

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

**FORM 10-K**

ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934  
FOR THE FISCAL YEAR ENDED DECEMBER 31, 2018

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: 814-00757

**FS KKR Capital Corp.**

(Exact name of registrant as specified in its charter)

**Maryland**  
(State of Incorporation)

**26-1630040**

(I.R.S. Employer Identification Number)

**201 Rouse Boulevard**  
**Philadelphia, Pennsylvania**  
(Address of principal executive offices)

**19112**  
(Zip Code)

**Registrant's telephone number, including area code: (215) 495-1150**

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

**Common Stock, par value \$0.001 per share**  
(Title of class)

**The New York Stock Exchange**  
(Name of exchange on which registered)

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

**None**

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes  No .

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes  No .

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 and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for shorter period that the registrant was required to submit and post such files). Yes  No .

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of Registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K.

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See definition of "accelerated filer," "large accelerated filer" and "smaller reporting 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 aggregate market value of common stock held by non-affiliates of the registrant (assuming solely for the purpose of this disclosure, but without conceding, all executive officers and directors of the registrant are "affiliates"), as of June 30, 2018, the last business day of the registrant's most recently completed second fiscal quarter, was approximately \$1.8 billion.

There were 525,332,697 shares of the registrant's common stock outstanding as of February 26, 2019.

**Documents Incorporated by Reference**

Portions of the registrant's definitive Proxy Statement relating to the registrant's 2018 Annual Meeting of Stockholders, to be filed with the U.S. Securities and Exchange Commission within 120 days following the end of the registrant's fiscal year, are incorporated by reference in Part III of this annual report on Form 10-K as indicated herein.

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## PART I

Many of the amounts and percentages presented in Part I have been rounded for convenience of presentation.

### Item 1. Business.

#### Summary

FS KKR Capital Corp. (NYSE: FSK), or the Company, which may also be referred to as “we,” “us” or “our,” was incorporated under the general corporation laws of the State of Maryland on December 21, 2007 and formally commenced investment operations on January 2, 2009. We are an externally managed, non-diversified, closed-end management investment company that has elected to be regulated as a business development company, or BDC, under the Investment Company Act of 1940, as amended, or the 1940 Act. As such, we are required to comply with certain regulatory requirements. In addition, we have elected to be treated for U.S. federal income tax purposes, and intend to qualify annually, as a regulated investment company, or RIC, under Subchapter M of the Internal Revenue Code of 1986, as amended, or the Code. As of December 31, 2018, we had total assets of approximately \$7.7 billion.

We are managed by FS/KKR Advisor, LLC, or the Advisor, a registered investment adviser under the Investment Advisers Act of 1940, as amended, or the Advisers Act, which oversees the management of our operations and is responsible for making investment decisions with respect to our portfolio. Our investment objectives are to generate current income and, to a lesser extent, long-term capital appreciation. We seek to meet our investment objectives by:

- utilizing the experience and expertise of the management team of the Advisor;
- employing a defensive investment approach focused on long-term credit performance and principal protection;
- focusing primarily on debt investments in a broad array of private U.S. companies, including middle-market companies, which we define as companies with annual earnings before interest, taxes, depreciation and amortization, or EBITDA, of \$25 million to \$100 million at the time of investment. In many market environments, we believe such a focus offers an opportunity for superior risk adjusted returns;
- investing primarily in established, stable enterprises with positive cash flows; and
- maintaining rigorous portfolio monitoring, in an attempt to anticipate and pre-empt negative credit events within our portfolio, such as an event of insolvency, liquidation, dissolution, reorganization or bankruptcy of a portfolio company.

Our portfolio is comprised primarily of investments in senior secured loans and second lien secured loans of private middle market U.S. companies and, to a lesser extent, subordinated loans of private U.S. companies. Although we do not expect a significant portion of our portfolio to be comprised of subordinated loans, there is no limit on the amount of such loans in which we may invest. We may purchase interests in loans or make other debt investments, including investments in senior secured bonds, through secondary market transactions in the “over-the-counter,” or OTC, market or directly from our target companies as primary market or directly originated investments. In connection with our debt investments, we may on occasion receive equity interests such as warrants or options as additional consideration. We may also purchase or otherwise acquire interests in the form of common or preferred equity or equity-related securities, such as rights and warrants that may be converted into or exchanged for common stock or other equity or the cash value of common stock or other equity, in our target companies, generally in conjunction with one of our debt investments, including through the restructuring of such investments, or through a co-investment with a financial sponsor, such as an institutional investor or private equity firm. In addition, a portion of our portfolio may be comprised of corporate bonds, structured products, other debt securities and derivatives, including total return swaps and credit default swaps. The Advisor will seek to tailor our investment focus as market conditions evolve. Depending on market conditions, we may increase or decrease our exposure to less senior portions of the capital structure or otherwise make opportunistic investments, such as where the market price of loans, bonds or other securities reflects a lower value than deemed warranted by the Advisor’s fundamental analysis, which may occur due to 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 and may include event driven investments, anchor orders and structured products.

The senior secured loans, second lien secured loans and senior secured bonds in which we invest generally have stated terms of three to seven years and subordinated debt investments that we make generally have stated terms of up to ten years, but the expected average life of such securities is generally between three and seven years. However, there is no limit on the maturity or duration of any security in our portfolio. Our debt investments may be rated by a nationally recognized statistical rating

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organization, or NRSRO, and, in such case, generally will carry a rating below investment grade (rated lower than “Baa3” by Moody’s Investors Service, Inc., or Moody’s, or lower than “BBB-” by Standard & Poor’s Ratings Services, or S&P). We also invest in non-rated debt securities.

To seek to enhance our returns, we employ leverage as market conditions permit and at the discretion of the Advisor, but in no event will leverage employed exceed the maximum amount permitted by the 1940 Act. With certain limited exceptions, we are only allowed to borrow amounts or issue debt securities if our asset coverage, as calculated pursuant to the 1940 Act, equals at least 200% immediately after such borrowing. The minimum asset coverage requirement applicable to BDCs under the 1940 Act, however, is currently 150% provided that certain disclosure and approval requirements are met.

As a BDC, we are subject to certain regulatory restrictions in making our investments. For example, BDCs generally are not permitted to co-invest with certain affiliated entities in transactions originated by the BDC or its affiliates in the absence of an exemptive order from the U.S. Securities and Exchange Commission, or the SEC. However, BDCs are permitted to, and may, simultaneously co-invest in transactions where price is the only negotiated term. In an order dated April 3, 2018, the SEC granted exemptive relief permitting us, subject to the satisfaction of certain conditions, to co-invest in certain privately negotiated investment transactions, including investments originated and directly negotiated by the Advisor or KKR Credit Advisors (US) LLC, or KKR Credit, with our co-investment affiliates. We believe this relief enhances our ability to further our investment objectives and strategy. We believe this relief may also increase favorable investment opportunities for us in part by allowing us to participate in larger investments, together with our co-investment affiliates, than would be available to us if such relief had not been obtained.

### ***Corporate Capital Trust, Inc. Acquisition***

On December 19, 2018, we completed our acquisition of Corporate Capital Trust, Inc., or CCT, pursuant to that certain Agreement and Plan of Merger, or the Merger Agreement, dated as of July 22, 2018, by and among us, CCT, IC Acquisition, Inc., a former wholly-owned subsidiary of the Company, or Merger Sub, and the Advisor. Pursuant to the Merger Agreement, CCT was first merged with and into Merger Sub, with CCT as the surviving corporation, and, immediately following such merger, CCT was then merged with and into the Company, with the Company as the surviving company, or the Merger. In accordance with the terms of the Merger Agreement, at the time of the transactions contemplated by the Merger Agreement, each outstanding share of CCT common stock was converted into the right to receive 2.3552 shares of our common stock. As a result, we issued an aggregate of approximately 292,324,670 shares of our common stock to former CCT stockholders. Following the consummation of the Merger, we entered into a new investment advisory agreement, or the investment advisory agreement, with the Advisor, which replaced the existing investment advisory agreement, dated as of April 9, 2018, by and between us and the Advisor, or the prior investment advisory agreement.

### **About the Advisor**

The Advisor is a Delaware limited liability company, located at 201 Rouse Boulevard, Philadelphia, PA 19112, registered as an investment adviser with the SEC under the Advisers Act. The Advisor is a partnership between an affiliate of Franklin Square Holdings, L.P. (which does business as FS Investments), or FS Investments, and KKR Credit. Our chairman and chief executive officer, Michael C. Forman, serves as the Advisor’s chairman and chief executive officer, and Todd C. Builione, our president, serves as the Advisor’s president.

The Advisor’s management team has significant experience in private lending and private equity investing, and has developed an expertise in using all levels of a firm’s capital structure to produce income-generating investments, while focusing on risk management. The team also has extensive knowledge of the managerial, operational and regulatory requirements of publicly registered alternative asset entities, such as BDCs. We believe that the active and ongoing participation by FS Investments, KKR Credit and their respective affiliates in the credit markets, and the depth of experience and disciplined investment approach of the Advisor’s management team, will allow the Advisor to successfully execute our investment strategies.

Our board of directors, including a majority of independent directors, oversees and monitors our investment performance, and beginning with the second anniversary of the effective date of the investment advisory agreement, will review the investment advisory agreement to determine, among other things, whether the fees payable under such agreement are reasonable in light of the services provided.

### **About FS Investments**

FS Investments is a leading asset manager dedicated to helping individuals, financial professionals and institutions design better portfolios. The firm provides access to alternative sources of income and growth, and focuses on setting the industry

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standards for investor protection, education and transparency. FS Investments is headquartered in Philadelphia with offices in New York, NY, Orlando, FL, and Washington, DC. The firm had approximately \$23 billion in assets under management as of December 31, 2018.

### **About KKR Credit**

KKR Credit is a Delaware limited liability company, located at 555 California Street, 50th Floor, San Francisco, CA 94104, registered as an investment adviser with the SEC under the Advisers Act. It had approximately \$65.6 billion of assets under management as of December 31, 2018 across investment funds, structured finance vehicles, specialty finance companies and separately managed accounts that invest capital in both liquid and illiquid credit strategies on behalf of some of the largest public and private pension plans, global financial institutions, university endowments and other institutional and public market investors. Its investment professionals utilize an industry and thematic approach to investing and benefit from access, where appropriate, to the broader resources and intellectual capital of KKR & Co. Inc., or KKR & Co.

KKR Credit is a subsidiary of KKR & Co., a leading global investment firm with approximately \$194.7 billion in assets under management as of December 31, 2018, that manages investments across multiple asset classes, including private equity, energy, infrastructure, real estate and credit, with strategic manager partnerships that manage hedge funds. KKR & Co. aims to generate attractive investment returns for its fund investors by following a patient and disciplined investment approach, employing world-class people, and driving growth and value creation with KKR & Co. portfolio companies. KKR & Co. invests its own capital alongside the capital it manages for fund investors and provides financing solutions and investment opportunities through its capital markets business.

### **Potential Market Opportunity**

We believe that there are and will continue to be significant investment opportunities in the senior secured and second lien secured loan asset class, as well as investments in debt securities of middle market companies.

#### *Attractive Opportunities in Senior Secured and Second Lien Secured Loans*

We believe that opportunities in senior secured and second lien secured loans are significant because of the variable rate structure of most senior secured debt issues and because of the strong defensive characteristics of this investment class. Given current market conditions, we believe that debt issues with variable interest rates often offer a superior return profile to fixed-rate securities, since variable interest rate structures are generally less susceptible to declines in value experienced by fixed-rate securities in a rising interest rate environment.

Senior secured debt also provides strong defensive characteristics. Because this debt has priority in payment among an issuer's security holders (i.e., holders are due to receive payment before junior creditors and equity holders), they carry the least potential risk among investments in the issuer's capital structure. Further, these investments are secured by the issuer's assets, which may be seized in the event of a default, if necessary. They generally also carry restrictive covenants aimed at ensuring repayment before junior creditors, such as most types of unsecured bondholders, and other security holders and preserving collateral to protect against credit deterioration.

#### *Opportunity in Middle Market Private Companies*

In addition to investing in senior secured and second lien secured loans generally, we believe that the market for lending to private companies, particularly middle market private companies within the United States, is underserved and presents a compelling investment opportunity. We believe that the following characteristics support our belief:

#### *Large Target Market*

Middle market companies represent, we believe, a significant portion of the growth segment of the U.S. economy and often require substantial capital investment to grow their businesses. Middle market companies have generated a significant number of investment opportunities for us and investment programs managed by our affiliates over the past several years, and we believe that this market segment will continue to produce significant investment opportunities for us.

#### *Limited Investment Competition*

Despite the size of the market, we believe that regulatory changes and other factors have diminished the role of traditional financial institutions in providing financing to middle market companies. As tracked by S&P Capital IQ LCD, U.S. banks' share of senior secured loans to middle market companies represented approximately 4% of overall middle market loan volume in 2018

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and 1% of overall middle market loan volume in 2017, down from nearly 25% in 2000. However, the continuation of lower levels of participation by traditional financial institutions in the middle market is uncertain as a result of changing investment opportunities in the broader market and a potentially changing regulatory landscape.

We also believe that lending and originating new loans to middle market companies, which are often private, generally requires a greater dedication of the lender's time and resources compared to lending to larger companies, due in part to the smaller size of each investment and the often fragmented nature of information available from these companies. Further, many investment firms lack the breadth and scale necessary to identify investment opportunities, particularly in regards to directly originated investments in middle market companies, and thus we believe that attractive investment opportunities are often overlooked. In addition, middle market companies may require more active monitoring and participation on the lender's part. We believe that many large financial organizations, which often have relatively high cost structures, are not suited to deal with these factors and instead emphasize services and transactions to larger corporate clients with a consequent reduction in the availability of financing to middle market companies.

### *Attractive Market Segment*

We believe that the underserved nature of such a large segment of the market can at times create a significant opportunity for investment. In many environments, we believe that middle market companies are more likely to offer attractive economics in terms of transaction pricing, up-front and ongoing fees, prepayment penalties and security features in the form of stricter covenants and quality collateral than loans to larger companies. In addition, as compared to larger companies, middle market companies often have simpler capital structures and carry less leverage, thus aiding the structuring and negotiation process and allowing us greater flexibility in structuring favorable transactions. We believe that these factors will result in advantageous conditions in which to pursue our investment objectives of generating current income and, to a lesser extent, long-term capital appreciation.

### **Characteristics of and Risks Related to Investments in Private Companies**

We invest primarily in the debt of private middle market U.S. companies. Investments in private companies pose significantly greater risks than investments in public companies. First, private companies have reduced access to the capital markets, resulting in diminished capital resources and ability to withstand financial distress. As a result, these companies, which may present greater credit risk than public companies, may be unable to meet the obligations under their debt securities that we hold. Second, the investments themselves may often be illiquid. The securities of most of the companies in which we invest are not publicly-traded or actively-traded on the secondary market and are, instead, traded on a privately negotiated OTC secondary market for institutional investors. In addition, our directly originated investments generally will not be traded on any secondary market and a trading market for such investments may not develop. These securities may also be subject to legal and other restrictions on resale. As such, we may have difficulty exiting an investment promptly or at a desired price prior to maturity or outside of a normal amortization schedule. These investments may also be difficult to value because little public information generally exists about private companies, requiring an experienced due diligence team to analyze and value the potential portfolio company. Finally, these companies often may not have third-party debt ratings or audited financial statements. We must therefore rely on the ability of the Advisor to obtain adequate information through its due diligence efforts to evaluate the creditworthiness of, and risks involved in, investing in these companies, and to determine the optimal time to exit an investment. These companies and their financial information will also generally not be subject to the Sarbanes-Oxley Act of 2002, or the Sarbanes-Oxley Act, and other rules and regulations that govern public companies that are designed to protect investors.

### **Investment Strategy**

Our principal focus is to invest in senior secured and second lien secured loans of private middle market U.S. companies, and to a lesser extent, subordinated loans of private U.S. companies. Although we do not expect a significant portion of our portfolio to be comprised of subordinated loans, there is no limit on the amount of such loans in which we may invest. We may purchase interests in loans or make other debt investments, including investments in senior secured bonds, through secondary market transactions in the OTC market or directly from our target companies as primary market or directly originated investments. In connection with our debt investments, we may on occasion receive equity interests such as warrants or options as additional consideration. We may also purchase or otherwise acquire interests in the form of common or preferred equity or equity-related securities, such as rights and warrants that may be converted into or exchanged for common stock or other equity or the cash value of common stock or other equity, in our target companies, generally in conjunction with one of our debt investments or through a co-investment with a financial sponsor, such as an institutional investor or private equity firm. In addition, a portion of our portfolio may be comprised of bonds, structured products, other debt securities and derivatives. The Advisor will seek to tailor our investment focus as market conditions evolve. Depending on market conditions, we may increase

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or decrease our exposure to less senior portions of the capital structure or otherwise make opportunistic investments, such as where the market price of loans, bonds or other securities reflects a lower value than deemed warranted by the Advisor's fundamental analysis, which may occur due to 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 and may include event driven investments, anchor orders and structured products.

When identifying prospective portfolio companies, we focus primarily on the attributes set forth below, which we believe will help us generate higher total returns with an acceptable level of risk. While these criteria provide general guidelines for our investment decisions, we caution investors that, if we believe the benefits of investing are sufficiently strong, not all of these criteria necessarily will be met by each prospective portfolio company in which we choose to invest. These attributes are:

- *Leading, defensible market positions.* We seek to invest in companies that have developed strong positions within their respective markets and exhibit the potential to maintain sufficient cash flows and profitability to service our debt in a range of economic environments. We seek companies that can protect their competitive advantages through scale, scope, customer loyalty, product pricing or product quality versus their competitors, thereby minimizing business risk and protecting profitability.
- *Investing in stable companies with positive cash flow.* We seek to invest in established, stable companies with strong profitability and cash flows. Such companies, we believe, are well-positioned to maintain consistent cash flow to service and repay our loans and maintain growth in their businesses or market share. We do not intend to invest to any significant degree in start-up companies, turnaround situations or companies with speculative business plans.
- *Proven management teams.* We focus on companies that have experienced management teams with an established track record of success. We typically prefer our portfolio companies to have proper incentives in place, which may include non-cash and performance-based compensation, to align management's goals with ours.
- *Private equity sponsorship.* Often, we seek to participate in transactions sponsored by what we believe to be sophisticated and seasoned private equity firms. The Advisor's management team believes that a private equity sponsor's willingness to invest significant sums of equity capital into a company is an endorsement of the quality of the investment. Further, by co-investing with such experienced private equity firms which commit significant sums of equity capital ranking junior in priority of payment to our debt investments, we may benefit from the due diligence review performed by the private equity firm, in addition to our own due diligence review. Further, strong private equity sponsors with significant investments at risk have the ability and a strong incentive to contribute additional capital in difficult economic times should operational or financial issues arise, which could provide additional protections for our investments.
- *Allocation among various issuers and industries.* We seek to allocate our portfolio broadly among issuers and industries, thereby attempting to reduce the risk of a downturn in any one company or industry having a disproportionate adverse impact on the value of our portfolio.
- *Viable exit strategy.* While we attempt to invest in securities that may be sold in a privately negotiated OTC market, providing us a means by which we may exit our positions, we expect that a large portion of our portfolio may not be sold on this secondary market. For any investments that are not able to be sold within this market, we focus primarily on investing in companies whose business models and growth prospects offer attractive exit possibilities, including repayment of our investments, an initial public offering of equity securities, a merger, a sale or a recapitalization, in each case with the potential for capital gains.

### **Joint Venture**

We also co-invest with Conway Capital, LLC, or Conway, an affiliate of Guggenheim Life and Annuity Company and Delaware Life Insurance Company, through Strategic Credit Opportunities Partners, LLC, or SCJV, a joint venture with Conway. Conway was formed by Guggenheim Life and Annuity Company and Delaware Life Insurance Company to invest in SCJV and does not have an independent business. SCJV was formed in May 2016 to invest its capital in a range of investments, including senior secured loans (both first lien and second lien) to middle market companies, broadly syndicated loans, equity, warrants and other investments. We and Conway each have 50% voting control of SCJV and together are required to agree on all investment decisions as well as all other significant actions for SCJV. As of December 31, 2018, SCJV had total capital commitments of \$500 million, \$437.5 million of which was from us and the remaining \$62.5 million of which was from Conway. As of December 31, 2018, we had funded approximately \$294.0 million of our commitment. Additionally, as of December 31, 2018,

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SCJV had \$350 million of borrowing capacity through a revolving credit facility with Goldman Sachs Bank with a maturity date of September 29, 2021. As of December 31, 2018, our investment in SCJV was approximately \$299.3 million at fair value. We do not consolidate SCJV in our consolidated financial statements.

### **Potential Competitive Strengths**

We believe that we offer investors the following potential competitive strengths:

#### ***Global platform with seasoned investment professionals***

We believe that the breadth and depth of the experience of the Advisor's senior management team, which is dedicated to sourcing, structuring, executing, monitoring and harvesting a broad range of private investments, provide us with a significant competitive advantage in sourcing and analyzing attractive investment opportunities.

#### ***Long-term investment horizon***

Our long-term investment horizon gives us great flexibility, which we believe allows us to maximize returns on our investments. Unlike most private equity and venture capital funds, as well as many private debt funds, we are not required to return capital to our stockholders once we exit a portfolio investment. We believe that freedom from such capital return requirements, which allows us to invest using a longer-term focus, provides us with the opportunity to increase total returns on invested capital, compared to other private company investment vehicles.

#### ***Disciplined, income-oriented investment philosophy***

The Advisor employs a defensive investment approach focused on long-term credit performance and principal protection. This investment approach involves a multi-stage selection process for each investment opportunity, as well as ongoing monitoring of each investment made, with particular emphasis on early detection of deteriorating credit conditions at portfolio companies which would result in adverse portfolio developments. This strategy is designed to maximize current income and minimize the risk of capital loss while maintaining the potential for long-term capital appreciation.

#### ***Investment expertise across all levels of the corporate capital structure***

The Advisor believes that its broad expertise and experience investing at all levels of a company's capital structure enable us to manage risk while affording us the opportunity for significant returns on our investments. We attempt to capitalize on this expertise in an effort to produce and maintain an investment portfolio that will perform in a broad range of economic conditions.

#### ***International capital markets capabilities***

The Advisor leverages the intellectual capital, industry experience and global network of KKR & Co.'s Capital Markets team to support the origination of new private credit investment opportunities. Through KKR & Co.'s Capital Markets franchise, the Advisor benefits from expanded sources of deal flow, real-time market intelligence on pricing trends and continuous dialogue with issuers and sponsors to provide holistic financing solutions to current and prospective portfolio companies. In addition, KKR & Co.'s Capital Markets franchise gives us the ability to access and originate larger transactions and enhances the Advisor's ability to manage risk.

#### ***Ability to create bespoke financing solutions through asset based finance***

The Advisor believes that there is an expansive and growing opportunity to create customized solutions in underserved and mispriced asset classes, including across the aircraft, consumer finance, real estate and auto and equipment finance sectors. The Advisor will seek to identify investments with strong collateral protection, a low correlation to the broader markets and equity-like upside potential.

### **Operating and Regulatory Structure**

Our investment activities are managed by the Advisor and supervised by our board of directors, a majority of whom are independent. Under the investment advisory agreement, we have agreed to pay the Advisor an annual base management fee based on the average weekly value of our gross assets (excluding cash and cash equivalents) and an incentive fee based on our performance. See Notes 2 and 4 to our consolidated financial statements included in this annual report on Form 10-K for a description of the fees we pay to the Advisor.



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From time to time, the Advisor may enter into sub-advisory relationships with registered investment advisers that possess skills or attributes that the Advisor believes will aid it in achieving our investment objectives. The Advisor oversees our day-to-day operations, including the provision of general ledger accounting, fund accounting, legal services, investor relations, certain government and regulatory affairs activities, and other administrative services. The Advisor also performs, or oversees the performance of, our corporate operations and required administrative services, which includes being responsible for the financial records that we are required to maintain and preparing reports for our stockholders and reports filed with the SEC. In addition, the Advisor assists us in calculating our net asset value, overseeing the preparation and filing of tax returns and the printing and dissemination of reports to our stockholders, and generally overseeing the payment of our expenses and the performance of administrative and professional services rendered to us by others.

Pursuant to our administration agreement, dated April 9, 2018, or the administration agreement, we reimburse the Advisor for expenses necessary to perform services related to our administration and operations, including the Advisor's allocable portion of the compensation and related expenses of certain personnel of FS Investments and KKR Credit providing administrative services to us on behalf of the Advisor. We reimburse the Advisor no less than quarterly for all costs and expenses incurred by the Advisor in performing its obligations and providing personnel and facilities under the administration agreement. The Advisor allocates the cost of such services to us based on factors such as total assets, revenues, time allocations and/or other reasonable metrics. Our board of directors reviews the methodology employed in determining how the expenses are allocated to us and the proposed allocation of administrative expenses among us and certain affiliates of the Advisor. Our board of directors then assesses the reasonableness of such reimbursements for expenses allocated to us based on the breadth, depth and quality of such services as compared to the estimated cost to us of obtaining similar services from third-party service providers known to be available. In addition, our board of directors considers whether any single third-party service provider would be capable of providing all such services at comparable cost and quality. Finally, our board of directors compares the total amount paid to the Advisor for such services as a percentage of our net assets to the same ratio as reported by other comparable BDCs.

We have contracted with State Street Bank and Trust Company to provide various accounting and administrative services, including, but not limited to, preparing preliminary financial information for review by the Advisor, preparing and monitoring expense budgets, maintaining accounting and corporate books and records, processing trade information provided by us and performing testing with respect to RIC compliance.

As a BDC, we are required to comply with certain regulatory requirements. Also, while we are permitted to finance investments using debt, our ability to use debt will be limited in certain significant respects pursuant to the 1940 Act. Within the limits of existing regulation, we will adjust our use of debt, according to market conditions, to the level we believe will allow us to generate maximum risk-adjusted returns. See "—Regulation." We have elected to be treated for U.S. federal income tax purposes, and intend to qualify annually, as a RIC under Subchapter M of the Code.

### **Investment Types**

We primarily focus on the following investment types:

#### ***Senior Secured Loans***

Senior secured loans are situated at the top of the capital structure. Because these loans generally have priority in payment, they carry the least risk among all investments in a firm. Generally, our senior secured loans are expected to have maturities of three to seven years, offer some form of amortization, and have first priority security interests in the assets of the borrower. Generally, we expect that the interest rate on our senior secured loans typically will have variable rates over a standard benchmark, such as the prime rate or the London Interbank Offered Rate, or LIBOR.

#### ***Second Lien Secured Loans***

Second lien secured loans are immediately junior to senior secured loans and have substantially the same maturities, collateral and covenant structures as senior secured loans. Second lien secured loans, however, are granted a second priority security interest in the assets of the borrower, which means that any realization of collateral will generally be applied to pay senior secured loans in full before second lien secured loans are paid and the value of the collateral may not be sufficient to repay in full both senior secured loans and second lien secured loans. In return for this junior ranking, second lien secured loans generally offer higher returns compared to senior secured debt. These higher returns come in the form of higher interest and in some cases the potential for equity participation through warrants, though to a lesser extent than with subordinated loans. Generally, we expect these loans to carry a fixed rate, or a floating current yield over a standard benchmark. In addition, we may receive additional returns from any warrants we may receive in connection with these investments.

### **Senior Secured Bonds**

Senior secured bonds are generally secured by collateral on a senior, *pari passu* or junior basis with other debt instruments in an issuer's capital structure and have similar maturities and covenant structures as senior secured loans. Generally, we expect these investments to carry a fixed rate.

### **Subordinated Debt**

In addition to senior secured loans, second lien secured loans and senior secured bonds, we may invest a portion of our assets in subordinated debt. Subordinated debt investments usually rank junior in priority of payment to senior debt and are often unsecured, but are situated above preferred equity and common equity in the capital structure. In return for their junior status compared to senior debt, subordinated debt investments typically offer higher returns through both higher interest rates and possible equity ownership in the form of warrants, enabling the lender to participate in the capital appreciation of the borrower. These warrants typically require only a nominal cost to exercise. We generally target subordinated debt with interest-only payments throughout the life of the security, with the principal due at maturity. Typically, subordinated debt investments have maturities of five to ten years. Generally, we expect these securities to carry a fixed rate, or a floating current yield over a standard benchmark. In addition, we may receive additional returns from any warrants we may receive in connection with these investments. In some cases, a portion of the total interest may accrue or be paid-in-kind, or PIK.

### **Equity and Equity-Related Securities**

While we intend to maintain our focus on investments in debt securities, from time to time, when we see the potential for extraordinary gain, or in connection with securing particularly favorable terms in a debt investment, we may enter into investments in preferred or common equity, typically in conjunction with a private equity sponsor we believe to be sophisticated and seasoned. In addition, we typically receive the right to make equity investments in a portfolio company whose debt securities we hold in connection with the next equity financing round for that company. This right may provide us with the opportunity to further enhance our returns over time through equity investments in our portfolio companies. In addition, we may hold equity-related securities, such as rights and warrants that may be converted into or exchanged for common stock or other equity or the cash value of common stock or other equity, generally obtained in conjunction with one of our debt investments or through a co-investment with a financial sponsor, such as an institutional investor or private equity firm. In the future, we may achieve liquidity through a merger or acquisition of a portfolio company, a public offering of a portfolio company's stock or by exercising our right, if any, to require a portfolio company to repurchase the equity-related securities we hold.

### **Convertible Securities**

We may invest in convertible securities, such as bonds, debentures, notes, preferred stocks or other securities that may be converted into, or exchanged for, a specified amount of common stock of the same or different issuer within a particular period of time at a specified price or formula.

### **Non-U.S. Securities**

We may invest in non-U.S. securities, which may include securities denominated in U.S. dollars or in non-U.S. currencies and securities of companies in emerging markets, to the extent permitted by the 1940 Act.

### **Structured Products**

We may invest in structured products, which may include collateralized debt obligations, collateralized bond obligations, collateralized loan obligations, structured notes and credit-linked notes. The issuers of such investment products may be structured as trusts or other types of pooled investment vehicles. Such products may also involve the deposit with or purchase by an entity of the underlying investments and the issuance by that entity of one or more classes of securities backed by, or representing interests in, the underlying investments or referencing an indicator related to such investments.

### **Derivatives**

We may also invest from time to time in derivatives, including total return swaps, interest rate swaps, credit default swaps and foreign currency forward contracts. We anticipate that any use of derivatives would primarily be as a substitute for investing in conventional securities or to hedge potential risk that is identified by the Advisor.

### ***Investments in Private Investment Funds***

We may invest in, or wholly own, private investment funds, including hedge funds, private equity funds, limited liability companies, real estate investment trusts and other business entities. In particular, we expect we may invest in asset-based opportunities through joint ventures, investment platforms or build-ups that provide one or more of the following services: origination or sourcing of potential investment opportunities, due diligence and negotiation of potential investment opportunities and/or servicing, development and management (including turnaround) and disposition of investments. Such investments in joint ventures, platforms and build-ups may be in or alongside existing or newly formed operators, consultants and/or managers that pursue such opportunities and may or may not include capital and/or assets contributed by third party investors. Such investments may include opportunities to direct-finance physical assets, such as airplanes and ships, and/or operating assets, such as financial service entities, as opposed to investment securities, or to invest in origination and/or servicing platforms directly. These asset-based opportunities are expected to offer mezzanine-like structural downside protection as well as asset collateral, and equity-like upside that can be achieved through appreciation at the asset-level or, in the case of platforms, through growth of the enterprise value. Key areas of focus include, without limitation, (i) aircraft, (ii) shipping, (iii) renewables, (iv) real estate, (v) consumer finance, and (vi) energy/infrastructure.

### ***Investments with Third-Parties***

We may co-invest with third parties through partnerships, joint ventures or other entities, thereby acquiring jointly-controlled or non-controlling interests in certain investments in conjunction with participation by one or more third parties in such investment. Such joint venture partners or third party managers may include former personnel of the Advisor or its affiliates or associated persons.

### ***Cash and Cash Equivalents***

We may maintain a certain level of cash or equivalent instruments, including money market funds, to make follow-on investments, if necessary, in existing portfolio companies or to take advantage of new opportunities.

### ***Comparison of Targeted Debt Investments to Corporate Bonds***

Loans to private companies are debt instruments that can be compared to corporate bonds to aid an investor's understanding. As with corporate bonds, loans to private companies can range in credit quality depending on security-specific factors, including total leverage, amount of leverage senior to the security in question, variability in the issuer's cash flows, the quality of assets securing debt and the degree to which such assets cover the subject company's debt obligations. As is the case in the corporate bond market, we will require greater returns for securities that we perceive to carry increased risk. The companies in which we invest may be leveraged, often as a result of leveraged buyouts or other recapitalization transactions, and, in many cases, will not be rated by national rating agencies. When our targeted debt investments do carry ratings from a NRSRO, we believe that such ratings generally will be below investment grade (rated lower than "Baa3" by Moody's or lower than "BBB-" by S&P). To the extent we make unrated investments, we believe that such investments would likely receive similar ratings if they were to be examined by a NRSRO. Compared to below-investment grade corporate bonds that are typically available to the public, our targeted senior secured and second lien secured loan investments are higher in the capital structure, have priority in receiving payment, are secured by the issuer's assets, allow the lender to seize collateral if necessary, and generally exhibit higher rates of recovery in the event of default. Corporate bonds, on the other hand, are often unsecured obligations of the issuer.

The market for loans to private companies possesses several key differences compared to the corporate bond market. For instance, due to a possible lack of debt ratings for certain middle market firms, and also due to the reduced availability of information for private companies, investors must conduct extensive due diligence investigations before committing to an investment. This intensive due diligence process gives the investor significant access to management, which is often not possible in the case of corporate bondholders, who rely on underwriters, debt rating agencies and publicly available information for due diligence reviews and monitoring of corporate issuers. While holding these investments, private debt investors often receive monthly or quarterly updates on the portfolio company's financial performance, along with possible representation on the company's board of directors, which allows the investor to take remedial action quickly if conditions happen to deteriorate. Due to reduced liquidity, the relative scarcity of capital and extensive due diligence and expertise required on the part of the investor, we believe that private debt securities typically offer higher returns than corporate bonds of equivalent credit quality.

### **Sources of Income**

The primary means through which our stockholders will receive a return of value is through interest income, dividends and capital gains generated by our investments. In addition to these sources of income, we may receive fees paid by our portfolio

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companies, including one-time closing fees paid at the time each investment is made. Closing fees typically range from 1.0% to 2.0% of the purchase price of an investment. In addition, we may generate revenues in the form of non-recurring commitment, origination, structuring or diligence fees, fees for providing managerial assistance, consulting fees and performance-based fees.

### **Risk Management**

We seek to limit the downside potential of our investment portfolio by, among other things:

- applying our investment strategy guidelines for portfolio investments;
- requiring a total return on investments (including both interest and potential appreciation) that adequately compensates us for credit risk;
- allocating our portfolio among various issuers and industries, size permitting, with an adequate number of companies, across different industries, with different types of collateral; and
- negotiating or seeking debt investments with covenants or features that protect us while affording portfolio companies flexibility in managing their businesses consistent with preservation of capital, which may include affirmative and negative covenants, default penalties, lien protection, change of control provisions and board rights.

We may also enter into interest rate hedging transactions at the sole discretion of the Advisor. Such transactions will enable us to selectively modify interest rate exposure as market conditions dictate.

#### ***Affirmative Covenants***

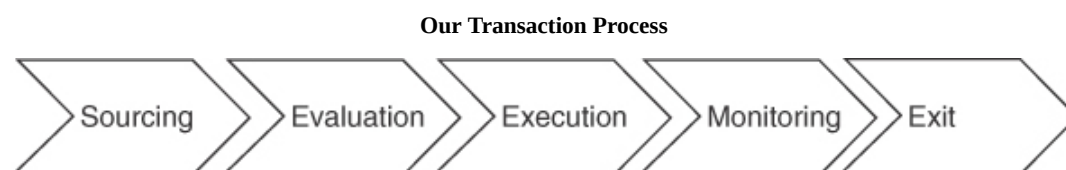
Affirmative covenants require borrowers to take actions that are meant to ensure the solvency of the company, facilitate the lender's monitoring of the borrower, and ensure payment of interest and loan principal due to lenders. Examples of affirmative covenants include covenants requiring the borrower to maintain adequate insurance, accounting and tax records, and to produce frequent financial reports for the benefit of the lender.

#### ***Negative Covenants***

Negative covenants impose restrictions on the borrower and are meant to protect lenders from actions that the borrower may take that could harm the credit quality of the lender's investments. Examples of negative covenants include restrictions on the payment of dividends and restrictions on the issuance of additional debt without the lender's approval. In addition, certain covenants restrict a borrower's activities by requiring it to meet certain earnings interest coverage ratio and leverage ratio requirements. These covenants are also referred to as financial or maintenance covenants.

### **Investment Process**

The investment professionals employed by the Advisor or its affiliates have spent their careers developing the resources necessary to invest in private companies. Our current transaction process is highlighted below.



#### ***Sourcing***

The relationships of the Advisor and its affiliates provide us with access to a robust and established pipeline of investment opportunities sourced from a variety of different investment channels, including private equity sponsors, non-sponsored corporates, financial advisors, banks, brokers and family offices. In addition, access to KKR & Co.'s Capital Markets and KKR's Principal Finance strategies provide us with additional origination opportunities.

#### ***Evaluation***

*Screening.* Once a potential investment has been identified, the Advisor screens the opportunity and makes a preliminary determination concerning whether to proceed with a more comprehensive deal-level due diligence review.

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*Pipeline/Risk Update.* Upon review of the full deal pipeline, the Advisor raises key risks and issues to determine whether or not an investment meets our basic investment criteria and offers an acceptable probability of attractive returns with identifiable downside risk. The objective is for the Advisor to identify a suitable and attractive opportunity for a more comprehensive due diligence review based on the facts and circumstances surrounding the investment.

*Deal-level Q&A:* After an investment has been identified and preliminary due diligence has been completed, screening memos and a credit research analysis is prepared. These reports are reviewed by the Advisor's investment committee, or the Investment Committee, to discuss key diligence and structuring issues. Following the Advisor's review, the Investment Committee will complete any incremental due diligence prior to formal Investment Committee approval. Though each transaction may involve a somewhat different approach, the Advisor's diligence of each opportunity could include:

- a full operational analysis to identify the key risks and opportunities of the target's business, including a detailed review of historical and projected financial results;
- a detailed analysis of industry dynamics, competitive position, regulatory, tax and legal matters;
- on-site visits, if deemed necessary;
- background checks to further evaluate management and other key personnel;
- a review by legal and accounting professionals, environmental or other industry consultants, if necessary;
- financial sponsor due diligence, including portfolio company and lender reference checks, if necessary; and
- a review of management's experience and track record.

### **Execution**

Following any incremental due diligence, the Investment Committee is presented with a formal recommendation for approval. Once the Investment Committee has determined that the portfolio company is suitable for investment, the Advisor works with the management team of the prospective company to finalize the structure and terms of the investment. We believe that structuring transactions appropriately is a key factor to producing strong investment results. Accordingly, we will actively consider transaction structures and seek to process and negotiate terms that provide the best opportunities for superior risk-adjusted returns.

### **Post-Investment Monitoring**

*Portfolio Monitoring.* The Advisor monitors our portfolio with a focus toward anticipating negative credit events. To maintain portfolio company performance and help to ensure a successful exit, the Advisor works closely with, as applicable, the lead equity sponsor, loan syndicator, portfolio company management, consultants, advisers and other security holders to discuss financial position, compliance with covenants, financial requirements and execution of the company's business plan. In addition, depending on the size, nature and performance of the transaction, we may occupy a seat or serve as an observer on a portfolio company's board of directors or similar governing body.

Typically, the Advisor receives financial reports detailing operating performance, sales volumes, margins, cash flows, financial position and other key operating metrics on a quarterly basis from our portfolio companies. The Advisor uses this data, combined with due diligence gained through contact with the company's customers, suppliers, competitors, market research and other methods, to conduct an ongoing, rigorous assessment of the company's operating performance and prospects.

In addition to various risk management and monitoring tools, the Advisor uses an investment rating system to characterize and monitor the expected level of returns on each investment in our portfolio. The Advisor uses an investment rating scale of 1 to 4. See "Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations—Portfolio Asset Quality" for a description of the conditions associated with each investment rating.

*Valuation Process.* Each quarter, we value investments in our portfolio, and such values are disclosed each quarter in reports filed with the SEC. Investments for which market quotations are readily available are recorded at such market quotations. With respect to investments for which market quotations are not readily available, our board of directors determines the fair value of such investments in good faith, utilizing the input of our valuation committee, the Advisor and any other professionals or materials that our board of directors deems relevant, including independent third-party pricing services and independent third-party valuation services, if applicable. See "Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations—Critical Accounting Policies—Valuation of Portfolio Investments."

