) on investments—unaffiliated	\$	5,421	\$	6,716	\$	13,822	\$	9,794	\$	6,602
Net realized gain (loss) on foreign currency		(338)		114		(19)		(79)		70
<b>Total net realized gain (loss)</b>	<b>\$</b>	<b>5,083</b>	<b>\$</b>	<b>6,830</b>	<b>\$</b>	<b>13,803</b>	<b>\$</b>	<b>9,715</b>	<b>\$</b>	<b>6,672</b>

### Unrealized gain/loss

Net change in unrealized appreciation (depreciation) on investments—unaffiliated	\$	(8,901)	\$	4,706	\$	10,335	\$	14,855	\$	(14,857)
Net change in unrealized appreciation (depreciation) on investments—affiliated		(747)		(299)		—		—		—
Net change in unrealized gain (loss) on foreign currency		61		101		45		(182)		30
<b>Total net unrealized gain (loss)</b>	<b>\$</b>	<b>(9,587)</b>	<b>\$</b>	<b>4,508</b>	<b>\$</b>	<b>10,380</b>	<b>\$</b>	<b>14,673</b>	<b>\$</b>	<b>(14,827)</b>

<b>Total net realized and unrealized gain (loss) on investments</b>	<b>\$</b>	<b>(4,504)</b>	<b>\$</b>	<b>11,338</b>	<b>\$</b>	<b>24,183</b>	<b>\$</b>	<b>24,388</b>	<b>\$</b>	<b>(8,155)</b>
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# Quarterly Balance Sheets

	As of				
(in thousands, except per share amounts)	9/30/2014	6/30/2014	3/31/2014	12/31/2013	9/30/2013
<b>Assets</b>					
Investments, at fair value—unaffiliated	\$ 4,299,639	\$ 4,209,471	\$ 4,077,627	\$ 4,137,581	\$ 4,200,801
Investments, at fair value—affiliated	16,885	17,632	—	—	—
Cash	179,984	244,074	297,685	227,328	290,439
Receivable for investments sold and repaid	9,502	35,592	67,779	26,722	85,341
Interest receivable	52,650	56,362	55,327	47,622	51,075
Deferred financing costs	10,962	7,768	4,845	5,168	5,757
Prepaid expenses and other assets	1,033	1,465	404	156	172
<b>Total assets</b>	<b>\$ 4,570,655</b>	<b>\$ 4,572,364</b>	<b>\$ 4,503,667</b>	<b>\$ 4,444,577</b>	<b>\$ 4,633,585</b>
<b>Liabilities</b>					
Payable for investments purchased	\$ 105,425	\$ 92,522	\$ 24,321	\$ 23,423	\$ 44,648
Credit facilities payable	564,294	965,686	738,482	723,682	986,421
Unsecured notes payable	400,000	—	—	—	—
Repurchase agreement payable	950,000	950,000	950,000	950,000	906,083
Stockholder distributions payable	17,819	17,748	18,814	18,671	17,939
Management fees payable	20,009	19,862	22,375	22,700	22,808
Accrued capital gains incentive fees	36,737	37,647	35,379	32,133	27,339
Subordinated income incentive fees payable	14,794	15,061	15,178	14,303	16,555
Administrative services expense payable	988	1,686	1,820	1,153	1,361
Interest payable	12,801	11,509	10,302	10,563	10,545
Directors' fees payable	292	253	254	254	229
Other accrued expenses and liabilities	1,712	2,823	1,573	6,703	1,967
<b>Total liabilities</b>	<b>\$ 2,124,871</b>	<b>\$ 2,114,797</b>	<b>\$ 1,818,498</b>	<b>\$ 1,803,585</b>	<b>\$ 2,035,895</b>
<b>Stockholders' Equity</b>					
Preferred stock, \$0.001 par value	—	—	—	—	—
Common stock, \$0.001 par value	\$ 240	\$ 239	\$ 261	\$ 259	\$ 257
Capital in excess of par value	2,256,843	2,246,910	2,487,105	2,466,753	2,451,662
Accumulated undistributed net realized gains on investments and gain/loss on foreign currency	9,431	75,977	69,147	55,344	5,014
Accumulated undistributed (distributions in excess of) net investment income	90,655	36,239	34,962	35,322	72,116
Net unrealized appreciation (depreciation) on investments and gain/loss on foreign currency	88,615	98,202	93,694	83,314	68,641
<b>Total stockholders' equity</b>	<b>\$ 2,445,784</b>	<b>\$ 2,457,567</b>	<b>\$ 2,685,169</b>	<b>\$ 2,640,992</b>	<b>\$ 2,597,690</b>
<b>Total liabilities and stockholders' equity</b>	<b>\$ 4,570,655</b>	<b>\$ 4,572,364</b>	<b>\$ 4,503,667</b>	<b>\$ 4,444,577</b>	<b>\$ 4,633,585</b>
<b>Net asset value per share of common stock at period end</b>	<b>\$ 10.19</b>	<b>\$ 10.28</b>	<b>\$ 10.28</b>	<b>\$ 10.18</b>	<b>\$ 10.10</b>



# Financing Arrangements

Financing Arrangements as of September 30, 2014	Type of Financing Arrangement	Rate	Amount Outstanding	Amount Available	Maturity Date
(in thousands)					
Broad Street Credit Facility	Revolving Credit Facility	L + 1.50%	\$ 80,608	\$ 44,392	December 20, 2014
ING Credit Facility	Revolving Credit Facility	L + 2.50%	\$ 270,886	\$ 29,114	April 3, 2018
JPM Facility	Repurchase Agreement	3.25%	\$ 950,000	\$ —	April 15, 2017
Walnut Street Credit Facility	Revolving Credit Facility	L + 1.50% to 2.50%	\$ 212,800	\$ 87,200	May 17, 2017
4.000% Notes due 2019 <sup>9</sup>	Unsecured Notes	4.00%	\$ 400,000	\$ —	July 15, 2019

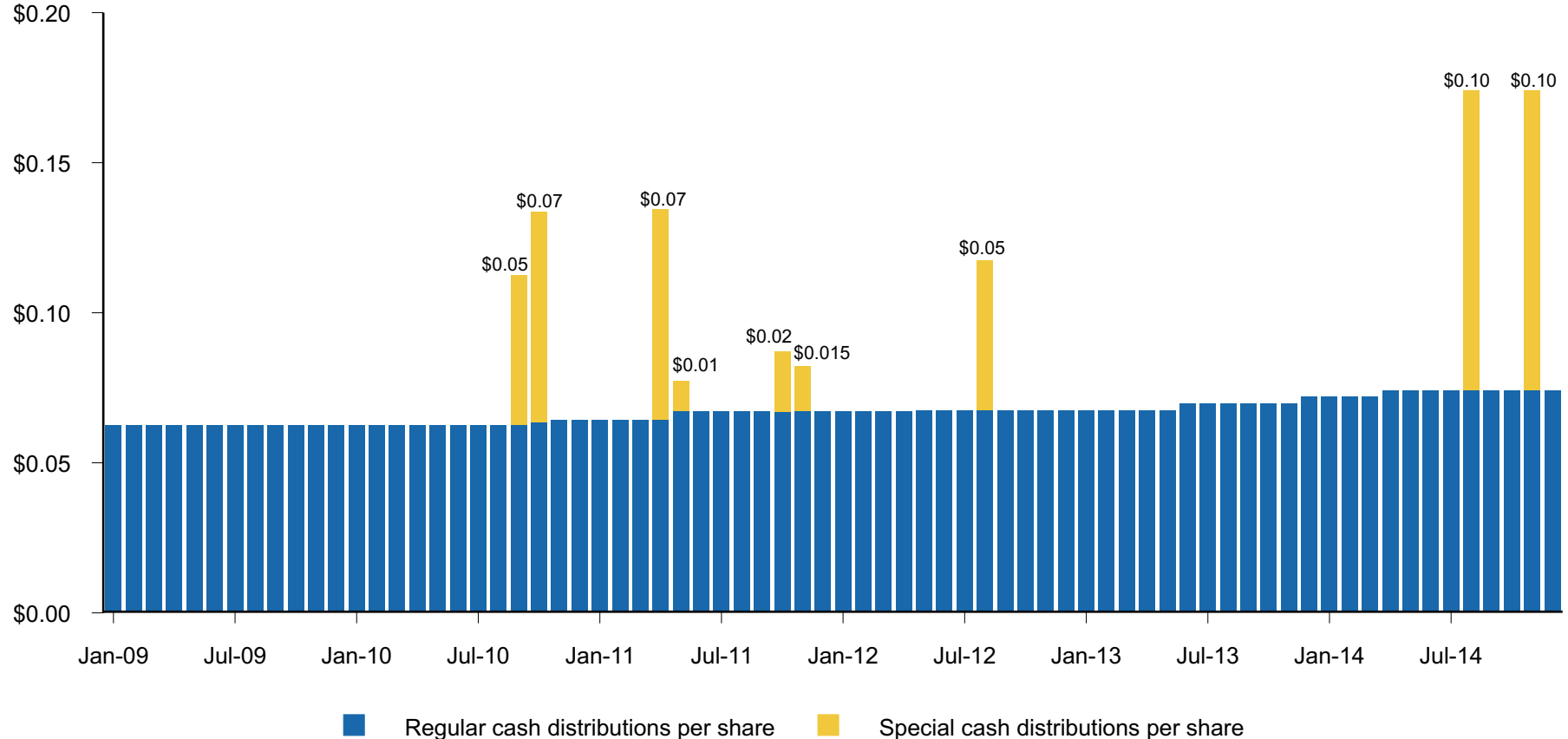
Total debt outstanding under debt facilities	\$ 1,914,294
Debt/equity ratio <sup>10</sup>	78.3%
Weighted average effective interest rate on borrowings (including non-usage fees)	3.3%
% of debt outstanding at fixed interest rates	70.5%
% of debt outstanding at variable interest rates	29.5%