*Managerial Assistance.* As a BDC, we must offer, and provide upon request, managerial assistance to certain of our portfolio companies. This assistance could involve, among other things, monitoring the operations of our portfolio companies, participating in board and management meetings, consulting with and advising officers of portfolio companies and providing other organizational and financial guidance. Depending on the nature of the assistance required, the Advisor will provide such managerial assistance on our behalf to portfolio companies that request this assistance. To the extent fees are paid for these services, we, rather than the Advisor, will retain any fees paid for such assistance.

### **Exit**

While we attempt to invest in securities that may be sold in a privately negotiated OTC market, providing us a means by which we may exit our positions, we expect that a large portion of our portfolio may not be sold on this secondary market. For any investments that are not able to be sold within this market, we focus primarily on investing in companies whose business models and growth prospects offer attractive exit possibilities, including repayment of our investments, an initial public offering of equity securities, a merger, a sale or a recapitalization, in each case with the potential for capital gains.

### **Regulation**

We have elected to be regulated as a BDC under the 1940 Act. The 1940 Act contains prohibitions and restrictions relating to transactions between BDCs and their affiliates, principal underwriters and affiliates of those affiliates or underwriters. The 1940 Act requires that a majority of our directors be persons other than “interested persons,” as that term is defined in the 1940 Act. In addition, the 1940 Act provides that we may not change the nature of our business so as to cease to be, or to withdraw our election as, a BDC unless approved by a majority of our outstanding voting securities.

The 1940 Act defines “a majority of the outstanding voting securities” as the lesser of (i) 67% or more of the voting securities present at a meeting if the holders of more than 50% of our outstanding voting securities are present or represented by proxy or (ii) 50% of our voting securities.

We will generally not be able to issue and sell our common stock at a price per share, after deducting underwriting commissions and discounts, that is below our net asset value per share. See “Item 1A. Risk Factors—Risks Related to Business Development Companies—Regulations governing our operation as a BDC and a RIC will affect our ability to raise, and the way in which we raise, additional capital or borrow for investment purposes, which may have a negative effect on our growth.” We may, however, sell our common stock, or warrants, options or rights to acquire our common stock, at a price below the then-current net asset value of our common stock if our board of directors determines that such sale is in our best interests and the best interests of our stockholders, and our stockholders approve such sale. At the 2018 annual stockholders meeting, our stockholders approved the sale of shares of our common stock at a price below the then-current net asset value per share, subject to certain conditions, during the period beginning on December 3, 2018 and expiring on December 3, 2019. We currently do not intend to utilize this authority to sell shares of our common stock at a price below the then-current net asset value per share. In addition, we may generally issue new shares of our common stock at a price below net asset value per share in rights offerings to existing stockholders, in payment of dividends and in certain other limited circumstances.

As a BDC, we are subject to certain regulatory restrictions in making our investments. For example, BDCs generally are not permitted to co-invest with certain affiliated entities in transactions originated by the BDC or its affiliates in the absence of an exemptive order from the SEC. However, BDCs are permitted to, and may, simultaneously co-invest in transactions where price is the only negotiated term. In an order dated April 3, 2018, the SEC granted exemptive relief permitting us, subject to the satisfaction of certain conditions, to co-invest in certain privately negotiated investment transactions, including investments originated and directly negotiated by the Advisor or KKR Credit, with our co-investment affiliates. Under the terms of this relief, a “required majority” (as defined in Section 57(o) of the 1940 Act) of our independent directors must make certain conclusions in connection with a co-investment transaction, including that (1) the terms of the proposed transaction, including the consideration to be paid, are reasonable and fair to us and our stockholders and do not involve overreaching of us or our stockholders on the part of any person concerned and (2) the transaction is consistent with the interests of our stockholders and is consistent with our investment objectives and strategy and any criteria established by our board of directors.

### **Qualifying Assets**

Under the 1940 Act, a BDC may not acquire any asset other than assets of the type listed in Section 55(a) of the 1940 Act, which are referred to as qualifying assets, unless, at the time the acquisition is made, qualifying assets represent at least 70% of the company’s total assets. The principal categories of qualifying assets relevant to our business are any of the following:

1. Securities purchased in transactions not involving any public offering from the issuer of such securities, which issuer (subject to certain limited exceptions) is an eligible portfolio company, or from any person who is, or has been during

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the preceding 13 months, an affiliated person of an eligible portfolio company, or from any other person, subject to such rules as may be prescribed by the SEC. An eligible portfolio company is defined in the 1940 Act as any issuer which:

- a. is organized under the laws of, and has its principal place of business in, the United States;
  - b. is not an investment company (other than a small business investment company wholly owned by the BDC) or a company that would be an investment company but for certain exclusions under the 1940 Act; and
  - c. satisfies any of the following:
    - i. does not have any class of securities that is traded on a national securities exchange;
    - ii. has a class of securities listed on a national securities exchange, but has an aggregate market value of outstanding voting and non-voting common equity of less than \$250 million;
    - iii. is controlled by a BDC or a group of companies including a BDC and the BDC has an affiliated person who is a director of the eligible portfolio company; or
    - iv. is a small and solvent company having total assets of not more than \$4.0 million and capital and surplus of not less than \$2.0 million.
2. Securities of any eligible portfolio company that we control.
  3. Securities purchased in a private transaction from a U.S. issuer that is not an investment company or from an affiliated person of the issuer, or in transactions incident thereto, if the issuer is in bankruptcy and subject to reorganization or if the issuer, immediately prior to the purchase of its securities was unable to meet its obligations as they came due without material assistance other than conventional lending or financing arrangements.
  4. Securities of an eligible portfolio company purchased from any person in a private transaction if there is no ready market for such securities and we already own 60% of the outstanding equity of the eligible portfolio company.
  5. Securities received in exchange for or distributed on or with respect to securities described in (1) through (4) above, or pursuant to the exercise of warrants or rights relating to such securities.
  6. Cash, cash equivalents, U.S. government securities or high-quality debt securities maturing in one year or less from the time of investment.

In addition, a BDC must have been organized and have its principal place of business in the United States and must be operated for the purpose of making investments in the types of securities described in (1), (2) or (3) above.

### ***Managerial Assistance to Portfolio Companies***

In order to count portfolio securities as qualifying assets for the purpose of the 70% test, we must either control the issuer of the securities or must offer to make available to the issuer of the securities (other than small and solvent companies described above) significant managerial assistance; except that, where we purchase such securities in conjunction with one or more other persons acting together, one of the other persons in the group may make available such managerial assistance. Making available managerial assistance means, among other things, any arrangement whereby the BDC, through its directors, officers or employees, offers to provide, and, if accepted, does so provide, significant guidance and counsel concerning the management, operations or business objectives and policies of a portfolio company.

### ***Temporary Investments***

Pending investment in other types of “qualifying assets,” as described above, our investments may consist of cash, cash equivalents, including money market funds, U.S. government securities or high-quality debt securities maturing in one year or less from the time of investment, which we refer to, collectively, as temporary investments, so that 70% of our assets are qualifying assets. Typically, we will invest in U.S. Treasury bills or in repurchase agreements, provided that such agreements are fully collateralized by cash or securities issued by the U.S. government or its agencies. A repurchase agreement involves the purchase by an investor, such as us, of a specified security and the simultaneous agreement by the seller to repurchase it at an agreed-upon future date and at a price that is greater than the purchase price by an amount that reflects an agreed-upon interest

rate. There is no percentage restriction on the proportion of our assets that may be invested in such repurchase agreements. However, if more than 25% of our total assets constitute repurchase agreements from a single counterparty, we would not meet the diversification tests in order to maintain our qualification as a RIC for U.S. federal income tax purposes as described below under “—Taxation as a RIC.” Thus, we do not intend to enter into repurchase agreements with a single counterparty in excess of this limit. The Advisor will monitor the creditworthiness of the counterparties with which we enter into repurchase agreement transactions.

### ***Senior Securities***

We are permitted, under specified conditions, to issue multiple classes of debt and one class of stock senior to our common stock if our asset coverage, as defined in the 1940 Act, is at least equal to 200% immediately after each such issuance. In addition, while any senior securities remain outstanding, we must make provisions to prohibit any distribution to our stockholders or the repurchase of such securities or shares unless we meet the applicable asset coverage ratios at the time of the distribution or repurchase. We may also borrow amounts up to 5% of the value of our total assets for temporary purposes without regard to asset coverage. For a discussion of the risks associated with leverage, see “Item 1A. Risk Factors—Risks Related to Debt Financing” and “Item 1A. Risk Factors—Risks Related to Business Development Companies.”

### ***Code of Ethics***

We and the Advisor have each adopted a code of ethics pursuant to Rule 17j-1 promulgated under the 1940 Act that, among other things, establishes procedures for personal investments and restricts certain personal securities transactions. Personnel subject to the codes may invest in securities for their personal investment accounts, including securities that may be purchased or held by us, so long as such investments are made in accordance with each code’s requirements. You may also read and copy these codes of ethics at the SEC’s Public Reference Room located at 100 F Street, N.E., Washington, D.C. 20549. You may obtain information on the operation of the Public Reference Room by calling the SEC at (202) 551-8090. In addition, each code of ethics is available on our website at [www.fskkrcapitalcorp.com](http://www.fskkrcapitalcorp.com) and on the EDGAR Database on the SEC’s Internet site at [www.sec.gov](http://www.sec.gov). You may also obtain a copy of each code of ethics, after paying a duplicating fee, by electronic request at the following e-mail address: [publicinfo@sec.gov](mailto:publicinfo@sec.gov), or by writing the SEC’s Public Reference Section at 100 F Street, N.E., Washington, D.C. 20549.

### ***Compliance Policies and Procedures***

We and the Advisor have adopted and implemented written policies and procedures reasonably designed to prevent violation of the federal securities laws and are required to review these compliance policies and procedures annually for their adequacy and the effectiveness of their implementation. Our chief compliance officer and the chief compliance officer of the Advisor are responsible for administering these policies and procedures.

### ***Proxy Voting Policies and Procedures***

We have delegated our proxy voting responsibility to the Advisor. The proxy voting policies and procedures of the Advisor are set forth below. The guidelines are reviewed periodically by the Advisor and our independent directors, and, accordingly, are subject to change.

As an investment adviser registered under the Advisers Act, the Advisor has a fiduciary duty to act solely in the best interests of its clients. As part of this duty, it recognizes that it must vote client securities in a timely manner free of conflicts of interest and in the best interests of its clients. These policies and procedures for voting proxies for the investment advisory clients of the Advisor are intended to comply with Section 206 of, and Rule 206(4)-6 promulgated under, the Advisers Act.

The Advisor will vote proxies relating to our securities in the best interest of its clients’ stockholders. It will review on a case-by-case basis each proposal submitted for a stockholder vote to determine its impact on the portfolio securities held by its clients. Although the Advisor will generally vote against proposals that may have a negative impact on its clients’ portfolio securities, it may vote for such a proposal if there exists compelling long-term reasons to do so.

The proxy voting decisions of the Advisor are made by the senior officers who are responsible for monitoring each of its clients’ investments. To ensure that its vote is not the product of a conflict of interest, it will require that: (a) anyone involved in the decision-making process disclose to its chief compliance officer any potential conflict that he or she is aware of and any contact that he or she has had with any interested party regarding a proxy vote; and (b) employees involved in the decision making process or vote administration are prohibited from revealing how the Advisor intends to vote on a proposal in order to reduce any attempted influence from interested parties.



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You may obtain information, without charge, regarding how the Advisor voted proxies with respect to our portfolio securities by making a written request for proxy voting information to: Chief Compliance Officer, FS KKR Capital Corp., 201 Rouse Boulevard, Philadelphia, Pennsylvania 19112 or by calling us collect at (215) 495-1150.

### **Other**

We will be periodically examined by the SEC for compliance with the 1940 Act.

We are required to provide and maintain a bond issued by a reputable fidelity insurance company to protect us against larceny and embezzlement. Furthermore, as a BDC, we are prohibited from protecting any director or officer against any liability to us or our stockholders arising from willful misconduct, bad faith, gross negligence or reckless disregard of the duties involved in the conduct of such person's office.

### **Securities Exchange Act and Sarbanes-Oxley Act Compliance**

We are subject to the reporting and disclosure requirements of the Securities Exchange Act of 1934, as amended, or the Exchange Act, including the filing of quarterly, annual and current reports, proxy statements and other required items. In addition, we are subject to the Sarbanes-Oxley Act, which imposes a wide variety of regulatory requirements on publicly-held companies and their insiders. Many of these requirements affect us. For example:

- pursuant to Rule 13a-14 promulgated under the Exchange Act, our chief executive officer and chief financial officer are required to certify the accuracy of the financial statements contained in our periodic reports;
- pursuant to Item 307 of Regulation S-K, our periodic reports are required to disclose our conclusions about the effectiveness of our disclosure controls and procedures;
- pursuant to Rule 13a-15 promulgated under the Exchange Act, our management is required to prepare a report regarding its assessment of our internal control over financial reporting; and
- pursuant to Item 308 of Regulation S-K, our auditors must attest to, and report on, our management's assessment of our internal control over financial reporting.

The Sarbanes-Oxley Act requires us to review our current policies and procedures to determine whether we comply with the Sarbanes-Oxley Act and the regulations promulgated thereunder. We monitor our compliance with all regulations that are adopted under the Sarbanes-Oxley Act and take actions necessary to ensure that we are in compliance therewith.

### **Taxation as a RIC**

We have elected to be subject to tax as a RIC under Subchapter M of the Code. As a RIC, we generally will not have to pay corporate-level U.S. federal income taxes on any ordinary income or capital gains that we timely distribute each tax year as distributions to our stockholders. To qualify for and maintain our qualification as a RIC, we must, among other things, meet certain source-of-income and asset diversification requirements (as described below). In addition, in order to maintain RIC tax treatment, we must distribute to our stockholders, for each tax year, distributions generally of an amount at least equal to 90% of our "investment company taxable income," which is generally the sum of our net ordinary income plus the excess, if any, of realized net short-term capital gains over realized net long-term capital losses, determined without regard to any deduction for distributions paid, or the Annual Distribution Requirement.

If we:

- qualify as a RIC; and
- satisfy the Annual Distribution Requirement,

then we will not be subject to U.S. federal income tax on the portion of our income or capital gains we distribute (or are deemed to distribute) as distributions to our stockholders. We will be subject to U.S. federal income tax at the regular corporate rates on any income or capital gains not distributed (or deemed distributed) as distributions to our stockholders.

As a RIC, we will be subject to a 4% nondeductible federal excise tax on certain undistributed income unless we distribute distributions in a timely manner to our stockholders generally of an amount at least equal to the sum of (1) 98% of our net ordinary income (taking into account certain deferrals and elections) for the calendar year, (2) 98.2% of our capital gain net

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income, which is the excess of capital gains in excess of capital losses, or “capital gain net income” (as adjusted for certain ordinary losses), for the one-year period ending October 31 of that calendar year and (3) any net ordinary income and capital gain net income for the preceding years that were not distributed during such years and on which we paid no U.S. federal income tax, or the Excise Tax Avoidance Requirement. Any distribution declared by us during October, November or December of any calendar year, payable to stockholders of record on a specified date in such a month and actually paid during January of the following calendar year, will be treated as if it had been paid by us, as well as received by our U.S. stockholders, on December 31 of the calendar year in which the distribution was declared.

We have previously incurred, and may incur in the future, such excise tax on a portion of our income and capital gains. While we intend to distribute income and capital gains to minimize exposure to the 4% excise tax, we may not be able to, or may choose not to, distribute amounts sufficient to avoid the imposition of the tax entirely. In that event, we generally will be liable for the excise tax only on the amount by which we do not meet the excise tax avoidance requirement.

In order to qualify as a RIC for U.S. federal income tax purposes, we must, among other things:

- continue to qualify as a BDC under the 1940 Act at all times during each tax year;
- derive in each tax year at least 90% of our gross income from dividends, interest, payments with respect to certain securities, loans, gains from the sale of stock or other securities, net income from certain “qualified publicly-traded partnerships,” or other income derived with respect to our business of investing in such stock or other securities, or the 90% Income Test; and
- diversify our holdings so that at the end of each quarter of the tax year:
  - at least 50% of the value of our assets consists of cash, cash equivalents, U.S. government securities, securities of other RICs, and other securities if such other securities of any one issuer do not represent more than 5% of the value of our assets or more than 10% of the outstanding voting securities of such issuer; and
  - no more than 25% of the value of our assets is invested in the securities, other than U.S. government securities or securities of other RICs, of one issuer, of two or more issuers that are controlled, as determined under applicable Code rules, by us and that are engaged in the same or similar or related trades or businesses or of certain “qualified publicly-traded partnerships,” or the Diversification Tests.

A RIC is limited in its ability to deduct expenses in excess of its investment company taxable income. If our expenses in a given tax year exceed our investment company taxable income, we may experience a net operating loss for that tax year. However, a RIC is not permitted to carry forward net operating losses to subsequent tax years and such net operating losses do not pass through to its stockholders. In addition, deductible expenses can be used only to offset investment company taxable income, not net capital gain. A RIC may not use any net capital losses (that is, the excess of realized capital losses over realized capital gains) to offset its investment company taxable income, but may carry forward such net capital losses, and use them to offset future capital gains, indefinitely. Due to these limits on deductibility of expenses and net capital losses, we may for tax purposes have aggregate taxable income for several years that we are required to distribute and that is taxable to our stockholders even if such taxable income is greater than the net income we actually earn during those years.

For U.S. federal income tax purposes, we may be required to recognize taxable income in circumstances in which we do not receive a corresponding payment in cash. For example, if we hold debt instruments that are treated under applicable tax rules as having original issue discount (such as debt instruments with PIK interest or, in certain cases, increasing interest rates or debt instruments that were issued with warrants), we must include in income each tax year a portion of the original issue discount that accrues over the life of the obligation, regardless of whether cash representing such income is received by us in the same tax year. We may also have to include in income other amounts that we have not yet received in cash, such as deferred loan origination fees that are paid after origination of the loan or are paid in non-cash compensation such as warrants or stock. We anticipate that a portion of our income may constitute original issue discount or other income required to be included in taxable income prior to receipt of cash. Further, we have elected to amortize market discount and include such amounts in our taxable income in the current tax year, instead of upon their disposition, as an election not to do so would limit our ability to deduct interest expense for tax purposes.

We invest a portion of our net assets in below investment grade instruments. Investments in these types of instruments may present special tax issues for us. U.S. federal income tax rules are not entirely clear about issues such as when we may cease to accrue interest, original issue discount or market discount, when and to what extent deductions may be taken for bad debts or worthless instruments, how payments received on obligations in default should be allocated between principal and income and

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whether exchanges of debt instruments in a bankruptcy or workout context are taxable. We will address these and other issues to the extent necessary in order to seek to ensure that we distribute sufficient income to avoid any material U.S. federal income or excise tax.

Because any original issue discount or other amounts accrued will be included in our investment company taxable income for the tax year of the accrual, we may be required to make a distribution to our stockholders in order to satisfy the Annual Distribution Requirement, even though we will not have received any corresponding cash amount. As a result, we may have difficulty meeting the Annual Distribution Requirement necessary to maintain RIC tax treatment under Subchapter M of the Code. We may have to sell or otherwise dispose of some of our investments at times and/or at prices we would not consider advantageous, raise additional debt or equity capital or forgo new investment opportunities for this purpose. If we are not able to obtain cash from other sources, we may fail to qualify for RIC tax treatment and thus become subject to corporate-level income tax.

Although we do not presently expect to do so, we are authorized to borrow funds and to sell or otherwise dispose of assets in order to satisfy distribution requirements. However, under the 1940 Act, we are not permitted to make distributions to our stockholders while our debt obligations and other senior securities are outstanding unless certain “asset coverage” tests are met. See “—Regulation—Senior Securities.” Moreover, our ability to sell or otherwise dispose of assets to meet the Annual Distribution Requirement may be limited by (1) the illiquid nature of our portfolio and/or (2) other requirements relating to our status as a RIC, including the Diversification Tests. If we sell or otherwise dispose of assets in order to meet the Annual Distribution Requirement or the Excise Tax Avoidance Requirement, we may make such dispositions at times that, from an investment standpoint, are not advantageous.

A portfolio company in which we invest may face financial difficulties that require us to work-out, modify or otherwise restructure our investment in the portfolio company. Any such transaction could, depending upon the specific terms of the transaction, result in unusable capital losses and future non-cash income. Any such transaction could also result in our receiving assets that give rise to non-qualifying income for purposes of the 90% Income Test or otherwise would not count toward satisfying the Diversification Tests.

Some of the income that we might otherwise earn, such as fees for providing managerial assistance, certain fees earned with respect to our investments, income recognized in a work-out or restructuring of a portfolio investment, or income recognized from an equity investment in an operating partnership, may not satisfy the 90% Income Test. To manage the risk that such income might disqualify us as a RIC for failure to satisfy the 90% Income Test, one or more subsidiary entities treated as U.S. corporations for entity-level income tax purposes may be employed to earn such income and (if applicable) hold the related asset. Such subsidiary entities will be required to pay U.S. federal income tax on their earnings, which ultimately will reduce the yield to our stockholders on such fees and income.

### **Competition**

Our primary competitors for investments include other BDCs and investment funds (including private equity funds, mezzanine funds and CLO funds). In addition, alternative investment vehicles, such as hedge funds, have begun to invest in areas in which they have not traditionally invested, including making investments in middle market private U.S. companies. We also compete with traditional financial services companies such as commercial banks. We believe we will be able to compete with these entities for financing opportunities on the basis of, among other things, the experience of the Advisor’s senior management team. Furthermore, while we believe that regulatory changes and other factors have diminished the role of traditional financial institutions and certain other capital providers in providing financing to middle market private U.S. companies, we are not certain whether this trend will continue as a result of the potentially changing regulatory landscape. For additional information, see “—Potential Market Opportunity” and “—Potential Competitive Strengths.”

Many of our competitors are substantially larger and have considerably greater financial, technical and marketing resources than we do. For example, some competitors may have a lower cost of capital and access to funding sources that are not available to us. In addition, some of our competitors may have higher risk tolerances or different risk assessments than we have. These characteristics could allow our competitors to consider a wider variety of investments, establish more relationships and offer better pricing and more flexible structuring than us. Furthermore, many of our competitors have greater experience operating under, or are not subject to, the regulatory restrictions that the 1940 Act imposes on us as a BDC. For additional information concerning the competitive risks we face, see “Item 1A. Risk Factors—Risks Related to Our Business and Structure—We may face increasing competition for investment opportunities, which could delay deployment of our capital, reduce returns and result in losses.”

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**Employees**

We do not currently have any employees. Each of our executive officers is a principal, officer or employee of the Advisor or its affiliates, which manages and oversees our investment operations. In the future, the Advisor may retain additional investment personnel based upon its needs.

**Available Information**

We file with or submit to the SEC annual, quarterly and current periodic reports, proxy statements and other information meeting the informational requirements of the Exchange Act. This information is available free of charge by calling us collect at (215) 495-1150 or on our website at [www.fskkrcapitalcorp.com](http://www.fskkrcapitalcorp.com). Information contained on our website is not incorporated into this annual report on Form 10-K and you should not consider such information to be part of this annual report on Form 10-K. Such information is also available from the EDGAR database on the SEC's web site at [www.sec.gov](http://www.sec.gov).

**Item 1A. Risk Factors**

*Investing in our securities involves a number of significant risks. In addition to the other information contained in this annual report on Form 10-K, investors should consider carefully the following information before making an investment in our securities. If any of the following events occur, our business, financial condition and results of operations could be materially and adversely affected. In such case, the net asset value and market price of our common stock could decline or the value of our debt or equity investments may decline, and investors may lose all or part of their investment.*

**Risks Related to Economic Conditions**

***Future disruptions or instability in capital markets could negatively impact the valuation of our investments and our ability to raise capital.***

From time to time, the global capital markets may experience periods of disruption and instability, which could be prolonged and which could materially and adversely impact the broader financial and credit markets, have a negative impact on the valuations of our investments and reduce the availability to us of debt and equity capital. For example, between 2008 and 2009, instability in the global capital markets resulted in disruptions in liquidity in the debt capital markets, significant write-offs in the financial services sector, the re-pricing of credit risk in the broadly syndicated credit market and the failure of major domestic and international financial institutions. In particular, the financial services sector was negatively impacted by significant write-offs as the value of the assets held by financial firms declined, impairing their capital positions and abilities to lend and invest.

While most of our investments are not publicly traded, applicable accounting standards require us to assume as part of our valuation process that our investments are sold in a principal market to market participants (even if we plan on holding an investment through its maturity) and impairments of the market values or fair market values of our investments, even if unrealized, must be reflected in our financial statements for the applicable period, which could result in significant reductions to our net asset value for the period. With certain limited exceptions, we are only allowed to borrow amounts or issue debt securities if our asset coverage, as calculated pursuant to the 1940 Act, equals at least 200% immediately after such borrowing. Equity capital may also be difficult to raise during periods of adverse or volatile market conditions because, subject to some limited exceptions, as a BDC, we are generally not able to issue additional shares of our common stock at a price less than net asset value without first obtaining approval for such issuance from our stockholders and our independent directors. If we are unable to raise capital or refinance existing debt on acceptable terms, then we may be limited in our ability to make new commitments or to fund existing commitments to our portfolio companies. Significant changes in the capital markets may also affect the pace of our investment activity and the potential for liquidity events involving our investments. Thus, the illiquidity of our investments may make it difficult for us to sell such investments to access capital if required, and as a result, we could realize significantly less than the value at which we have recorded our investments if we were required to sell them for liquidity purposes.

***Uncertainty with respect to the financial stability of the United States and several countries in the European Union could have a significant adverse effect on our business, financial condition and results of operations.***

In August 2011, S&P lowered its long-term sovereign credit rating on the U.S. from “AAA” to “AA+,” which was last affirmed by S&P in June 2018. Moody’s and Fitch Ratings, Inc. have also warned that they may downgrade the U.S. federal government’s credit rating. In addition, the economic downturn and the significant government interventions into the financial markets and fiscal stimulus spending over the last several years have contributed to significantly increased U.S. budget deficits. The U.S. government has on several occasions adopted legislation to suspend the federal debt ceiling to allow the U.S. Treasury Department to issue additional debt. Further downgrades or warnings by S&P or other rating agencies, and the U.S. government’s credit and deficit concerns in general, including issues around the federal debt ceiling, could cause interest rates and borrowing costs to rise, which may negatively impact both the perception of credit risk associated with our debt portfolio and our ability to access the debt markets on favorable terms. Furthermore, in February 2014, the Federal Reserve began scaling back its bond-buying program, or quantitative easing, which it ended in October 2014. Quantitative easing was designed to stimulate the economy and expand the Federal Reserve’s holdings of long-term securities until key economic indicators, such as the unemployment rate, showed signs of improvement. The Federal Reserve also raised interest rates several times since the fourth quarter of 2015. To the extent the Federal Reserve continues to raise rates, and without quantitative easing by the Federal Reserve, there is a risk that the debt markets may experience increased volatility and that the liquidity of certain of our investments may be reduced. It is unclear what other effects, if any, the end of quantitative easing, future interest rate raises, if any, and the pace of any such raises will have on the value of our investments or our ability to access the debt markets on favorable terms.

In 2010, a financial crisis emerged in Europe, triggered by high budget deficits and rising direct and contingent sovereign debt in Greece, Ireland, Italy, Portugal and Spain, which created concerns about the ability of these nations to continue to service their sovereign debt obligations. In January 2012, S&P lowered its long-term sovereign credit rating for France, Italy, Spain and six other European countries, which has negatively impacted global markets and economic conditions. In addition, in April 2012, S&P further lowered its long-term sovereign credit rating for Spain. While the financial stability of such countries has improved, risks resulting from any future debt crisis in Europe or any similar crisis could have a detrimental impact on the global economic recovery, sovereign and non-sovereign debt in these countries and the financial condition of U.S. and European financial institutions. Furthermore, following the United Kingdom's referendum to leave the European Union, S&P lowered its long-term sovereign credit rating. Market disruptions in Europe, including the increased cost of funding for certain governments and financial institutions, could negatively impact the global economy, and there can be no assurance that assistance packages will be available, or if available, will be sufficient to stabilize countries and markets in Europe. To the extent uncertainty regarding any economic recovery in Europe negatively impacts consumer confidence levels and spending, personal bankruptcy rates, levels of incurrence and default on consumer debt and home prices, or other credit factors, our business, financial condition and results of operations could be significantly and adversely affected.

***We may invest in European companies and companies that have operations that may be affected by the Eurozone economy.***

We may invest in European companies and companies that have operations that may be affected by the Eurozone economy. For example, concerns regarding the sovereign debt of various Eurozone countries and proposals for investors to incur substantial write-downs and reductions in the face value of certain countries' sovereign debt have given rise to new concerns about sovereign defaults, particularly following the vote by the United Kingdom to leave the European Union, or EU, and the possibility that one or more further countries might leave the EU or the Eurozone and various proposals for support of affected countries and the Euro as a currency. The outcome of this situation cannot yet be predicted. Sovereign debt defaults and EU and/or Eurozone exits, could have material adverse effects on our investments in European companies, including, but not limited to, the availability of credit to support such companies' financing needs, uncertainty and disruption in relation to financing, customer and supply contracts denominated in the Euro and wider economic disruption in markets served by those companies, while austerity and other measures introduced in order to limit or contain these issues may themselves lead to economic contraction and resulting adverse effects for our business, financial condition and results of operations. It is possible that a number of our investments will be denominated in the Euro. Greece, Ireland and Portugal received one or more "bailouts" from other members of the EU. Although several countries in the Eurozone have agreed to multi-year bailout loans with the European Central Bank and the International Monetary Fund, it is unclear how much additional funding these countries, or other Eurozone countries, will require. Legal uncertainty about the funding of Euro denominated obligations following any breakup or exits from the Eurozone (particularly in the case of investments in companies in affected countries) could also have material adverse effects on our business, financial condition and results of operations.

On June 23, 2016, the United Kingdom voted, via referendum, to exit from the EU, triggering political, economic and legal uncertainty. While such uncertainty most directly affects the United Kingdom and the EU, global markets suffered immediate and significant disruption. On March 29, 2017, the United Kingdom made a formal notification to the European Council under Article 50 of the Treaty on EU, which triggered a two year period during which the terms of an exit will be negotiated. The United Kingdom and the EU are therefore in a period of legal, regulatory and political uncertainty. The United Kingdom's exit from the EU will impact us and our investments (and their underlying issuers) in a variety of ways, not all of which are currently readily apparent immediately following the exit vote. We may invest in portfolio companies and other issuers with significant operations and/or assets in the United Kingdom, any of which could be adversely impacted by any new legal, tax and regulatory environment, whether by increased costs or impediments to the implementation of their business plan. Further, the vote by the United Kingdom to leave the EU may increase the likelihood of similar referenda in other member states of the EU, which could result in additional departures from the EU and may trigger steps by countries within the United Kingdom to leave the United Kingdom. The uncertainty resulting from any such developments, or the possibility of such developments, would also be likely to cause significant market disruption in the EU and the United Kingdom and more broadly across the global economy, as well as introduce further legal, tax and regulatory uncertainty in the EU and the United Kingdom.

***Economic sanction laws in the United States and other jurisdictions may prohibit us and our affiliates from transacting with certain countries, individuals and companies.***

Economic sanction laws in the United States and other jurisdictions may prohibit us or our affiliates from transacting with certain countries, individuals and companies. In the United States, the U.S. Department of the Treasury's Office of Foreign Assets Control administers and enforces laws, executive orders and regulations establishing U.S. economic and trade sanctions, which prohibit, among other things, transactions with, and the provision of services to, certain non-U.S. countries, territories,

entities and individuals. These types of sanctions may significantly restrict or completely prohibit investment activities in certain jurisdictions, and if we, our portfolio companies or other issuers in which we invest were to violate any such laws or regulations, we may face significant legal and monetary penalties.

The Foreign Corrupt Practices Act, or FCPA, and other anti-corruption laws and regulations, as well as anti-boycott regulations, may also apply to and restrict our activities, our portfolio companies and other issuers of our investments. If an issuer or we were to violate any such laws or regulations, such issuer or we may face significant legal and monetary penalties. The U.S. government has indicated that it is particularly focused on FCPA enforcement, which may increase the risk that an issuer or us becomes the subject of such actual or threatened enforcement. In addition, certain commentators have suggested that private investment firms and the funds that they manage may face increased scrutiny and/or liability with respect to the activities of their underlying portfolio companies. As such, a violation of the FCPA or other applicable regulations by us or an issuer of our portfolio investments could have a material adverse effect on us. We are committed to complying with the FCPA and other anti-corruption laws and regulations, as well as anti-boycott regulations, to which it is subject. As a result, we may be adversely affected because of its unwillingness to enter into transactions that violate any such laws or regulations.

***Future economic recessions or downturns could impair our portfolio companies and harm our operating results.***

Many of our portfolio companies may be susceptible to economic slowdowns or recessions and may be unable to repay our debt investments during these periods. Therefore, our non-performing assets are likely to increase, and the value of our portfolio is likely to decrease during these periods. Adverse economic conditions may also decrease the value of any collateral securing our debt investments. A prolonged recession may further decrease the value of such collateral and result in losses of value in our portfolio and a decrease in our revenues, net income and net asset value. Unfavorable economic conditions also could increase our funding costs, limit our access to the capital markets or result in a decision by lenders not to extend credit to us on terms we deem acceptable. These events could prevent us from increasing investments and harm our operating results. Economic downturns or recessions may also result in a portfolio company's failure to satisfy financial or operating covenants imposed by us or other lenders, which could lead to defaults and, potentially, acceleration of the time when the loans are due and foreclosure on its assets representing collateral for its obligations, which could trigger cross defaults under other agreements and jeopardize our portfolio company's ability to meet its obligations under the debt that we hold and the value of any equity securities we own. We may incur expenses to the extent necessary to seek recovery upon default or to negotiate new terms with a defaulting portfolio company.

***A prolonged continuation of depressed oil and natural gas prices could negatively impact the energy and power industry and energy-related investments within our investment portfolio.***

Prices for oil and natural gas, which historically have been volatile and may continue to be volatile, may be subject to large fluctuations in response to relatively minor changes in the supply of and demand for oil and natural gas. A prolonged continuation of depressed oil and natural gas prices would adversely affect the credit quality and performance of certain of our debt and equity investments in energy and power and related companies. A decrease in credit quality and performance would, in turn, negatively affect the fair value of these investments, which would consequently negatively affect our net asset value. Should a prolonged period of depressed oil and natural gas prices occur, the ability of certain of our portfolio companies in the energy and power and related industries to satisfy financial or operating covenants imposed by us or other lenders may be adversely affected, which could, in turn, negatively impact their financial condition and their ability to satisfy their debt service and other obligations. Likewise, should a prolonged period of depressed oil and natural gas prices occur, it is possible that the cash flow and profit generating capacity of these portfolio companies could also be adversely affected thereby negatively impacting their ability to pay us dividends or distributions on our investments.

**Risks Related to Our Business and Structure**

***Our ability to achieve our investment objectives depends on the Advisor's ability to manage and support our investment process and if our agreement with the Advisor were to be terminated, or if the Advisor loses any members of its senior management team, our ability to achieve our investment objectives could be significantly harmed.***

Because we have no employees, we depend on the investment expertise, skill and network of business contacts of the Advisor. The Advisor evaluates, negotiates, structures, executes, monitors and services our investments. Our future success depends to a significant extent on the continued service of the Advisor, as well as its senior management teams. The departure of any members of the Advisor's senior management team could have a material adverse effect on our ability to achieve our investment objectives.

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Our ability to achieve our investment objectives depends on the Advisor's ability to identify, analyze, invest in, finance and monitor companies that meet our investment criteria. The Advisor's capabilities in structuring the investment process, providing competent, attentive and efficient services to us, and facilitating access to financing on acceptable terms depend on the employment of investment professionals in an adequate number and of adequate sophistication to match the corresponding flow of transactions. To achieve our investment objectives, the Advisor may need to hire, train, supervise and manage new investment professionals to participate in our investment selection and monitoring process. The Advisor may not be able to find investment professionals in a timely manner or at all. Failure to support our investment process could have a material adverse effect on our business, financial condition and results of operations.

In addition, each of the investment advisory agreement and administration agreement has termination provisions that allow the parties to terminate the agreements without penalty. The investment advisory agreement and administration agreement may each be terminated at any time, without penalty, by the Advisor, upon 60 days' notice to us. If the investment advisory agreement is terminated, it may adversely affect the quality of our investment opportunities. In addition, in the event such agreement is terminated, it may be difficult for us to replace the Advisor and the termination of such agreement may adversely impact the terms of any existing or future financing arrangement, which could have a material adverse effect on our business and financial condition.

***The Advisor is a recently-formed investment adviser with a limited track record of acting as an investment adviser to a BDC, and any failure by the Advisor to manage and support our investment process may hinder the achievement of our investment objectives.***

The Advisor is a recently-formed investment adviser jointly operated by an affiliate of FS Investments and KKR Credit with limited prior experience acting as an investment adviser to a BDC. The 1940 Act and the Code impose numerous constraints on the operations of BDCs that do not apply to other investment vehicles. While both affiliates of FS Investments and KKR Credit have individually acted as investment advisers to BDCs previously, the Advisor's limited experience in managing a portfolio of assets under the constraints of the 1940 Act and the Code may hinder the Advisor's ability to take advantage of attractive investment opportunities and, as a result, may adversely affect our ability to achieve our investment objectives. FS Investments' and KKR Credit's individual track records and achievements are not necessarily indicative of the future results they will achieve as a joint investment adviser. Accordingly, we can offer no assurance that we will replicate the historical performance of other investment companies with which FS Investments and KKR Credit have been affiliated, and we caution that our investment returns could be lower than the returns achieved by such other companies.

***Because our business model depends to a significant extent upon relationships with private equity sponsors, investment banks and commercial banks, the inability of the Advisor to maintain or develop these relationships, or the failure of these relationships to generate investment opportunities, could adversely affect our business.***

If the Advisor fails to maintain its existing relationships with private equity sponsors, investment banks and commercial banks on which it relies to provide us with potential investment opportunities, or develop new relationships with other sponsors or sources of investment opportunities, we may not be able to grow our investment portfolio. In addition, individuals with whom the Advisor has relationships generally are not obligated to provide us with investment opportunities, and, therefore, there is no assurance that such relationships will generate investment opportunities for us.

***We may face increasing competition for investment opportunities, which could delay deployment of our capital, reduce returns and result in losses.***

We compete for investments with other BDCs and investment funds (including private equity funds, mezzanine funds and CLO funds), as well as traditional financial services companies such as commercial banks and other sources of funding. Moreover, alternative investment vehicles, such as hedge funds, have begun to invest in areas in which they have not traditionally invested, including making investments in middle market private U.S. companies. Furthermore, the potentially changing regulatory landscape as a result of the presidential administration may increase the number of middle-market investors. As a result of these new entrants, competition for investment opportunities in middle market private U.S. companies may intensify. Many of our competitors are substantially larger and have considerably greater financial, technical and marketing resources than we do. For example, some competitors may have a lower cost of capital and access to funding sources that are not available to us. In addition, some of our competitors may have higher risk tolerances or different risk assessments than we have. These characteristics could allow our competitors to consider a wider variety of investments, establish more relationships and offer better pricing and more flexible structuring than we are able to do. We may lose investment opportunities if we do not match our competitors' pricing, terms and structure. If we are forced to match our competitors' pricing, terms and structure, we may not be able to achieve acceptable returns on our investments or may bear substantial risk of capital loss. A significant part of our



competitive advantage stems from the fact that the market for investments in middle market private U.S. companies is underserved by traditional commercial banks and other financial sources. A significant increase in the number and/or the size of our competitors in this target market could force us to accept less attractive investment terms. Furthermore, many of our competitors have greater experience operating under, or are not subject to, the regulatory restrictions that the 1940 Act imposes on us as a BDC.

***We may be unable to realize the benefits anticipated by the Merger, including estimated cost savings, or it may take longer than anticipated to achieve such benefits.***

The realization of certain benefits anticipated as a result of the Merger will depend in part on the integration of CCT's investment portfolio with ours and the integration of CCT's business with ours. There can be no assurance that CCT's investment portfolio or business can be operated profitably or integrated successfully into our operations in a timely fashion or at all. The dedication of the Advisor's resources to such integration may detract attention from the day-to-day business of the Company and there can be no assurance that there will not be substantial costs associated with the transition process or there will not be other material adverse effects as a result of these integration efforts. Such effects, including, but not limited to, incurring unexpected costs or delays in connection with such integration and failure of CCT's investment portfolio to perform as expected, could have a material adverse effect on our financial results.

It is also possible that our estimates of the Merger-related potential cost savings could ultimately be incorrect. If our estimates turn out to be incorrect or if we are not able to successfully combine CCT's investment portfolio or business with our operations, the anticipated cost savings may not be fully realized or realized at all or may take longer to realize than expected.