Financing Arrangements as of June 30, 2014	Type of Financing Arrangement	Rate	Amount Outstanding	Amount Available	Maturity Date
(in thousands)					
Arch Street Credit Facility <sup>8</sup>	Revolving Credit Facility	L + 2.05%	\$ 350,000	\$ —	August 29, 2016
Broad Street Credit Facility	Revolving Credit Facility	L + 1.50%	\$ 125,000	\$ —	December 20, 2014
ING Credit Facility	Revolving Credit Facility	L + 2.50%	\$ 250,886	\$ 49,114	April 3, 2018
JPM Facility	Repurchase Agreement	3.25%	\$ 950,000	\$ —	April 15, 2017
Walnut Street Credit Facility	Revolving Credit Facility	L + 1.50% to 2.50%	\$ 239,800	\$ 60,200	May 17, 2017

Total debt outstanding under debt facilities	\$ 1,915,686
Debt/equity ratio <sup>10</sup>	78.0%
Weighted average effective interest rate on borrowings (including non-usage fees)	2.9%
% of debt outstanding at fixed interest rates	49.6%
% of debt outstanding at variable interest rates	50.4%



# Distribution History<sup>11</sup>

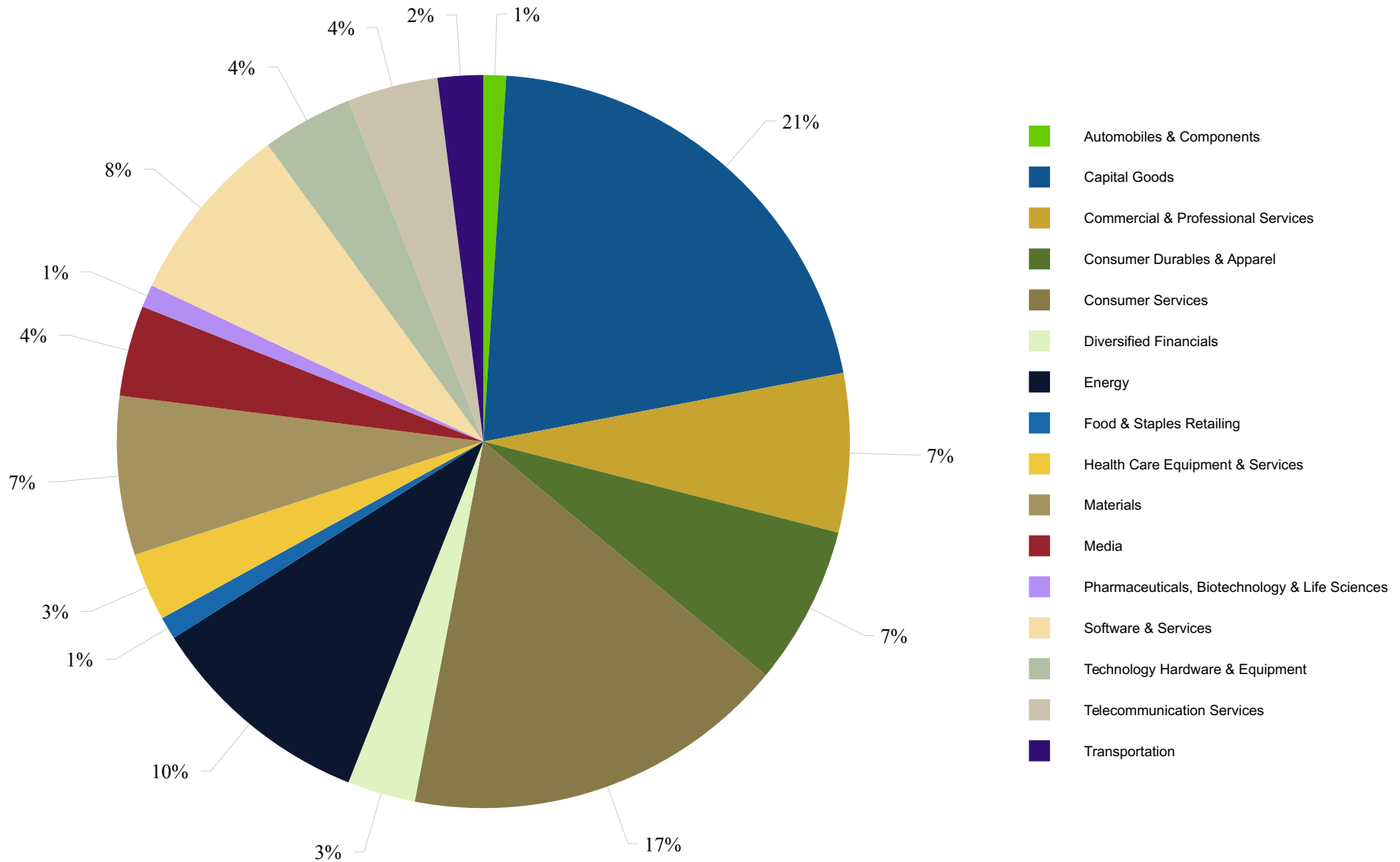


- On October 10, 2014, the board of directors of FSIC declared a regular monthly cash distribution of \$0.07425 per share. The regular monthly cash distribution was paid on November 4, 2014 to stockholders of record as of the close of business on October 27, 2014.
- On October 10, 2014, the board of directors of FSIC declared a special cash distribution of \$0.10 per share, which will be paid on or about November 14, 2014 to stockholders of record as of the close of business on October 31, 2014.
- On November 6, 2014, the board of directors of FSIC declared a regular monthly cash distribution of \$0.07425 per share. The regular monthly cash distribution will be paid on or about December 2, 2014 to stockholders of record as of the close of business on November 20, 2014.
- As of September 30, 2014, FSIC had approximately \$162.4 million (\$0.68 per share based on shares outstanding) of undistributed net investment income and realized gains on a tax basis.