***Our board of directors may change our operating policies and strategies without prior notice or stockholder approval.***

Our board of directors has the authority to modify or waive our current operating policies, investment criteria and strategies without prior notice and without stockholder approval. Moreover, we have significant investment flexibility within our investment strategies. Therefore, we may invest our assets in ways with which investors may not agree. We also cannot predict the effect any changes to our current operating policies, investment criteria and strategies would have on our business, net asset value, operating results and the value of our stock. However, the effects might be adverse, which could negatively impact our ability to pay stockholders distributions and cause them to lose all or part of their investment.

***Changes in laws or regulations governing our operations or the operations of our business partners may adversely affect our business or cause us to alter our business strategy.***

We, our portfolio companies and our business partners are subject to regulation at the local, state and federal level. New legislation may be enacted or new interpretations, rulings or regulations could be adopted, including those governing the types of investments we are permitted to make and the deductibility of interest expense by our portfolio companies, potentially with retroactive effect. In particular, over the last several years there has been an increase in regulatory attention to the extension of credit outside of the traditional banking sector, raising the possibility that some portion of the non-bank financial sector will be subject to new regulation. New or repealed legislation, interpretations, rulings or regulations could require changes to certain business practices of us or our portfolio companies, negatively impact the operations, cash flows or financial condition of us or our portfolio companies, impose additional costs on us or our portfolio companies or otherwise adversely affect our business or the business of our portfolio companies. In addition, any changes to the laws and regulations governing our operations, including with respect to permitted investments, may cause us to alter our investment strategy to avail ourselves of new or different opportunities or make other changes to our business. Such changes could result in material differences to our strategies and plans as set forth in this annual report on Form 10-K and may result in our investment focus shifting from the areas of expertise of the Advisor to other types of investments in which the Advisor may have less expertise or little or no experience. Thus, any such changes, if they occur, could have a material adverse effect on our results of operations and the value of a stockholder's investment.

***The impact on us of recent financial reform legislation, including the Dodd-Frank Act, is uncertain.***

The Dodd-Frank Wall Street Reform and Consumer Protection Act, as amended, or the Dodd-Frank Act, made broad changes to the OTC derivatives market, granted significant new authority to the Commodity Futures Trading Commission, or CFTC, and the SEC to regulate OTC derivatives (swaps and security-based swaps) and participants in these markets. The Dodd-Frank Act is intended to regulate the OTC derivatives market by requiring many derivative transactions to be cleared and traded on an exchange, expanding entity registration requirements, imposing business conduct requirements on dealers and requiring banks to move some derivatives trading units to a non-guaranteed affiliate separate from the deposit-taking bank or divest them

altogether. The CFTC has implemented mandatory clearing and exchange-trading of certain OTC derivatives contracts including many standardized interest rate swaps and credit default index swaps. The CFTC continues to approve contracts for central clearing. Exchange-trading and central clearing are expected to reduce counterparty credit risk by substituting the clearinghouse as the counterparty to a swap and increase liquidity, but exchange-trading and central clearing do not make swap transactions risk-free. Uncleared swaps, such as non-deliverable foreign currency forwards, are subject to certain margin requirements that mandate the posting and collection of minimum margin amounts. This requirement may result in the portfolio and its counterparties posting higher margin amounts for uncleared swaps than would otherwise be the case. Certain rules require centralized reporting of detailed information about many types of cleared and uncleared swaps. Reporting of swap data may result in greater market transparency, but may subject a portfolio to additional administrative burdens, and the safeguards established to protect trader anonymity may not function as expected. Future CFTC or SEC rulemakings to implement the Dodd-Frank Act requirements could potentially limit or completely restrict our ability to use these instruments as a part of our investment strategy, increase the costs of using these instruments or make them less effective. Limits or restrictions applicable to the counterparties with which we engage in derivative transactions could also prevent us from using these instruments or affect the pricing or other factors relating to these instruments, or may change availability of certain investments. The SEC has also indicated that it may adopt new policies on the use of derivatives by registered investment companies. Such policies could affect the nature and extent of our use of derivatives.

The presidential administration has announced its intention to repeal, amend or replace certain portions of Dodd-Frank and the regulations implemented thereunder. Given the uncertainty associated with the manner in which and whether the provisions of the Dodd-Frank Act will be implemented, repealed, amended or replaced, the full impact such requirements will have on our business, results of operations or financial condition is unclear. The changes resulting from the Dodd-Frank Act or any changes to the regulations already implemented thereunder may require us to invest significant management attention and resources to evaluate and make necessary changes in order to comply with new statutory and regulatory requirements. Failure to comply with any such laws, regulations or principles, or changes thereto, may negatively impact our business, results of operations and financial condition. While we cannot predict what effect any changes in the laws or regulations or their interpretations would have on us as a result of recent financial reform legislation, these changes could be materially adverse to us and our stockholders.

Regulations adopted by prudential regulators have begun to require that certain qualified financial contracts entered into with certain counterparties that are part of a U.S. or foreign banking organization designated as a global-systemically important banking organization to include contractual provisions that delay or restrict the rights of counterparties, such as the portfolio, to exercise certain close-out, cross-default and similar rights under certain conditions. Qualified financial contracts include agreements relating to swaps, foreign currency forward contracts and other derivatives. Qualified financial contracts are subject to a stay for a specified time period during which counterparties, such as the portfolio, will be prevented from closing out a qualified financial contract if the counterparty is subject to resolution proceedings and prohibit the portfolio from exercising default rights due to a receivership or similar proceeding of an affiliate of the counterparty. Implementation of these requirements may increase credit and other risks to the portfolio.

***The SBCA Act allows us to incur additional leverage.***

On March 23, 2018, the Small Business Credit Availability Act, or the SBCA Act, became law. The SBCA Act, among other things, amends Section 61(a) of the 1940 Act to add a new Section 61(a)(2) which reduces the asset coverage requirements for senior securities applicable to BDCs from 200% to 150% provided that certain disclosure and approval requirements are met. Before the reduced asset coverage requirements under Section 61(a)(2) are effective with respect to us, the application of that section of the 1940 Act must be approved by either (1) a “required majority,” as defined in the Section 57(o) of the 1940 Act, of our board of directors or (2) a majority of votes cast at a special or annual meeting of our stockholders. As a result, we may be able to incur additional indebtedness in the future, and, therefore the risk of an investment in us may increase.

***Future legislation or rules could modify how we treat derivatives and other financial arrangements for purposes of our compliance with the leverage limitations of the 1940 Act.***

Future legislation or rules may modify how we treat derivatives and other financial arrangements for purposes of our compliance with the leverage limitations of the 1940 Act. For example, the SEC proposed a new rule in December 2015 that is designed to enhance the regulation of the use of derivatives by registered investments companies and BDCs. While the adoption of the December 2015 rule is currently uncertain, the proposed rule, if adopted, or any future legislation or rules, may modify how leverage is calculated under the 1940 Act and, therefore, may increase or decrease the amount of leverage currently available to us under the 1940 Act, which may be materially adverse to us and our stockholders.

***As a public company, we are subject to regulations not applicable to private companies, such as provisions of the Sarbanes-Oxley Act. Efforts to comply with such regulations will involve significant expenditures, and non-compliance with such regulations may adversely affect us.***

As a public company, we incur legal, accounting and other expenses, including costs associated with the periodic reporting requirements applicable to a company whose securities are registered under the Exchange Act, as well as additional corporate governance requirements, including requirements under the Sarbanes-Oxley Act, and other rules implemented by the SEC and the listing standards of the NYSE. Our management is required to report on our internal control over financial reporting pursuant to Section 404 of the Sarbanes-Oxley Act and rules and regulations of the SEC thereunder. In particular, our management is required to review on an annual basis our internal control over financial reporting, and on a quarterly and annual basis to evaluate and disclose changes in our internal control over financial reporting. Section 404 of the Sarbanes-Oxley Act also generally requires an attestation from our independent registered public accounting firm on the effectiveness of our internal control over financial reporting.

We incur significant expenses in connection with our compliance with the Sarbanes-Oxley Act and other regulations applicable to public companies, which may negatively impact our financial performance and our ability to make distributions. Compliance with such regulations also requires a significant amount of our management's time and attention. For example, we cannot be certain as to the timing of the completion of our Sarbanes-Oxley mandated evaluations, testings and remediation actions, if any, or the impact of the same on our operations, and we may not be able to ensure that the process is effective or that our internal control over financial reporting are or will be deemed effective in the future. In the event that we are unable to maintain an effective system of internal control and maintain compliance with the Sarbanes-Oxley Act and related rules, we may be adversely affected.

***We may experience fluctuations in our quarterly results.***

We could experience fluctuations in our quarterly operating results due to a number of factors, including our ability or inability to make investments in companies that meet our investment criteria, the interest rate payable on the debt securities we acquire, the level of our expenses, variations in and the timing of fee income and the recognition of realized and unrealized gains or losses, the degree to which we encounter competition in our markets and general economic conditions. As a result of these factors, results for any previous period should not be relied upon as being indicative of performance in future periods.

***If we, our affiliates and our and their respective third-party service providers are unable to maintain the availability of electronic data systems and safeguard the security of data, our ability to conduct business may be compromised, which could impair our liquidity, disrupt our business, damage our reputation or otherwise adversely affect our business.***

Cybersecurity refers to the combination of technologies, processes, and procedures established to protect information technology systems and data from unauthorized access, attack, or damage. We, our affiliates and our and their respective third-party service providers are subject to cybersecurity risks. Cybersecurity risks have significantly increased in recent years and, while we have not experienced any material losses relating to cyber attacks or other information security breaches, we could suffer such losses in the future. Our, our affiliates and our and their respective third-party service providers' computer systems, software and networks may be vulnerable to unauthorized access, computer viruses or other malicious code and other events that could have a security impact. If one or more of such events occur, this potentially could jeopardize confidential and other information, including nonpublic personal information and sensitive business data, processed and stored in, and transmitted through, computer systems and networks, or otherwise cause interruptions or malfunctions in our operations or the operations of our affiliates and our and their respective third-party service providers. This could result in significant losses, reputational damage, litigation, regulatory fines or penalties, or otherwise adversely affect our business, financial condition or results of operations. Privacy and information security laws and regulation changes, and compliance with those changes, may result in cost increases due to system changes and the development of new administrative processes. In addition, we may be required to expend significant additional resources to modify our protective measures and to investigate and remediate vulnerabilities or other exposures arising from operational and security risks.

***Our business and operations could be negatively affected if we become subject to stockholder activism, which could cause us to incur significant expense, hinder the execution of our investment strategy or impact our stock price.***

Stockholder activism, which could take many forms, including making public demands that we consider certain strategic alternatives for the Company, engaging in public campaigns to attempt to influence our corporate governance and/or our management, and commencing proxy contests to attempt to elect the activists' representatives or others to our board of directors, or arise in a variety of situations, has been increasing in the BDC space recently. While we are currently not subject to any

stockholder activism, due to the potential volatility of our stock price and for a variety of other reasons, we may in the future become the target of stockholder activism. Stockholder activism could result in substantial costs and divert management's and our board of directors' attention and resources from our business. Additionally, such stockholder activism could give rise to perceived uncertainties as to our future and adversely affect our relationships with service providers and our portfolio companies. Also, we may be required to incur significant legal and other expenses related to any activist stockholder matters. Further, our stock price could be subject to significant fluctuation or otherwise be adversely affected by the events, risks and uncertainties of any stockholder activism.

#### **Risks Related to the Advisor and its Affiliates**

***The Advisor and its affiliates, including our officers and some of our directors, face conflicts of interest as a result of compensation arrangements between us and the Advisor, which could result in actions that are not in the best interests of our stockholders.***

The Advisor and its affiliates receive substantial fees from us in return for their services, and these fees could influence the advice provided to us. We pay to the Advisor an incentive fee that is based on the performance of our portfolio and an annual base management fee that is based on the average weekly value of our gross assets. Because the incentive fee is based on the performance of our portfolio, the Advisor may be incentivized to make investments on our behalf that are riskier or more speculative than would be the case in the absence of such compensation arrangement. The way in which the incentive fee is determined may also encourage the Advisor to use leverage to increase the return on our investments. In addition, because the base management fee is based upon the average weekly value of our gross assets, which includes any borrowings for investment purposes, the Advisor may be incentivized to recommend the use of leverage or the issuance of additional equity to make additional investments and increase the average weekly value of our gross assets. Under certain circumstances, the use of leverage may increase the likelihood of default, which could disfavor holders of our common stock. Our compensation arrangements could therefore result in our making riskier or more speculative investments, or relying more on leverage to make investments, than would otherwise be the case. This could result in higher investment losses, particularly during cyclical economic downturns.

***We may be obligated to pay the Advisor incentive compensation on income that we have not received.***

Any incentive fee payable by us that relates to our net investment income may be computed and paid on income that may include interest that has been accrued but not yet received. If a portfolio company defaults on a loan that is structured to provide accrued interest, it is possible that accrued interest previously included in the calculation of the incentive fee will become uncollectible. The Advisor is not under any obligation to reimburse us for any part of the incentive fee it received that was based on accrued income that we never received as a result of a default by an entity on the obligation that resulted in the accrual of such income, and such circumstances would result in our paying an incentive fee on income we never received.

For U.S. federal income tax purposes, we are required to recognize taxable income (such as deferred interest that is accrued as original issue discount) in some circumstances in which we do not receive a corresponding payment in cash. Under such circumstances, we may have difficulty meeting the Annual Distribution Requirement necessary to maintain RIC tax treatment under the Code. This difficulty in making the required distribution may be amplified to the extent that we are required to pay an incentive fee with respect to such accrued income. As a result, we may have to sell some of our investments at times and/or at prices we would not consider advantageous, raise additional debt or equity capital, or forgo new investment opportunities for this purpose. If we are not able to obtain cash from other sources, we may fail to qualify for RIC tax treatment and thus become subject to corporate-level income tax.

***There may be conflicts of interest related to obligations the Advisor's senior management and investment teams have to our affiliates and to other clients.***

The members of the senior management and investment teams of the Advisor serve or may serve as officers, directors or principals of entities that operate in the same or a related line of business as we do, or of investment vehicles managed by the same personnel. For example, the Advisor is also the investment adviser to FS Investment Corporation II, FS Investment Corporation III, FS Investment Corporation IV and Corporate Capital Trust II, or together with the Company, the Fund Complex, and the officers, managers and other personnel of the Advisor may serve in similar or other capacities for the investment advisers to future investment vehicles affiliated with FS Investments or KKR Credit. In serving in these multiple and other capacities, they may have obligations to other clients or investors in those entities, the fulfillment of which may not be in our best interests or in the best interest of our stockholders. Our investment objectives may overlap with the investment objectives of such investment funds, accounts or other investment vehicles. For example, we rely on the Advisor to manage our day-to-day activities and to

implement our investment strategy. The Advisor and certain of its affiliates are presently, and plan in the future to continue to be, involved with activities which are unrelated to us. As a result of these activities, the Advisor, its employees and certain of its affiliates will have conflicts of interest in allocating their time between us and other activities in which they are or may become involved, including the management of other entities affiliated with FS Investments or KKR Credit. The Advisor and its employees will devote only as much of its or their time to our business as the Advisor and its employees, in their judgment, determine is reasonably required, which may be substantially less than their full time.

***The time and resources that individuals employed by the Advisor devote to us may be diverted and we may face additional competition due to the fact that individuals employed by the Advisor are not prohibited from raising money for or managing another entity that makes the same types of investments that we target.***

Neither the Advisor, nor persons providing services to us on behalf of the Advisor, are prohibited from raising money for and managing another investment entity that makes the same types of investments as those we target. As a result, the time and resources that these individuals may devote to us may be diverted. In addition, we may compete with any such investment entity for the same investors and investment opportunities.

***The Advisor's liability is limited under each of the investment advisory agreement and the administration agreement, and we are required to indemnify it against certain liabilities, which may lead it to act in a riskier manner on our behalf than it would when acting for its own account.***

Pursuant to each of the investment advisory agreement and the administration agreement, the Advisor and its officers, managers, partners, members (and their members, including the owners of their members), agents, employees, controlling persons and any other person or entity affiliated with, or acting on behalf of, the Advisor will not be liable to us for their acts under the investment advisory agreement or the administration agreement, as applicable, absent willful misfeasance, bad faith or gross negligence in the performance of their duties. We have agreed to indemnify, defend and protect the Advisor and its officers, managers, partners, members (and their members, including the owners of their members), agents, employees, controlling persons and any other person or entity affiliated with, or acting on behalf of, the Advisor with respect to all damages, liabilities, costs and expenses resulting from acts of the Advisor not arising out of willful misfeasance, bad faith or gross negligence in the performance of their duties under the investment advisory agreement or the administration agreement, as applicable. These protections may lead the Advisor to act in a riskier manner when acting on our behalf than it would when acting for its own account.

#### **Risks Related to Business Development Companies**

***Failure to maintain our status as a BDC would reduce our operating flexibility.***

If we do not remain a BDC, we might be regulated as a closed-end investment company under the 1940 Act, which would subject us to substantially more regulatory restrictions under the 1940 Act and correspondingly decrease our operating flexibility.

***We are uncertain of our sources for funding our future capital needs and if we cannot obtain debt or equity financing on acceptable terms, or at all, our ability to acquire investments and to expand our operations will be adversely affected.***

Any working capital reserves we maintain may not be sufficient for investment purposes, and we may require debt or equity financing to operate. We may also need to access the capital markets to refinance existing debt obligations to the extent maturing obligations are not repaid with cash flows from operations. In order to maintain RIC tax treatment, we must distribute distributions to our stockholders each tax year on a timely basis generally of an amount at least equal to 90% of our investment company taxable income, determined without regard to any deduction for distributions paid, and the amounts of such distributions will therefore not be available to fund investment originations or to repay maturing debt. In addition, with certain limited exceptions, we are only allowed to borrow amounts or issue debt securities or preferred stock, which we refer to collectively as "senior securities," such that our asset coverage, as calculated pursuant to the 1940 Act, equals at least 200% immediately after such borrowing, which, in certain circumstances, may restrict our ability to borrow or issue debt securities or preferred stock. In the event that we develop a need for additional capital in the future for investments or for any other reason, and we cannot obtain debt or equity financing on acceptable terms, or at all, our ability to acquire investments and to expand our operations will be adversely affected. As a result, we would be less able to allocate our portfolio among various issuers and industries and achieve our investment objectives, which may negatively impact our results of operations and reduce our ability to make distributions to our stockholders.

***The requirement that we invest a sufficient portion of our assets in qualifying assets could preclude us from investing in accordance with our current business strategy; conversely, the failure to invest a sufficient portion of our assets in qualifying assets could result in our failure to maintain our status as a BDC.***

As a BDC, we may not acquire any assets other than “qualifying assets” unless, at the time of such acquisition, at least 70% of our total assets are qualifying assets. Therefore, we may be precluded from investing in what we believe are attractive investments if such investments are not qualifying assets. Similarly, these rules could prevent us from making additional investments in existing portfolio companies, which could result in the dilution of our position, or could require us to dispose of investments at an inopportune time to comply with the 1940 Act. If we were forced to sell non-qualifying investments in the portfolio for compliance purposes, the proceeds from such sale could be significantly less than the current value of such investments. Conversely, if we fail to invest a sufficient portion of our assets in qualifying assets, we could lose our status as a BDC, which would subject us to substantially more regulatory restrictions and significantly decrease our operating flexibility.

***Regulations governing our operation as a BDC and a RIC will affect our ability to raise, and the way in which we raise, additional capital or borrow for investment purposes, which may have a negative effect on our growth.***

As a result of our need to satisfy the Annual Distribution Requirement in order to maintain RIC tax treatment under Subchapter M of the Code, we may need to periodically access the capital markets to raise cash to fund new investments. We may issue “senior securities,” as defined in the 1940 Act, including issuing preferred stock, borrowing money from banks or other financial institutions, or issuing debt securities only in amounts such that our asset coverage, as defined in the 1940 Act, equals at least 200% after such incurrence or issuance. Our ability to issue certain other types of securities is also limited. Under the 1940 Act, we are also generally prohibited from issuing or selling our common stock at a price per share, after deducting underwriting commissions, that is below our net asset value per share, without first obtaining approval for such issuance from our stockholders and our independent directors. Compliance with these limitations on our ability to raise capital may unfavorably limit our investment opportunities. These limitations may also reduce our ability in comparison to other companies to profit from favorable spreads between the rates at which we can borrow and the rates at which we can lend.

In addition, because we incur indebtedness for investment purposes, if the value of our assets declines, we may be unable to satisfy the asset coverage test under the 1940 Act, which would prohibit us from paying distributions and, as a result, could cause us to be subject to corporate-level tax on our income and capital gains, regardless of the amount of distributions paid. If we cannot satisfy the asset coverage test, we may be required to sell a portion of our investments and, depending on the nature of our debt financing, repay a portion of our indebtedness at a time when such sales may be disadvantageous.

***Our ability to enter into transactions with our affiliates is restricted.***

We are prohibited under the 1940 Act from participating in certain transactions with certain of our affiliates without the prior approval of a majority of the independent members of our board of directors and, in some cases, the SEC. Any person that owns, directly or indirectly, 5% or more of our outstanding voting securities will be our affiliate for purposes of the 1940 Act, and we will generally be prohibited from buying or selling any securities from or to such affiliate, absent the prior approval of our board of directors. The 1940 Act also prohibits certain “joint” transactions with certain of our affiliates, which could include investments in the same portfolio company (whether at the same or different times), without prior approval of our board of directors and, in some cases, the SEC. In an order dated April 3, 2018, the SEC granted exemptive relief permitting us, subject to the satisfaction of certain conditions, to co-invest in certain privately negotiated investment transactions, including investments originated and directly negotiated by the Advisor or KKR Credit, with our co-investment affiliates. If a person acquires more than 25% of our voting securities, we will be prohibited from buying or selling any security from or to such person or certain of that person’s affiliates, or entering into prohibited joint transactions with such persons to the extent not covered by the exemptive relief, absent the prior approval of the SEC. Similar restrictions limit our ability to transact business with our officers or directors or their respective affiliates. As a result of these restrictions, we may be prohibited from buying or selling any security from or to any portfolio company of a fund managed by the Advisor without the prior approval of the SEC, which may limit the scope of investment opportunities that would otherwise be available to us.

## **Risks Related to Our Investments**

***Our investments in prospective portfolio companies may be risky, and we could lose all or part of our investment.***

Our investments in senior secured loans, second lien secured loans, senior secured bonds, subordinated debt and equity of private U.S. companies, including middle market companies, may be risky and there is no limit on the amount of any such investments in which we may invest.

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*Senior Secured Loans, Second Lien Secured Loans and Senior Secured Bonds.* There is a risk that any collateral pledged by portfolio companies in which we have taken a security interest may decrease in value over time or lose its entire value, may be difficult to sell in a timely manner, may be difficult to appraise and may fluctuate in value based upon the success of the business and market conditions, including as a result of the inability of the portfolio company to raise additional capital. To the extent our debt investment is collateralized by the securities of a portfolio company's subsidiaries, such securities may lose some or all of their value in the event of the bankruptcy or insolvency of the portfolio company. Also, in some circumstances, our security interest may be contractually or structurally subordinated to claims of other creditors. In addition, deterioration in a portfolio company's financial condition and prospects, including its inability to raise additional capital, may be accompanied by deterioration in the value of the collateral for the debt. Secured debt that is under-collateralized involves a greater risk of loss. In addition, second lien secured debt is granted a second priority security interest in collateral, which means that any realization of collateral will generally be applied to pay senior secured debt in full before second lien secured debt is paid. Consequently, the fact that debt is secured does not guarantee that we will receive principal and interest payments according to the debt's terms, or at all, or that we will be able to collect on the debt should we be forced to enforce our remedies.

*Subordinated Debt.* Our subordinated debt investments will generally rank junior in priority of payment to senior debt and will generally be unsecured. This may result in a heightened level of risk and volatility or a loss of principal, which could lead to the loss of the entire investment. These investments may involve additional risks that could adversely affect our investment returns. To the extent interest payments associated with such debt are deferred, such debt may be subject to greater fluctuations in valuations, and such debt could subject us and our stockholders to non-cash income. Because we will not receive any principal repayments prior to the maturity of some of our subordinated debt investments, such investments will be of greater risk than amortizing loans.

*Equity and Equity-Related Securities.* We may make select equity investments. In addition, in connection with our debt investments, we on occasion receive equity interests such as warrants or options as additional consideration. The equity interests we receive may not appreciate in value and, in fact, may decline in value. Accordingly, we may not be able to realize gains from our equity interests, and any gains that we do realize on the disposition of any equity interests may not be sufficient to offset any other losses we experience.

*Convertible Securities.* We may invest in convertible securities, such as bonds, debentures, notes, preferred stocks or other securities that may be converted into, or exchanged for, a specified amount of common stock of the same or different issuer within a particular period of time at a specified price or formula. A convertible security may be subject to redemption at the option of the issuer at a price established in the convertible security's governing instrument. If a convertible security held by us is called for redemption, it will be required to permit the issuer to redeem the security, convert it into the underlying common stock or sell it to a third party. Any of these actions could have an adverse effect on our ability to achieve our investment objective.

*Structured Products.* We may invest in structured products, which may include collateralized debt obligations, collateralized bond obligations, collateralized loan obligations, structured notes and credit-linked notes. When investing in structured products, we may invest in any level of the subordination chain, including subordinated (lower-rated) tranches and residual interests (the lowest tranche). Structured products may be highly levered and therefore, the junior debt and equity tranches that we may invest in are subject to a higher risk of total loss and deferral or nonpayment of interest than the more senior tranches to which they are subordinated. In addition, we will generally have the right to receive payments only from the issuer or counterparty, and will generally not have direct rights against the underlying borrowers or entities. Furthermore, the investments we make in structured products are at times thinly traded or have only a limited trading market. As a result, investments in such structured products may be characterized as illiquid securities.

*Non-U.S. Securities.* We may invest in non-U.S. securities, which may include securities denominated in U.S. dollars or in non-U.S. currencies and securities of companies in emerging markets, to the extent permitted by the 1940 Act. Because evidences of ownership of such securities usually are held outside the United States, we would be subject to additional risks if we invested in non-U.S. securities, which include possible adverse political and economic developments, seizure or nationalization of foreign deposits and adoption of governmental restrictions which might adversely affect or restrict the payment of principal and interest on the non-U.S. securities to investors located outside the country of the issuer, whether from currency blockage or otherwise. Because non-U.S. securities may be purchased with and payable in foreign currencies, the value of these assets as measured in U.S. dollars may be affected unfavorably by changes in currency rates and exchange control regulations. In addition, investing in securities of companies in emerging markets involves many risks, including potential inflationary economic environments, regulation by foreign governments, different accounting standards, political uncertainties and economic, social, political, financial, tax and security conditions in the applicable emerging market, any of which could negatively affect the value of companies in emerging markets or investments in their securities.

*Derivatives.* We may invest from time to time in derivatives, including total return swaps, interest rate swaps, credit default swaps and foreign currency forward contracts. Derivative investments have risks, including: the imperfect correlation between the value of such instruments and our underlying assets, which creates the possibility that the loss on such instruments may be greater than the gain in the value of the underlying assets in our portfolio; the loss of principal; the possible default of the other party to the transaction; and illiquidity of the derivative investments. If a counterparty becomes bankrupt or otherwise fails to perform its obligations under a derivative contract due to financial difficulties, we may experience significant delays in obtaining any recovery under the derivative contract in a bankruptcy or other reorganization proceeding, or may not recover at all. In addition, in the event of the insolvency of a counterparty to a derivative transaction, the derivative contract would typically be terminated at its fair market value. If we are owed this fair market value in the termination of the derivative contract and our claim is unsecured, we will be treated as a general creditor of such counterparty and will not have any claim with respect to the underlying security. Certain of the derivative investments in which we may invest may, in certain circumstances, give rise to a form of financial leverage, which may magnify the risk of owning such instruments. The ability to successfully use derivative investments depends on the ability of the Advisor to predict pertinent market movements, which cannot be assured. In addition, amounts paid by us as premiums and cash or other assets held in margin accounts with respect to our derivative investments would not be available to it for other investment purposes, which may result in lost opportunities for gain.

The Dodd-Frank Act could, depending on future rulemaking by regulatory agencies, impact the use of derivatives. The Dodd-Frank Act is intended to regulate the OTC derivatives market by requiring many derivative transactions to be cleared and traded on an exchange, expanding entity registration requirements, imposing business conduct requirements on dealers and requiring banks to move some derivatives trading units to a non-guaranteed affiliate separate from the deposit-taking bank or divest them altogether. Future rulemaking to implement these requirements could potentially limit or completely restrict our ability to use these instruments as a part of our investment strategy, increase the costs of using these instruments or make them less effective. Limits or restrictions applicable to the counterparties with which we engage in derivative transactions could also prevent us from using these instruments or affect the pricing or other factors relating to these instruments, or may change availability of certain investments. The SEC has also indicated that it may adopt new policies on the use of derivatives by registered investment companies. Such policies could affect the nature and extent of our use of derivatives.

*Investments in Private Funds.* We may invest in, or wholly own, private investment funds, including hedge funds, private equity funds, limited liability companies, real estate investment trusts, and other business entities. In valuing our investments in private investment funds, we rely primarily on information provided by managers of such funds. Valuations of illiquid securities, such as interests in certain private investment funds, involve various judgments and consideration of factors that may be subjective. There is a risk that inaccurate valuations provided by managers of private investment funds could adversely affect the value of our common stock. We may not be able to withdraw our investment in certain private investment funds promptly after it has made a decision to do so, which may result in a loss to us and adversely affect our investment returns.

*Below Investment Grade Risk.* In addition, we invest in securities that are rated below investment grade by rating agencies or that would be rated below investment grade if they were rated. Below investment grade securities, which are often referred to as “junk,” have predominantly speculative characteristics with respect to the issuer’s capacity to pay interest and repay principal. They may also be difficult to value and illiquid.

***International investments create additional risks.***

We expect to make investments in portfolio companies that are domiciled outside of the United States. We anticipate that up to 30% of our investments may be in these types of assets. Our investments in foreign portfolio companies are deemed “non-qualifying assets,” which means, as required by the 1940 Act, they, along with other non-qualifying assets, may not constitute more than 30% of our total assets at the time of our acquisition of any asset, after giving effect to the acquisition. Notwithstanding the limitation on our ownership of foreign portfolio companies, such investments subject us to many of the same risks as our domestic investments, as well as certain additional risks, including the following:

- foreign governmental laws, rules and policies, including those restricting the ownership of assets in the foreign country or the repatriation of profits from the foreign country to the United States;
- foreign currency devaluations that reduce the value of and returns on our foreign investments;
- adverse changes in the availability, cost and terms of investments due to the varying economic policies of a foreign country in which we invest;
- adverse changes in tax rates, the tax treatment of transaction structures and other changes in operating expenses of a particular foreign country in which we invest;



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- the assessment of foreign-country taxes (including withholding taxes, transfer taxes and value added taxes, any or all of which could be significant) on income or gains from our investments in the foreign country;
- adverse changes in foreign-country laws, including those relating to taxation, bankruptcy and ownership of assets;
- changes that adversely affect the social, political and/or economic stability of a foreign country in which we invest;
- high inflation in the foreign countries in which we invest, which could increase the costs to us of investing in those countries;
- deflationary periods in the foreign countries in which we invest, which could reduce demand for our assets in those countries and diminish the value of such investments and the related investment returns to us; and
- legal and logistical barriers in the foreign countries in which we invest that materially and adversely limit our ability to enforce our contractual rights with respect to those investments.

In addition, we may make investments in countries whose governments or economies may prove unstable. Certain of the countries in which we may invest may have political, economic and legal systems that are unpredictable, unreliable or otherwise inadequate with respect to the implementation, interpretation and enforcement of laws protecting asset ownership and economic interests. In some of the countries in which we may invest, there may be a risk of nationalization, expropriation or confiscatory taxation, which may have an adverse effect on our portfolio companies in those countries and the rates of return that we are able to achieve on such investments. We may also lose the total value of any investment which is nationalized, expropriated or confiscated. The financial results and investment opportunities available to us, particularly in developing countries and emerging markets, may be materially and adversely affected by any or all of these political, economic and legal risks.

***Our investments in private investment funds, including hedge funds, private equity funds, limited liability companies and other business entities, subject us indirectly to the underlying risks of such private investment funds and additional fees and expenses.***

We may invest in private investment funds, including hedge funds, private equity funds, limited liability companies and other business entities which would be required to register as investment companies but for an exemption under Sections 3(c)(1) and 3(c)(7) of the 1940 Act. Our investments in private funds are subject to substantial risks. Investments in such private investment funds expose us to the risks associated with the businesses of such funds or entities as well as such private investment funds' portfolio companies. These private investment funds may or may not be registered investment companies and, thus, may not be subject to protections afforded by the 1940 Act, covering, among other areas, liquidity requirements, governance by an independent board, affiliated transaction restrictions, leverage limitations, public disclosure requirements and custody requirements.

We rely primarily on information provided by managers of private investment funds in valuing our investments in such funds. There is a risk that inaccurate valuations provided by managers of private investment funds could adversely affect the value of our common stock. In addition, there can be no assurance that a manager of a private investment fund will provide advance notice of any material change in such private investment fund's investment program or policies and thus, our investment portfolio may be subject to additional risks which may not be promptly identified by the Advisor. Moreover, we may not be able to withdraw our investments in certain private investment funds promptly after we make a decision to do so, which may result in a loss to us and adversely affect our investment returns.

Investments in the securities of private investment funds may also involve duplication of advisory fees and certain other expenses. By investing in private investment funds indirectly through us, you bear a pro rata portion of our advisory fees and other expenses, and also indirectly bear a pro rata portion of the advisory fees, performance-based allocations and other expenses borne by us as an investor in the private investment funds. In addition, the purchase of the shares of some private investment funds requires the payment of sales loads and (in the case of closed-end investment companies) sometimes substantial premiums above the value of such investment companies' portfolio securities.

In addition, certain private investment funds may not provide us with the liquidity we require and would thus subject us to liquidity risk. Further, even if an investment in a private investment fund is deemed liquid at the time of investment, the private investment fund may, in the future, alter the nature of our investments and cease to be a liquid investment fund, subjecting us to liquidity risk.

***We may acquire various structured financial instruments for purposes of “hedging” or reducing our risks, which may be costly and ineffective and could reduce the cash available to service debt or for distribution to stockholders.***

We may seek to hedge against interest rate and currency exchange rate fluctuations and credit risk by using structured financial instruments such as futures, options, swaps and forward contracts, subject to the requirements of the 1940 Act. Use of structured financial instruments for hedging purposes may present significant risks, including the risk of loss of the amounts invested. Defaults by the other party to a hedging transaction can result in losses in the hedging transaction. Hedging activities also involve the risk of an imperfect correlation between the hedging instrument and the asset being hedged, which could result in losses both on the hedging transaction and on the instrument being hedged. Use of hedging activities may not prevent significant losses and could increase our losses. Further, hedging transactions may reduce cash available to service our debt or pay distributions to our stockholders.

***Investing in middle market companies involves a number of significant risks, any one of which could have a material adverse effect on our operating results.***

Investments in middle market companies involve some of the same risks that apply generally to investments in larger, more established companies. However, such investments have more pronounced risks in that they:

- may have limited financial resources and may be unable to meet the obligations under their debt securities that we hold, which may be accompanied by a deterioration in the value of any collateral pledged under such securities and a reduction in the likelihood of us realizing any guarantees we may have obtained in connection with our investment;
- have shorter operating histories, narrower product lines and smaller market shares than larger businesses, which tends to render them more vulnerable to competitors’ actions and changing market conditions, as well as general economic downturns;
- are more likely to depend on the management talents and efforts of a small group of persons; therefore, the death, disability, resignation or termination of one or more of these persons could have a material adverse impact on our portfolio company and, in turn, on us;
- generally have less predictable operating results, may from time to time be parties to litigation, may be engaged in rapidly changing businesses with products subject to a substantial risk of obsolescence, and may require substantial additional capital to support their operations, finance expansion or maintain their competitive position. In addition, our executive officers and directors and members of the Advisor may, in the ordinary course of business, be named as defendants in litigation arising from our investments in the portfolio companies; and
- may have difficulty accessing the capital markets to meet future capital needs, which may limit their ability to grow or to repay their outstanding indebtedness upon maturity.

***Our portfolio companies may incur debt that ranks equally with, or senior to, our investments in such companies.***

Our portfolio companies may have, or may be permitted to incur, other debt that ranks equally with, or senior to, the debt in which we invest. By their terms, such debt instruments may entitle the holders to receive payment of interest or principal on or before the dates on which we are entitled to receive payments with respect to the debt instruments in which we invest. Also, in the event of insolvency, liquidation, dissolution, reorganization or bankruptcy of a portfolio company, holders of debt instruments ranking senior to our investment in that portfolio company would typically be entitled to receive payment in full before we receive any proceeds. After repaying such senior creditors, such portfolio company may not have any remaining assets to use for repaying its obligation to us. In the case of debt ranking equally with debt instruments in which we invest, we would have to share on an equal basis any distributions with other creditors holding such debt in the event of an insolvency, liquidation, dissolution, reorganization or bankruptcy of the relevant portfolio company.

***There may be circumstances where our debt investments could be subordinated to claims of other creditors or we could be subject to lender liability claims.***

If one of our portfolio companies were to go bankrupt, depending on the facts and circumstances, including the extent to which we actually provided managerial assistance to that portfolio company, a bankruptcy court might recharacterize our debt investment and subordinate all or a portion of our claim to that of other creditors. In situations where a bankruptcy carries a high degree of political significance, our legal rights may be subordinated to other creditors. We may also be subject to lender liability claims for actions taken by us with respect to a borrower’s business or in instances where we exercise control over the borrower or render significant managerial assistance.

***Second priority liens on collateral securing debt investments that we make to our portfolio companies may be subject to control by senior creditors with first priority liens. If there is a default, the value of the collateral may not be sufficient to repay in full both the first priority creditors and us.***

Certain debt investments that we make in portfolio companies may be secured on a second priority basis by the same collateral securing first priority debt of such companies. The first priority liens on the collateral will secure the portfolio company's obligations under any outstanding senior debt and may secure certain other future debt that may be permitted to be incurred by such company under the agreements governing the loans. The holders of obligations secured by the first priority liens on the collateral will generally control the liquidation of and be entitled to receive proceeds from any realization of the collateral to repay their obligations in full before us. In addition, the value of the collateral in the event of liquidation will depend on market and economic conditions, the availability of buyers and other factors. There can be no assurance that the proceeds, if any, from the sale or sales of all of the collateral would be sufficient to satisfy the debt obligations secured by the second priority liens after payment in full of all obligations secured by the first priority liens on the collateral. If such proceeds are not sufficient to repay amounts outstanding under the debt obligations secured by the second priority liens, then we, to the extent not repaid from the proceeds of the sale of the collateral, will only have an unsecured claim against such company's remaining assets, if any.

We may also make unsecured debt investments in portfolio companies, meaning that such investments will not benefit from any interest in collateral of such companies. Liens on any such portfolio company's collateral, if any, will secure the portfolio company's obligations under its outstanding secured debt and may secure certain future debt that is permitted to be incurred by the portfolio company under its secured debt agreements. The holders of obligations secured by such liens will generally control the liquidation of, and be entitled to receive proceeds from, any realization of such collateral to repay their obligations in full before us. In addition, the value of such collateral in the event of liquidation will depend on market and economic conditions, the availability of buyers and other factors. There can be no assurance that the proceeds, if any, from sales of such collateral would be sufficient to satisfy our unsecured debt obligations after payment in full of all secured debt obligations. If such proceeds were not sufficient to repay the outstanding secured debt obligations, then our unsecured claims would rank equally with the unpaid portion of such secured creditors' claims against the portfolio company's remaining assets, if any.

The rights we may have with respect to the collateral securing the debt investments we make in our portfolio companies with senior debt outstanding may also be limited pursuant to the terms of one or more intercreditor agreements that we enter into with the holders of senior debt. Under such an intercreditor agreement, at any time that obligations that have the benefit of the first priority liens are outstanding, any of the following actions that may be taken in respect of the collateral will be at the direction of the holders of the obligations secured by the first priority liens: the ability to cause the commencement of enforcement proceedings against the collateral; the ability to control the conduct of such proceedings; the approval of amendments to collateral documents; releases of liens on the collateral; and waivers of past defaults under collateral documents. We may not have the ability to control or direct such actions, even if our rights are adversely affected.

***We generally will not control our portfolio companies.***

We do not expect to control most of our portfolio companies, even though we may have board representation or board observation rights, and our debt agreements with such portfolio companies may contain certain restrictive covenants. As a result, we are subject to the risk that a portfolio company in which we invest may make business decisions with which we disagree and the management of such company, as representatives of the holders of their common equity, may take risks or otherwise act in ways that do not serve our interests as debt investors. Due to the lack of liquidity for our investments in non-traded companies, we may not be able to dispose of our interests in our portfolio companies as readily as we would like or at an appropriate valuation. As a result, a portfolio company may make decisions that could decrease the value of our portfolio holdings.

***Declines in market values or fair market values of our investments could result in significant net unrealized depreciation of our portfolio, which in turn would reduce our net asset value.***

Under the 1940 Act, we are required to carry our investments at market value or, if no market value is ascertainable, at fair value as determined in good faith by or under the direction of our board of directors. While most of our investments are not publicly traded, applicable accounting standards require us to assume as part of our valuation process that our investments are sold in a principal market to market participants (even if we plan on holding an investment through its maturity) and impairments of the market values or fair market values of our investments, even if unrealized, must be reflected in our financial statements for the applicable period as unrealized depreciation, which could result in a significant reduction to our net asset value for a given period.

***A significant portion of our investment portfolio is and will be recorded at fair value as determined in good faith by our board of directors and, as a result, there is and will be uncertainty as to the value of our portfolio investments.***

Under the 1940 Act, we are required to carry our portfolio investments at market value or, if there is no readily available market value, at fair value, as determined by our board of directors. There is not a public market for the securities of the privately held companies in which we invest. Most of our investments are not publicly traded or actively traded on a secondary market but are, instead, traded on a privately negotiated OTC secondary market for institutional investors or are not traded at all. As a result, we value these securities quarterly at fair value as determined in good faith by our board of directors.

Certain factors that may be considered in determining the fair value of our investments include dealer quotes for securities traded on the secondary market for institutional investors, the nature and realizable value of any collateral, the portfolio company's earnings and its ability to make payments on its indebtedness, the markets in which the portfolio company does business, comparison to comparable publicly traded companies, discounted cash flows and other relevant factors. Because such valuations, and particularly valuations of private securities and private companies, are inherently uncertain, may fluctuate over short periods of time and may be based on estimates, our determinations of fair value may differ materially from the values that would have been used if a ready market for these non-traded securities existed. Due to this uncertainty, our fair value determinations may cause our net asset value on a given date to materially understate or overstate the value that we may ultimately realize upon the sale of one or more of our investments.

***We are exposed to risks associated with changes in interest rates.***

We are subject to financial market risks, including changes in interest rates. General interest rate fluctuations may have a substantial negative impact on our investments, investment opportunities and cost of capital and, accordingly, may have a material adverse effect on our investment objectives, our rate of return on invested capital and our ability to service our debt and make distributions to our stockholders. In addition, an increase in interest rates would make it more expensive to use debt for our financing needs, if any.

Our investment portfolio primarily consists of senior secured debt with maturities typically ranging from three to seven years. The longer the duration of these securities, generally, the more susceptible they are to changes in market interest rates. As market interest rates increase, those securities with a lower yield-at-cost can experience a mark-to-market unrealized loss. An impairment of the fair market value of our investments, even if unrealized, must be reflected in our financial statements for the applicable period and may therefore have a material adverse effect on our results of operations for that period.

Because we incur indebtedness to make investments, our net investment income is dependent, in part, upon the difference between the rate at which we borrow funds or pay interest on outstanding debt securities and the rate at which we invest these funds. An increase in interest rates would make it more expensive to use debt to finance our investments or to refinance our current financing arrangements. In addition, certain of our financing arrangements provide for adjustments in the loan interest rate along with changes in market interest rates. Therefore, in periods of rising interest rates, our cost of funds will increase, which could materially reduce our net investment income. Any reduction in the level of interest rates on new investments relative to interest rates on our current investments could also adversely impact our net investment income.

We have and may continue to structure the majority of our debt investments with floating interest rates to position our portfolio for rate increases. However, there can be no assurance that this will successfully mitigate our exposure to interest rate risk. For example, in the event of a rising interest rate environment, payments under floating rate debt instruments generally would rise and there may be a significant number of issuers of such floating rate debt instruments that would be unable or unwilling to pay such increased interest costs and may otherwise be unable to repay their loans. Rising interest rates could also cause portfolio companies to shift cash from other productive uses to the payment of interest, which may have a material adverse effect on their business and operations and could, over time, lead to increased defaults. Investments in floating rate debt instruments may also decline in value in response to rising interest rates if the interest rates of such investments do not rise as much, or as quickly, as market interest rates in general. Similarly, during periods of rising interest rates, our fixed rate investments may decline in value because the fixed rate of interest paid thereunder may be below market interest rates.

In July 2017, the head of the United Kingdom Financial Conduct Authority announced the desire to phase out the use of LIBOR by the end of 2021. It is unclear if at that time whether LIBOR will cease to exist or if new methods of calculating LIBOR will be established such that it continues to exist after 2021. In addition, in April 2018, the Federal Reserve System, in conjunction with the Alternative Reference Rates Committee, announced the replacement of LIBOR with a new index, calculated by short-term repurchase agreements collateralized by U.S. Treasury securities, called the Secured Overnight Financing Rate, or the SOFR. At this time, it is not possible to predict whether SOFR will attain market traction as a

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LIBOR replacement tool, and the future of LIBOR is still uncertain. As such, the potential effect of the phase-out or replacement of LIBOR on our cost of capital and net investment income cannot yet be determined.

Furthermore, because a rise in the general level of interest rates can be expected to lead to higher interest rates applicable to our debt investments, an increase in interest rates would make it easier for us to meet or exceed the incentive fee hurdle rate in the investment advisory agreement and may result in a substantial increase of the amount of incentive fees payable to the Advisor with respect to pre-incentive fee net investment income.

### ***A covenant breach by our portfolio companies may harm our operating results.***

A portfolio company's failure to satisfy financial or operating covenants imposed by us or other lenders could lead to defaults and, potentially, termination of its loans and foreclosure on its secured assets, which could trigger cross-defaults under other agreements and jeopardize a portfolio company's ability to meet its obligations under the debt or equity securities that we hold. We may incur expenses to the extent necessary to seek recovery upon default or to negotiate new terms, which may include the waiver of certain financial covenants, with a defaulting portfolio company.

### ***Our portfolio companies may be highly leveraged.***

Some of our portfolio companies may be highly leveraged, which may have adverse consequences to these companies and to us as an investor. These companies may be subject to restrictive financial and operating covenants and the leverage may impair these companies' ability to finance their future operations and capital needs. As a result, these companies' flexibility to respond to changing business and economic conditions and to take advantage of business opportunities may be limited. Further, a leveraged company's income and net assets will tend to increase or decrease at a greater rate than if borrowed money were not used.

### ***We may not realize gains from our equity investments.***

Certain investments that we may make may include equity related securities, such as rights and warrants that may be converted into or exchanged for common stock or the cash value of the common stock. In addition, we may make direct equity investments in portfolio companies. The equity interests we receive may not appreciate in value and, in fact, may decline in value. Accordingly, we may not be able to realize gains from our equity interests and any gains that we do realize on the disposition of any equity interests may not be sufficient to offset any other losses we experience. We may also be unable to realize any value if a portfolio company does not have a liquidity event, such as a sale of the business, recapitalization or public offering, which would allow us to sell the underlying equity interests. We may be unable to exercise any put rights we acquire, which grant us the right to sell our equity securities back to the portfolio company, for the consideration provided in our investment documents if the issuer is in financial distress.

### ***An investment strategy focused primarily on privately held companies presents certain challenges, including the lack of available information about these companies.***

Our investments are primarily in privately held companies. Investments in private companies pose significantly greater risks than investments in public companies. First, private companies have reduced access to the capital markets, resulting in diminished capital resources and the ability to withstand financial distress. As a result, these companies, which may present greater credit risk than public companies, may be unable to meet the obligations under their debt securities that we hold. Second, the investments themselves often may be illiquid. The securities of most of the companies in which we invest are not publicly traded or actively traded on the secondary market and are, instead, traded on a privately negotiated OTC secondary market for institutional investors. In addition, such securities may be subject to legal and other restrictions on resale. As such, we may have difficulty exiting an investment promptly or at a desired price prior to maturity or outside of a normal amortization schedule. In addition, in a restructuring, we may receive substantially different securities than our original investment in a portfolio company, including securities in a different part of the capital structure. These investments may also be difficult to value because little public information generally exists about private companies, requiring an experienced due diligence team to analyze and value the potential portfolio company. Finally, these companies often may not have third-party debt ratings or audited financial statements. We must therefore rely on the ability of the Advisor to obtain adequate information through due diligence to evaluate the creditworthiness and potential returns from investing in these companies. These companies and their financial information will generally not be subject to the Sarbanes-Oxley Act and other rules and regulations that govern public companies. If we are unable to uncover all material information about these companies, we may not make a fully informed investment decision, and we may lose money on our investments.

### ***A lack of liquidity in certain of our investments may adversely affect our business.***

We invest in certain companies whose securities are not publicly traded or actively traded on the secondary market and are, instead, traded on a privately negotiated OTC secondary market for institutional investors and whose securities are subject to

legal and other restrictions on resale or are otherwise less liquid than publicly traded securities. The illiquidity of certain of our investments may make it difficult for us to sell these investments when desired. In addition, if we are required to liquidate all or a portion of our portfolio quickly, we may realize significantly less than the value at which we had previously recorded these investments. The reduced liquidity of our investments may make it difficult for us to dispose of them at a favorable price or at all, and, as a result, we may suffer losses.

***We may not have the funds or ability to make additional investments in our portfolio companies.***

We may not have the funds or ability to make additional investments in our portfolio companies. After our initial investment in a portfolio company, we may be called upon from time to time to provide additional funds to such company or have the opportunity to increase our investment through the exercise of a warrant to purchase common stock. There is no assurance that we will make, or will have sufficient funds to make, follow-on investments. Any decisions not to make a follow-on investment or any inability on our part to make such an investment may have a negative impact on a portfolio company in need of such an investment, may result in a missed opportunity for us to increase our participation in a successful operation or may reduce the expected return on the investment.

***Prepayments of our debt investments by our portfolio companies could adversely impact our results of operations and reduce our return on equity.***

We are subject to the risk that the investments we make in our portfolio companies may be repaid prior to maturity. When this occurs, we will generally reinvest these proceeds in temporary investments, pending their future investment in new portfolio companies. These temporary investments will typically have substantially lower yields than the debt being prepaid and we could experience significant delays in reinvesting these amounts. Any future investment in a new portfolio company may also be at lower yields than the debt that was repaid. As a result, our results of operations could be materially adversely affected if one or more of our portfolio companies elect to prepay amounts owed to us. Additionally, prepayments, net of prepayment fees, could negatively impact our return on equity.

***Our investments may include original issue discount and PIK instruments.***

To the extent that we invest in original issue discount or PIK instruments and the accretion of original issue discount or PIK interest income constitutes a portion of our income, we will be exposed to risks associated with the requirement to include such non-cash income in taxable and accounting income prior to receipt of cash, including the following:

- The higher interest rates on PIK instruments reflect the payment deferral and increased credit risk associated with these instruments, and PIK instruments generally represent a significantly higher credit risk than coupon loans;
- Original issue discount and PIK instruments may have unreliable valuations because the accruals require judgments about collectability of the deferred payments and the value of any associated collateral;
- An election to defer PIK interest payments by adding them to the principal on such instruments increases our future investment income which increases our gross assets and, as such, increases the Advisor's future base management fees which, thus, increases the Advisor's future income incentive fees at a compounding rate;
- Market prices of PIK instruments and other zero coupon instruments are affected to a greater extent by interest rate changes, and may be more volatile than instruments that pay interest periodically in cash. While PIK instruments are usually less volatile than zero coupon debt instruments, PIK instruments are generally more volatile than cash pay securities;
- The deferral of PIK interest on an instrument increases the loan-to-value ratio, which is a measure of the riskiness of a loan, with respect to such instrument;
- Even if the conditions for income accrual under GAAP are satisfied, a borrower could still default when actual payment is due upon the maturity of such loan;
- For accounting purposes, cash distributions to investors representing original issue discount income are not derived from paid-in capital, although they may be paid from the offering proceeds. Thus, although a distribution of original issue discount income may come from the cash invested by investors, the 1940 Act does not require that investors be given notice of this fact;
- Recent tax legislation requires that income be recognized for tax purposes no later than when recognized for financial reporting purposes;

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- The required recognition of PIK interest for U.S. federal income tax purposes may have a negative impact on liquidity, as it represents a non-cash component of our investment company taxable income that may require cash distributions to stockholders in order to maintain our ability to be subject to tax as a RIC; and
- Original issue discount may create a risk of non-refundable cash payments to the Advisor based on non-cash accruals that may never be realized.

***We may from time to time enter into total return swaps, credit default swaps or other derivative transactions which expose us to certain risks, including credit risk, market risk, liquidity risk and other risks similar to those associated with the use of leverage.***

We may from time to time enter into total return swaps, credit default swaps or other derivative transactions that seek to modify or replace the investment performance of a particular reference security or other asset. These transactions are typically individually negotiated, non-standardized agreements between two parties to exchange payments, with payments generally calculated by reference to a notional amount or quantity. Swap contracts and similar derivative contracts are not traded on exchanges; rather, banks and dealers act as principals in these markets. These investments may present risks in excess of those resulting from the referenced security or other asset. Because these transactions are not an acquisition of the referenced security or other asset itself, the investor has no right directly to enforce compliance with the terms of the referenced security or other asset and has no voting or other consensual rights of ownership with respect to the referenced security or other asset. In the event of insolvency of a counterparty, we will be treated as a general creditor of the counterparty and will have no claim of title with respect to the referenced security or other asset.

A total return swap is a contract in which one party agrees to make periodic payments to another party based on the change in the market value of the referenced security or other assets underlying the total return swap during a specified period, in return for periodic payments based on a fixed or variable interest rate.

A total return swap is subject to market risk, liquidity risk and risk of imperfect correlation between the value of the total return swap and the debt obligations underlying the total return swap. In addition, we may incur certain costs in connection with a total return swap that could in the aggregate be significant.

A credit default swap is a contract in which one party buys or sells protection against a credit event with respect to an issuer, such as an issuer's failure to make timely payments of interest or principal on its debt obligations, bankruptcy or restructuring during a specified period. Generally, if we sell credit protection using a credit default swap, we will receive fixed payments from the swap counterparty and if a credit event occurs with respect to the applicable issuer, we will pay the swap counterparty par for the issuer's defaulted debt securities and the swap counterparty will deliver the defaulted debt securities to us. Generally, if we buy credit protection using a credit default swap, we will make fixed payments to the counterparty and if a credit event occurs with respect to the applicable issuer, we will deliver the issuer's defaulted securities underlying the swap to the swap counterparty and the counterparty will pay us par for the defaulted securities. Alternatively, a credit default swap may be cash settled and the buyer of protection would receive the difference between the par value and the market value of the issuer's defaulted debt securities from the seller of protection.

Credit default swaps are subject to the credit risk of the underlying issuer. If we are selling credit protection, there is a risk that we will not properly assess the risk of the underlying issuer, a credit event will occur and we will have to pay the counterparty. If we are buying credit protection, there is a risk that we will not properly assess the risk of the underlying issuer, no credit event will occur and we will receive no benefit for the premium paid.

A derivative transaction is also subject to the risk that a counterparty will default on its payment obligations thereunder or that we will not be able to meet our obligations to the counterparty. In some cases, we may post collateral to secure our obligations to the counterparty, and we may be required to post additional collateral upon the occurrence of certain events such as a decrease in the value of the reference security or other asset. In some cases, the counterparty may not collateralize any of its obligations to us.

Derivative investments effectively add leverage to a portfolio by providing investment exposure to a security or market without owning or taking physical custody of such security or investing directly in such market. In addition to the risks described above, such arrangements are subject to risks similar to those associated with the use of leverage.

## Risks Related to Debt Financing

***We currently incur indebtedness to make investments, which magnifies the potential for gain or loss on amounts invested in our common stock and may increase the risk of investing in our common stock.***

The use of borrowings and other types of financing, also known as leverage, magnifies the potential for gain or loss on amounts invested and, therefore, increases the risks associated with investing in our common stock. When we use leverage to partially finance our investments, through borrowing from banks and other lenders or issuing debt securities, we, and therefore our stockholders, will experience increased risks of investing in our common stock. Any lenders and debt holders would have fixed dollar claims on our assets that are senior to the claims of our stockholders. If the value of our assets increases, then leverage would cause the net asset value attributable to our common stock to increase more sharply than it would have had we not utilized leverage. Conversely, if the value of our assets decreases, leverage would cause net asset value to decline more sharply than it otherwise would have had we not utilized leverage. Similarly, any increase in our income in excess of interest payable on our indebtedness would cause our net investment income to increase more than it would without leverage, while any decrease in our income would cause net investment income to decline more sharply than it would have had we not utilized leverage. Such a decline could negatively affect our ability to make distributions to stockholders. Leverage is generally considered a speculative investment technique.

In addition, the decision to utilize leverage will increase our assets and, as a result, will increase the amount of base management fees payable to the Advisor. See “Risks Related to the Advisor and its Affiliates—The Advisor and its affiliates, including our officers and some of our directors, face conflicts of interest as a result of compensation arrangements between us and the Advisor, which could result in actions that are not in the best interests of our stockholders.”

*Illustration.* The following table illustrates the effect of leverage on returns from an investment in shares of our common stock assuming various annual returns, net of expenses. The calculations in the table below are hypothetical and actual returns may be higher or lower than those appearing below. The calculation assumes (i) \$7.7 billion in total assets, (ii) a weighted average cost of funds of 4.53%, (iii) \$4.2 billion in debt outstanding (i.e., assumes that the maximum amount of debt permitted under the 1940 Act minimum asset coverage requirement is outstanding as of December 31, 2018) and (iv) \$4.2 billion in stockholders’ equity. In order to compute the “Corresponding return to stockholders,” the “Assumed Return on Our Portfolio (net of expenses)” is multiplied by the assumed total assets to obtain an assumed return to us. From this amount, the interest expense is calculated by multiplying the assumed weighted average cost of funds times the assumed debt outstanding, and the product is subtracted from the assumed return to us in order to determine the return available to stockholders. The return available to stockholders is then divided by our stockholders’ equity to determine the “Corresponding return to stockholders.” Actual interest payments may be different.

<u>Assumed Return on Our Portfolio (net of expenses)</u>	<u>-10%</u>	<u>-5%</u>	<u>0%</u>	<u>5%</u>	<u>10%</u>
Corresponding return to stockholders	(22.86)%	(13.70)%	(4.53)%	4.64%	13.80%

Similarly, assuming (i) \$7.7 billion in total assets, (ii) a weighted average cost of funds of 4.53% and (iii) \$4.2 billion in debt outstanding (i.e., assuming that the maximum amount of debt permitted under the 1940 Act minimum asset coverage requirement is outstanding as of December 31, 2018), our assets would need to yield an annual return (net of expenses) of approximately 2.47% in order to cover the annual interest payments on our outstanding debt.

***The agreements governing our debt financing arrangements contain, and agreements governing future debt financing arrangements may contain, various covenants which, if not complied with, could have a material adverse effect on our ability to meet our investment obligations and to pay distributions to our stockholders.***

The agreements governing certain of our debt financing arrangements contain, and agreements governing future debt financing arrangements may contain, certain financial and operational covenants. These covenants require us and our subsidiaries to, among other things, maintain certain financial ratios, including asset coverage and minimum stockholders’ equity. Compliance with these covenants depends on many factors, some of which are beyond our and their control. In the event of deterioration in the capital markets and pricing levels subsequent to this period, net unrealized depreciation in our and our subsidiaries’ portfolios may increase in the future and could result in non-compliance with certain covenants, or our taking actions which could disrupt our business and impact our ability to meet our investment objectives.

There can be no assurance that we and our subsidiaries will continue to comply with the covenants under our financing arrangements. Failure to comply with these covenants could result in a default which, if we and our subsidiaries were unable to obtain a waiver, consent or amendment from the debt holders, could accelerate repayment under any or all of our and their debt instruments and thereby force us to liquidate investments at a disadvantageous time and/or at a price which could result in losses,



or allow our lenders to sell assets pledged as collateral under our financing arrangements in order to satisfy amounts due thereunder. These occurrences could have a material adverse impact on our liquidity, financial condition, results of operations and ability to pay distributions. See “Item 7. Management’s Discussion and Analysis of Financial Condition and Results of Operations—Financial Condition, Liquidity and Capital Resources” for a more detailed discussion of the terms of our debt financings.

#### **Risks Related to an Investment in Our Common Stock**

***There is a risk that investors in our common stock may not receive distributions.***

We cannot assure stockholders that we will achieve investment results that will allow us to make a specified level of cash distributions. All distributions will be paid at the discretion of our board of directors and will depend on our earnings, our net investment income, our financial condition, maintenance of our RIC status, compliance with applicable BDC regulations and such other factors as our board of directors may deem relevant from time to time. Furthermore, we are permitted to issue senior securities, including multiple classes of debt and one class of stock senior to our shares of common stock. If any such senior securities are outstanding, we are prohibited from paying distributions to holders of shares of our common stock unless we meet the applicable asset coverage ratios at the time of distribution. As a result, we may be limited in our ability to make distributions. See “Item 1. Business—Regulation—Senior Securities.”

***Our distribution proceeds may exceed our earnings. Therefore, portions of the distributions that we make may represent a return of capital to stockholders, which will lower their tax basis in their shares of common stock.***

The tax treatment and characterization of our distributions may vary significantly from time to time due to the nature of our investments. The ultimate tax characterization of our distributions made during a tax year may not finally be determined until after the end of that tax year. We may make distributions during a tax year that exceed our investment company taxable income and net capital gains for that tax year. In such a situation, the amount by which our total distributions exceed investment company taxable income and net capital gains generally would be treated as a return of capital up to the amount of a stockholder’s tax basis in the shares, with any amounts exceeding such tax basis treated as a gain from the sale or exchange of such shares. A return of capital generally is a return of a stockholder’s investment rather than a return of earnings or gains derived from our investment activities. Moreover, we may pay all or a substantial portion of our distributions from the proceeds of the sale of shares of our common stock or from borrowings in anticipation of future cash flow, which could constitute a return of stockholders’ capital and will lower such stockholders’ tax basis in our shares, which may result in increased tax liability to stockholders when they sell such shares.

***Our shares of common stock may trade at a discount to net asset value, and such discount may be significant.***

Shares of closed-end investment companies, including BDCs, may trade at a market price that is less than the net asset value that is attributable to those shares. This characteristic of closed-end investment companies is separate and distinct from the risk that our net asset value per share may decline. It is not possible to predict whether shares of our common stock will trade at, above, or below net asset value. In the recent past, including during much of 2009, the stocks of BDCs as an industry traded below net asset value and at near historic lows as a result of concerns over liquidity, leverage restrictions and distribution requirements. If our common stock is trading at a price below its net asset value per share, we will generally not be able to issue additional shares of our common stock at their market price without first obtaining approval for such issuance from our stockholders and our independent directors. In past years, we obtained the approval of our stockholders to issue shares of common stock at prices below the then-current net asset value of our common stock, subject to certain conditions, during the twelve-month periods beginning on the dates of such approvals. The current authorization expires on December 3, 2019. We may again seek the approval of our stockholders to issue shares of our common stock at prices below the then-current net asset value per share for a twelve-month period following stockholder approval. However, we may not obtain the necessary approvals to sell shares of common stock below net asset value after December 3, 2019.

***We may pay distributions from offering proceeds, borrowings or the sale of assets to the extent our cash flows from operations, net investment income or earnings are not sufficient to fund declared distributions.***

We may fund distributions from the uninvested proceeds of a securities offering and borrowings, and we have not established limits on the amount of funds we may use from such proceeds or borrowings to make any such distributions. We have paid and may continue to pay distributions from the sale of assets to the extent distributions exceed our earnings or cash flows from operations. Distributions from offering proceeds or from borrowings could reduce the amount of capital we ultimately invest in our portfolio companies.

***A stockholder's interest in us will be diluted if we issue additional shares, which could reduce the overall value of an investment in us.***

Our investors do not have preemptive rights to any shares we issue in the future. Our charter authorizes us to issue 750,000,000 shares of common stock. Pursuant to our charter, a majority of our entire board of directors may amend our charter to increase the number of authorized shares of stock without stockholder approval. After an investor purchases shares, our board of directors may elect to sell additional shares in the future, issue equity interests in private offerings or issue share-based awards to our independent directors or employees of the Advisor. To the extent we issue additional equity interests after an investor purchases our shares, an investor's percentage ownership interest in us will be diluted. In addition, depending upon the terms and pricing of any additional offerings and the value of our investments, an investor may also experience dilution in the book value and fair value of his or her shares.

***Stockholders may experience dilution in their ownership percentage if they do not participate in our distribution reinvestment plan.***

Stockholders who do not participate in our distribution reinvestment plan may experience accretion to the net asset value of their shares if our shares are trading at a premium to net asset value and dilution if our shares are trading at a discount to net asset value. The level of accretion or discount would depend on various factors, including the proportion of our stockholders who participate in the plan, the level of premium or discount at which our shares are trading and the amount of the distribution payable to a stockholder.

***Certain provisions of our charter and bylaws as well as provisions of the Maryland General Corporation Law could deter takeover attempts and have an adverse impact on the value of our common stock.***

The Maryland General Corporation Law, or the MGCL, and our charter and bylaws contain certain provisions that may have the effect of discouraging, delaying or making difficult a change in control of our company or the removal of our incumbent directors. Under the Business Combination Act of the MGCL, certain business combinations between us and an "interested stockholder" (defined generally to include any person who beneficially owns 10% or more of the voting power of our outstanding shares) or an affiliate thereof is prohibited for five years and thereafter is subject to special stockholder voting requirements, to the extent that such statute is not superseded by applicable requirements of the 1940 Act. However, our board of directors has adopted a resolution exempting from the Business Combination Act any business combination between us and any person to the extent that such business combination receives the prior approval of our board of directors, including a majority of our directors who are not "interested persons" as defined in the 1940 Act. Under the Control Share Acquisition Act of the MGCL, "control shares" acquired in a "control share acquisition" have no voting rights except to the extent approved by a vote of two-thirds of the votes entitled to be cast on the matter, excluding shares owned by the acquirer, by officers or by directors who are employees of the corporation. Our bylaws contain a provision exempting from the Control Share Acquisition Act any and all acquisitions by any person of shares of our common stock, but such provision may be repealed at any time (before or after a control share acquisition). However, we will amend our bylaws to repeal such provision (so as to be subject to the Control Share Acquisition Act) only if our board of directors determines that it would be in our best interests and if the staff of the SEC does not object to our determination that our being subject to the Control Share Acquisition Act does not conflict with the 1940 Act. The Business Combination Act (if our board of directors should repeal the resolution) and the Control Share Acquisition Act (if we amend our bylaws to be subject to that Act) may discourage others from trying to acquire control of us and increase the difficulty of consummating any offer.

We have also adopted measures that may make it difficult for a third party to obtain control of us, including provisions of our charter: (a) classifying our board of directors into three classes serving staggered three-year terms, (b) providing that a director may be removed only for cause and only by vote of at least two-thirds of the votes entitled to be cast, and (c) authorizing our board of directors to (i) classify or reclassify shares of our stock into one or more classes or series, (ii) cause the issuance of additional shares of our stock, and (iii) amend our charter from time to time, without stockholder approval, to increase or decrease the aggregate number of shares of stock or the number of shares of stock of any class or series that we have authority to issue. These provisions, as well as other provisions of our charter and bylaws, may discourage, delay, defer, make more difficult or prevent a transaction or a change in control that might otherwise be in the best interest of our stockholders.

***The net asset value of our common stock may fluctuate significantly.***

The net asset value and liquidity, if any, of the market for shares of our common stock may be significantly affected by numerous factors, some of which are beyond our control and may not be directly related to our operating performance. These factors include: (i) changes in regulatory policies or tax guidelines, particularly with respect to RICs or BDCs; (ii) loss of RIC or

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BDC status; (iii) changes in earnings or variations in operating results; (iv) changes in the value of our portfolio of investments; (v) changes in accounting guidelines governing valuation of our investments; (vi) any shortfall in revenue or net income or any increase in losses from levels expected by investors; (vii) departure of our investment adviser or certain of its key personnel; (viii) general economic trends and other external factors; and (ix) loss of a major funding source.

### ***The market price of our common stock may fluctuate significantly.***

The market price and liquidity of the market for our common stock may be significantly affected by numerous factors, some of which are beyond our control and may not be directly related to our operating performance. These factors include:

- significant volatility in the market price and trading volume of securities of publicly traded RICs, BDCs or other companies in our sector, which are not necessarily related to the operating performance of these companies;
- price and volume fluctuations in the overall stock market from time to time;
- changes in law, regulatory policies or tax guidelines, or interpretations thereof, particularly with respect to RICs or BDCs;
- loss of our BDC or RIC status;
- changes in our earnings or variations in our operating results;
- changes in the value of our portfolio of investments;
- any shortfall in revenue or net income or any increase in losses from levels expected by investors or securities analysts;
- departure of the Advisor's key personnel;
- operating performance of companies comparable to us;
- short-selling pressure with respect to shares of our common stock or BDCs generally;
- future sales of our securities convertible into or exchangeable or exercisable for our common stock or the conversion of such securities;
- uncertainty surrounding the strength of the economy;
- general economic trends and other external factors; and
- loss of a major funding source.

In the past, following periods of volatility in the market price of a company's securities, securities class action litigation has often been brought against that company. If the market price of our common stock fluctuates significantly, we may be the target of securities litigation in the future. Securities litigation could result in substantial costs and divert management's attention and resources from our business.

### ***If we issue preferred stock, debt securities or convertible debt securities, the net asset value and market value of our common stock may become more volatile.***

We also cannot assure you that the issuance of preferred stock, debt securities or convertible debt securities would result in a higher yield or return to the holders of our common stock. The issuance of preferred stock, debt securities or convertible debt securities would likely cause the net asset value and market value of our common stock to become more volatile. If the dividend rate on the preferred stock, or the interest rate on the debt securities, were to approach the net rate of return on our investment portfolio, the benefit of leverage to the holders of our common stock would be reduced. If the dividend rate on the preferred stock, or the interest rate on the debt securities, were to exceed the net rate of return on our portfolio, the use of leverage would result in a lower rate of return to the holders of common stock than if we had not issued the preferred stock or debt securities. Any decline in the net asset value of our investment would be borne entirely by the holders of our common stock. Therefore, if the market value of our portfolio were to decline, the leverage would result in a greater decrease in net asset value to the holders of our common stock than if we were not leveraged through the issuance of preferred stock. This decline in net asset value would also tend to cause a greater decline in the market price for our common stock.

There is also a risk that, in the event of a sharp decline in the value of our net assets, we would be in danger of failing to maintain required asset coverage ratios which may be required by the preferred stock, debt securities, convertible debt or units or of a downgrade in the ratings of the preferred stock, debt securities, convertible debt or units or our current investment income might not be sufficient to meet the dividend requirements on the preferred stock or the interest payments on the debt securities. In order to counteract such an event, we might need to liquidate investments in order to fund redemption of some or all of the preferred stock, debt securities or convertible debt. In addition, we would pay (and the holders of our common stock would bear) all costs and expenses relating to the issuance and ongoing maintenance of the preferred stock, debt securities, convertible debt or any combination of these securities. Holders of preferred stock, debt securities or convertible debt may have different interests than holders of common stock and may at times have disproportionate influence over our affairs.

***Holders of any preferred stock that we may issue will have the right to elect members of the board of directors and have class voting rights on certain matters.***

The 1940 Act requires that holders of shares of preferred stock must be entitled as a class to elect two directors at all times and to elect a majority of the directors if dividends on such preferred stock are in arrears by two years or more, until such arrearage is eliminated. In addition, certain matters under the 1940 Act require the separate vote of the holders of any issued and outstanding preferred stock, including changes in fundamental investment restrictions and conversion to open-end status and, accordingly, preferred stockholders could veto any such changes. Restrictions imposed on the declarations and payment of dividends or other distributions to the holders of our common stock and preferred stock, both by the 1940 Act and by requirements imposed by rating agencies, might impair our ability to maintain our qualification as a RIC for U.S. federal income tax purposes.

***We may again obtain the approval of our stockholders to issue shares of our common stock at prices below the then-current net asset value per share of our common stock, and any such issuance could materially dilute our stockholders' interest in our common stock and reduce our net asset value per share.***

In past years, we obtained the approval of our stockholders to issue shares of our common stock at prices below the then-current net asset value of our common stock, subject to certain conditions, during the twelve-month periods beginning on the dates of such approvals. The current authorization expires on December 3, 2019. We may again seek the approval of our stockholders to issue shares of our common stock at prices below the then-current net asset value per share of our common stock in one or more offerings for a twelve-month period following stockholder approval. If such approval is obtained, it may allow us to access the capital markets in a way that we typically are unable to do as a result of restrictions that, absent stockholder approval, apply to BDCs under the 1940 Act.

Any sale or other issuance of shares of our common stock at a price below net asset value per share would result in an immediate dilution to our common stock and a reduction of our net asset value per share. This dilution would occur as a result of a proportionately greater decrease in a stockholder's interest in our earnings and assets and voting interest in us than the increase in our assets resulting from such issuance. Because the number of future shares of common stock that may be issued below our net asset value per share and the price and timing of such issuances are not currently known, we cannot predict the actual dilutive effect of any such issuance nor can we predict the resulting reduction in our net asset value per share, however, such effects may be material. We undertake to describe the material risks and dilutive effects of any offering that we make at a price below our then-current net asset value in the future in a prospectus supplement issued in connection with any such offering.

#### **Risks Related to U.S. Federal Income Tax**

***We will be subject to corporate-level income tax if we are unable to qualify as a RIC under Subchapter M of the Code or to satisfy the RIC annual distribution requirements.***

Besides maintaining our election to be treated as a BDC under the 1940 Act, in order for us to qualify as a RIC under Subchapter M of the Code, we must meet the following annual distribution, income source and asset diversification requirements. See "Item 1. Business—Taxation as a RIC."

- The 90% Income Test will be satisfied if we earn at least 90% of our gross income for each tax year from dividends, interest, gains from the sale of securities or similar sources.
- The Diversification Tests will be satisfied if we meet certain asset diversification requirements at the end of each quarter of our tax year. To satisfy these requirements, at least 50% of the value of our assets must consist of cash, cash equivalents, U.S. government securities, securities of other RICs, and other securities if such securities of any one issuer do not represent more than 5% of the value of our assets or more than 10% of the outstanding voting securities of

such issuer; and no more than 25% of the value of our assets can be invested in the securities, other than U.S. government securities or securities of other RICs, of one issuer, of two or more issuers that are controlled, as determined under applicable Code rules, by us and that are engaged in the same or similar or related trades or businesses or of certain “qualified publicly-traded partnerships.” Failure to meet these requirements may result in our having to dispose of certain investments quickly in order to prevent the loss of RIC status. Because most of our investments will be in private companies, and therefore will be relatively illiquid, any such dispositions could be made at disadvantageous prices and could result in substantial losses.

In any tax year in which we qualify as a RIC, in order for us to be able to be subject to tax as a RIC, we are required to meet an annual distribution requirement. The annual distribution requirement for RIC tax treatment will be satisfied if we distribute to our stockholders, for each tax year, dividends of an amount generally at least equal to the sum of 90% of our investment company taxable income, which is generally the sum of our ordinary net income and realized net short-term capital gains in excess of realized net long-term capital losses, without regard to any deduction for dividends paid. Because we may use debt financing, we are subject to an asset coverage ratio requirement under the 1940 Act and may in the future become subject to certain financial covenants under loan and credit agreements that could, under certain circumstances, restrict us from making distributions necessary to satisfy the annual distribution requirement. If we are unable to obtain cash from other sources, we could fail to qualify for RIC tax treatment and thus become subject to corporate-level income tax.

We must satisfy these tests on an ongoing basis in order to maintain RIC tax treatment, and may be required to make distributions to stockholders at times when it would be more advantageous to invest cash in our existing or other investments, or when we do not have funds readily available for distribution. Compliance with the RIC tax requirements may hinder our ability to operate solely on the basis of maximizing profits and the value of our stockholders’ investments. Also, the rules applicable to our qualification as a RIC are complex, with many areas of uncertainty. If we fail to qualify for or maintain RIC tax treatment for any reason and are subject to corporate income tax, the resulting corporate taxes could substantially reduce our net assets, the amount of income available for distribution and the amount of our distributions. Such a failure may have a material adverse effect on us and on any investment in us. The Code provides certain forms of relief from RIC disqualification due to failures of the 90% Income Test or any of the Diversification Tests, although there may be additional taxes due in such cases. We cannot assure you that we would qualify for any such relief should we fail either the 90% Income Test or any of the Diversification Tests.

***Some of our investments may be subject to corporate-level income tax.***

We may invest in certain debt and equity investments through taxable subsidiaries and the taxable income of these taxable subsidiaries will be subject to federal and state corporate income taxes. We may invest in certain foreign debt and equity investments which could be subject to foreign taxes (such as income tax, withholding and value added taxes).

***We may have difficulty paying our required distributions if we recognize income before or without receiving cash representing such income.***

For U.S. federal income tax purposes, we may be required to recognize taxable income in circumstances in which we do not receive a corresponding payment in cash. For example, our investments may include debt instruments that are treated under applicable tax rules as having original issue discount (such as debt instruments with PIK interest or, in certain cases, increasing interest rates or debt instruments that were issued with warrants). To the extent original issue discount or PIK interest constitutes a portion of our income, we must include in taxable income each tax year a portion of the original issue discount or PIK interest that accrues over the life of the instrument, regardless of whether cash representing such income is received by us in the same tax year. We may also have to include in income other amounts that we have not yet received in cash, such as deferred loan origination fees that are paid after origination of the loan or are paid in non-cash compensation such as warrants or stock. We anticipate that a portion of our income may constitute original issue discount or other income required to be included in taxable income prior to receipt of cash. Further, we may elect to amortize market discount and include such amounts in our taxable income in the current tax year, instead of upon disposition, as not making the election would limit our ability to deduct interest expenses for tax purposes.

Because any original issue discount or other amounts accrued will be included in our investment company taxable income for the tax year of the accrual, we may be required to make a distribution to our stockholders in order to satisfy the Annual Distribution Requirement, even though we will not have received any corresponding cash amount. As a result, we may have difficulty meeting the Annual Distribution Requirement necessary to qualify for and maintain RIC tax treatment under Subchapter M of the Code. We may have to sell some of our investments at times and/or at prices we would not consider advantageous, raise additional debt or equity capital or forgo new investment opportunities for this purpose. If we are not able to obtain cash from other sources, we may fail to qualify for or maintain RIC tax treatment and thus become subject to corporate-level income tax.

Furthermore, we may invest in the equity securities of non-U.S. corporations (or other non-U.S. entities classified as corporations for U.S. federal income tax purposes) that could be treated under the Code and U.S. Treasury regulations as “passive foreign investment companies” and/or “controlled foreign corporations.” The rules relating to investment in these types of non-U.S. entities are designed to ensure that U.S. taxpayers are either, in effect, taxed currently (or on an accelerated basis with respect to corporate level events) or taxed at increased tax rates at distribution or disposition. In certain circumstances, these rules also could require us to recognize taxable income or gains where we do not receive a corresponding payment in cash and, under recently proposed U.S. federal income tax regulations, all or a portion of such taxable income and gains may not be considered qualifying income for purposes of the 90% Income Test.

***Our portfolio investments may present special tax issues.***

Investments in below-investment grade debt instruments and certain equity securities may present special tax issues for us. U.S. federal income tax rules are not entirely clear about issues such as when we may cease to accrue interest, original issue discount or market discount, when and to what extent deductions may be taken for bad debts or worthless debt in equity securities, how payments received on obligations in default should be allocated between principal and interest income, as well as whether exchanges of debt instruments in a bankruptcy or workout context are taxable. Such matters could cause us to recognize taxable income for U.S. federal income tax purposes, even in the absence of cash or economic gain, and require us to make taxable distributions to our stockholders to maintain our RIC status or preclude the imposition of either U.S. federal corporate income or excise taxation. Additionally, because such taxable income may not be matched by corresponding cash received by us, we may be required to borrow money or dispose of other investments to be able to make distributions to our stockholders. These and other issues will be considered by us, to the extent determined necessary, in order that we minimize the level of any U.S. federal income or excise tax that we would otherwise incur. See “Item 1. Business—Taxation as a RIC.”