# Investment Portfolio

## Industry Diversification

As of September 30, 2014, based on fair value



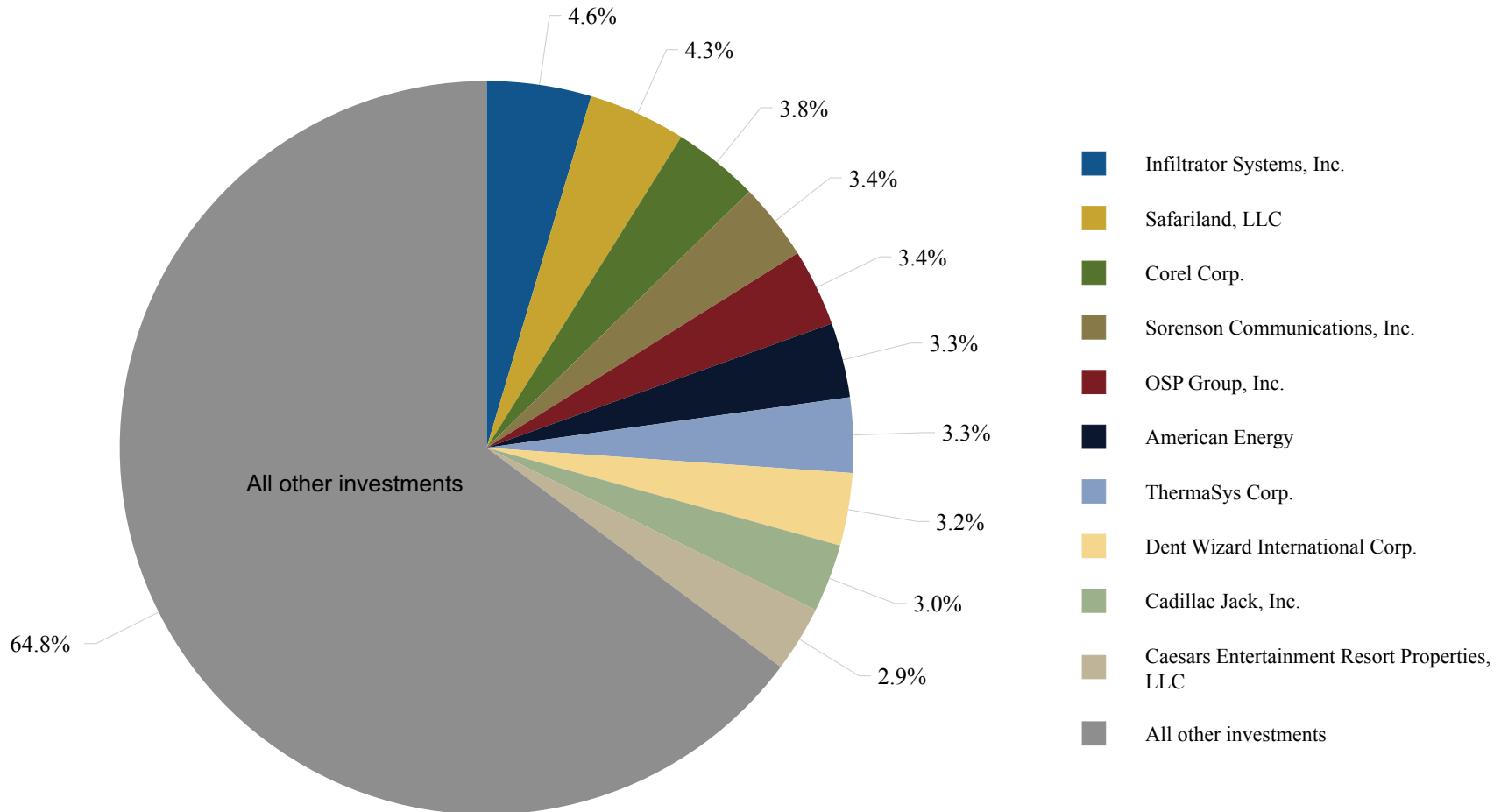
- As of September 30, 2014, FSIC's three largest industry concentrations based on fair value were Capital Goods (21%); Consumer Services (17%); and Energy (10%).
- As of September 30, 2014, FSIC's portfolio assets in Retailing amounted to less than 1% based on fair value.



# Issuer Concentration

## Issuer Concentration

Top ten portfolio companies as of September 30, 2014, based on fair value and excluding unfunded commitment amounts



- FSIC's top ten portfolio companies by fair value represent 35.2% of the company's total portfolio.

# Portfolio Asset Quality

As of

Investment Rating <sup>12</sup>	September 30, 2014		June 30, 2014		September 30, 2013	
	Fair Value	% of Portfolio	Fair Value	% of Portfolio	Fair Value	% of Portfolio
1	\$ 533,141	12%	\$ 402,787	9%	\$ 300,405	7%
2	3,386,481	79%	3,450,489	82%	3,551,113	85%
3	359,759	8%	331,225	8%	300,802	7%
4	14,994	0%	15,310	0%	45,326	1%
5	22,149	1%	27,292	1%	3,155	0%
<b>Total</b>	<b>\$ 4,316,524</b>	<b>100%</b>	<b>\$ 4,227,103</b>	<b>100%</b>	<b>\$ 4,200,801</b>	<b>100%</b>

Investment Rating	Summary Description
1	Investment exceeding expectations and/or capital gain expected.
2	Performing investment generally executing in accordance with the portfolio company's business plan—full return of principal and interest expected.
3	Performing investment requiring closer monitoring.
4	Underperforming investment—some loss of interest or dividend possible, but still expecting a positive return on investment.
5	Underperforming investment with expected loss of interest and some principal.