***If we do not qualify as a “publicly offered regulated investment company,” as defined in the Code, you will be taxed as though you received a distribution of some of our expenses.***

A “publicly offered regulated investment company” is a RIC whose shares are either (i) continuously offered pursuant to a public offering, (ii) regularly traded on an established securities market or (iii) held by at least 500 persons at all times during the tax year. If we do not qualify as a publicly offered regulated investment company for any tax year, a noncorporate stockholder’s allocable portion of our affected expenses, including our management fees, will be treated as an additional distribution to the stockholder and will be deductible by such stockholder only to the extent permitted under the limitations described below. For noncorporate stockholders, including individuals, trusts, and estates, significant limitations generally apply to the deductibility of certain expenses of a non-publicly offered regulated investment company, including management fees. In particular, these expenses, referred to as miscellaneous itemized deductions, are deductible to an individual only to the extent they exceed 2% of such a stockholder’s adjusted gross income for the taxable years after 2025 and are entirely not deductible against gross income before 2026, are not deductible for alternative minimum tax purposes and are subject to the overall limitation on itemized deductions imposed by the Code. Although we believe that we are currently considered a publicly offered regulated investment company, as defined in the Code, there can be no assurance, however, that we will be considered a publicly offered regulated investment company in the future.

***Legislative or regulatory tax changes could adversely affect investors.***

At any time, the federal income tax laws governing RICs or the administrative interpretations of those laws or regulations may be amended. Any of those new laws, regulations or interpretations may take effect retroactively and could adversely affect the taxation of us or our stockholders. Therefore, changes in tax laws, regulations or administrative interpretations or any amendments thereto could diminish the value of an investment in our shares or the value or the resale potential of our investments. In particular, on December 22, 2017, the Tax Cuts and Jobs Act was signed into law. This tax legislation lowers the general corporate income tax rate from 35 percent to 21 percent, makes changes regarding the use of net operating losses, repeals the corporate alternative minimum tax and makes significant changes with respect to the U.S. international tax rules. In addition, the legislation generally requires a holder that uses the accrual method of accounting for U.S. tax purposes to include certain amounts in income no later than the time such amounts are reflected on certain financial statements, which therefore if applicable would require us to accrue income earlier than under prior law, although the precise application of this rule is un-clear at this time. The legislation also limits the amount or value of interest deductions of borrowers and in that way may potentially affect the loan market and our and our portfolio companies’ use of leverage. For individual taxpayers, the legislation reduces the maximum individual income tax rate and eliminates the deductibility of miscellaneous itemized deductions for taxable years 2018 through 2025. The impact of this new legislation is uncertain.

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**Item 1B. Unresolved Staff Comments.**

None.

**Item 2. Properties.**

We do not own any real estate or other physical properties materially important to our operation. Our headquarters are located at 201 Rouse Boulevard, Philadelphia, Pennsylvania, 19112. We believe that our office facilities are suitable and adequate for our business as it is presently conducted.

**Item 3. 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 in the ordinary course of business, 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 4. Mine Safety Disclosures.**

Not applicable.

## PART II

Many of the amounts and percentages presented in Part II have been rounded for convenience of presentation, and all dollar amounts, excluding share and per share amounts, are presented in millions unless otherwise noted.

### Item 5. Market for Registrant’s Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities.

#### Market Information

Our common stock has been listed on the NYSE since April 16, 2014. Our common stock traded under the ticker symbol “FSIC” until December 19, 2018 and has traded under the ticker symbol “FSK” since December 20, 2018. Prior to April 16, 2014, there was no public market for our common stock. Our shares of common stock have historically traded at prices both above and below our net asset value per share. It is not possible to predict whether shares of our common stock will trade at, above or below our net asset value in the future. See “Risk Factors—Risks Related to an Investment in Our Common Stock—Our shares of common stock may trade at a discount to net asset value.”

As of February 25, 2019, we had 5,102 record holders of our common stock which does not include beneficial owners of shares of common stock held in “street name” by brokers and other institutions on behalf of stockholders.

#### Distributions

Subject to applicable legal restrictions and the sole discretion of our board of directors, we intend to declare and pay regular cash distributions on a quarterly basis. From time to time, we may also pay special interim distributions in the form of cash or shares of our common stock at the discretion of our board of directors. 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.

The following table reflects the cash distributions per share that we have declared on our common stock during the years ended December 31, 2018, 2017 and 2016:

For the Year Ended December 31,	Distribution	
	Per Share	Amount
2016	\$0.89100	\$ 217
2017	\$0.85825	\$ 211
2018 <sup>(1)</sup>	\$0.85000	\$ 205

(1) Includes a \$0.09 per share special cash distribution that was paid on December 3, 2018.

See “Item 7. Management’s Discussion and Analysis of Financial Condition and Results of Operations—RIC Status and Distributions” and Note 5 to our consolidated financial statements contained in this annual report on Form 10-K for additional information regarding our distributions and our distribution reinvestment plan.

#### Stock Repurchase Programs

##### February 2018 Share Repurchase Program

In February 2018, our board of directors authorized a stock repurchase program. Under the program, we were permitted to repurchase up to \$50 in the aggregate of our outstanding common stock in the open market at prices below the then current net asset value per share. During the year ended December 31, 2018, we repurchased 6,571,347 shares of common stock pursuant to the share repurchase program at an average price per share (inclusive of commissions paid) of \$7.61 (totaling \$50). The program has terminated since the aggregate repurchase amount that was approved by our board of directors has been expended.

##### December 2018 Share Repurchase Program

In December 2018, our board of directors authorized a stock repurchase program. Under the program, we are permitted to repurchase up to \$200 in the aggregate of our outstanding common stock in the open market at prices below the then current net asset value per share. The timing, manner, price and amount of any share repurchases will be determined by us, based upon the evaluation of economic and market conditions, our stock price, applicable legal and regulatory requirements and other factors. The program will be in effect through December 19, 2019, unless extended, or until the aggregate repurchase amount that has been approved by our board of directors has been expended. The program may be suspended, extended, modified or discontinued at any time.

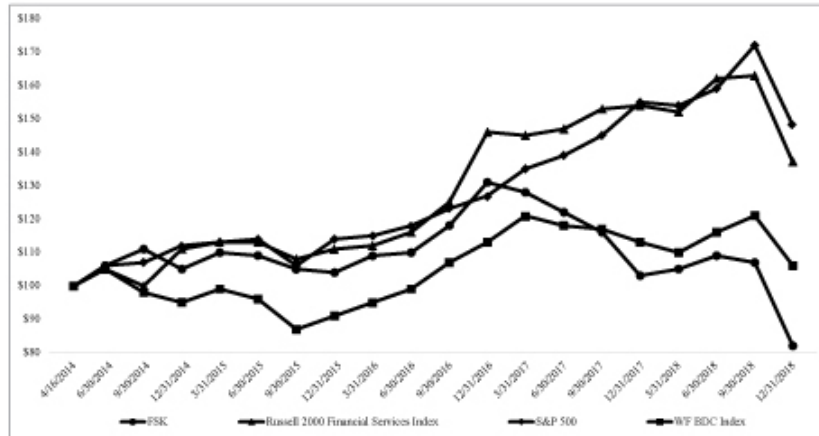
During the period from January 1, 2019 to February 26, 2019, we repurchased 6,146,042 shares of common stock pursuant to the share repurchase program at an average price per share (inclusive of commissions paid) of \$6.34 (totaling \$39).



**Stock Performance Graph**

*This performance graph shall not be deemed “soliciting material” or to be “filed” with the SEC for purposes of Section 18 of the Exchange Act or otherwise subject to the liabilities under that Section, and shall not be deemed to be incorporated by reference into any filing of FS KKR Capital Corp. under the Securities Act.*

The following graph shows a comparison from April 16, 2014 (the date our shares of common stock commenced trading on the NYSE) through December 31, 2018 of the cumulative total return for our common stock, the S&P 500 Index, the Russell 2000 Financial Services Index and the Wells Fargo® BDC Index. The graph assumes that \$100 was invested at the market close on April 16, 2014 in our common stock, the S&P 500 Index, the Russell 2000 Financial Services Index and the Wells Fargo® BDC Index, is based on historical stock prices and assumes all dividends or distributions are reinvested on the respective dividend or distribution payment dates without commissions. The stock price performance reflected by the following graph is not necessarily indicative of future stock price performance.



**Item 6. Selected Financial Data.**

The following selected consolidated financial data for the years ended December 31, 2018, 2017, 2016, 2015 and 2014 is derived from our consolidated financial statements which have been audited by RSM US LLP, our independent registered public accounting firm. The data should be read in conjunction with our consolidated financial statements and related notes thereto and “Item 7. Management’s Discussion and Analysis of Financial Condition and Results of Operations” included elsewhere in this annual report on Form 10-K.

	Year Ended December 31,				
	2018	2017	2016	2015	2014
<b>Statements of operations data:</b>					
Investment income	\$ 394	\$ 419	\$ 423	\$ 475	\$ 465
<b>Operating expenses</b>					
Total expenses and excise taxes	192	218	216	210	226
Less: Management fee waiver	(3)	(3)	—	—	(3)
Net expenses and excise taxes	189	215	216	210	223
Net investment income (loss)	205	204	207	265	242
Total net realized and unrealized gain (loss)	364	(22)	87	(227)	(47)
Net increase (decrease) in net assets resulting from operations	<u>\$ 569</u>	<u>\$ 182</u>	<u>\$ 294</u>	<u>\$ 38</u>	<u>\$ 195</u>
<b>Per share data:</b>					
Net investment income (loss)—basic and diluted <sup>(1)</sup>	<u>\$ 0.82</u>	<u>\$ 0.83</u>	<u>\$ 0.85</u>	<u>\$ 1.10</u>	<u>\$ 0.97</u>
Net increase (decrease) in net assets resulting from operations—basic and diluted <sup>(1)</sup>	<u>\$ 2.26</u>	<u>\$ 0.74</u>	<u>\$ 1.21</u>	<u>\$ 0.16</u>	<u>\$ 0.78</u>
Distributions declared <sup>(2)</sup>	<u>\$ 0.85</u>	<u>\$ 0.86</u>	<u>\$ 0.89</u>	<u>\$ 0.89</u>	<u>\$ 1.08</u>
<b>Balance sheet data:</b>					
Total assets	<u>\$ 7,705</u>	<u>\$ 4,104</u>	<u>\$ 4,110</u>	<u>\$ 4,148</u>	<u>\$ 4,355</u>
Credit facilities, notes, secured borrowing and repurchase agreement payable	<u>\$ 3,391</u>	<u>\$ 1,712</u>	<u>\$ 1,694</u>	<u>\$ 1,823</u>	<u>\$ 1,864</u>
Total net assets	<u>\$ 4,166</u>	<u>\$ 2,285</u>	<u>\$ 2,297</u>	<u>\$ 2,209</u>	<u>\$ 2,367</u>
<b>Other data:</b>					
Total return based on net asset value <sup>(3)</sup>	(6.56)%	7.97%	13.19%	1.63%	7.17%
Total return based on market value <sup>(4)</sup>	(20.15)%	(21.39)%	25.91%	(0.78)%	5.52%
Number of portfolio company investments at period end	204	100	102	114	118
Total portfolio investments for the period <sup>(5)</sup>	\$ 5,189	\$ 1,284	\$ 1,158	\$ 1,648	\$ 2,178
Proceeds from sales and prepayments of investments	\$ 1,187	\$ 1,135	\$ 1,588	\$ 1,626	\$ 2,122

- (1) The per share data was derived by using the weighted average shares outstanding during the applicable period.
- (2) The per share data for distributions reflect the actual amount of distributions paid per share during the applicable period.
- (3) The total return based on net asset value for each year presented was calculated by taking the net asset value per share as of the end of the applicable year, adding the cash distributions per share that were declared during the applicable calendar year and dividing the total by the net asset value per share at the beginning of the applicable year. Total return based on net asset value does not consider the effect of any sales commissions or charges that may be incurred in connection with the sale of shares of our common stock. The historical calculation of total return based on net asset value in the table should not be considered a representation of our future total return based on net asset value, which may be greater or less than the return shown in the table due to a number of factors, including our ability or inability to make investments in companies that meet our investment criteria, the interest rates payable on the debt securities we acquire, the level of our expenses, variations in and the timing of the recognition of realized and unrealized gains or losses, the degree to which we encounter competition in our markets and general economic conditions. As a result of these factors, results for any previous period should not be relied upon as being indicative of performance in future periods. The total return calculations set forth above represent the total return on our investment portfolio during the applicable period and do not represent an actual return to stockholders.

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- (4) The total return based on market value for each period presented was calculated based on the change in market price during the applicable period, including the impact of distributions reinvested in accordance with the Company's distribution reinvestment plan. The total return based on market value for the year ended December 31, 2014 was calculated based on the period from April 16, 2014, the first day the shares began trading on the NYSE at a closing price of \$10.25, to December 31, 2014. Total return based on market value does not consider the effect of any sales commissions or charges that may be incurred in connection with the sale of shares of our common stock. The historical calculation of total return based on market value in the table should not be considered a representation of our future total return based on market value, which may be greater or less than the return shown in the table due to a number of factors, including our ability or inability to make investments in companies that meet its investment criteria, the interest rates payable on the debt securities we acquire, the level of our expenses, variations in and the timing of the recognition of realized and unrealized gains or losses, the degree to which we encounter competition in our markets, general economic conditions and fluctuations in per share market value. As a result of these factors, results for any previous period should not be relied upon as being indicative of performance in future periods.
- (5) Total portfolio investments for the year ended December 31, 2018 include investments acquired at fair value of \$4,168 in connection with the Merger.

### **Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations.**

The information contained in this section should be read in conjunction with our consolidated financial statements and related notes thereto appearing elsewhere in this annual report on Form 10-K.

#### **Forward-Looking Statements**

Some of the statements in this annual report on Form 10-K constitute forward-looking statements because they relate to future events or our future performance or financial condition. The forward-looking statements contained in this annual report on Form 10-K may include statements as to:

- our future operating results;
- our business prospects and the prospects of the companies in which we may invest;
- the impact of the investments that we expect to make;
- the ability of our portfolio companies to achieve their objectives;
- our current and expected financings and investments;
- receiving and maintaining corporate credit ratings and changes in the general interest rate environment;
- the adequacy of our cash resources, financing sources and working capital;
- the timing and amount of cash flows, distributions and dividends, if any, from our portfolio companies;
- our contractual arrangements and relationships with third parties;
- actual and potential conflicts of interest with the other funds in the Fund Complex, their respective current or future investment advisers or any of their affiliates;
- the dependence of our future success on the general economy and its effect on the industries in which we may invest;
- our use of financial leverage;
- the ability of the Advisor to locate suitable investments for us and to monitor and administer our investments;
- the ability of the Advisor or its affiliates to attract and retain highly talented professionals;
- our ability to maintain our qualification as a RIC and as a BDC;
- the impact on our business of the Dodd-Frank Act, and the rules and regulations issued thereunder;

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- the effect of changes to tax legislation on us and the portfolio companies in which we may invest and our and their tax position; and
- the tax status of the enterprises in which we may invest.

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 annual report on Form 10-K involve risks and uncertainties. Our actual results could differ materially from those implied or expressed in the forward-looking statements for any reason, including those factors set forth in “Item 1A. Risk Factors.” 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 due to terrorism or natural disasters;
- future changes in laws or regulations and conditions in our operating areas; and
- the price at which shares of our common stock may trade on the NYSE.

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

### **Overview**

We were incorporated under the general corporation laws of the State of Maryland on December 21, 2007 and formally commenced investment operations on January 2, 2009. We are an externally managed, non-diversified, closed-end management investment company that has elected to be regulated as a BDC under the 1940 Act and has elected to be treated for U.S. federal income tax purposes, and intends to qualify annually, as a RIC under Subchapter M of the Code.

We are externally managed by the Advisor pursuant to the investment advisory agreement and supervised by our board of directors, a majority of whom are independent. On April 9, 2018, GSO / Blackstone Debt Funds Management LLC, or GDFM, resigned as our investment sub-adviser and terminated its investment sub-advisory agreement effective April 9, 2018. In connection with GDFM’s resignation as our investment sub-adviser, on April 9, 2018, we entered into the prior investment advisory agreement with the Advisor, which replaced an investment advisory agreement with our former investment adviser, FB Income Advisor, LLC. Following the consummation of the Merger, we entered into the investment advisory agreement with the Advisor, which replaced the prior investment advisory agreement.

Our investment objectives are to generate current income and, to a lesser extent, long-term capital appreciation. We pursue our investment objective by investing primarily in the debt of middle market U.S. companies with a focus on originated transactions sourced through the network of the Advisor and its affiliates. We define direct originations as any investment where the Advisor or its affiliates negotiates the terms of the transaction beyond just the price, which, for example, may include negotiating financial covenants, maturity dates or interest rate terms. These directly originated transactions include participation in other originated transactions where there may be third parties involved, or a bank acting as an intermediary, for a closely held club, or similar transactions.

Our portfolio is comprised primarily of investments in senior secured loans and second lien secured loans of private middle market U.S. companies and, to a lesser extent, subordinated loans of private U.S. companies. Although we do not expect a significant portion of our portfolio to be comprised of subordinated loans, there is no limit on the amount of such loans in which we may invest. We may purchase interests in loans or make other debt investments, including investments in senior secured bonds, through secondary market transactions in the OTC market or directly from our target companies as primary market or directly originated investments. In connection with our debt investments, we may on occasion receive equity interests such as warrants or options as additional consideration. We may also purchase or otherwise acquire interests in the form of common or preferred equity or equity-related securities, such as rights and warrants that may be converted into or exchanged for common stock or other equity or the cash value of common stock or other equity, in our target companies, generally in conjunction with

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one of our debt investments, including through the restructuring of such investments, or through a co-investment with a financial sponsor, such as an institutional investor or private equity firm. In addition, a portion of our portfolio may be comprised of corporate bonds, structured products, other debt securities and derivatives, including total return swaps and credit default swaps. The Advisor will seek to tailor our investment focus as market conditions evolve. Depending on market conditions, we may increase or decrease our exposure to less senior portions of the capital structure or otherwise make opportunistic investments, such as where the market price of loans, bonds or other securities reflects a lower value than deemed warranted by the Advisor's fundamental analysis, which may occur due to 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 and may include event driven investments, anchor orders and structured products.

The senior secured loans, second lien secured loans and senior secured bonds in which we invest generally have stated terms of three to seven years and subordinated debt investments that we make generally have stated terms of up to ten years, but the expected average life of such securities is generally between three and seven years. However, there is no limit on the maturity or duration of any security in our portfolio. Our debt investments may be rated by a NRSRO and, in such case, generally will carry a rating below investment grade (rated lower than "Baa3" by Moody's or lower than "BBB-" by S&P). We also invest in non-rated debt securities.

### *Corporate Capital Trust, Inc. Acquisition*

On December 19, 2018, we completed the Merger. Pursuant to the Merger Agreement, CCT was first merged with and into Merger Sub, with CCT as the surviving corporation, and, immediately following such merger, CCT was then merged with and into the Company, with the Company as the surviving company. In accordance with the terms of the Merger Agreement, at the time of the transactions contemplated by the Merger Agreement, each outstanding share of CCT common stock was converted into the right to receive 2.3552 shares of our common stock. As a result, we issued an aggregate of approximately 292,324,670 shares of our common stock to former CCT stockholders. Following the consummation of the Merger, we entered into the investment advisory agreement, which replaced the prior investment advisory agreement.

### *Revenues*

The principal measure of our financial performance is net increase in net assets resulting from operations, which includes net investment income, net realized gain or loss on investments, net realized gain or loss on foreign currency, net unrealized appreciation or depreciation on investments and net unrealized gain or loss on foreign currency. Net investment income is the difference between our income from interest, dividends, fees and other investment income and our operating and other expenses. Net realized gain or loss on investments is the difference between the proceeds received from dispositions of portfolio investments and their amortized cost, including the respective realized gain or loss on foreign currency for those foreign denominated investment transactions. Net realized gain or loss on foreign currency is the portion of realized gain or loss attributable to foreign currency fluctuations. Net unrealized appreciation or depreciation on investments is the net change in the fair value of our investment portfolio, including the respective unrealized gain or loss on foreign currency for those foreign denominated investments. Net unrealized gain or loss on foreign currency is the net change in the value of receivables or accruals due to the impact of foreign currency fluctuations.

We principally generate revenues in the form of interest income on the debt investments we hold. In addition, we generate revenues in the form of non-recurring commitment, closing, origination, structuring or diligence fees, monitoring fees, fees for providing managerial assistance, consulting fees, prepayment fees and performance-based fees. We may also generate revenues in the form of dividends and other distributions on the equity or other securities we hold.

### *Expenses*

Our primary operating expenses include the payment of management and incentive fees and other expenses under the investment advisory agreement and the administration agreement, interest expense from financing arrangements and other indebtedness, and other expenses necessary for our operations. The management and incentive fees compensate the Advisor for its work in identifying, evaluating, negotiating, executing, monitoring and servicing our investments.

The Advisor oversees our day-to-day operations, including the provision of general ledger accounting, fund accounting, legal services, investor relations, certain government and regulatory affairs activities, and other administrative services. The Advisor also performs, or oversees the performance of, our corporate operations and required administrative services, which includes being responsible for the financial records that we are required to maintain and preparing reports for our stockholders and reports filed with the SEC. In addition, the Advisor assists us in calculating our net asset value, overseeing the preparation and filing of tax returns and the printing and dissemination of reports to our stockholders, and generally overseeing the payment of our expenses and the performance of administrative and professional services rendered to us by others.

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Pursuant to the administration agreement, we reimburse the Advisor for expenses necessary to perform services related to our administration and operations, including the Advisor's allocable portion of the compensation and related expenses of certain personnel of FS Investments and KKR Credit providing administrative services to us on behalf of the Advisor. We reimburse the Advisor no less than quarterly for all costs and expenses incurred by the Advisor in performing its obligations and providing personnel and facilities under the administration agreement. The Advisor allocates the cost of such services to us based on factors such as total assets, revenues, time allocations and/or other reasonable metrics. Our board of directors reviews the methodology employed in determining how the expenses are allocated to us and the proposed allocation of administrative expenses among us and certain affiliates of the Advisor. Our board of directors then assesses the reasonableness of such reimbursements for expenses allocated to us based on the breadth, depth and quality of such services as compared to the estimated cost to us of obtaining similar services from third-party service providers known to be available. In addition, our board of directors considers whether any single third-party service provider would be capable of providing all such services at comparable cost and quality. Finally, our board of directors compares the total amount paid to the Advisor for such services as a percentage of our net assets to the same ratio as reported by other comparable BDCs.

We bear all other expenses of our operations and transactions, including (without limitation) fees and expenses relating to:

- corporate and organization expenses relating to offerings of our securities, subject to limitations included in the investment advisory agreement;
- the cost of calculating our net asset value, including the cost of any third-party pricing or valuation services;
- the cost of effecting sales and repurchases of shares of our common stock and other securities;
- investment advisory fees;
- fees payable to third parties relating to, or associated with, making investments and valuing investments, including fees and expenses associated with performing due diligence reviews of prospective investments;
- interest payments on our debt or related obligations;
- transfer agent and custodial fees;
- research and market data (including news and quotation equipment and services, and any computer hardware and connectivity hardware (e.g., telephone and fiber optic lines) incorporated into the cost of obtaining such research and market data);
- fees and expenses associated with marketing efforts;
- federal and state registration fees;
- federal, state and local taxes;
- fees and expenses of directors not also serving in an executive officer capacity for us or the Advisor;
- costs of proxy statements, stockholders' reports, notices and other filings;
- fidelity bond, directors and officers/errors and omissions liability insurance and other insurance premiums;
- direct costs such as printing, mailing, long distance telephone and staff;
- fees and expenses associated with accounting, corporate governance, government and regulatory affairs activities, independent audits and outside legal costs;
- costs associated with our reporting and compliance obligations under the 1940 Act and applicable federal and state securities laws, including compliance with the Sarbanes-Oxley Act;
- brokerage commissions for our investments; and
- all other expenses incurred by the Advisor or us in connection with administering our business, including expenses incurred by the Advisor in performing administrative services for us and administrative personnel paid by the Advisor, to the extent they are not controlling persons of the Advisor or any of its affiliates, subject to the limitations included in the investment advisory agreement and the administration agreement.

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In addition, we have contracted with State Street Bank and Trust Company to provide various accounting and administrative services, including, but not limited to, preparing preliminary financial information for review by the Advisor, preparing and monitoring expense budgets, maintaining accounting and corporate books and records, processing trade information provided by us and performing testing with respect to RIC compliance.

### Portfolio Investment Activity for the Years Ended December 31, 2018 and 2017

#### Total Portfolio Activity

The following tables present certain selected information regarding our portfolio investment activity for the years ended December 31, 2018 and 2017:

Net Investment Activity	For the Year Ended	
	December 31, 2018	December 31, 2017
Purchases <sup>(1)</sup>	\$ 5,189	\$ 1,284
Sales and Repayments	(1,187)	(1,135)
Net Portfolio Activity	\$ 4,002	\$ 149

New Investment Activity by Asset Class <sup>(1)</sup>	For the Year Ended			
	December 31, 2018		December 31, 2017	
	Purchases	Percentage	Purchases	Percentage
Senior Secured Loans—First Lien	\$ 2,328	44.9%	\$ 955	74.4%
Senior Secured Loans—Second Lien	1,108	21.4%	77	6.0%
Other Senior Secured Debt	240	4.6%	86	6.7%
Subordinated Debt	404	7.8%	119	9.3%
Asset Based Finance	446	8.5%	—	—
Strategic Credit Opportunities Partners, LLC	294	5.7%	—	—
Equity/Other	369	7.1%	47	3.6%
Total	\$ 5,189	100.0%	\$ 1,284	100.0%

(1) Purchases and new investments for the year ended December 31, 2018 include investments acquired at fair value of \$4,168 in connection with the Merger.

The following table summarizes the composition of our investment portfolio at cost and fair value as of December 31, 2018 and 2017:

	December 31, 2018			December 31, 2017		
	Amortized Cost <sup>(1)</sup>	Fair Value	Percentage of Portfolio	Amortized Cost <sup>(1)</sup>	Fair Value	Percentage of Portfolio
Senior Secured Loans—First Lien	\$ 4,105	\$ 4,001	54.2%	\$ 2,501	\$ 2,521	64.2%
Senior Secured Loans—Second Lien	1,171	1,118	15.1%	222	197	5.0%
Other Senior Secured Debt	386	336	4.6%	158	162	4.1%
Subordinated Debt	495	429	5.8%	368	355	9.1%
Asset Based Finance	641	659	8.9%	181	190	4.8%
Strategic Credit Opportunities Partners, LLC	294	299	4.0%	—	—	—
Equity/Other	664	545	7.4%	387	501	12.8%
Total	\$ 7,756	\$ 7,387	100.0%	\$ 3,817	\$ 3,926	100.0%

(1) Amortized costs represent the original cost adjusted for the amortization of premiums and/or accretion of discounts, as applicable, on investments.

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The following table presents certain selected information regarding the composition of our investment portfolio as of December 31, 2018 and 2017:

	December 31, 2018	December 31, 2017
Number of Portfolio Companies	204	100
% Variable Rate Debt Investments (based on fair value)	67.6%	69.4%
% Fixed Rate Debt Investments (based on fair value)	12.1%	16.4%
% Other Income Producing Investments (based on fair value)	11.9%	3.7%
% Non-Income Producing Investments (based on fair value) <sup>(1)</sup>	8.4%	10.5%
% of Investments on Non-Accrual (based on fair value)	1.0%	0.2%
Weighted Average Annual Yield on Income Producing Investments <sup>(2)</sup>	10.8%	10.5%

(1) Does not include investments on non-accrual status.

(2) Represents the expected yield based on the composition of the portfolio as of the applicable date. Our yield may be higher than an investor's yield on an investment in shares of our common stock because it does not reflect sales commissions or charges that may be incurred in connection with the purchase or sale of such shares, or operating expenses that may be incurred by us. Our yield does not represent an actual investment return to stockholders, is subject to change and, in the future, may be greater or less than the rates set forth herein. The weighted average annual yield for accruing debt investments is computed as (i) the sum of (a) the stated annual interest rate of each debt and debt-like investment, multiplied by its par amount, adjusted to U.S. dollars and for any partial income accrual when necessary, as of the end of the applicable reporting period, plus (b) the annual amortization of the purchase or original issue discount or premium of each accreting debt investment; divided by (ii) the total amortized cost of debt investments included in the calculated group as of the end of the applicable reporting period. Asset based finance investments with an effective interest rate are being included in the calculation.

For the year ended December 31, 2018, our total return based on net asset value was (6.56)% and our total return based on market value was (20.15)%. For the year ended December 31, 2017, our total return based on net asset value was 7.97% and our total return based on market value was (21.39)%. See footnotes 7 and 8 to the table included in Note 12 to our audited consolidated financial statements included herein for information regarding the calculation of our total return based on net asset value and total return based on market value, respectively.



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### Direct Originations

The following table presents certain selected information regarding our direct originations as of December 31, 2018 and 2017:

Characteristics of All Direct Originations held in Portfolio	December 31, 2018	December 31, 2017
Number of Portfolio Companies	129	75
Median Annual EBITDA of Portfolio Companies	\$ 56	\$ 43
Median Leverage Through Tranche of Portfolio Companies—Excluding Equity/Other and Collateralized Securities	5.0x	4.9x
% of Investments on Non-Accrual	1.0%	—
Total Cost of Direct Originations	\$ 6,808.3	\$ 3,479.2
Total Fair Value of Direct Originations	\$ 6,509.7	\$ 3,606.6
% of Total Investments, at Fair Value	88.1%	91.9%
Weighted Average Annual Yield for Accruing Debt Investments <sup>(1)</sup>	10.9%	10.4%

- (1) The weighted average annual yield for accruing debt investments is computed as (i) the sum of (a) the stated annual interest rate of each debt and debt-like investment, multiplied by its par amount, adjusted to U.S. dollars and for any partial income accrual when necessary, as of the end of the applicable reporting period, plus (b) the annual amortization of the purchase or original issue discount or premium of each accruing debt investment; divided by (ii) the total amortized cost of debt investments included in the calculated group as of the end of the applicable reporting period. Asset based finance investments with an effective interest rate are being included in the calculation.

### Portfolio Composition by Industry Classification

See Note 6 to our audited consolidated financial statements included herein for additional information regarding the composition of our investment portfolio by industry classification.

### Portfolio Asset Quality

In addition to various risk management and monitoring tools, the Advisor uses an investment rating system to characterize and monitor the expected level of returns on each investment in our portfolio. The Advisor uses an investment rating scale of 1 to 4. The Advisor formerly used an investment rating scale of 1 to 5. For the investment ratings as of December 31, 2017, the Advisor has reclassified investments as follows: investments that were ranked a 1 or 2 are now ranked a 1, investments that were ranked a 3 are now ranked a 2, investments that were ranked a 4 are now ranked a 3 and investments that were ranked a 5 are now ranked a 4. The following is a description of the conditions associated with each investment rating:

Investment Rating	Summary Description
1	Performing Investment—generally executing in accordance with plan and there are no concerns about the portfolio company’s performance or ability to meet covenant requirements.
2	Performing investment—no concern about repayment of both interest and our cost basis but company’s recent performance or trends in the industry require closer monitoring.
3	Underperforming investment—some loss of interest or dividend possible, but still expecting a positive return on investment.
4	Underperforming investment—concerns about the recoverability of principal or interest.

The following table shows the distribution of our investments on the 1 to 4 investment rating scale at fair value as of December 31, 2018 and 2017:

Investment Rating	December 31, 2018		December 31, 2017	
	Fair Value	Percentage of Portfolio	Fair Value	Percentage of Portfolio
1	\$3,888	53%	\$3,532	90%
2	3,102	42%	370	9%
3	220	3%	10	0%
4	177	2%	14	0%
<b>Total</b>	<b>\$7,387</b>	<b>100%</b>	<b>\$3,926</b>	<b>100%</b>

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The amount of the portfolio in each grading category may vary substantially from period to period resulting primarily from changes in the composition of the portfolio as a result of new investment, repayment and exit activities. In addition, changes in the grade of investments may be made to reflect our expectation of performance and changes in investment values.

### Results of Operations

#### Comparison of the Years Ended December 31, 2018, 2017 and 2016

##### Revenues

Our investment income for the years ended December 31, 2018, 2017 and 2016 was as follows:

	Year Ended December 31,					
	2018		2017		2016	
	Amount	Percentage of Total Income	Amount	Percentage of Total Income	Amount	Percentage of Total Income
Interest income	\$ 317	80.4%	\$ 334	79.7%	\$ 351	83.0%
Paid-in-kind interest income	55	14.0%	41	9.8%	33	7.8%
Fee income	13	3.3%	44	10.5%	36	8.5%
Dividend income	9	2.3%	—	—	3	0.7%
Total investment income <sup>(1)</sup>	<u>\$ 394</u>	<u>100.0%</u>	<u>\$ 419</u>	<u>100.0%</u>	<u>\$ 423</u>	<u>100.0%</u>

- (1) Such revenues represent \$332, \$373 and \$382 of cash income earned as well as \$62, \$46 and \$41 in non-cash portions relating to accretion of discount and PIK interest for the years ended December 31, 2018, 2017 and 2016, respectively. Cash flows related to such non-cash revenues may not occur for a number of reporting periods or years after such revenues are recognized.

The level of interest income we receive is generally related to the balance of income-producing investments, multiplied by the weighted average yield of our investments. Fee income is transaction based, and typically consists of prepayment fees and structuring fees. As such, fee income is generally dependent on new direct origination investments and the occurrence of events at existing portfolio companies resulting in such fees.

The decrease in interest and fee income during the year ended December 31, 2018 compared to the year ended December 31, 2017 can be primarily attributed to the placement of certain assets on non-accrual and net sales and repayment activity during the year ended December 31, 2018 and the repayment of certain large investments during the year ended December 31, 2017, partially offset by the increase in interest income from the acquired CCT assets for the last twelve days of the year. The increase in PIK interest income during the year ended December 31, 2018 compared to the year ended December 31, 2017 was primarily due to the restructuring of certain assets into assets with a higher PIK interest rate and an increase in LIBOR.

The increase in dividend income during the year ended December 31, 2018 compared to the year ended December 31, 2017 was primarily due to a one-time dividend paid in respect of one of our investments during the year ended December 31, 2018.

The decrease in interest income and increase in PIK interest income for the year ended December 31, 2017 compared to the year ended December 31, 2016 can be primarily attributed to the prepayment and restructuring of certain higher yielding assets into assets with a higher PIK paying component. The higher fee income during this same period can be attributed to such increased prepayment and restructuring activity.

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### Expenses

Our operating expenses, together with excise taxes, for the years ended December 31, 2018, 2017 and 2016 were as follows:

	Year Ended December 31,		
	2018	2017	2016
Management fees	\$ 63	\$ 73	\$ 71
Subordinated income incentive fees	26	50	52
Administrative services expenses	4	3	4
Accounting and administrative fees	1	1	1
Interest expense	84	79	74
Directors' fees	1	1	1
Expenses associated with our independent audit and related fees	1	1	1
Legal fees	1	1	1
Printing fees	1	1	1
Other <sup>(1)</sup>	3	3	4
Total operating expenses	\$ 185	\$ 213	\$ 210
Management fee waiver	(3)	(3)	—
Net operating expenses before taxes	182	210	210
Excise taxes	7	5	6
Total net expenses, including excise taxes	\$ 189	\$ 215	\$ 216

- (1) Other expenses during the years ended December 31, 2018 and 2016 include \$1 each of breakage fees associated with the paydown of certain debt facilities during the respective periods.

The following table reflects selected expense ratios as a percent of average net assets for the years ended December 31, 2018, 2017 and 2016:

	Year Ended December 31,		
	2018	2017	2016
Ratio of operating expenses and excise taxes to average net assets	8.57%	9.48%	9.69%
Ratio of management fee waiver to average net assets	(0.13)%	(0.11)	—
Ratio of net operating expenses to average net assets	8.44%	9.37%	9.69%
Ratio of incentive fees, interest expense and excise taxes to average net assets <sup>(1)</sup>	5.23%	5.85%	5.91%
Ratio of net operating expenses, excluding certain expenses, to average net assets	3.21%	3.52%	3.78%

- (1) Ratio data may be rounded in order to recompute the ending ratio of net operating expenses, excluding certain expenses, to average net assets.

Incentive fees and interest expense, among other things, may increase or decrease our expense ratios relative to comparative periods depending on portfolio performance and changes in amounts outstanding under our financing arrangements and benchmark interest rates such as LIBOR, among other factors.

### Net Investment Income

Our net investment income totaled \$205 (\$0.82 per share), \$204 (\$0.83 per share) and \$207 (\$0.85 per share) for the years ended December 31, 2018, 2017 and 2016, respectively. The increase in net investment income for the year December 31, 2018 compared to December 31, 2017 can be attributed to lower income as discussed above, offset by lower expenses during the year ended December 31, 2018 resulting from lower management and incentive fees.

The decrease in net investment income for the year ended December 31, 2017 compared to December 31, 2016 can be attributed lower income during 2017 and 2016 as discussed above.

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### Net Realized Gains or Losses

Our net realized gains (losses) on investments, secured borrowing and foreign currency for the years ended December 31, 2018, 2017 and 2016 were as follows:

	Year Ended December 31,		
	2018	2017	2016
Net realized gain (loss) on investments <sup>(1)</sup>	\$(125)	\$(142)	\$(64)
Net realized gain (loss) on swap contracts	0	—	—
Net realized gain (loss) on secured borrowing	—	(0)	—
Net realized gain (loss) on foreign currency	6	0	0
Total net realized gain (loss)	\$(119)	\$(142)	\$(64)

(1) We sold investments and received principal repayments, respectively, of \$553 and \$634 during the year ended December 31, 2018, \$350 and \$785 during the year ended December 31, 2017 and \$547 and \$1,041 during the year ended December 31, 2016.

### Net Change in Unrealized Appreciation (Depreciation)

Our net change in unrealized appreciation (depreciation) on investments, secured borrowing and unrealized gain (loss) on foreign currency for the years ended December 31, 2018, 2017 and 2016 were as follows:

	Year Ended December 31,		
	2018	2017	2016
Net change in unrealized appreciation (depreciation) on investments	\$(218)	\$126	\$149
Net change in unrealized appreciation (depreciation) on swap contracts	(16)	—	—
Net change in unrealized appreciation (depreciation) on foreign currency forward contracts	3	—	—
Net change in unrealized appreciation (depreciation) on secured borrowing	—	0	(0)
Net change in unrealized gain (loss) on foreign currency	(3)	(6)	2
Change in unrealized appreciation from merger accounting	717	—	—
Total net change in unrealized appreciation (depreciation)	\$483	\$120	\$151

During the year ended December 31, 2018, the net change in unrealized appreciation (depreciation) on our investments was primarily due to the decrease in valuation of certain of our equity/other investments, as well as the recognition of fair value of investments after the allocation of purchase price discount was applied to the fair value of CCT's investments in connection with the Merger. See Note 13 to our consolidated financial statements included herein for a discussion of the Merger. During the year ended December 31, 2017, the net change in unrealized appreciation (depreciation) on our investments was primarily driven by the conversion of unrealized depreciation to realized losses combined with depreciation of certain equity positions. During the year ended December 31, 2016, the net change in unrealized appreciation (depreciation) on our investments was primarily driven by a general tightening of credit spreads and an increase in the valuation of certain of our energy investments and Caesars Entertainment Operating Co., Inc. loans following positive developments in restructuring efforts concerning those loans.

### Net Increase (Decrease) in Net Assets Resulting from Operations

For the years ended December 31, 2018, 2017 and 2016, the net increase in net assets resulting from operations was \$569 (\$2.26 per share), \$182 (\$0.74 per share) and \$294 (\$1.21 per share), respectively.

## Financial Condition, Liquidity and Capital Resources

### Overview

As of December 31, 2018, we had \$104 in cash and foreign currency, which we or our wholly-owned financing subsidiaries held in custodial accounts, and \$1,168 in borrowings available under our financing arrangements, subject to borrowing base and other limitations. As of December 31, 2018, we also had broadly syndicated investments and opportunistic investments that could be sold to create additional liquidity. As of December 31, 2018, we had unfunded debt investments with aggregate unfunded commitments of \$172.4, unfunded equity commitments of \$386.7 and unfunded commitments of \$143.5 of Strategic Credit Opportunities Partners, LLC. We maintain sufficient cash on hand, available borrowings and liquid securities to fund such unfunded commitments should the need arise.

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We currently generate cash primarily from cash flows from fees, interest and dividends earned from our investments, as well as principal repayments and proceeds from sales of our investments. To seek to enhance our returns, we also employ leverage as market conditions permit and at the discretion of the Advisor, but in no event will leverage employed exceed 50% of the value of our assets, as required by the 1940 Act. See “—Financing Arrangements.”

Prior to investing in securities of portfolio companies, we invest the cash received from fees, interest and dividends earned from our investments and principal repayments and proceeds from sales of our investments primarily in cash, cash equivalents, including money market funds, 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.