# Reconciliation of Non-GAAP Financial Measures<sup>1</sup>

	Three Months Ended				
	9/30/2014	6/30/2014	3/31/2014	12/31/2013	9/30/2013
GAAP net investment income per share	\$ 0.25	\$ 0.23	\$ 0.22	\$ 0.20	\$ 0.26
Plus capital gains incentive fees per share	—	0.01	0.02	0.02	(0.01)
Plus excise taxes per share	—	—	—	0.02	—
Plus one-time expenses per share <sup>13</sup>	0.01	0.02	—	—	—
<b>Adjusted net investment income per share</b>	<b>\$ 0.25</b>	<b>\$ 0.26</b>	<b>\$ 0.23</b>	<b>\$ 0.24</b>	<b>\$ 0.25</b>

	Nine Months Ended	
	9/30/2014	9/30/2013
GAAP net investment income per share	\$ 0.69	\$ 0.76
Plus capital gains incentive fees	0.02	—
Plus excise taxes per share	—	—
Plus one-time expenses per share <sup>13</sup>	0.03	—
<b>Adjusted net investment income per share</b>	<b>\$ 0.75</b>	<b>\$ 0.76</b>



# End Notes

- 1) The per share data was derived by using the weighted average shares of our common stock outstanding during the applicable period. Per share numbers may not sum due to rounding.
- 2) Adjusted net investment income is a non-GAAP financial measure. We present adjusted net investment income for all periods as GAAP net investment income excluding (i) the accrual for the capital gains incentive fee for realized and unrealized gains; (ii) excise taxes; and (iii) certain non-recurring operating expenses that are one-time in nature and are not representative of ongoing operating expenses incurred during FSIC's normal course of business (referred to herein as one-time expenses). We use this non-GAAP financial measure internally in analyzing financial results and believe that the use of this non-GAAP financial measure is useful to investors as an additional tool to evaluate ongoing results and trends and in comparing our financial results with other business development companies. The presentation of this additional information is not meant to be considered in isolation or as a substitute for financial results prepared in accordance with GAAP. Reconciliations of GAAP net investment income to adjusted net investment income can be found on page 15 of this presentation.
- 3) The per share data for distributions reflects the actual amount of distributions paid per share of our common stock during the applicable period.
- 4) The weighted average credit rating of investments is based upon the investments in our portfolio that were rated, based upon the scale of Moody's Investors Service, Inc. As of September 30, 2014, approximately 27.1% of our portfolio (based on the fair value of our investments) was rated.
- 5) We record interest income on an accrual basis. Generally, investments are placed on non-accrual when the collection of future interest and principal payments is uncertain.
- 6) We have identified and intend to focus on the following investment categories, which we believe will allow us to generate an attractive total return with an acceptable level of risk.

*Direct Originations:* We intend to leverage our relationship with GSO / Blackstone Debt Funds Management LLC and its global sourcing and origination platform to directly source investment opportunities. Such investments are originated or structured specifically for us or made by us and are not generally available to the broader market. These investments may include both debt and equity components, although we do not expect to make equity investments independent of having an existing credit relationship. We believe directly originated investments may offer higher returns and more favorable protections than broadly syndicated transactions.

*Opportunistic:* We intend to seek to capitalize on market price inefficiencies by investing in loans, bonds and other securities where the market price of such investment reflects a lower value than deemed warranted by our fundamental analysis. We believe that market price inefficiencies may occur due to, among other things, general dislocations in the markets, a misunderstanding by the market of a particular company or an industry being out of favor with the broader investment community. We seek to allocate capital to these securities that have been misunderstood or mispriced by the market and where we believe there is an opportunity to earn an attractive return on our investment. Such opportunities may include event driven investments, anchor orders and collateralized securities.

*Broadly Syndicated/Other:* Although our primary focus is to invest in directly originated transactions and opportunistic investments, in certain circumstances we will also invest in the broadly syndicated loan and high yield markets. Broadly syndicated loans and bonds are generally more liquid than our directly originated investments and provide a complement to our less liquid strategies. In addition, and because we typically receive more attractive financing terms on these positions than we do on our less liquid assets, we are able to leverage the broadly syndicated portion of our portfolio in such a way that maximizes the levered return potential of our portfolio.



# End Notes (Cont'd)

- 7) During the three months ended September 30, 2014, FSIC reversed capital gains incentive fees of \$910 based on the performance of its portfolio. No such fee is actually payable by FSIC with respect to unrealized gains unless and until those gains are actually realized.
- 8) On July 14, 2014, we repaid the Arch Street credit facility in full. In conjunction with the repayment of the Arch Street credit facility, \$2,226 of remaining unamortized deferred financing costs were charged to interest expense. The Arch Street credit facility provided for borrowings in an aggregate principal amount up to \$350,000 on a committed basis.
- 9) On July 14, 2014, FSIC and U.S. Bank National Association entered into an indenture and a first supplemental indenture relating to FSIC's issuance of \$400,000 aggregate principal amount of 4.000% notes due 2019. The notes mature on July 15, 2019 and may be redeemed in whole or in part at FSIC's option at any time or from time to time at the redemption price set forth in the indenture. The notes bear interest at a rate of 4.000% per year payable semi-annually on January 15 and July 15 of each year, commencing on January 15, 2015. The notes are general unsecured obligations of FSIC that rank senior in right of payment to all of FSIC's existing and future indebtedness that is expressly subordinated in right of payment to the notes and rank *pari passu* with all outstanding and future unsecured unsubordinated indebtedness issued by FSIC. The net proceeds to FSIC from the offering were approximately \$394,392 before expenses, after deducting underwriting discounts and commissions of \$3,600. On July 14, 2014, FSIC used \$350,000 of the net proceeds from the notes offering to repay the Arch Street credit facility in full and \$44,392 of the net proceeds to repay borrowings under the Broad Street credit facility. For more information regarding the notes, see Note 8 to FSIC's unaudited consolidated financial statements for the quarterly period ended September 30, 2014.
- 10) The debt/equity ratio is the ratio of total debt outstanding to stockholder's equity as of the applicable date.
- 11) To date, no portion of any distributions paid to stockholders have been paid from offering proceeds or borrowings. A portion of future distributions to stockholders may be deemed to constitute a return of capital for tax purposes due to the character of the amounts received by FSIC from portfolio companies. Any such return of capital will not reduce the amounts available for investments. The timing and amount of any future distributions on FSIC's shares of common stock are subject to applicable legal restrictions and the sole discretion of FSIC's board of directors. Therefore there can be no assurance as to the amount or timing of any such future distributions.
- 12) Based on the investment rating system as described in FSIC's quarterly report on Form 10-Q for the period ended September 30, 2014, under the heading "Management's Discussion and Analysis of Financial Condition and Results of Operations — Portfolio Asset Quality."
- 13) FSIC's one-time expenses for the three and nine months ended September 30, 2014 were \$1,780 and \$7,380, respectively. For the three months ended September 30, 2014, FSIC incurred \$2,226 of remaining unamortized deferred financing costs associated with the closing of the Arch Street credit facility. These costs were partially offset by a \$446 reduction in FSIC's subordinated incentive fee on income due to the reduction in pre-incentive fee net investment income associated with the one-time expenses. In addition to these costs, during the nine months ended September 30, 2014, FSIC incurred expenses of \$7,000 in connection with the listing of its shares on the NYSE, including listing advisory fees of \$5,043 and other legal, printing and marketing expenses. These expenses were partially offset by a \$1,400 reduction in FSIC's subordinated incentive fee on income.

# Corporate Information

## Board of Directors

### **Michael C. Forman**

Chairman of the Board  
Chief Executive Officer

### **David J. Adelman**

Vice Chairman  
President and Chief Executive Officer of Campus Apartments, Inc.

### **Michael J. Hagan**

Lead Independent Director  
Chairman, President and Chief Executive of LifeShield Security, Inc.

### **Gregory P. Chandler**

Chief Financial Officer of Emtec, Inc.

### **Barry H. Frank**

Partner with law firm of Archer & Greiner, P.C.

### **Thomas J. Gravina**

Executive Chairman of GPX Enterprises, L.P.

### **Jeffrey K. Harrow**

Chairman of Sparks Marketing Group, Inc.

### **Michael Heller**

President and Chief Executive Officer of Cozen O'Connor

### **Paul Mendelson**

Senior Advisor for Business Development for Lincoln Investment Planning, Inc

### **Pedro A. Ramos**

Partner with law firm of Schnader Harrison Segal & Lewis, LLP

## Executive Officers

### **Michael C. Forman**

Chairman of the Board  
Chief Executive Officer

### **Gerald F. Stahlecker**

President

### **Brad Marshall**

Senior Portfolio Manager  
Managing Director, GSO / Blackstone

### **Zachary Klehr**

Executive Vice President

### **Sean Coleman**

Managing Director

### **William Goebel**

Chief Financial Officer

### **Salvatore Faia**

Chief Compliance Officer

### **Stephen S. Sypherd**

Vice President, Treasurer and Secretary

## Investor Relations Contact

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