### Financing Arrangements

The following table presents summary information with respect to our outstanding financing arrangements as of December 31, 2018:

Arrangement	Type of Arrangement	Rate	Amount Outstanding	Amount Available	Maturity Date
CCT New York Funding Credit Facility <sup>(1)</sup>	Revolving Credit Facility	L+2.50%	\$ 240	\$ 60	January 16, 2021
CCT Tokyo Funding Credit Facility <sup>(1)</sup>	Revolving Credit Facility	L+1.75%-2.00% <sup>(2)</sup>	183	117	December 2, 2022
Locust Street Credit Facility <sup>(1)</sup>	Term Loan Credit Facility	L+2.68%	425	—	November 1, 2020
Senior Secured Revolving Credit Facility <sup>(1)</sup>	Revolving Credit Facility	L+1.75%-2.00% <sup>(3)</sup>	1,224 <sup>(4)</sup>	991	August 9, 2023
4.000% Notes due 2019	Unsecured Notes	4.00%	400	—	July 15, 2019
4.250% Notes due 2020	Unsecured Notes	4.25%	405	—	January 15, 2020
4.750% Notes due 2022	Unsecured Notes	4.75%	275	—	May 15, 2022
5.000% Notes due 2022	Unsecured Notes	5.00%	245	—	June 28, 2022
<b>Total</b>			<b>\$ 3,397</b>	<b>\$ 1,168</b>	

(1) The carrying amount outstanding under the facility approximates its fair value.

(2) The spread over LIBOR is determined by reference to the amount outstanding under the facility.

(3) The spread over LIBOR is determined by reference to the ratio of the value of the borrowing base to the aggregate amount of certain outstanding indebtedness of the Company.

(4) Amount includes borrowing in Euros, Canadian dollars and pound sterling. Euro balance outstanding of €25 has been converted to U.S. dollars at an exchange rate of €1.00 to \$1.15 as of December 31, 2018 to reflect total amount outstanding in U.S. dollars. Canadian dollar balance outstanding of CAD \$24 has been converted to U.S. dollars at an exchange rate of CAD \$1.00 to \$0.73 as of December 31, 2018 to reflect total amount outstanding in U.S. dollars. Pound sterling balance outstanding of £3 has been converted to U.S. dollars at an exchange rate of £1.00 to \$1.28 as of December 31, 2018 to reflect total amount outstanding in U.S. dollars.

See Note 9 to our consolidated financial statements included herein for additional information regarding our financing arrangements.

### RIC Status and Distributions

We have elected to be subject to tax as a RIC under Subchapter M of the Code. In order to qualify for RIC tax treatment, we must, among other things, make distributions of an amount at least equal to 90% of our investment company taxable income, determined without regard to any deduction for distributions paid, each tax year. As long as the distributions are declared by the later of the fifteenth day of the ninth month following the close of a tax year or the due date of the tax return for such tax year, including extensions, distributions paid up to twelve months after the current tax year can be carried back to the prior tax year for determining the distributions paid in such tax year. We intend to make sufficient distributions to our stockholders to qualify for and maintain our RIC tax status each tax year. We are also subject to a 4% nondeductible federal excise taxes on certain undistributed income unless we make distributions in a timely manner to our stockholders generally of an amount at least equal to the sum of (1) 98% of our net ordinary income (taking into account certain deferrals and elections) for the calendar year, (2) 98.2% of our capital gain net income, which is the excess of capital gains in excess of capital losses, or “capital gain net income” (adjusted for certain ordinary losses), for the one-year period ending October 31 of that calendar year and (3) any net ordinary income and capital gain net income for the preceding years that were not distributed during such years and on which we

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paid no U.S. federal income tax. Any distribution declared by us during October, November or December of any calendar year, payable to stockholders of record on a specified date in such a month and actually paid during January of the following calendar year, will be treated as if it had been paid by us, as well as received by our stockholders, on December 31 of the calendar year in which the distribution was declared. We can offer no assurance that we will achieve results that will permit us to pay any cash distributions. If we issue senior securities, we will be prohibited from making distributions if doing so causes us to fail to maintain the asset coverage ratios stipulated by the 1940 Act or if distributions are limited by the terms of any of our borrowings.

Subject to applicable legal restrictions and the sole discretion of our board of directors, we intend to authorize, declare and pay regular cash distributions on a quarterly basis. We will calculate each stockholder's specific distribution amount for the period using record and declaration dates and each stockholder's distributions will begin to accrue on the date that shares of our common stock are issued to such stockholder. From time to time, we may also pay special interim distributions in the form of cash or shares of our common stock at the discretion of our board of directors.

During certain periods, our distributions may exceed our earnings. As a result, it is possible that a portion of the distributions we make may represent a return of capital. A return of capital generally is a return of a stockholder's investment rather than a return of earnings or gains derived from our investment activities. Each year a statement on Form 1099-DIV identifying the sources of the distributions will be mailed to our stockholders. No portion of the distributions paid during the tax years ended December 31, 2018, 2017 or 2016 represented a return of capital.

We intend to continue to make our regular distributions in the form of cash, out of assets legally available for distribution, except for those stockholders who receive their distributions in the form of shares of our common stock under our distribution reinvestment plan. Any distributions reinvested under the plan will nevertheless remain taxable to a U.S. stockholder.

The following table reflects the cash distributions per share that we have declared on our common stock during the years ended December 31, 2018, 2017 and 2016:

For the Year Ended December 31,	Distribution	
	Per Share	Amount
2016	\$0.89100	\$ 217
2017	\$0.85825	\$ 211
2018 <sup>(1)</sup>	\$0.85000	\$ 205

(1) Includes a \$0.09 per share special cash distribution that was paid on December 3, 2018.

See Note 5 to our consolidated financial statements contained in this annual report on Form 10-K for additional information regarding our distributions, including a reconciliation of our GAAP-basis net investment income to our tax-basis net investment income for the years ended December 31, 2018, 2017 and 2016.

### **Critical Accounting Policies**

Our financial statements are prepared in conformity with GAAP, which requires us to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting periods. Critical accounting policies are those that require the application of management's most difficult, subjective or complex judgments, often because of the need to make estimates about the effect of matters that are inherently uncertain and that may change in subsequent periods. In preparing the financial statements, management has made estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting periods. In preparing the financial statements, management has utilized available information, including our past history, industry standards and the current economic environment, among other factors, in forming its estimates and judgments, giving due consideration to materiality. Actual results may differ from these estimates. In addition, other companies may utilize different estimates, which may impact the comparability of our results of operations to those of companies in similar businesses. As we execute our operating plans, we will describe additional critical accounting policies in the notes to our future financial statements in addition to those discussed below.

#### *Valuation of Portfolio Investments*

We determine the net asset value of our investment portfolio each quarter. Securities are valued at fair value as determined in good faith by our board of directors. In connection with that determination, the Advisor provides our board of directors with portfolio company valuations which are based on relevant inputs, including, but not limited to, indicative dealer quotes, values of like securities, recent portfolio company financial statements and forecasts, and valuations prepared by independent third-party valuation services.

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Accounting Standards Codification Topic 820, Fair Value Measurements and Disclosure, or ASC Topic 820, issued by the Financial Accounting Standards Board, or the FASB, clarifies the definition of fair value and requires companies to expand their disclosure about the use of fair value to measure assets and liabilities in interim and annual periods subsequent to initial recognition. ASC Topic 820 defines fair value as the price that would be received from the sale of an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. ASC Topic 820 also establishes a three-tier fair value hierarchy, which prioritizes the inputs used in measuring fair value. These tiers include: Level 1, defined as observable inputs such as quoted prices in active markets; Level 2, which includes inputs such as quoted prices for similar securities in active markets and quoted prices for identical securities where there is little or no activity in the market; and Level 3, defined as unobservable inputs for which little or no market data exists, therefore requiring an entity to develop its own assumptions.

With respect to investments for which market quotations are not readily available, we undertake a multi-step valuation process each quarter, as described below:

- our quarterly fair valuation process begins with the Advisor reviewing and documenting valuations of each portfolio company or investment, which valuations are obtained from an independent third-party valuation service and provide a valuation range;
- the Advisor then provides the valuation committee of our board of directors, or the valuation committee, with its valuation recommendation for each portfolio company or investment, along with supporting materials;
- preliminary valuations are then discussed with the valuation committee;
- our valuation committee reviews the preliminary valuations and the Advisor, together with our independent third-party valuation services, if applicable, supplement the preliminary valuations to reflect any comments provided by the valuation committee;
- following its review, the valuation committee will recommend that our board of directors approve our fair valuations; and
- our board of directors discusses the valuations and determines the fair value of each such investment in our portfolio in good faith based on various statistical and other factors, including the input and recommendation of the Advisor, the valuation committee and any independent third-party valuation services, if applicable.

Determination of fair value involves subjective judgments and estimates. Accordingly, the notes to our consolidated financial statements refer to the uncertainty with respect to the possible effect of such valuations and any change in such valuations on our consolidated financial statements. In making its determination of fair value, our board of directors may use any approved independent third-party pricing or valuation services. However, our board of directors is not required to determine fair value in accordance with the valuation provided by any single source, and may use any relevant data, including information obtained from the Advisor or any approved independent third-party valuation or pricing service that our board of directors deems to be reliable in determining fair value under the circumstances. Below is a description of factors that the Advisor, any approved independent third-party valuation services and our board of directors may consider when determining the fair value of our investments.

Valuation of fixed income investments, such as loans and debt securities, depends upon a number of factors, including prevailing interest rates for like securities, expected volatility in future interest rates, call features, put features and other relevant terms of the debt. For investments without readily available market prices, we may incorporate these factors into discounted cash flow models to arrive at fair value. Other factors that may be considered include the borrower's ability to adequately service its debt, the fair market value of the borrower in relation to the face amount of its outstanding debt and the quality of collateral securing our debt investments.

For convertible debt securities, fair value generally approximates the fair value of the debt plus the fair value of an option to purchase the underlying security (i.e., the security into which the debt may convert) at the conversion price. To value such an option, a standard option pricing model may be used.

Our equity interests in portfolio companies for which there is no liquid public market are valued at fair value. Our board of directors, in its determination of fair value, may consider various factors, such as multiples of EBITDA, cash flows, net income, revenues or, in limited instances, book value or liquidation value. All of these factors may be subject to adjustments based upon the particular circumstances of a portfolio company or our actual investment position. For example, adjustments to EBITDA may take into account compensation to previous owners or acquisition, recapitalization, restructuring or other related items.

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The Advisor, any approved independent third-party valuation services and our board of directors may also consider private merger and acquisition statistics, public trading multiples discounted for illiquidity and other factors, valuations implied by third-party investments in the portfolio companies or industry practices in determining fair value. The Advisor, any approved independent third-party valuation services and our board of directors may also consider the size and scope of a portfolio company and its specific strengths and weaknesses, and may apply discounts or premiums, where and as appropriate, due to the higher (or lower) financial risk and/or the smaller size of portfolio companies relative to comparable firms, as well as such other factors as our board of directors, in consultation with the Advisor and any approved independent third-party valuation services, if applicable, may consider relevant in assessing fair value. Generally, the value of our equity interests in public companies for which market quotations are readily available is based upon the most recent closing public market price. Portfolio securities that carry certain restrictions on sale are typically valued at a discount from the public market value of the security.

When we receive warrants or other equity securities at nominal or no additional cost in connection with an investment in a debt security, the cost basis in the investment will be allocated between the debt securities and any such warrants or other equity securities received at the time of origination. Our board of directors subsequently values these warrants or other equity securities received at their fair value.

The fair values of our investments are determined in good faith by our board of directors. Our board of directors is responsible for the valuation of our portfolio investments at fair value as determined in good faith pursuant to our valuation policy and consistently applied valuation process. Our board of directors has delegated day-to-day responsibility for implementing our valuation policy to the Advisor, and has authorized the Advisor to utilize independent third-party valuation and pricing services that have been approved by our board of directors. The valuation committee is responsible for overseeing the Advisor's implementation of the valuation process.

See Note 8 to our consolidated financial statements included herein for additional information regarding the fair value of our financial instruments.

### *Revenue Recognition*

Security transactions are accounted for on the trade date. We record interest income on an accrual basis to the extent that we expect to collect such amounts. We record dividend income on the ex-dividend date. Distributions received from limited liability company ("LLC") and limited partnership ("LP") investments are evaluated to determine if the distribution should be recorded as dividend income or a return of capital. We do not accrue as a receivable interest or dividends on loans and securities if we have reason to doubt our ability to collect such income. Our policy is to place investments on non-accrual status when there is reasonable doubt that interest income will be collected. We consider many factors relevant to an investment when placing it on or removing it from non-accrual status including, but not limited to, the delinquency status of the investment, economic and business conditions, the overall financial condition of the underlying investment, the value of the underlying collateral, bankruptcy status, if any, and any other facts or circumstances relevant to the investment. If there is reasonable doubt that we will receive any previously accrued interest, then the interest income will be written-off. 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. Non-accrual investments may be restored to accrual status when principal and interest become current and are likely to remain current based on our judgment.

Loan origination fees, original issue discount and market discount are capitalized and we amortize such amounts as interest income over the respective term of the loan or security. Upon the prepayment of a loan or security, any unamortized loan origination fees and original issue discount are recorded as interest income. Structuring and other non-recurring upfront fees are recorded as fee income when earned. We record prepayment premiums on loans and securities as fee income when we earn such amounts.

Effective January 1, 2018, we adopted Accounting Standards Codification Topic 606, *Revenue from Contracts with Customers*, using the cumulative effect method applied to in-scope contracts with customers that have not been completed as of the date of adoption. We did not identify any in-scope contracts that had not been completed as of the date of adoption and, as a result, we did not recognize a cumulative effect on stockholders' equity in connection with the adoption of the new revenue recognition guidance.

The new revenue recognition guidance applies to all entities and all contracts with customers to provide goods or services in the ordinary course of business, excluding, among other things, financial instruments as well as certain other contractual rights and obligations. Under the new revenue recognition guidance, which we have applied to all new in-scope contracts as of the date of adoption, structuring and other upfront fees are recognized as revenue based on the transaction price as the performance



obligation is fulfilled. The related performance obligation consists of structuring activities and is satisfied over time as such activities are performed. Consideration is variable and is constrained from being included in the transaction price until the uncertainty associated with the variable consideration is resolved, typically as of the trade date of the related transaction. Payment is typically due on the settlement date of the related transaction.

For the year ended December 31, 2018, we recognized \$7 in structuring fee revenue under the new revenue recognition guidance and included such revenue in the fee income line item on our consolidated statement of operations. Comparative periods are presented in accordance with revenue recognition guidance effective prior to January 1, 2018, under which we recorded structuring and other non-recurring upfront fees as income when earned. We have determined that the adoption of the new revenue recognition guidance did not have a material impact on the amount of revenue recognized for the year ended December 31, 2018.

*Net Realized Gains or Losses, Net Change in Unrealized Appreciation or Depreciation and Net Change in Unrealized Gains or Losses on Foreign Currency*

Gains or losses on the sale of investments are calculated by using the specific identification method. We measure realized gains or losses by the difference between the net proceeds from the repayment or sale and the amortized cost basis of the investment, without regard to unrealized appreciation or depreciation previously recognized, but considering unamortized fees. Net change in unrealized appreciation or depreciation reflects the change in portfolio investment values during the reporting period, including any reversal of previously recorded unrealized gains or losses when gains or losses are realized. Net change in unrealized gains or losses on foreign currency reflects the change in the value of receivables or accruals during the reporting period due to the impact of foreign currency fluctuations.

*Uncertainty in Income Taxes*

We evaluate our tax positions to determine if the tax positions taken meet the minimum recognition threshold in connection with accounting for uncertainties in income tax positions taken or expected to be taken for the purposes of measuring and recognizing tax benefits or liabilities in our consolidated financial statements. Recognition of a tax benefit or liability with respect to an uncertain tax position is required only when the position is “more likely than not” to be sustained assuming examination by taxing authorities. We recognize interest and penalties, if any, related to unrecognized tax liabilities as income tax expense in our consolidated statements of operations. During the years ended December 31, 2018, 2017 and 2016, we did not incur any interest or penalties.

See Note 2 to our consolidated financial statements contained in this annual report on Form 10-K for additional information regarding our significant accounting policies.

*Partial Loan Sales*

We follow the guidance in Accounting Standards Codification Topic 860, *Transfers and Servicing*, when accounting for loan participations and other partial loan sales. This guidance requires a participation or other partial loan sale to meet the definition of a participating interest, as defined in the guidance, in order for sale treatment to be allowed. Participations or other partial loan sales which do not meet the definition of a participating interest remain on our consolidated balance sheets and the proceeds are recorded as a secured borrowing until the participation or other partial loan sale meets the definition. Secured borrowings are carried at fair value to correspond with the related investments, which are carried at fair value.

*Derivative Instruments*

Our derivative instruments include foreign currency forward contracts and cross currency swaps. We recognize all derivative instruments as assets or liabilities at fair value in our consolidated financial statements. Derivative contracts entered into by us are not designated as hedging instruments, and as a result, we present changes in fair value through net change in unrealized appreciation (depreciation) on derivative instruments in the consolidated statements of operations. Realized gains and losses that occur upon the cash settlement of the derivative instruments are included in net realized gains (losses) on derivative instruments in the consolidated statements of operations.

**Contractual Obligations**

We have entered into agreements with the Advisor to provide us with investment advisory and administrative services. Payments for investment advisory services under the investment advisory agreement are equal to (a) an annual base management fee based on the average weekly value of our gross assets (excluding cash and cash equivalents) and (b) an incentive fee based on

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our performance. The Advisor is reimbursed for administrative expenses incurred on our behalf. See Note 4 to our consolidated financial statements included herein for a discussion of these agreements and for the amount of fees and expenses accrued under these agreements during the years ended December 31, 2018, 2017 and 2016.

A summary of our significant contractual payment obligations for the repayment of outstanding indebtedness at December 31, 2018 is as follows:

	Maturity Date <sup>(1)</sup>	Payments Due By Period				
		Total	Less than 1 year	1-3 years	3-5 years	More than 5 years
CCT New York Funding Credit Facility <sup>(2)</sup>	January 16, 2021	\$240	—	\$ 240	—	—
CCT Tokyo Funding Credit Facility <sup>(3)</sup>	December 2, 2022	\$183	—	—	\$183	—
Locust Street Credit Facility <sup>(4)</sup>	November 1, 2020	\$425	—	\$ 425	—	—
Senior Secured Revolving Credit Facility <sup>(5)</sup>	August 9, 2023	\$1,224	—	—	\$1,224	—
4.000% Notes due 2019	July 15, 2019	\$400	\$ 400	—	—	—
4.250% Notes due 2020	January 15, 2020	\$405	—	\$ 405	—	—
4.750% Notes due 2022	May 15, 2022	\$275	—	—	\$275	—
5.000% Notes due 2022	June 28, 2022	\$245	—	—	\$245	—

- (1) Amounts outstanding under the financing arrangements will mature, and all accrued and unpaid interest thereunder will be due and payable, on the maturity date.
- (2) At December 31, 2018, \$60 remained unused under the financing arrangement.
- (3) At December 31, 2018, \$117 remained unused under the financing arrangement.
- (4) At December 31, 2018, no amounts remained unused under the financing arrangement.
- (5) At December 31, 2018, \$991 remained unused under the Senior Secured Revolving Credit Facility. Amount includes borrowing in Euros, Canadian dollars and pound sterling. Euro balance outstanding of €25 has been converted to U.S. dollars at an exchange rate of €1.00 to \$1.15 as of December 31, 2018 to reflect total amount outstanding in U.S. dollars. Canadian dollar balance outstanding of CAD \$24 has been converted to U.S. dollars at an exchange rate of CAD \$1.00 to \$0.73 as of December 31, 2018 to reflect total amount outstanding in U.S. dollars. Pound sterling balance outstanding of £3 has been converted to U.S. dollars at an exchange rate of £1.00 to \$1.28 as of December 31, 2018 to reflect total amount outstanding in U.S. dollars.

### Off-Balance Sheet Arrangements

We currently have no off-balance sheet arrangements, including any risk management of commodity pricing or other hedging practices.

### Recently Issued Accounting Standards

In August 2018, the FASB issued Accounting Standards Update 2018-13, *Fair Value Measurement—Disclosures Framework—Changes to Disclosure Requirements of Fair Value Measurement* (Topic 820), or ASU 2018-13. ASU 2018-13 introduces new fair value disclosure requirements and eliminates and modifies certain existing fair value disclosure requirements. ASU 2018-13 is effective for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2019. We are currently evaluating the impact of ASU 2018-13 on our financial statements.

### Item 7A. Quantitative and Qualitative Disclosures About Market Risk.

#### Interest Rate Risk

We are subject to financial market risks, including changes in interest rates. As of December 31, 2018, 67.6% of our portfolio investments (based on fair value) were debt investments paying variable interest rates and 12.1% were debt investments paying fixed interest rates while 11.9% were other income producing investments, and the remaining 8.4% consisted of non-income producing investments. A rise in the general level of interest rates can be expected to lead to higher interest rates applicable to any variable rate investments we hold and to declines in the value of any fixed rate investments we hold. However, many of our variable rate investments provide for an interest rate floor, which may prevent our interest income from increasing until benchmark interest rates increase beyond a threshold amount. To the extent that a substantial portion of our investments may be in variable rate investments, an increase in interest rates beyond this threshold would make it easier for us to meet or exceed the hurdle rate applicable to the

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subordinated incentive fee on income, and may result in a substantial increase in our net investment income and to the amount of incentive fees payable to the Advisor with respect to our increased pre-incentive fee net investment income.

Pursuant to the terms of the CCT New York Funding Credit Facility, CCT Tokyo Funding Credit Facility, Locust Street Credit Facility and Senior Secured Revolving Credit Facility, we borrow at a floating rate based on a benchmark interest rate. Under the indenture governing the 4.000% notes, the 4.250% notes, the 4.750% notes and the 5.000% notes, we pay interest to the holders of such notes at a fixed rate. To the extent that any present or future credit facilities or other financing arrangements that we or any of our subsidiaries enter into are based on a floating interest rate, we will be subject to risks relating to changes in market interest rates. In periods of rising interest rates when we or our subsidiaries have such debt outstanding, or financing arrangements in effect, our interest expense would increase, which could reduce our net investment income, especially to the extent we hold fixed rate investments.

The following table shows the effect over a twelve month period of changes in interest rates on our interest income, interest expense and net interest income, assuming no changes in the composition of our investment portfolio, including the accrual status of our investments, and our financing arrangements in effect as of December 31, 2018 (dollar amounts are presented in millions):

Basis Point Change in Interest Rates	Increase (Decrease) in Interest Income <sup>(1)</sup>	Increase (Decrease) in Interest Expense	Increase (Decrease) in Net Interest Income	Percentage Change in Net Interest Income
Down 100 basis points	\$ (48)	\$ (23)	\$ (25)	(4.9)%
No change	—	—	—	—
Up 100 basis points	50	23	27	5.3%
Up 300 basis points	152	69	83	16.5%
Up 500 basis points	255	116	139	27.8%

(1) Assumes no defaults or prepayments by portfolio companies over the next twelve months.

We expect that our long-term investments will be financed primarily with equity and debt. 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. During the years ended December 31, 2018, 2017 and 2016 we did not engage in interest rate hedging activities.

### Foreign Currency Risk

From time to time, we may make investments that are denominated in a foreign currency that are subject to the effects of exchange rate movements between the foreign currency of each such investment and the U.S. dollar, which may affect future fair values and cash flows, as well as amounts translated into U.S. dollars for inclusion in our consolidated financial statements.

The table below presents the effect that a 10% immediate, unfavorable change in the foreign currency exchange rates (i.e. strengthening of the U.S. dollar) would have on the fair value of our investments denominated in foreign currencies as of December 31, 2018, by foreign currency, all other valuation assumptions remaining constant. In addition, the table below presents the par value of our investments denominated in foreign currencies and the notional amount of foreign currency forward contracts in local currency in place as of December 31, 2018 to hedge against foreign currency risks.

	Investments Denominated in Foreign Currencies As of December 31, 2018				Hedges As of December 31, 2018	
	Cost in Local Currency	Cost in US\$	Fair Value	Reduction in Fair Value as of December 31, 2018 if 10% Adverse Change in Exchange Rate <sup>(1)</sup>	Net Foreign Currency Hedge Amount in Local Currency	Net Foreign Currency Hedge Amount in U.S. Dollars
Euros	€ 304.5	\$372.6	\$ 309.7	\$ 31.0	€ 290.7	\$ 320.5
Canadian Dollars	C\$ 14.2	11.0	10.1	1.0	C\$ 4.4	3.3
British Pound Sterling	£ 6.2	9.3	9.4	0.9	£ 17.4	24.1
Australian Dollars	A\$ 10.0	7.7	0.4	—	A\$ 0.6	0.4
Swedish Kronor	kr 97.2	15.1	2.6	0.3	kr —	—
Total		\$415.7	\$ 332.2	\$ 33.2		\$ 348.3

(1) Excludes effect, if any, of any foreign currency hedges.

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As illustrated in the table above, we use derivative instruments from time to time, including foreign currency forward contracts and cross currency swaps, to manage the impact of fluctuations in foreign currency exchange rates. In addition, we have the ability to borrow in foreign currencies under our Senior Secured Revolving Credit Facility, which provides a natural hedge with regard to changes in exchange rates between the foreign currencies and U.S. dollar and reduces our exposure to foreign exchange rate differences. We are typically a net receiver of these foreign currencies as related for our international investment positions, and, as a result, our investments denominated in foreign currencies, to the extent not hedged, benefit from a weaker U.S. dollar and are adversely affected by a stronger U.S. dollar.

As of December 31, 2018, the net contractual amount of our foreign currency forward contracts and cross currency swaps totaled \$348.3, all of which related to hedging of our foreign currency denominated debt investments. As of December 31, 2018, we had outstanding borrowings denominated in foreign currencies of €25, CAD\$24 and £3 under our Senior Secured Revolving Credit Facility.

In addition, we may have risk regarding portfolio valuation. See “Item 2. Management’s Discussion and Analysis of Financial Condition and Results of Operations—Critical Accounting Policies—Valuation of Portfolio Investments.”

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**Item 8. Financial Statements and Supplementary Data.**

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**MANAGEMENT’S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING**

Our management is responsible for establishing and maintaining adequate internal control over financial reporting. In connection with the preparation of our annual financial statements, management has conducted an assessment of the effectiveness of our internal control over financial reporting based on the framework set forth in *Internal Control—Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission in 2013 (“COSO”). Management’s assessment included an evaluation of the design of our internal control over financial reporting and testing of the operational effectiveness of those controls. Based on this evaluation, we have concluded that, as of December 31, 2018, our internal control over financial reporting was effective to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with U.S. generally accepted accounting principles. Our internal control over financial reporting as of December 31, 2018 has been audited by our independent registered public accounting firm.

## REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors and Stockholders  
FS KKR Capital Corp.  
Philadelphia, Pennsylvania

### Opinion on the Internal Control Over Financial Reporting

We have audited FS KKR Capital Corp.'s (the Company) internal control over financial reporting as of December 31, 2018, based on criteria established in Internal Control-Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission in 2013. In our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of December 31, 2018, based on criteria established in Internal Control-Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission in 2013.

We have also audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (PCAOB), the consolidated balance sheets, including the consolidated schedules of investments, of FS KKR Capital Corp. as of December 31, 2018 and 2017, and the related consolidated statements of operations, changes in net assets and cash flows for each of the three years in the period ended December 31, 2018 and our report dated February 27, 2019 expressed an unqualified opinion.

### Basis for Opinion

The Company's management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting in the accompanying Management's Report on Internal Control Over Financial Reporting. Our responsibility is to express an opinion on the Company's internal control over financial reporting based on our audit. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audit in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. Our audit also included performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

### Definition and Limitations of Internal Control Over Financial Reporting

A company's internal control over financial reporting is a process designed 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. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

/s/ RSM US LLP

Blue Bell, Pennsylvania  
February 27, 2019

**REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM**

To the Board of Directors and Stockholders  
FS KKR Capital Corp.  
Philadelphia, Pennsylvania

**Opinion on the Financial Statements**

We have audited the accompanying consolidated balance sheets, including the consolidated schedules of investments, of FS KKR Capital Corp. (the Company) as of December 31, 2018 and 2017, and the related consolidated statements of operations, changes in net assets and cash flows for each of the three years in the period ended December 31, 2018, and the related notes to the consolidated financial statements (collectively, the financial statements). In our opinion, the financial statements present fairly, in all material respects, the financial position of FS KKR Capital Corp. as of December 31, 2018 and 2017, and the results of its operations and its cash flows for each of the three years in the period ended December 31, 2018 in conformity with accounting principles generally accepted in the United States of America.

We have also audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (PCAOB), FS KKR Capital Corp.'s internal control over financial reporting as of December 31, 2018, based on criteria established in Internal Control-Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission in 2013, and our report dated February 27, 2019 expressed an unqualified opinion on the effectiveness of the Company's internal control over financial reporting.

**Basis for Opinion**

These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on the Company's financial statements based on our audits. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with U.S. federal securities laws and applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether due to error or fraud. Our audits included performing procedures to assess the risks of material misstatement of the financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements. Our procedures included confirmation of securities owned as of December 31, 2018 and 2017 by correspondence with the custodians and brokers or by other appropriate auditing procedures where replies from brokers were not received. We believe that our audits provide a reasonable basis for our opinion.

/s/ RSM US LLP

We have served as the auditor of one or more FS Investments investment companies since 2007.

Blue Bell, Pennsylvania  
February 27, 2019



**Part I—FINANCIAL INFORMATION**  
**FS KKR Capital Corp.**  
**Consolidated Balance Sheets**  
(in millions, except share and per share amounts)

	December 31,	
	2018	2017
Investments, at fair value		
Non-controlled/unaffiliated investments (amortized cost—\$6,457 and \$3,533, respectively)	\$6,217	\$3,601
Non-controlled/affiliated investments (amortized cost—\$382 and \$197, respectively)	358	230
Controlled/affiliated investments (amortized cost—\$917 and \$87, respectively)	812	95
Total investments, at fair value (amortized cost—\$7,756 and \$3,817, respectively)	<u>7,387</u>	<u>3,926</u>
Cash	101	135
Foreign currency, at fair value (cost—\$3 and \$4, respectively)	3	4
Receivable for investments sold and repaid	144	3
Income receivable	60	31
Unrealized appreciation on foreign currency forward contracts	3	—
Deferred financing costs	6	3
Prepaid expenses and other assets	1	2
<b>Total assets</b>	<b><u>\$7,705</u></b>	<b><u>\$4,104</u></b>
<b>Liabilities</b>		
Payable for investments purchased	\$ 6	\$ 2
Credit facilities payable (net of deferred financing costs of \$2 and \$3, respectively) <sup>(1)</sup>	2,070	639
Unsecured notes payable (net of deferred financing costs of \$1 and \$1, respectively) <sup>(1)</sup>	1,321	1,073
Unrealized depreciation on swap contracts	16	—
Unrealized depreciation on foreign currency forward contracts	0	—
Stockholder distributions payable	45	47
Management and investment adviser fees payable	20	15
Subordinated income incentive fees payable <sup>(2)</sup>	14	13
Administrative services expense payable	1	0
Interest payable	28	23
Directors' fees payable	0	0
Other accrued expenses and liabilities	18	7
<b>Total liabilities</b>	<b><u>3,539</u></b>	<b><u>1,819</u></b>
Commitments and contingencies <sup>(3)</sup>		
<b>Stockholders' equity</b>		
Preferred stock, \$0.001 par value, 50,000,000 shares authorized, none issued and outstanding	—	—
Common stock, \$0.001 par value, 750,000,000 shares authorized, 531,478,739 and 245,725,416 shares issued and outstanding, respectively	1	0
Capital in excess of par value	4,235	2,273
Accumulated earnings (loss) <sup>(4)</sup>	<u>(70)</u>	<u>12</u>
<b>Total stockholders' equity</b>	<b><u>4,166</u></b>	<b><u>2,285</u></b>
<b>Total liabilities and stockholders' equity</b>	<b><u>\$7,705</u></b>	<b><u>\$4,104</u></b>
Net asset value per share of common stock at year end	\$ 7.84	\$ 9.30

(1) See Note 9 for a discussion of the Company's financing arrangements.

(2) See Note 2 for a discussion of the methodology employed by the Company in calculating the subordinated income incentive fees.

(3) See Note 10 for a discussion of the Company's commitments and contingencies.

(4) See Note 5 for a discussion of the sources of distributions paid by the Company.

*See notes to consolidated financial statements.*

**FS KKR Capital Corp.**  
**Consolidated Statements of Operations**  
(in millions, except share and per share amounts)

	Year Ended December 31,		
	2018	2017	2016
<b>Investment income</b>			
From non-controlled/unaffiliated investments:			
Interest income	\$ 305	\$ 319	\$ 345
Paid-in-kind interest income	34	32	28
Fee income	13	41	35
Dividend income	8	0	3
From non-controlled/affiliated investments:			
Interest income	3	11	6
Paid-in-kind interest income	2	3	1
Fee income	—	3	1
From controlled/affiliated investments:			
Interest income	9	4	0
Paid-in-kind interest income	19	6	4
Dividend income	1	—	—
Total investment income	<u>394</u>	<u>419</u>	<u>423</u>
<b>Operating expenses</b>			
Management fees <sup>(1)</sup>	63	73	71
Subordinated income incentive fees <sup>(2)</sup>	26	50	52
Administrative services expenses	4	3	4
Accounting and administrative fees	1	1	1
Interest expense <sup>(3)</sup>	84	79	74
Directors' fees	1	1	1
Other general and administrative expenses	6	6	7
Total operating expenses	<u>185</u>	<u>213</u>	<u>210</u>
Management fee waiver <sup>(1)</sup>	<u>(3)</u>	<u>(3)</u>	<u>—</u>
Net expenses	<u>182</u>	<u>210</u>	<u>210</u>
Net investment income before taxes	<u>212</u>	<u>209</u>	<u>213</u>
Excise taxes	<u>7</u>	<u>5</u>	<u>6</u>
Net investment income	<u>205</u>	<u>204</u>	<u>207</u>
<b>Realized and unrealized gain/loss</b>			
Net realized gain (loss) on investments:			
Non-controlled/unaffiliated investments	(116)	(98)	(64)
Non-controlled/affiliated investments	(9)	9	—
Controlled/affiliated investments	—	(53)	0
Net realized gain (loss) on swap contracts	0	—	—
Net realized gain (loss) on secured borrowing	—	0	—
Net realized gain (loss) on foreign currency	6	0	0
Net change in unrealized appreciation (depreciation) on investments:			
Non-controlled/unaffiliated investments	(48)	137	139
Non-controlled/affiliated investments	(57)	(17)	9
Controlled/affiliated investments	(113)	6	1
Net change in unrealized appreciation (depreciation) on swap contracts	(16)	—	—
Net change in unrealized appreciation (depreciation) on foreign currency forward contracts	3	—	—
Net change in unrealized appreciation (depreciation) on secured borrowing	—	0	(0)
Net change in unrealized gain (loss) on foreign currency	(3)	(6)	2
Change in unrealized appreciation from merger accounting <sup>(4)</sup>	717	—	—
Total net realized and unrealized gain (loss)	<u>364</u>	<u>(22)</u>	<u>87</u>
<b>Net increase (decrease) in net assets resulting from operations</b>	<u>\$ 569</u>	<u>\$ 182</u>	<u>\$ 294</u>
<b>Per share information—basic and diluted</b>			
Net increase (decrease) in net assets resulting from operations (Earnings per Share)	<u>\$ 2.26<sup>(5)</sup></u>	<u>\$ 0.74</u>	<u>\$ 1.21</u>
Weighted average shares outstanding	<u>251,377,426</u>	<u>245,270,969</u>	<u>243,448,610</u>

**FS KKR Capital Corp.**  
**Consolidated Statements of Operations (continued)**  
**(in millions, except share and per share amounts)**

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- (1) See Note 4 for a discussion of the waiver by FB Income Advisor, LLC, the Company's former investment adviser, of certain management fees to which it was otherwise entitled during the applicable period.
- (2) See Note 2 for a discussion of the methodology employed by the Company in calculating the capital gains incentive fees and subordinated income incentive fees.
- (3) See Note 9 for a discussion of the Company's financing arrangements.
- (4) See Note 13 for a discussion of the Merger.
- (5) Includes \$717 change in unrealized appreciation from merger accounting. Without such amount, net increase (decrease) in net assets resulting from operations would have been \$(0.59).

*See notes to consolidated financial statements.*

**FS KKR Capital Corp.**  
**Consolidated Statements of Changes in Net Assets**  
**(in millions)**

	<b>Year Ended December 31,</b>		
	<b>2018</b>	<b>2017</b>	<b>2016</b>
<b>Operations</b>			
Net investment income (loss)	\$ 205	\$ 204	\$ 207
Net realized gain (loss) on investments, swap contracts, secured borrowing and foreign currency	(119)	(142)	(64)
Net change in unrealized appreciation (depreciation) on investments, swap contracts, foreign currency forward contracts and secured borrowing <sup>(1)</sup>	(231)	126	149
Net change in unrealized gain (loss) on foreign currency	(3)	(6)	2
Change in unrealized appreciation from merger accounting	717	—	—
Net increase (decrease) in net assets resulting from operations	<u>569</u>	<u>182</u>	<u>294</u>
<b>Stockholder distributions<sup>(2)</sup></b>			
Distributions to stockholders	(205)	(211)	(217)
Net decrease in net assets resulting from stockholder distributions	<u>(205)</u>	<u>(211)</u>	<u>(217)</u>
<b>Capital share transactions<sup>(3)</sup></b>			
Issuance of common stock	1,567	—	—
Reinvestment of stockholder distributions	—	16	11
Repurchases of common stock	(50)	—	—
Net increase (decrease) in net assets resulting from capital share transactions	<u>1,517</u>	<u>16</u>	<u>11</u>
Total increase (decrease) in net assets	1,881	(13)	88
Net assets at beginning of year	<u>2,285</u>	<u>2,297</u>	<u>2,209</u>
Net assets at end of year	<u>\$4,166</u>	<u>\$2,285</u>	<u>\$2,297</u>

(1) See Note 9 for a discussion of the Company's financing arrangements.

(2) See Note 5 for a discussion of the sources of distributions paid by the Company.

(3) See Note 3 for a discussion of the Company's capital share transactions.

*See notes to consolidated financial statements.*

**FS KKR Capital Corp.**  
**Consolidated Statements of Cash Flows**  
(in millions)

	Year Ended December 31,		
	2018	2017	2016
<b>Cash flows from operating activities</b>			
Net increase (decrease) in net assets resulting from operations	\$ 569	\$ 182	\$ 294
Adjustments to reconcile net increase (decrease) in net assets resulting from operations to net cash provided by (used in) operating activities:			
Purchases of investments <sup>(1)</sup>	(761)	(1,284)	(1,158)
Paid-in-kind interest	(55)	(41)	(33)
Proceeds from sales and repayments of investments	1,187	1,135	1,588
Net realized (gain) loss on investments and secured borrowing	125	143	64
Net change in unrealized (appreciation) depreciation on investments and secured borrowing <sup>(1)</sup>	218	(127)	(149)
Net change in unrealized (appreciation) depreciation on swap contracts	16	—	—
Net change in unrealized (appreciation) depreciation on foreign currency forward contracts	(3)	—	—
Change in unrealized appreciation from merger accounting	(717)	—	—
Accretion of discount	(7)	(25)	(10)
Amortization of deferred financing costs and discount	6	5	4
Unrealized (gain)/loss on borrowings in foreign currency	(3)	6	—
(Increase) decrease in receivable for investments sold and repaid	(141)	72	(76)
(Increase) decrease in income receivable	(29)	5	(2)
(Increase) decrease in prepaid expenses and other assets	1	(1)	—
Increase (decrease) in payable for investments purchased	4	(4)	6
Increase (decrease) in management fees payable	5	(3)	—
Increase (decrease) in subordinated income incentive fees payable	1	—	—
Increase (decrease) in administrative services expense payable	1	—	—
Increase (decrease) in interest payable	5	3	(2)
Increase (decrease) in other accrued expenses and liabilities	11	—	—
Other liabilities acquired from merger net of other assets	(146)	—	—
Merger costs capitalized into purchase price	(7)	—	—
Net cash provided by (used in) operating activities	<u>280</u>	<u>66</u>	<u>526</u>
<b>Cash flows from financing activities</b>			
Cash purchased in merger	197	—	—
Reinvestment of stockholder distributions	—	16	11
Repurchases of common stock	(50)	—	—
Stockholder distributions	(207)	(218)	(217)
Borrowings under credit facilities <sup>(2)</sup>	482	291	1,176
Borrowings under unsecured notes <sup>(2)</sup>	—	—	80
Secured borrowing <sup>(2)</sup>	—	(3)	3
Repayments of credit facilities <sup>(2)</sup>	(732)	(275)	(591)
Repayments under repurchase agreement <sup>(2)</sup>	—	—	(800)
Deferred financing costs paid	(5)	(3)	(6)
Net cash provided by (used in) financing activities	<u>(315)</u>	<u>(192)</u>	<u>(344)</u>
Total increase (decrease) in cash	<u>(35)</u>	<u>(126)</u>	<u>182</u>
Cash and foreign currency at beginning of year	139	265	83
Cash and foreign currency at end of year	<u>\$ 104</u>	<u>\$ 139</u>	<u>\$ 265</u>
<b>Supplemental disclosure</b>			
Local and excise taxes paid	<u>\$ 6</u>	<u>\$ 6</u>	<u>\$ 6</u>

(1) Excludes \$4,428 of cost of investments acquired from the Merger.

(2) Excludes \$1,928 of debt assumed from the Merger. See Note 9 for a discussion of the Company's financing arrangements. During the years ended December 31, 2018, 2017 and 2016, the Company paid \$82, \$71 and \$48, respectively, in interest expense on the credit facilities and unsecured notes. See Note 9 for a discussion of the Company's repurchase transaction, which the Company terminated on November 1, 2016. During the year ended December 31, 2016, the Company paid \$25 in interest expense pursuant to the repurchase agreement.

**FS KKR Capital Corp.**  
**Consolidated Statements of Cash Flows (continued)**  
**(in millions)**

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**Supplemental disclosure of non-cash operating and financing activities:**

In connection with the Merger, the Company issued common stock of \$1,574 and acquired investments at fair value of \$4,168 (\$4,428 at cost) and other assets of \$64 and assumed debt of \$1,928 and other liabilities of \$210.

*See notes to consolidated financial statements.*

**FS KKR Capital Corp.**  
**Consolidated Schedule of Investments**  
**As of December 31, 2018**  
**(in millions, except share amounts)**

Portfolio Company <sup>(a)</sup>	Footnotes	Industry	Rate <sup>(b)</sup>	Floor	Maturity	Principal Amount <sup>(c)</sup>	Amortized Cost	Fair Value <sup>(d)</sup>
<b>Senior Secured Loans—First Lien—</b>								
<b>96.0%</b>								
5 Arch Income Fund 2, LLC	(l)(q)	Diversified Financials	9.0%		11/18/23	\$ 53.9	\$ 53.9	\$ 53.9
5 Arch Income Fund 2, LLC	(l)(q)(v)	Diversified Financials	9.0%		11/18/23	23.7	23.7	23.7
A10 Capital LLC	(g)	Diversified Financials	L+650	1.0%	5/1/23	30.3	30.0	29.9
A10 Capital LLC	(g)(v)	Diversified Financials	L+650	1.0%	5/1/23	14.1	14.0	14.0
Abaco Systems, Inc	(g)(h)(i)	Capital Goods	L+600	1.0%	12/7/21	61.8	60.3	60.7
ABB CONCISE Optical Group LLC	(g)(x)	Retailing	L+500	1.0%	6/15/23	13.1	13.1	12.5
Accuride Corp	(g)(i)(x)	Capital Goods	L+525	1.0%	11/17/23	18.1	17.8	17.4
Acosta Holdco Inc	(g)(x)	Commercial & Professional Services	L+325	1.0%	9/26/21	19.2	17.6	11.8
Addison Holdings	(e)(g)	Commercial & Professional Services	L+675	1.0%	12/29/23	119.7	119.8	120.0
Advanced Lighting Technologies Inc	(g)(z)	Materials	L+750	1.0%	10/4/22	20.2	17.5	20.2
Advantage Sales & Marketing Inc	(g)(x)	Commercial & Professional Services	L+325	1.0%	7/23/21	17.7	16.8	15.7
Aleris International Inc	(g)(x)	Materials	L+475		2/27/23	3.4	3.4	3.4
Alion Science & Technology Corp	(g)(x)	Capital Goods	L+450	1.0%	8/19/21	2.7	2.7	2.7
All Systems Holding LLC	(e)(f)(g)	Commercial & Professional Services	L+767	1.0%	10/31/23	52.8	52.8	53.3
AltEn, LLC	(g)(n)(w)							
	(y)	Energy	L+400 (L+400 Max PIK)		9/12/21	33.6	2.7	2.9
Altus Power America Inc	(g)	Energy	L+750	1.5%	9/30/21	3.2	3.2	3.1
Altus Power America Inc	(g)(v)	Energy	L+750	1.5%	9/30/21	0.1	0.1	0.1
AM General LLC	(g)(h)(i)	Capital Goods	L+725	1.0%	12/28/21	165.3	164.6	166.7
Ammeraal Beltech Holding BV	(g)(l)(x)	Capital Goods	E+375		7/30/25	€ 2.0	2.3	2.3
Amtek Global Technology Pte Ltd	(j)(l)(z)	Automobiles & Components	E+500		4/4/24	49.2	60.5	56.4
AP Plasman Inc	(e)(f)(g)							
	(l)	Capital Goods	L+950	1.0%	12/29/19	\$ 190.7	190.0	176.4
Apex Group Limited	(g)(l)(v)	Diversified Financials	L+650		6/15/23	1.9	1.8	1.6
Apex Group Limited	(g)(l)	Diversified Financials	L+650	1.0%	6/15/25	12.7	12.5	12.3
Apex Group Limited	(g)(l)(v)	Diversified Financials	L+650	1.0%	6/15/25	6.1	6.0	5.9
Apex Group Limited	(g)(l)	Diversified Financials	L+650	1.0%	6/15/25	2.0	2.0	2.0
Apex Group Limited	(g)(l)(v)	Diversified Financials	L+650	1.0%	6/15/25	3.1	3.0	3.0
Aspect Software Inc	(g)(n)(w)							
	(y)	Software & Services	L+400, 6.5% PIK (6.5% Max PIK)		5/25/20	3.7	3.7	2.7
Aspect Software Inc	(g)(n)(w)							
	(y)	Software & Services	L+1100	1.0%	5/25/20	0.7	0.7	0.5
AVF Parent LLC	(e)(g)	Retailing	L+725	1.3%	3/1/24	55.4	55.4	51.8
Berner Food & Beverage LLC	(g)(h)(i)	Food & Staples Retailing	L+675	1.0%	2/2/23	62.6	62.2	60.6
Blackhawk Mining LLC	(g)(k)	Energy	L+1050		3/1/22	3.1	3.0	3.0
Blackhawk Mining LLC	(g)(k)	Energy	L+1050		10/5/22	3.0	3.0	3.0
Borden Dairy Co	(e)(g)	Food, Beverage & Tobacco	L+808	1.0%	7/6/23	70.0	70.0	63.7
Caprock Midstream LLC	(g)(x)	Energy	L+475		11/3/25	5.6	5.5	5.2
Charlotte Russe Inc	(g)(n)(w)							
	(y)	Retailing	8.5%		2/2/23	9.4	9.4	3.5
Commercial Barge Line Co	(g)(x)	Transportation	L+875	1.0%	11/12/20	4.6	4.1	3.3
CSafe Global	(g)	Capital Goods	L+725	1.0%	11/1/21	0.6	0.6	0.6
CSafe Global	(g)(v)	Capital Goods	L+725	1.0%	11/1/21	5.3	5.3	5.3
CSafe Global	(g)	Capital Goods	L+725	1.0%	10/31/23	50.2	50.2	50.8
CSM Bakery Products	(g)(x)	Food, Beverage & Tobacco	L+400	1.0%	7/3/20	1.1	1.1	1.0
CTI Foods Holding Co LLC	(g)(x)	Food, Beverage & Tobacco	L+350	1.0%	6/29/20	3.8	3.6	2.9
Dade Paper and Bag Co Inc	(e)	Capital Goods	L+700	1.0%	6/10/24	10.5	10.5	10.1

See notes to consolidated financial statements.

**FS KKR Capital Corp.**  
**Consolidated Schedule of Investments (continued)**  
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**(in millions, except share amounts)**

Portfolio Company <sup>(a)</sup>	Footnotes	Industry	Rate <sup>(b)</sup>	Floor	Maturity	Principal Amount <sup>(c)</sup>	Amortized Cost	Fair Value <sup>(d)</sup>
Dade Paper and Bag Co Inc	(e)(g)	Capital Goods	L+750	1.0%	6/10/24	\$ 82.8	\$ 82.8	\$ 81.1
Distribution International Inc	(g)(x)	Retailing	L+500	1.0%	12/15/21	28.1	24.2	25.0
Eagle Family Foods Inc	(g)(h)(v)	Food, Beverage & Tobacco	L+650	1.0%	6/14/23	7.1	7.1	6.1
Eagle Family Foods Inc	(g)(h)(i)	Food, Beverage & Tobacco	L+650	1.0%	6/14/24	47.4	46.9	46.6
Eagleclaw Midstream Ventures LLC	(g)(x)	Energy	L+425	1.0%	6/24/24	1.0	1.0	1.0
Empire Today LLC	(e)(g)	Retailing	L+700	1.0%	11/17/22	80.4	80.4	80.5
Frontline Technologies Group LLC	(g)(h)(v)	Software & Services	L+650	1.0%	9/18/23	12.1	12.0	12.2
Frontline Technologies Group LLC	(g)(h)(i)	Software & Services	L+650	1.0%	9/18/23	61.1	60.4	61.2
Greystone & Co Inc	(g)(h)	Diversified Financials	L+800	1.0%	4/17/24	37.6	37.3	38.2
HM Dunn Co Inc	(g)(n)(w)							
	(v)	Capital Goods	L+875 PIK (L+875 Max PIK)		6/30/21	0.7	0.6	0.1
Hudson Technologies Co	(g)(k)(l)	Commercial & Professional Services	L+1025	1.0%	10/10/23	39.4	39.1	28.2
Hunt Mortgage	(g)(h)	Diversified Financials	L+750	1.0%	2/14/23	60.6	59.9	59.4
Icynene Group Ltd	(e)(g)	Materials	L+700	1.0%	11/30/24	29.7	29.7	28.9
Imagine Communications Corp	(e)(g)	Media	L+825	1.0%	4/29/20	33.5	33.5	33.5
Imagine Communications Corp	(e)(g)(l)	Media	L+825	1.0%	4/29/20	13.7	13.7	13.7
Industrial Group Intermediate Holdings LLC	(g)	Materials	L+800	1.3%	5/31/20	19.6	19.6	19.5
Industry City TI Lessor LP	(g)	Consumer Services	10.8%, 1.0% PIK (1.0% Max PIK)		6/30/26	28.8	28.8	28.8
Integro Ltd/United States	(h)(i)	Insurance	L+575		10/30/22	25.6	25.5	25.6
JAKKS Pacific Inc	(g)	Consumer Durables & Apparel	L+900	1.5%	6/14/21	4.8	4.8	4.9
JHC Acquisition LLC	(e)(g)	Capital Goods	L+750	1.0%	1/29/24	54.9	54.9	54.9
JHC Acquisition LLC	(e)(g)(v)	Capital Goods	L+750	1.0%	1/29/24	2.9	2.9	2.9
JHT Holdings Inc	(g)(h)(i)	Capital Goods	L+850	1.0%	5/4/22	24.7	24.3	25.9
Jo-Ann Stores Inc	(g)(x)	Retailing	L+500	1.0%	10/20/23	16.1	15.9	15.4
Jostens Inc	(k)(x)	Consumer Services	L+550		12/19/25	5.6	5.4	5.4
JSS Holdings Ltd	(e)(g)	Capital Goods	L+800, 0.0% PIK (2.5% Max PIK)	1.0%	3/31/23	110.5	109.7	113.9
Kodiak BP LLC	(g)	Capital Goods	L+725	1.0%	12/1/24	31.4	31.4	30.8
Kodiak BP LLC	(g)(v)	Capital Goods	L+725	1.0%	12/1/24	54.4	54.2	53.2
Lazard Global Compounders Fund	(g)(l)	Diversified Financials	L+725	3.8%	4/1/26	51.8	51.8	52.2
Lazard Global Compounders Fund	(g)(l)(v)	Diversified Financials	L+725	3.8%	4/1/26	9.0	9.0	9.0
Leading Edge Aviation Services Inc	(e)(f)(g)							
	(k)	Capital Goods	L+750	1.0%	6/28/19	43.5	43.5	43.4
Leading Edge Aviation Services Inc	(f)(l)	Capital Goods	L+750	1.0%	6/30/20	9.0	9.0	9.0
Leading Edge Aviation Services Inc	(g)(k)(l)	Capital Goods	L+750	1.0%	6/30/20	€ 25.6	34.8	29.2
Matchesfashion Ltd	(h)(l)	Consumer Durables & Apparel	L+463		10/16/24	\$ 12.7	11.9	12.1
MB Precision Holdings LLC	(g)(n)(w)							
	(v)	Capital Goods	L+725, 2.3% PIK (2.3% Max PIK)	1.3%	1/23/21	4.6	4.3	4.6
Micronics Filtration Holdings Inc	(e)(g)	Capital Goods	L+800, 0.5% PIK (0.5% Max PIK)	1.3%	12/11/20	62.2	62.1	60.1
Misys Ltd	(g)(k)(l)							
	(x)	Software & Services	L+350	1.0%	6/13/24	0.6	0.6	0.6
Mitel US Holdings Inc	(g)(k)(x)	Technology Hardware & Equipment	L+450		11/30/25	3.0	3.0	3.0
Murray Energy Corp	(g)	Energy	L+900	1.0%	2/12/21	18.9	18.7	18.8
National Debt Relief LLC	(h)(i)	Diversified Financials	L+675	1.0%	5/31/23	18.8	18.7	19.0
NaviHealth Inc.	(g)(x)	Health Care Equipment & Services	L+500		8/1/25	12.2	11.5	11.5
NBG Home	(g)(i)(x)	Consumer Durables & Apparel	L+550	1.0%	4/26/24	25.2	24.8	24.6
NCI Inc	(g)(h)(i)	Software & Services	L+750	1.0%	8/15/24	83.5	82.6	82.8
Nine West Holdings	(g)	Consumer Durables & Apparel	10.0%		3/31/19	2.6	2.5	2.6

*See notes to consolidated financial statements.*



**FS KKR Capital Corp.**  
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Portfolio Company <sup>(a)</sup>	Footnotes	Industry	Rate <sup>(b)</sup>	Floor	Maturity	Principal Amount <sup>(c)</sup>	Amortized Cost	Fair Value <sup>(d)</sup>
Nine West Holdings	(g)(x)	Consumer Durables & Apparel	L+375	1.0%	10/8/19	\$ 6.2	\$ 5.7	\$ 6.0
North Haven Cadence Buyer Inc	(g)	Consumer Services	L+650	1.0%	9/2/24	1.5	1.5	1.4
North Haven Cadence Buyer Inc	(g)(v)	Consumer Services	L+650	1.0%	9/2/24	3.8	3.8	3.7
North Haven Cadence Buyer Inc	(g)(v)	Consumer Services	L+500	1.0%	9/2/21	0.9	0.9	0.9
North Haven Cadence Buyer Inc	(g)	Consumer Services	L+777	1.0%	9/2/24	3.8	3.8	3.8
North Haven Cadence Buyer Inc	(e)(g)	Consumer Services	L+798	1.0%	9/2/24	18.3	18.3	18.1
Onvoy LLC	(g)(x)	Telecommunication Services	L+450	1.0%	2/10/24	1.1	1.1	1.0
Pacific Union Financial LLC	(g)	Diversified Financials	L+750	1.0%	4/21/22	71.2	70.7	71.3
PAE Holding Corp	(g)(x)	Capital Goods	L+550	1.0%	10/20/22	2.5	2.5	2.4
Patriot Well Solutions LLC	(g)	Energy	L+875	1.0%	5/1/21	4.3	4.3	4.3
Patriot Well Solutions LLC	(g)	Energy	L+875	1.0%	5/1/21	2.1	2.1	2.1
Payless Inc	(g)	Retailing	L+870	1.0%	8/10/22	7.0	6.9	7.0
Petroplex Acidizing Inc	(g)	Energy	L+725, 1.8% PIK (1.8% Max PIK)	1.0%	12/5/19	22.7	22.7	22.7
Petroplex Acidizing Inc	(g)(n)(w)	Energy	15.0% PIK (15.0% Max PIK)		12/5/19	23.0	13.8	13.9
PHRC License LLC	(f)(g)	Consumer Services	L+850, 0.3% PIK (0.3% Max PIK)	1.5%	4/28/22	50.1	50.1	51.2
Power Distribution Inc	(e)(g)	Capital Goods	L+725	1.3%	1/25/23	29.3	29.3	29.3
PSKW LLC	(e)(g)	Health Care Equipment & Services	L+850	1.0%	11/25/21	49.4	49.4	49.5
Qdoba Restaurant Corp	(g)(x)	Consumer Services	L+700	1.0%	3/21/25	12.9	12.7	12.8
Reliant Rehab Hospital Cincinnati LLC	(e)(h)(i)	Health Care Equipment & Services	L+675	1.0%	8/30/24	95.2	94.3	94.9
Revere Superior Holdings, Inc	(g)(h)(i)	Software & Services	L+675	1.0%	11/21/22	67.3	66.8	67.5
Revere Superior Holdings, Inc	(g)	Software & Services	L+675	1.0%	11/21/22	5.0	5.0	4.4
Revere Superior Holdings, Inc	(g)	Software & Services	L+675	1.0%	11/21/22	17.8	17.7	17.8
Revere Superior Holdings, Inc	(g)(v)	Software & Services	L+675	1.0%	11/21/22	5.5	5.5	5.5
Roadrunner Intermediate Acquisition Co LLC	(e)(g)	Health Care Equipment & Services	L+675	1.0%	3/15/23	33.1	33.1	30.9
Rogue Wave Software Inc	(e)(g)	Software & Services	L+843	1.0%	9/25/21	73.3	73.3	73.2
Safariland LLC	(e)(g)	Capital Goods	L+765	1.1%	11/18/23	126.1	126.1	113.0
Savers Inc	(g)(x)	Retailing	L+375	1.3%	7/9/19	11.5	11.3	11.1
Sequa Corp	(g)(x)	Materials	L+500	1.0%	11/28/21	27.5	27.5	26.3
Sequel Youth & Family Services LLC	(e)(g)	Health Care Equipment & Services	L+700	1.0%	9/1/23	14.0	14.0	14.2
Sequel Youth & Family Services LLC	(e)(g)	Health Care Equipment & Services	L+800		9/1/23	80.0	80.0	81.4
Sequential Brands Group Inc.	(e)(g)	Consumer Durables & Apparel	L+875		2/7/24	60.2	59.2	60.2
SI Group Inc	(g)(x)	Materials	L+475		10/15/25	2.1	2.0	2.0
SIRVA Worldwide Inc	(g)(x)	Commercial & Professional Services	L+550		8/2/25	4.2	4.2	4.1
SMART Global Holdings Inc	(g)(k)(l)	Semiconductors & Semiconductor Equipment	L+625	1.0%	8/9/22	19.7	19.7	19.9
Sorenson Communications LLC	(e)(k)(x)	Telecommunication Services	L+575	2.3%	4/30/20	29.4	29.3	29.3
SSC (Lux) Limited S.a r.l.	(e)(g)(l)	Health Care Equipment & Services	L+750	1.0%	9/10/24	59.5	59.5	60.1
Staples Canada	(g)(k)(l)	Retailing	L+700	1.0%	9/12/24	C\$ 11.5	9.0	8.5
Sungard Availability Services Capital Inc	(g)(x)	Software & Services	L+700	1.0%	9/30/21	\$ 4.2	4.2	3.6
Sungard Availability Services Capital Inc	(g)(x)	Software & Services	L+1000	1.0%	10/1/22	1.9	1.8	1.9
Sutherland Global Services Inc	(g)(l)(x)	Software & Services	L+538	1.0%	4/23/21	7.0	6.8	6.6
Sutherland Global Services Inc	(g)(l)(x)	Software & Services	L+538	1.0%	4/23/21	1.6	1.6	1.5
Sweet Harvest Foods Management Co	(h)(i)	Food & Staples Retailing	L+675	1.0%	5/30/23	26.8	26.6	19.6
Tangoe LLC	(g)	Software & Services	L+650	1.0%	11/28/25	90.0	89.2	89.1

*See notes to consolidated financial statements.*

**FS KKR Capital Corp.**  
**Consolidated Schedule of Investments (continued)**  
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Portfolio Company <sup>(a)</sup>	Footnotes	Industry	Rate <sup>(b)</sup>	Floor	Maturity	Principal Amount <sup>(c)</sup>	Amortized Cost	Fair Value <sup>(d)</sup>
Team Health Inc	(g)(x)	Health Care Equipment & Services	L+275	1.0%	2/6/24	\$ 12.6	\$ 12.2	\$ 11.3
ThermaSys Corp	(n)(w)(y)	Capital Goods	L+600	1.0%	12/28/23	6.7	6.7	6.7
ThreeSixty Group	(g)(h)(i)	Retailing	L+700	1.0%	3/1/23	50.8	50.2	46.9
ThreeSixty Group	(g)(h)(i)	Retailing	L+700	1.0%	3/1/23	50.5	49.9	46.6
Trace3 Inc	(e)(g)(k)	Software & Services	L+675	1.0%	8/5/24	93.9	93.9	93.0
Utility One Source LP	(g)(k)(x)	Capital Goods	L+550	1.0%	4/18/23	—	—	—
Versatile Processing Group Inc	(e)(g)	Materials	L+1050	1.0%	12/30/20	105.4	105.3	107.0
Virgin Pulse Inc	(e)(g)(h)	Software & Services	L+650	1.0%	5/22/25	138.3	137.2	134.0
Vivint Inc	(g)(x)	Commercial & Professional Services	L+500		4/1/24	27.8	27.7	27.1
Warren Resources Inc	(f)(g)	Energy	L+1000, 1.0% PIK (1.0% Max PIK)	1.0%	5/22/20	0.7	0.7	0.7
Wheels Up Partners LLC	(g)	Transportation	L+855	1.0%	1/26/21	13.1	13.1	13.1
Wheels Up Partners LLC	(g)	Transportation	L+855	1.0%	8/26/21	6.7	6.7	6.7
Wheels Up Partners LLC	(g)	Transportation	L+710	1.0%	6/30/24	22.0	22.0	22.1
Wheels Up Partners LLC	(g)	Transportation	L+710	1.0%	8/1/24	14.6	14.4	14.6
Wheels Up Partners LLC	(g)	Transportation	L+710	1.0%	11/1/24	9.1	9.1	9.1
Wheels Up Partners LLC	(g)	Transportation	L+710	1.0%	12/21/24	14.3	14.3	14.3
Wheels Up Partners LLC	(g)	Transportation	L+710	1.0%	12/21/24	4.6	4.6	4.7
WireCo WorldGroup Inc	(g)(k)(x)	Capital Goods	L+500	1.0%	9/29/23	0.5	0.5	0.4
Z Gallerie LLC	(g)(n)(w)	Retailing	L+650, 2.0% PIK (2.0% Max PIK)	1.0%	10/8/21	31.9	30.2	11.3
Zeta Interactive Holdings Corp	(e)(g)	Software & Services	L+750	1.0%	7/29/22	12.9	12.9	13.0
Zeta Interactive Holdings Corp	(e)(g)(v)	Software & Services	L+750	1.0%	7/29/22	2.3	2.3	2.3
<b>Total Senior Secured Loans—First Lien</b>							4,256.4	4,152.2
Unfunded Loan Commitments							(151.6)	(151.6)
<b>Net Senior Secured Loans—First Lien</b>							<b>4,104.8</b>	<b>4,000.6</b>
<b>Senior Secured Loans—Second Lien—26.8%</b>								
Abaco Systems, Inc	(g)(h)	Capital Goods	L+1050	1.0%	6/7/22	63.4	62.6	62.3
Access CIG LLC	(g)(x)	Software & Services	L+775		2/27/26	0.6	0.6	0.6
Advantage Sales & Marketing Inc	(g)(x)	Commercial & Professional Services	L+650	1.0%	7/25/22	3.9	3.5	3.1
Agro Merchants Global LP	(g)	Transportation	L+800	1.0%	11/30/25	15.0	14.7	14.7
Albany Molecular Research Inc	(g)(x)	Pharmaceuticals, Biotechnology & Life Sciences	L+700	1.0%	8/28/25	8.3	8.3	8.2
Ammeraal Beltech Holding BV	(g)(l)	Capital Goods	L+800		7/27/26	40.7	39.9	39.8
Amtek Global Technology Pte Ltd	(j)(l)(z)	Automobiles & Components	E+500		4/4/24	€ 32.8	40.3	37.6
Arena Energy LP	(g)	Energy	L+900, 4.0% PIK (4.0% Max PIK)	1.0%	1/24/21	\$ 8.6	8.6	8.6
Belk Inc	(g)(h)	Retailing	10.5%		6/12/23	119.1	112.9	94.7
Bellatrix Exploration Ltd	(g)(l)	Energy	8.5%		7/26/23	4.5	4.1	4.0
Bellatrix Exploration Ltd	(g)(l)	Energy	8.5%		7/26/23	1.9	1.9	1.9
Bellatrix Exploration Ltd	(g)(l)(v)	Energy	8.5%		7/26/23	0.6	0.6	0.6
Byrider Finance LLC	(f)(g)	Automobiles & Components	L+1000, 0.5% PIK (4.0% Max PIK)	1.3%	8/22/20	17.8	17.8	17.5
Chisholm Oil & Gas Operating LLC	(g)	Energy	L+800	1.0%	3/21/24	16.0	16.0	15.8
CommerceHub Inc	(g)	Software & Services	L+775		5/21/26	69.3	67.3	64.8
CTI Foods Holding Co LLC	(g)(n)(w)	Food, Beverage & Tobacco	L+725	1.0%	6/28/21	23.2	23.1	2.5
Culligan International Co	(g)	Household & Personal Products	L+850	1.0%	12/13/24	66.0	65.4	66.1

*See notes to consolidated financial statements.*

**FS KKR Capital Corp.**  
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Portfolio Company <sup>(a)</sup>	Footnotes	Industry	Rate <sup>(b)</sup>	Floor	Maturity	Principal Amount <sup>(c)</sup>	Amortized Cost	Fair Value <sup>(d)</sup>
Direct ChassisLink Inc	(g)(x)	Transportation	L+600		6/15/23	\$ 1.3	\$ 1.3	\$ 1.3
EaglePicher Technologies LLC	(g)(x)	Capital Goods	L+725		3/8/26	3.0	2.9	2.9
Emerald Performance Materials LLC	(g)(x)	Materials	L+775	1.0%	8/1/22	2.0	2.0	2.0
Excelitas Technologies Corp	(g)(x)	Technology Hardware & Equipment	L+750	1.0%	12/1/25	7.3	7.5	7.0
Grocery Outlet Inc	(g)(x)	Food & Staples Retailing	L+725		10/22/26	3.5	3.4	3.5
Gruden Acquisition Inc	(g)(x)	Transportation	L+850	1.0%	8/18/23	15.0	14.6	15.0
Higginbotham Insurance Agency Inc	(g)	Insurance	L+725	1.0%	12/19/25	18.7	18.5	18.7
Integro Ltd/United States	(g)	Insurance	L+925		10/30/23	4.8	4.7	4.8
Invictus	(g)(x)	Materials	L+675		3/30/26	3.4	3.4	3.4
iParadigms Holdings LLC	(g)(x)	Software & Services	L+725	1.0%	7/29/22	21.9	21.8	21.8
Jo-Ann Stores Inc	(g)(x)	Retailing	L+925	1.0%	5/21/24	0.6	0.6	0.6
LBM Borrower LLC	(g)(k)(x)	Capital Goods	L+925	1.0%	8/20/23	21.2	21.2	20.8
MedAssets Inc	(g)(h)	Health Care Equipment & Services	L+975	1.0%	4/20/23	63.0	61.7	63.9
Misys Ltd	(g)(k)(l)							
	(x)	Software & Services	L+725	1.0%	6/13/25	5.7	5.7	5.3
NBG Home	(g)	Consumer Durables & Apparel	L+975	1.0%	9/30/24	34.2	33.8	34.5
One Call Care Management Inc	(e)(g)	Insurance	L+375, 6.0% PIK (6.0% Max PIK)		4/11/24	29.9	29.6	28.7
P2 Energy Solutions, Inc.	(g)(x)	Software & Services	L+800	1.0%	4/30/21	71.3	70.5	68.5
Paradigm Acquisition Corp	(g)(x)	Health Care Equipment & Services	L+750		10/26/26	2.4	2.4	2.4
Peak 10 Holding Corp	(g)(x)	Telecommunication Services	L+725	1.0%	8/1/25	0.2	0.2	0.2
Petrochoice Holdings Inc	(g)(h)	Capital Goods	L+875	1.0%	8/21/23	65.0	63.7	65.0
Polyconcept North America Inc	(g)	Consumer Durables & Apparel	L+1000	1.0%	2/16/24	29.4	28.8	30.3
Pure Fishing Inc	(g)	Consumer Durables & Apparel	L+838	1.0%	12/31/26	81.0	80.2	80.2
Rise Baking Company	(g)	Food, Beverage & Tobacco	L+800	1.0%	8/9/26	31.1	30.8	30.8
Sequa Corp	(g)(x)	Materials	L+900	1.0%	4/28/22	22.0	21.9	20.9
SIRVA Worldwide Inc	(g)(x)	Commercial & Professional Services	L+950		8/2/26	3.8	3.5	3.4
SMG/PA	(g)(x)	Consumer Services	L+700		1/23/26	1.3	1.3	1.2
Sparta Systems Inc	(g)(h)	Software & Services	L+825	1.0%	7/27/25	35.1	34.6	30.2
Spencer Gifts LLC	(e)(g)(x)	Retailing	L+825	1.0%	6/29/22	30.0	29.9	25.6
Vestcom International Inc	(g)	Consumer Services	L+825	1.0%	12/31/24	70.5	69.9	69.0
WireCo WorldGroup Inc	(g)(x)	Capital Goods	L+900	1.0%	9/30/24	13.7	13.7	13.8
<b>Total Senior Secured Loans—Second Lien</b>							1,171.7	1,118.5
Unfunded Loan Commitments							(0.6)	(0.6)
<b>Net Senior Secured Loans—Second Lien</b>							<b>1,171.1</b>	<b>1,117.9</b>
<b>Other Senior Secured Debt—8.1%</b>								
Advanced Lighting Technologies Inc	(g)(n)(w)							
	(z)	Materials	L+700, 10.0% PIK (10.0% Max PIK)	1.0%	10/4/23	25.1	23.6	8.0
Angelica Corp	(t)	Health Care Equipment & Services	10.0%, 10.0% PIK (10.0% Max PIK)		12/30/22	37.8	37.2	32.8
Artesyn Embedded Technologies Inc	(g)(x)	Technology Hardware & Equipment	9.8%		10/15/20	21.0	20.6	19.4
Avantor Inc	(g)(x)	Materials	6.0%		10/1/24	8.3	8.4	8.1
Black Swan Energy Ltd	(e)(l)	Energy	9.0%		1/20/24	6.0	6.0	5.8
Cleaver-Brooks Inc	(g)(x)	Capital Goods	7.9%		3/1/23	9.4	9.5	9.2
Cornerstone Chemical Co	(g)(x)	Materials	6.8%		8/15/24	11.1	11.2	9.8
Direct ChassisLink Inc	(g)(x)	Transportation	10.0%		6/15/23	14.0	14.8	13.5

*See notes to consolidated financial statements.*

**FS KKR Capital Corp.**  
**Consolidated Schedule of Investments (continued)**  
**As of December 31, 2018**  
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Portfolio Company <sup>(a)</sup>	Footnotes	Industry	Rate <sup>(b)</sup>	Floor	Maturity	Principal Amount <sup>(c)</sup>	Amortized Cost	Fair Value <sup>(d)</sup>
FourPoint Energy LLC	(e)(f)(g)	Energy	9.0%		12/31/21	\$ 74.8	\$ 72.9	\$ 73.5
Genesys Telecommunications Laboratories Inc	(g)(x)	Technology Hardware & Equipment	10.0%		11/30/24	18.9	20.8	19.8
JW Aluminum Co	(e)(g)(x)	Materials	10.3%		6/1/26	36.5	36.5	36.4
Maxim Crane Works LP / Maxim Finance Corp	(g)(x)	Capital Goods	10.1%		8/1/24	0.9	1.0	0.9
Mood Media Corp	(f)(g)(k)(y)	Media	L+1400 PIK (L+1400 Max PIK)	1.0%	6/28/24	26.6	26.5	26.6
PAREXEL International Corp	(g)(x)	Pharmaceuticals, Biotechnology & Life Sciences	6.4%		9/1/25	1.3	1.3	1.2
Pattonair Holdings Ltd	(g)(l)(x)	Capital Goods	9.0%		11/1/22	8.4	8.5	8.4
Ply Gem Holdings Inc	(g)(x)	Capital Goods	8.0%		4/15/26	5.2	5.2	4.8
RedPrairie Corp	(g)(x)	Software & Services	7.4%		10/15/24	1.0	1.1	1.0
Rockport (Relay)	(g)(n)(w)(y)	Consumer Durables & Apparel	15.0% PIK (15.0% Max PIK)		7/31/22	34.8	30.9	9.9
Sorenson Communications LLC	(f)(g)	Telecommunication Services	9.0%, 0.0% PIK (9.0% Max PIK)		10/31/20	19.9	19.6	19.7
Sunnova Energy Corp	(g)	Energy	6.0%, 6.0% PIK (6.0% Max PIK)		7/31/19	0.6	0.6	0.6
Surgery Partners Holdings LLC	(g)(x)	Health Care Equipment & Services	8.9%		4/15/21	0.5	0.5	0.5
Velvet Energy Ltd	(g)(l)	Energy	9.0%		10/5/23	7.5	7.5	7.6
Vivint Inc	(g)(x)	Commercial & Professional Services	7.9%		12/1/22	8.8	8.7	8.3
Vivint Inc	(g)(x)	Commercial & Professional Services	7.6%		9/1/23	12.6	13.0	10.3
<b>Total Other Senior Secured Debt</b>							<b>385.9</b>	<b>336.1</b>
<b>Subordinated Debt—10.3%</b>								
Alion Science & Technology Corp	(g)(h)	Capital Goods	11.0%		8/1/22	68.6	68.0	67.1
Alion Science & Technology Corp	(g)	Capital Goods	11.0%		8/31/22	22.1	21.8	21.7
All Systems Holding LLC	(g)	Commercial & Professional Services	10.0% PIK (10.0% Max PIK)		10/31/22	0.1	0.1	0.1
Aurora Diagnostics Holdings LLC / Aurora Diagnostics Financing Inc	(e)(f)(g)(x)	Health Care Equipment & Services	12.3%, 1.5% PIK (1.5% Max PIK)		1/15/20	15.2	14.5	15.2
Byrider Finance LLC	(g)	Automobiles & Components	20.0% PIK (20.0% Max PIK)		3/31/22	0.9	0.9	0.9
ClubCorp Club Operations Inc	(g)(x)	Consumer Services	8.5%		9/15/25	23.4	23.1	21.0
DEI Sales Inc	(e)(g)	Consumer Durables & Apparel	9.0%, 4.0% PIK (4.0% Max PIK)		2/28/23	70.3	69.7	69.5
Hilding Anders	(g)(l)(z)	Consumer Durables & Apparel	13.0% PIK (13.0% Max PIK)		6/30/21	€ 113.3	125.0	81.0
Hilding Anders	(g)(l)(n)(w)(z)	Consumer Durables & Apparel	12.0% PIK (12.0% Max PIK)		12/31/22	3.4	0.5	0.5
Hilding Anders	(g)(l)(n)(w)(z)	Consumer Durables & Apparel	12.0% PIK (12.0% Max PIK)		12/31/23	28.0	0.9	—
Hilding Anders	(g)(l)(n)(w)(z)	Consumer Durables & Apparel	18.0% PIK (18.0% Max PIK)		12/31/24	48.6	12.9	7.2
Home Partners of America Inc	(g)(y)	Real Estate	L+625	1.0%	10/8/22	\$ 42.9	42.3	42.7
Hub International Ltd	(g)(x)	Insurance	7.0%		5/1/26	1.8	1.8	1.6
Imagine Communications Corp	(g)	Media	12.5% PIK (12.5% Max PIK)		10/29/20	0.7	0.7	0.7
Ken Garff Automotive LLC	(g)(x)	Retailing	7.5%		8/15/23	5.4	5.4	5.4
Kenan Advantage Group Inc	(g)(x)	Transportation	7.9%		7/31/23	5.1	5.1	4.9
Lazard Global Compounders Fund	(g)(l)(v)	Diversified Financials	L+650	4.5%	9/15/25	20.2	20.2	19.8
LifePoint Hospitals Inc	(g)(x)	Health Care Equipment & Services	9.8%		12/1/26	8.4	8.4	8.0
Logan's Roadhouse Inc	(g)(y)	Consumer Services			11/1/24	7.3	7.2	7.2
Quorum Health Corp	(g)(x)	Health Care Equipment & Services	11.6%		4/15/23	4.3	4.3	4.1
Sorenson Communications LLC	(f)(x)	Telecommunication Services	13.9%, 0.0% PIK (13.9% Max PIK)		10/31/21	15.1	14.6	15.5
SRS Distribution Inc	(g)(x)	Capital Goods	8.3%		7/1/26	17.1	16.9	15.7
Sungard Availability Services Capital Inc	(f)(g)(x)	Software & Services	8.8%		4/1/22	10.7	9.1	2.4

*See notes to consolidated financial statements.*

**FS KKR Capital Corp.**  
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**As of December 31, 2018**  
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Portfolio Company <sup>(a)</sup>	Footnotes	Industry	Rate <sup>(b)</sup>	Floor	Maturity	Principal Amount <sup>(c)</sup>	Amortized Cost	Fair Value <sup>(d)</sup>
Surgery Partners Holdings LLC	(g)(x)	Health Care Equipment & Services	6.8%		7/1/25	\$ 8.4	\$ 8.0	\$ 7.3
Team Health Inc	(g)(x)	Health Care Equipment & Services	6.4%		2/1/25	2.8	2.5	2.3
Versatile Processing Group Inc	(e)(g)	Materials	13.0% PIK (13.0% Max PIK)		12/30/20	2.5	2.6	2.1
Vertiv Group Corp	(g)(x)	Technology Hardware & Equipment	9.3%		10/15/24	23.3	23.5	20.7
Vivint Inc	(g)(x)	Commercial & Professional Services	8.8%		12/1/20	5.1	4.9	4.9
<b>Total Subordinated Debt</b>							514.9	449.5
Unfunded Debt Commitments							(20.2)	(20.2)
<b>Net Subordinated Debt</b>							494.7	429.3

Portfolio Company <sup>(a)</sup>	Footnotes	Industry	Rate <sup>(b)</sup>	Floor	Maturity	Principal Amount <sup>(c)</sup> / Shares	Amortized Cost	Fair Value <sup>(d)</sup>
<b>Asset Based Finance—15.8%</b>								
Accelerator Investments Aggregator LP	(g)(l)	Diversified Financials				\$ 2,318,242	\$ 2.7	\$ 2.7
Altus Power America Inc, Preferred Stock	(r)	Energy	9.0%, 5.0% PIK		10/3/23	1,060,975	1.1	1.0
Altus Power America Inc, Preferred Stock	(r)(v)	Energy	9.0%, 5.0% PIK		10/3/23	46,748	0.1	—
AMPLIT JV LP, Limited Partnership Interest	(g)(l)(n)	Diversified Financials				NA	7.6	3.4
Bank of Ireland	(j)(l)	Banks	L+1185		12/4/27	15,105,000	15.1	15.2
Comet Aircraft S.a.r.l., Common Stock	(g)(l)(z)	Capital Goods	7.1%		2/28/22	34,517,963	34.5	32.4
Global Jet Capital LLC, Structured Mezzanine	(g)(k)	Commercial & Professional Services	15.0% PIK (15.0% Max PIK)		1/30/25	986,021	1.0	1.0
Global Jet Capital LLC, Structured Mezzanine	(g)(k)	Commercial & Professional Services	15.0% PIK (15.0% Max PIK)		4/30/25	6,266,721	6.2	6.3
Global Jet Capital LLC, Structured Mezzanine	(g)(k)	Commercial & Professional Services	15.0% PIK (15.0% Max PIK)		9/3/25	1,295,006	1.3	1.3
Global Jet Capital LLC, Structured Mezzanine	(g)(k)	Commercial & Professional Services	15.0% PIK (15.0% Max PIK)		9/29/25	1,219,131	1.2	1.2
Global Jet Capital LLC, Structured Mezzanine	(f)(g)	Commercial & Professional Services	15.0% PIK (15.0% Max PIK)		12/4/25	73,600,667	72.5	73.6
Global Jet Capital LLC, Structured Mezzanine	(f)(g)(l)	Commercial & Professional Services	15.0% PIK (15.0% Max PIK)		12/4/25	16,387,558	16.1	16.4
Global Jet Capital LLC, Structured Mezzanine	(f)(g)	Commercial & Professional Services	15.0% PIK (15.0% Max PIK)		12/9/25	1,692,802	1.7	1.7
Global Jet Capital LLC, Structured Mezzanine	(f)(g)(l)	Commercial & Professional Services	15.0% PIK (15.0% Max PIK)		12/9/25	13,024,701	12.8	13.0
Global Jet Capital LLC, Structured Mezzanine	(f)	Commercial & Professional Services	15.0% PIK (15.0% Max PIK)		1/29/26	6,300,871	6.2	6.3
Global Jet Capital LLC, Structured Mezzanine	(f)(l)	Commercial & Professional Services	15.0% PIK (15.0% Max PIK)		1/29/26	1,406,144	1.4	1.4
Global Jet Capital LLC, Structured Mezzanine	(g)	Commercial & Professional Services	15.0% PIK (15.0% Max PIK)		4/14/26	15,754,380	15.5	15.8
Global Jet Capital LLC, Structured Mezzanine	(g)	Commercial & Professional Services	15.0% PIK (15.0% Max PIK)		12/2/26	15,463,903	15.2	15.5
KKR Central Park Leasing Aggregator L.P., Partnership Interest	(g)(l)	Capital Goods	29.4%		5/31/23	NA	42.9	62.5
KKR Zeno Aggregator LP (K2 Aviation)	(g)(l)(n)	Capital Goods				39,609,179	39.6	39.6
LSF IX Java Investments Ltd, Term Loan	(g)(l)(n)	Diversified Financials	E+365		12/3/19	€ 56	59.0	63.8
Montgomery Credit Holdings LP, Membership Interest	(g)(l)	Diversified Financials				NA	7.5	6.6
MP4 2013-2A Class Subord. B	(f)(g)(k)	Diversified Financials						
	(l)	Diversified Financials	16.1%		7/25/29	\$21,000,000	12.3	9.8
NewStar Clarendon 2014-1A Class D	(g)(k)(l)	Diversified Financials	13.2%		1/25/27	17,900,000	11.4	12.8
NewStar Clarendon 2014-1A Class Subord. B	(g)(l)	Diversified Financials	L+435		1/25/27	1,560,000	1.5	1.5
Orchard Marine Limited, Class B Common Stock	(g)(l)(n)							
	(y)	Transportation				1,964	3.1	—
Orchard Marine Limited, Series A Preferred Stock	(g)(l)(n)							
	(y)	Transportation				58,920	58.0	32.1
Rampart CLO 2007 1A Class Subord.	(g)(k)(l)	Diversified Financials	0.0%		10/25/21	10,000,000	0.2	0.6

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**FS KKR Capital Corp.**  
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Portfolio Company <sup>(a)</sup>	Footnotes	Industry	Rate <sup>(b)</sup>	Floor	Maturity	Principal Amount <sup>(c)</sup> / Shares	Amortized Cost	Fair Value <sup>(d)</sup>
Star Mountain SMB Multi-Manager Credit Platform LP, Limited Partnership Interest	(l)(u)	Diversified Financials				NA	\$ 59.6	\$ 73.6
Toorak Capital LLC, Membership Interest	(g)(l)(z)	Diversified Financials				NA	96.9	108.5
Toorak Capital LLC, Membership Interest	(g)(l)(n)(z)	Diversified Financials				NA	16.9	18.9
Wind River CLO Ltd. 2012 1A Class Subord. B	(g)(k)(l)	Diversified Financials	7.5%		1/15/26	42,504,000.0	20.4	20.5
<b>Total Asset Based Finance</b>							<b>641.5</b>	<b>659.0</b>
<b>Portfolio Company<sup>(a)</sup></b>	<b>Footnotes</b>	<b>Industry</b>	<b>Rate<sup>(b)</sup></b>	<b>Floor</b>	<b>Maturity</b>	<b>Principal Amount<sup>(c)</sup></b>	<b>Amortized Cost</b>	<b>Fair Value<sup>(d)</sup></b>
<b>Strategic Credit Opportunities, LLC—7.2%</b>								
Strategic Credit Opportunities Partners, LLC	(g)(l)(z)	Diversified Financials				294.0	\$ 294.0	\$ 299.3
<b>Total Strategic Credit Opportunities Partners</b>							<b>294.0</b>	<b>299.3</b>
<b>Portfolio Company<sup>(a)</sup></b>	<b>Footnotes</b>	<b>Industry</b>	<b>Rate<sup>(b)</sup></b>	<b>Floor</b>	<b>Maturity</b>	<b>Number of Shares</b>	<b>Amortized Cost</b>	<b>Fair Value<sup>(d)</sup></b>
<b>Equity/Other—13.1%<sup>(k)</sup></b>								
5 Arch Income Fund 2, LLC, Common Stock	(l)(p)	Diversified Financials				16,000	\$ 0.4	\$ 0.8
Advanced Lighting Technologies Inc, Common Stock	(g)(n)(z)	Materials				484,607	13.6	—
Advanced Lighting Technologies Inc, Warrant	(g)(n)(z)	Materials			10/4/27	112,292	3.0	—
Alion Science & Technology Corp, Class A Membership Interest	(g)(n)	Capital Goods				NA	7.4	6.8
All Systems Holding LLC, Common Stock	(g)	Commercial & Professional Services				586,763	0.6	0.6
AltEn, LLC, Membership Units	(n)(s)(y)	Energy				2,384	3.0	—
Altus Power America Inc, Common Stock	(g)(n)	Energy				462,008	0.5	0.1
Amtek Global Technology Pte Ltd, Ordinary Shares	(j)(l)(n)(z)	Automobiles & Components				5,735,799,959	30.7	26.4
Amtek Global Technology Pte Ltd, Trade Claim	(j)(l)(z)	Automobiles & Components				3,590,032	3.0	2.6
Angelica Corp, Limited Partnership Interest	(n)(t)	Health Care Equipment & Services				877,044	47.6	0.8
AP Plasman Inc, Warrant	(g)(l)(n)	Capital Goods			5/25/26	6,985	2.5	—
Ascent Resources Utica Holdings LLC / ARU Finance Corp, Common Stock	(n)(o)	Energy				10,193	9.7	2.8
Ascent Resources Utica Holdings LLC / ARU Finance Corp, Trade Claim	(n)(o)	Energy				86,607,143	19.4	24.1
ASG Technologies, Common Stock	(g)(n)(y)	Software & Services				1,689,767	36.4	85.8
ASG Technologies, Warrants	(g)(n)(y)	Software & Services			6/27/22	229,541	6.5	6.7
Aspect Software Inc, Common Stock	(g)(n)(y)	Software & Services				428,935	10.5	—
Aurora Diagnostics Holdings LLC / Aurora Diagnostics Financing Inc, Warrant	(e)(f)(g)(n)	Health Care Equipment & Services			5/25/27	229,489	1.7	0.3
Australis Maritime, Private Equity	(g)(l)(n)	Transportation				1,966,278	2.0	2.0
Belk Inc, Units	(g)(n)	Retailing				1,642	7.8	6.2
Brock Group LLC, Common Stock	(g)(n)	Energy				183,826	3.7	—

*See notes to consolidated financial statements.*

**FS KKR Capital Corp.**  
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Portfolio Company <sup>(a)</sup>	Footnotes	Industry	Rate <sup>(b)</sup>	Floor	Maturity	Number of Shares	Amortized Cost	Fair Value <sup>(d)</sup>
Byrider Finance LLC, Common Stock	(g)(n)	Automobiles & Components				833	\$ —	\$ —
Cengage Learning, Inc, Common Stock	(g)(n)	Media				227,802	7.5	3.4
Charlotte Russe Inc, Common Stock	(g)(n)(y)	Retailing				22,575	12.5	—
Chisholm Oil & Gas Operating LLC, Series A Units	(n)(p)	Energy				75,000	0.1	—
CSafe Global, Common Stock	(g)(n)	Capital Goods				391,300	0.4	0.5
DEI Sales Inc, Class A Units	(g)(n)	Consumer Durables & Apparel				649,538	1.1	1.5
DEI Sales Inc, Series I Units	(g)(n)	Consumer Durables & Apparel				308,948	0.5	0.7
DEI Sales Inc, Series II Units	(n)(p)	Consumer Durables & Apparel				316,770	0.5	0.7
Eastman Kodak Co, Common Stock	(g)(n)(x)	Consumer Durables & Apparel				12,075	0.2	—
Empire Today LLC, Common Stock	(g)(n)	Retailing				375	1.1	1.1
FourPoint Energy LLC, Common Stock, Class C-II-A Units	(n)(p)	Energy				21,000	21.0	4.7
FourPoint Energy LLC, Common Stock, Class D Units	(n)(p)	Energy				3,937	2.6	0.9
FourPoint Energy LLC, Common Stock, Class E-II Units	(n)(p)	Energy				48,025	12.0	10.7
FourPoint Energy LLC, Common Stock, Class E-III Units	(n)(p)	Energy				70,875	17.7	15.8
Genesys Telecommunications Laboratories Inc, Class A Shares	(g)(n)	Technology Hardware & Equipment				40,529	—	—
Genesys Telecommunications Laboratories Inc, Class A1-A5 Shares	(g)(n)	Technology Hardware & Equipment				3,463,150	0.1	0.9
Genesys Telecommunications Laboratories Inc, Ordinary Shares	(g)(n)	Technology Hardware & Equipment				2,768,806	—	—
Genesys Telecommunications Laboratories Inc, Ordinary Shares	(g)(n)	Technology Hardware & Equipment				41,339	—	—
Genesys Telecommunications Laboratories Inc, Preferred Stock	(g)(n)	Technology Hardware & Equipment				1,050,465	—	0.1
Global Jet Capital LLC, Preferred Stock	(f)(g)(n)	Commercial & Professional Services				42,281,308	42.3	5.9
Harvest Oil & Gas Corp, Common Stock	(f)(n)(x)	Energy				7,327	0.2	0.1
Harvey Industries Inc, Common Stock	(g)(n)	Capital Goods				2,333,333	2.3	4.7
Hilding Anders, ARLE PIK Interest	(g)(l)(n)(w)(z)	Consumer Durables & Apparel	12.0% PIK (12.0% Max PIK)		12/31/22	4,300,103	—	—
Hilding Anders, Class A Common Stock	(g)(l)(n)(z)	Consumer Durables & Apparel				4,503,411	0.1	—
Hilding Anders, Class B Common Stock	(g)(l)(n)(z)	Consumer Durables & Apparel				574,791	—	—
Hilding Anders, Class C Common Stock	(g)(l)(n)(z)	Consumer Durables & Apparel				213,201	—	—
Hilding Anders, Equity Options	(g)(l)(n)(z)	Consumer Durables & Apparel			12/31/20	236,160,807	15.0	2.6
HM Dunn Co Inc, Preferred Stock, Series A	(g)(n)(y)	Capital Goods				214	—	—
HM Dunn Co Inc, Preferred Stock, Series B	(g)(n)(y)	Capital Goods				214	—	—
Home Partners of America Inc, Common Stock	(g)(n)(y)	Real Estate				100,044	101.9	129.8
Home Partners of America Inc, Warrant	(g)(n)(y)	Real Estate			8/7/24	2,675	0.3	1.1
Imagine Communications Corp, Common Stock	(g)(n)	Media	9.5% PIK		11/10/18	33,034	3.8	1.8
Industrial Group Intermediate Holdings LLC, Common Stock	(n)(p)	Materials				441,238	0.4	0.3

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**FS KKR Capital Corp.**  
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Portfolio Company <sup>(a)</sup>	Footnotes	Industry	Rate <sup>(b)</sup>	Floor	Maturity	Number of Shares	Amortized Cost	Fair Value <sup>(d)</sup>
JHC Acquisition LLC, Common Stock	(g)(n)	Capital Goods				483	\$ 0.5	\$ 0.6
Jones Apparel Holdings, Inc., Common Stock	(g)	Consumer Durables & Apparel				5,451	0.9	—
JSS Holdings Ltd, Net Profits Interest	(g)(n)	Capital Goods				40	—	0.7
JW Aluminum Co, Common Stock	(f)(g)(n)							
	(z)	Materials				1,474	—	—
JW Aluminum Co, Preferred Stock	(f)(g)(z)	Materials	12.5%		11/17/25	106,700,471	75.7	75.8
Keystone Australia Holdings Pty Limited, Residual Claim	(g)(l)(n)	Consumer Services				NA	7.7	0.4
KKR BPT Holdings Aggregator LLC, Membership Interest	(g)(l)(n)							
	(z)	Diversified Financials				NA	16.2	(1.4)
Leading Edge Aviation Services Inc, Common Stock	(f)(n)	Capital Goods				4,401	0.5	—
Leading Edge Aviation Services Inc, Preferred Stock	(f)(n)	Capital Goods			8/4/19	1,303	1.3	0.5
MB Precision Holdings LLC, Class A-2 Units	(g)(n)(p)							
	(y)	Capital Goods				1,426,110	0.5	—
MB Precision Holdings LLC, Preferred Stock	(g)(n)(y)	Capital Goods				8,775,667	1.8	1.2
Micronics Filtration Holdings Inc, Common Stock	(g)(n)	Capital Goods				53,073	0.6	—
Micronics Filtration Holdings Inc, Preferred Stock, Series A	(g)(n)	Capital Goods				55	0.6	0.3
Micronics Filtration Holdings Inc, Preferred Stock, Series B	(g)(n)	Capital Goods				23	0.2	0.3
Mood Media Corp, Common Stock	(g)(n)(y)	Media				16,243,967	11.8	14.8
NBG Home, Common Stock	(g)(n)	Consumer Durables & Apparel				1,903	2.6	2.9
Nine West Holdings Inc, Common Stock	(g)(n)	Consumer Durables & Apparel				5,451	6.5	—
North Haven Cadence Buyer Inc, Common Equity	(g)(n)	Consumer Services				1,041,667	1.0	1.6
Petroplex Acidizing Inc, Warrant	(g)(n)	Energy			12/15/26	8	—	—
Polyconcept North America Inc, Class A-1 Units	(g)(n)	Consumer Durables & Apparel				29,376	2.9	4.3
Power Distribution Inc, Common Stock	(g)(n)	Capital Goods				1,384,615	1.4	0.7
Proserv Acquisition LLC, Class A Common Units	(g)(l)(n)							
	(y)	Energy				2,635,005	33.5	8.8
Proserv Acquisition LLC, Class A Preferred Units	(g)(l)(n)							
	(y)	Energy				837,780	5.4	9.5
Ridgeback Resources Inc, Common Stock	(f)(l)(n)	Energy				324,954	2.0	1.6
Rockport (Relay), Class A Units	(g)(n)(y)	Consumer Durables & Apparel				219,349	—	—
Safariland LLC, Common Equity	(f)(n)	Capital Goods				27,263	2.7	2.1
Safariland LLC, Warrant	(f)(n)	Capital Goods				2,273	0.2	0.2
Sequential Brands Group Inc., Common Stock	(g)(n)(x)	Consumer Durables & Apparel				206,664	2.8	0.2
Sorenson Communications LLC, Common Stock	(f)(n)	Telecommunication Services				46,163	—	38.0
SSC (Lux) Limited S.a r.l., Common Stock	(g)(l)(n)	Health Care Equipment & Services				113,636	2.3	2.8
Stuart Weitzman Inc, Common Stock	(g)(n)	Consumer Durables & Apparel				5,451	—	—
Sunnova Energy Corp, Common Stock	(g)(n)	Energy				192,389	0.7	—
Sunnova Energy Corp, Preferred Stock	(g)(n)	Energy				35,115	0.2	0.2
ThermaSys Corp, Common Stock	(n)(y)	Capital Goods				17,383,026	9.4	9.4
ThermaSys Corp, Preferred Stock	(n)(y)	Capital Goods				1,529	1.5	1.5
Towergate, Ordinary Shares	(g)(l)(n)	Insurance				16,450	—	—
Towergate, Ordinary Shares	(g)(l)(n)	Insurance				116,814	0.2	0.2
Towergate, Preferred Stock	(g)(l)(n)	Insurance				6,113,719	9.1	9.2
Trace3 Inc, Common Stock	(g)(n)	Software & Services				19,312	0.2	0.4

*See notes to consolidated financial statements.*



**FS KKR Capital Corp.**  
**Consolidated Schedule of Investments (continued)**  
**As of December 31, 2018**  
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Portfolio Company <sup>(a)</sup>	Footnotes	Industry	Rate <sup>(b)</sup>	Floor	Maturity	Number of Shares	Amortized Cost	Fair Value <sup>(d)</sup>
Versatile Processing Group Inc, Class A-2 Units	(f)(n)	Materials				3,637,500	\$ 3.6	\$ 0.4
Warren Resources Inc, Common Stock	(g)(n)	Energy				113,515	0.5	0.3
Zeta Interactive Holdings Corp, Preferred Stock, Series E-1	(g)(n)	Software & Services				215,662	1.7	2.3
Zeta Interactive Holdings Corp, Preferred Stock, Series F	(g)(n)	Software & Services				196,151	1.7	2.0
Zeta Interactive Holdings Corp, Warrant	(g)(n)	Software & Services			4/20/27	29,422	—	0.1
<b>Total Equity/Other</b>							<u>664.0</u>	<u>545.2</u>
<b>TOTAL INVESTMENTS—177.3%</b>							<u>\$ 7,756.0</u>	<u>7,387.4</u>
<b>LIABILITIES IN EXCESS OF OTHER ASSETS</b>								<u>(3,221.4)</u>
<b>NET ASSETS—100%</b>								<u>\$ 4,166.0</u>

**Foreign currency forward contracts**

Foreign Currency	Settlement Date	Counterparty	Amount and Transaction	US\$ Value at Settlement Date	US\$ Value at December 31, 2018	Unrealized Appreciation (Depreciation)
AUD	1/14/2019	JP Morgan Chase Bank	A\$ 0.6 Sold	\$ 0.4	\$ 0.4	\$ —
CAD	10/10/2019	JP Morgan Chase Bank	C\$ 4.4 Sold	3.3	3.2	0.1
EUR	1/14/2019	JP Morgan Chase Bank	€ 84.0 Sold	98.0	96.3	1.7
EUR	7/8/2019	JP Morgan Chase Bank	€ 5.6 Sold	6.4	6.6	(0.2)
EUR	7/8/2019	JP Morgan Chase Bank	€ 22.3 Sold	26.3	26.0	0.3
EUR	7/17/2023	JP Morgan Chase Bank	€ 1.3 Sold	1.7	1.6	0.1
GBP	4/9/2019	JP Morgan Chase Bank	£ 3.4 Sold	4.4	4.4	—
GBP	1/11/2023	JP Morgan Chase Bank	£ 7.0 Sold	9.4	9.3	0.1
GBP	1/11/2023	JP Morgan Chase Bank	£ 1.9 Sold	2.9	2.6	0.3
GBP	1/11/2023	JP Morgan Chase Bank	£ 1.7 Sold	2.6	2.3	0.3
GBP	1/11/2023	JP Morgan Chase Bank	£ 3.4 Sold	4.8	4.6	0.2
<b>Total</b>				<u>\$ 160.2</u>	<u>\$ 157.3</u>	<u>\$ 2.9</u>

**Cross currency swaps**

Counterparty	Company Receives Fixed Rate	Company Pays Fixed Rate	Termination Date	Unrealized Appreciation (Depreciation)
JP Morgan Chase Bank	2.20% on USD notional amount of \$188.1	0.00% on EUR notional amount of €177.5	12/31/2019	\$ (16)
				<u>\$ (16)</u>

(a) Security may be an obligation of one or more entities affiliated with the named company.

*See notes to consolidated financial statements.*

**FS KKR Capital Corp.**  
**Consolidated Schedule of Investments (continued)**  
**As of December 31, 2018**  
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- (b) Certain variable rate securities in the Company's portfolio bear interest at a rate determined by a publicly disclosed base rate plus a basis point spread. As of December 31, 2018, the three-month London Interbank Offered Rate, or LIBOR or "L", was 2.81%, the Euro Interbank Offered Rate, or EURIBOR, was (0.31)% and the U.S. Prime Lending Rate, or Prime, was 5.50%. PIK means paid-in-kind. PIK income accruals may be adjusted based on the fair value of the underlying investment.
- (c) Denominated in U.S. dollars unless otherwise noted.
- (d) Fair value determined by the Company's board of directors (see Note 8).
- (e) Security or portion thereof held within Locust Street Funding LLC and is pledged as collateral supporting the amounts outstanding under the term loan facility with JPMorgan Chase Bank, N.A. (see Note 9).
- (f) Security or portion thereof held within Race Street Funding LLC and is pledged as collateral supporting the amounts outstanding under the revolving credit facility with ING Capital LLC (see Note 9).
- (g) Security or portion thereof is pledged as collateral supporting the amounts outstanding under the Senior Secured Revolving Credit Facility (see Note 9).
- (h) Security or portion thereof was held within CCT New York Funding LLC and was pledged as collateral supporting the amounts outstanding under the revolving credit facility with JPMorgan Chase Bank (see Note 9).
- (i) Security or portion thereof was held within CCT Tokyo Funding LLC and was pledged as collateral supporting the amounts outstanding under the revolving credit facility with Sumitomo Mitsui Banking Corporation (see Note 9).
- (j) Security or portion thereof was held within CCT Dublin Funding Limited
- (k) Position or portion thereof unsettled as of December 31, 2018.
- (l) The investment is not a qualifying asset under the Investment Company Act of 1940, as amended. A business development company 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 company's total assets. As of December 31, 2018, 78.9% of the Company's total assets represented qualifying assets.
- (m) Listed investments may be treated as debt for GAAP or tax purposes.
- (n) Security is non-income producing.
- (o) Security held within IC American Energy Investments, Inc., a wholly-owned subsidiary of the Company.
- (p) Security held within FSIC Investments, Inc., a wholly-owned subsidiary of the Company.
- (q) Security held within IC Arches Investments LLC, a wholly-owned subsidiary of the Company.
- (r) Security held within IC Altus Investments, LLC, a wholly-owned subsidiary of the Company.
- (s) Security held within CCT Holdings, LLC, a wholly-owned subsidiary of the Company.
- (t) Security held within CCT Holdings II, LLC, a wholly-owned subsidiary of the Company.
- (u) Not used.

*See notes to consolidated financial statements.*

**FS KKR Capital Corp.**  
**Consolidated Schedule of Investments (continued)**  
**As of December 31, 2018**  
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- (v) Security is an unfunded commitment. Reflects the stated spread at the time of commitment, but may not be the actual rate received upon funding.
- (w) Asset is on non-accrual status.
- (x) Security is classified as Level 1 or 2 in the Company's fair value hierarchy (see Note 8).
- (y) Under the Investment Company Act of 1940, as amended, the Company generally is deemed to be an "affiliated person" of a portfolio company if it owns 5% or more of the portfolio company's voting securities and generally is deemed to "control" a portfolio company if it owns more than 25% of the portfolio company's voting securities or it has the power to exercise control over the management or policies of such portfolio company. As of December 31, 2018, the Company held investments in portfolio companies of which it is deemed to be an "affiliated person" but is not deemed to "control". The following table presents certain information with respect to investments in portfolio companies of which the Company was deemed to be an affiliated person for the year ended December 31, 2018:

Portfolio Company	Fair Value at December 31, 2017	Gross Additions <sup>(1)</sup>	Gross Reductions <sup>(2)</sup>	Net Realized Gain (Loss)	Net Change in Unrealized Appreciation (Depreciation)	Fair Value at December 31, 2018	Interest Income <sup>(3)</sup>	PIK Income <sup>(3)</sup>
<b>Senior Secured Loans—First Lien</b>								
Advanced Lighting Technologies Inc	\$ 20.4	\$ —	\$ (17.2)	\$ —	\$ (3.2)	\$ —	\$ —	\$ —
AltEn, LLC	—	2.7	—	—	0.2	2.9	—	—
Aspect Software Inc	—	3.7	—	—	(1.0)	2.7	0.1	0.1
Aspect Software Inc	1.0	—	(1.0)	—	—	—	0.1	—
Aspect Software Inc	0.6	—	—	—	(0.1)	0.5	0.1	—
Aspect Software Inc	(0.4)	0.4	(0.4)	—	0.4	—	—	—
Aspect Software Inc	—	0.1	(0.1)	—	—	—	—	—
Charlotte Russe Inc	—	9.4	—	—	(5.9)	3.5	0.1	—
HM Dunn Co Inc <sup>(4)</sup>	—	1.1	—	(0.5)	(0.5)	0.1	—	—
Logan's Roadhouse, Inc.	6.9	—	(7.0)	—	0.1	—	—	—
Logan's Roadhouse, Inc.	—	—	—	—	—	—	—	—
MB Precision Holdings LLC <sup>(4)</sup>	—	14.0	(2.8)	(6.9)	0.3	4.6	0.5	0.2
ThermaSys Corp	—	6.7	—	—	—	6.7	—	—
<b>Senior Secured Loans—Second Lien</b>								
Logan's Roadhouse, Inc.	10.1	—	(21.8)	—	11.7	—	—	—
<b>Other Senior Secured Debt</b>								
Advanced Lighting Technologies Inc	22.7	—	(22.7)	—	—	—	—	—
Mood Media Corp	21.7	4.9	—	—	—	26.6	2.3	1.8
Rockport (Relay)	—	30.9	—	—	(21.0)	9.9	—	—
<b>Asset Based Finance</b>								
Orchard Marine Limited, Class B								
Common Stock	—	3.1	—	—	(3.1)	—	—	—
Orchard Marine Limited, Series A								
Preferred Stock	—	58.0	—	—	(25.9)	32.1	—	—
<b>Equity/Other</b>								
Advanced Lighting Technologies Inc,								
Common Stock	13.0	—	(16.5)	—	3.5	—	—	—
Advanced Lighting Technologies Inc,								
Warrant	0.1	—	(0.1)	—	—	—	—	—
AltEn, LLC, Membership Units	—	3.0	—	—	(3.0)	—	—	—
ASG Technologies, Common Stock	83.1	—	—	—	2.7	85.8	—	—
ASG Technologies, Warrants	6.3	—	—	—	0.4	6.7	—	—
Aspect Software Inc, Common Stock	—	—	—	(9.7)	9.7	—	—	—

*See notes to consolidated financial statements.*

**FS KKR Capital Corp.**  
**Consolidated Schedule of Investments (continued)**  
**As of December 31, 2018**  
**(in millions, except share amounts)**

Portfolio Company	Fair Value at December 31, 2017	Gross Additions <sup>(1)</sup>	Gross Reductions <sup>(2)</sup>	Net Realized Gain (Loss)	Net Change in Unrealized Appreciation (Depreciation)	Fair Value at December 31, 2018	Interest Income <sup>(3)</sup>	PIK Income <sup>(3)</sup>
Charlotte Russe Inc, Common Stock	\$ —	\$ 12.5	\$ —	\$ —	\$ (12.5)	\$ —	\$ —	\$ —
Fronton Investor Holdings, LLC, Class B Units	17.8	—	(20.5)	13.5	(10.8)	—	—	—
HM Dunn Co Inc, Preferred Stock, Series A	—	—	—	—	—	—	—	—
HM Dunn Co Inc, Preferred Stock, Series B	—	—	—	—	—	—	—	—
Home Partners of America Inc, Common Stock	—	101.9	—	—	27.9	129.8	—	—
Home Partners of America Inc, Warrant	—	0.3	—	—	0.8	1.1	—	—
MB Precision Holdings LLC, Class A-2 Units <sup>(2)</sup>	—	0.5	—	—	(0.5)	—	—	—
MB Precision Holdings LLC, Preferred Stock	—	1.8	—	—	(0.6)	1.2	—	—
Mood Media Corp, Common Stock	26.8	—	—	—	(12.0)	14.8	—	—
Proserv Acquisition LLC, Class A Common Units	—	33.5	—	—	(24.7)	8.8	—	—
Proserv Acquisition LLC, Class A Preferred Units	—	5.4	—	—	4.1	9.5	—	—
Roadhouse Holding Inc., Common Equity	—	—	(6.9)	—	6.9	—	—	—
Rockport (Relay), Class A Units	—	—	—	—	—	—	—	—
ThermaSys Corp, Common Stock	—	9.4	—	—	—	9.4	—	—
ThermaSys Corp, Preferred Stock	—	6.7	—	(5.2)	—	1.5	—	—
<b>Total</b>	<b>\$ 230.1</b>	<b>\$ 310.0</b>	<b>\$ (117.0)</b>	<b>\$ (8.8)</b>	<b>\$ (56.1)</b>	<b>\$ 358.2</b>	<b>\$ 3.2</b>	<b>\$ 2.1</b>

(1) 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.

(2) 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 existing securities for one or more new securities and the movement of an existing portfolio company out of this category into a different category.

(3) Interest and PIK income presented for the full year ended December 31, 2018.

(4) The Company held this investment as of December 31, 2017 but it was not deemed to be an “affiliated person” of the portfolio company or deemed to “control” the portfolio company as of December 31, 2017. Transfers in or out have been presented at amortized cost.

*See notes to consolidated financial statements.*

**FS KKR Capital Corp.**  
**Consolidated Schedule of Investments (continued)**  
**As of December 31, 2018**  
**(in millions, except share amounts)**

(z) Under the Investment Company Act of 1940, as amended, the Company generally is deemed to “control” a portfolio company if it owns more than 25% of the portfolio company’s voting securities or it has the power to exercise control over the management or policies of such portfolio company. As of December 31, 2018, the Company held investments in one portfolio company of which it is deemed to be an “affiliated person” and deemed to “control”. During the year ended December 31, 2018, the Company disposed of investments in one portfolio of which it was deemed to be an “affiliated person” and deemed to “control”. The following table presents certain information with respect to investments in portfolio companies of which the Company was deemed to be an affiliated person and deemed to control for the year ended December 31, 2018:

Portfolio Company	Fair Value at December 31, 2017	Gross Additions <sup>(1)</sup>	Gross Reductions <sup>(2)</sup>	Net Realized Gain (Loss)	Net Change in Unrealized Appreciation (Depreciation)	Fair Value at December 31, 2018	Interest Income <sup>(3)</sup>	PIK Income <sup>(3)</sup>	Dividend Income <sup>(3)</sup>
<b>Senior Secured Loans—First Lien</b>									
Advanced Lighting Technologies Inc <sup>(4)</sup>	\$ —	\$ 17.7	\$ (0.2)	\$ —	\$ 2.7	\$ 20.2	\$ 2.5	\$ —	\$ —
Amtek Global Technology Pte Ltd	—	60.5	—	—	(4.1)	56.4	0.1	—	—
<b>Senior Secured Loans—Second Lien</b>									
Amtek Global Technology Pte Ltd	—	40.3	—	—	(2.7)	37.6	0.1	—	—
JW Aluminum	38.0	—	(37.4)	—	(0.6)	—	1.6	—	—
<b>Other Senior Secured Debt</b>									
Advanced Lighting Technologies Inc <sup>(4)</sup>	—	24.2	(0.6)	—	(15.6)	8.0	1.2	1.4	—
JW Aluminum Co	—	36.5	—	—	(0.1)	36.4	2.2	—	—
<b>Subordinated Debt</b>									
Hilding Anders	—	125.0	—	—	(44.0)	81.0	0.1	7.9	—
Hilding Anders	—	0.5	—	—	—	0.5	—	—	—
Hilding Anders	—	0.9	—	—	(0.9)	—	—	—	—
Hilding Anders	—	12.9	—	—	(5.7)	7.2	—	—	—
<b>Asset Based Finance</b>									
Comet Aircraft S.a.r.l., Common Stock	—	34.5	—	—	(2.1)	32.4	0.1	—	—
Toorak Capital LLC, Membership Interest	—	96.9	—	—	11.6	108.5	—	—	0.2
Toorak Capital LLC, Membership Interest	—	16.9	—	—	2.0	18.9	—	—	—
<b>Strategic Credit Opportunities Partners, LLC</b>									
Strategic Credit Opportunities Partners, LLC	—	294.0	—	—	5.3	299.3	—	—	1.1
<b>Equity/Other</b>									
Advanced Lighting Technologies Inc, Common Stock <sup>(4)</sup>	—	16.5	(2.9)	—	(13.6)	—	—	—	—
Advanced Lighting Technologies Inc, Warrant <sup>(4)</sup>	—	3.0	—	—	(3.0)	—	—	—	—
Amtek Global Technology Pte Ltd, Ordinary Shares	—	30.7	—	—	(4.3)	26.4	—	—	—
Amtek Global Technology Pte Ltd, Trade Claim	—	3.0	—	—	(0.4)	2.6	—	—	—
Hilding Anders, ARLE PIK Interest	—	—	—	—	—	—	—	—	—
Hilding Anders, Class A Common Stock	—	0.1	—	—	(0.1)	—	—	—	—
Hilding Anders, Class B Common Stock	—	—	—	—	—	—	—	—	—
Hilding Anders, Class C Common Stock	—	—	—	—	—	—	—	—	—
Hilding Anders, Equity Options	—	15.0	—	—	(12.4)	2.6	—	—	—
JW Aluminum Co, Common Stock	—	—	—	—	—	—	—	—	—
JW Aluminum Co, Preferred Stock	57.3	26.3	—	—	(7.8)	75.8	1.2	10.1	—
KKR BPT Holdings Aggregator LLC, Membership Interest	—	16.2	—	—	(17.6)	(1.4)	—	—	—
<b>Total</b>	<b>\$ 95.3</b>	<b>\$ 871.6</b>	<b>\$ (41.1)</b>	<b>\$ —</b>	<b>\$ (113.4)</b>	<b>\$ 812.4</b>	<b>\$ 9.1</b>	<b>\$ 19.4</b>	<b>\$ 1.3</b>

See notes to consolidated financial statements.

**FS KKR Capital Corp.**  
**Consolidated Schedule of Investments (continued)**  
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**(in millions, except share amounts)**

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- (1) 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.
- (2) 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 existing securities for one or more new securities and the movement of an existing portfolio company out of this category into a different category.
- (3) Interest, PIK and dividend income presented for the full year ended December 31, 2018.
- (4) The Company held this investment as of December 31, 2017 but it was not deemed to “control” the portfolio company as of December 31, 2017. Transfers in or out have been presented at amortized cost.

*See notes to consolidated financial statements.*

**FS KKR Capital Corp.**  
**Consolidated Schedule of Investments**  
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Portfolio Company <sup>(a)</sup>	Footnotes	Industry	Rate <sup>(b)</sup>	Floor	Maturity	Principal Amount <sup>(c)</sup>	Amortized Cost	Fair Value <sup>(d)</sup>
<b>Senior Secured Loans—First Lien—110.3%</b>								
5 Arch Income Fund 2, LLC	(g)(j)(o)	Diversified Financials	10.5%		11/18/21	\$ 29.8	\$ 29.9	\$ 29.8
5 Arch Income Fund 2, LLC	(g)(j)(o)							
	(q)	Diversified Financials	10.5%		11/18/21	8.2	8.2	8.2
A.P. Plasman Inc.	(e)(f)(g)							
	(h)(j)	Capital Goods	L+900	1.0%	12/29/19	196.5	195.2	191.8
Actian Corp.	(e)	Software & Services	L+806	1.0%	6/30/22	11.4	11.4	11.6
Advanced Lighting Technologies, Inc.	(g)(t)	Materials	L+750	1.0%	10/4/22	20.4	17.2	20.4
AG Group Merger Sub, Inc.	(e)(g)	Commercial & Professional Services	L+750	1.0%	12/29/23	89.2	89.2	90.7
All Systems Holding LLC	(e)(f)(g)							
	(h)	Commercial & Professional Services	L+767	1.0%	10/31/23	49.0	49.0	49.7
Altus Power America, Inc.	(g)	Energy	L+750	1.5%	9/30/21	2.9	2.9	2.8
Altus Power America, Inc.	(g)(q)	Energy	L+750	1.5%	9/30/21	0.9	0.9	0.9
Aspect Software, Inc.	(g)(t)	Software & Services	L+1050	1.0%	5/25/18	1.0	1.0	1.0
Aspect Software, Inc.	(g)(q)(t)	Software & Services	L+1050	1.0%	5/25/18	—	—	—
Aspect Software, Inc.	(g)(t)	Software & Services	L+1050	1.0%	5/25/20	0.7	0.7	0.6
Aspect Software, Inc.	(g)(q)(t)	Software & Services	L+1200	1.0%	5/25/18	0.4	0.4	—
Atlas Aerospace LLC	(g)	Capital Goods	L+802	1.0%	12/29/22	30.5	30.5	30.5
AVF Parent, LLC	(e)(h)	Retailing	L+725	1.3%	3/1/24	56.8	56.8	58.0
Borden Dairy Co.	(e)(g)(h)	Food, Beverage & Tobacco	L+804	1.0%	7/6/23	70.0	70.0	70.0
ConnectiveRX, LLC	(e)(g)(h)	Health Care Equipment & Services	L+828	1.0%	11/25/21	45.0	45.0	45.0
Crestwood Holdings LLC	(g)	Energy	L+800	1.0%	6/19/19	4.2	4.2	4.2
CSafe Acquisition Co., Inc.	(g)	Capital Goods	L+725	1.0%	11/1/21	3.3	3.3	3.3
CSafe Acquisition Co., Inc.	(g)(q)	Capital Goods	L+725	1.0%	11/1/21	2.6	2.6	2.5
CSafe Acquisition Co., Inc.	(g)(h)	Capital Goods	L+725	1.0%	10/31/23	46.8	46.8	46.4
CSafe Acquisition Co., Inc.	(g)(q)	Capital Goods	L+725	1.0%	10/31/23	25.1	25.1	24.9
Dade Paper & Bag, LLC	(e)(g)(h)	Capital Goods	L+750	1.0%	6/10/24	83.6	83.6	86.5
Eastman Kodak Co.	(g)	Consumer Durables & Apparel	L+625	1.0%	9/3/19	10.3	10.2	8.9
Empire Today, LLC	(e)(g)	Retailing	L+800	1.0%	11/17/22	81.2	81.2	82.0
Greystone Equity Member Corp.	(g)(j)	Diversified Financials	L+1050		3/31/21	1.4	1.4	1.4
Greystone Equity Member Corp.	(g)(j)	Diversified Financials	L+1100		3/31/21	50.0	50.0	50.8
Greystone Equity Member Corp.	(g)(j)	Diversified Financials	L+1100		3/31/21	2.1	2.1	2.1
Greystone Equity Member Corp.	(g)(j)(q)	Diversified Financials	L+1100		3/31/21	0.5	0.5	0.5
H.M. Dunn Co., Inc.	(g)	Capital Goods	L+946	1.0%	3/26/21	1.1	1.1	1.0
Hudson Technologies Co.	(g)(h)(j)	Commercial & Professional Services	L+725	1.0%	10/10/23	39.9	39.9	40.5
Hudson Technologies Co.	(g)(j)(q)	Commercial & Professional Services	L+725	1.0%	10/10/23	9.5	9.5	9.6
Icynene U.S. Acquisition Corp.	(e)(g)	Materials	L+700	1.0%	11/30/24	30.0	30.0	30.0
Imagine Communications Corp.	(e)(g)(h)	Media	L+825	1.0%	4/29/20	75.7	75.7	76.7
Industrial Group Intermediate Holdings, LLC	(g)	Materials	L+800	1.3%	5/31/20	21.5	21.5	21.8
Industry City TI Lessor, L.P.	(g)	Consumer Services	10.8%, 1.0% PIK (1.0% Max PIK)		6/30/26	30.8	30.8	31.2
International Aerospace Coatings, Inc.	(e)(f)(h)	Capital Goods	L+750	1.0%	6/30/20	44.9	44.8	45.5
JMC Acquisition Merger Corp.	(g)	Capital Goods	L+854	1.0%	11/6/21	6.8	6.8	7.0
JSS Holdings, Inc.			L+800, 0.0% PIK (2.5% Max PIK)					
	(e)(g)	Capital Goods	L+800, 0.0% PIK (2.5% Max PIK)	1.0%	3/31/23	110.6	109.6	112.3
JSS Holdings, Inc.								
	(g)(q)	Capital Goods	L+800, 0.0% PIK (2.5% Max PIK)	1.0%	3/31/23	20.2	20.2	20.5
Kodiak BP, LLC	(h)	Capital Goods	L+725	1.0%	12/1/24	10.5	10.5	10.5
Kodiak BP, LLC	(h)(q)	Capital Goods	L+725	1.0%	12/1/24	3.0	3.0	3.0

*See notes to consolidated financial statements.*

**FS KKR Capital Corp.**  
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Portfolio Company <sup>(a)</sup>	Footnotes	Industry	Rate <sup>(b)</sup>	Floor	Maturity	Principal Amount <sup>(c)</sup>	Amortized Cost	Fair Value <sup>(d)</sup>
Latham Pool Products, Inc.	(e)(h)	Commercial & Professional Services	L+775	1.0%	6/29/21	\$ 56.2	\$ 56.2	\$ 56.8
LEAS Acquisition Co Ltd.	(g)(j)	Capital Goods	L+750	1.0%	6/30/20	€ 26.4	35.9	32.2
LEAS Acquisition Co Ltd.	(f)(j)	Capital Goods	L+750	1.0%	6/30/20	\$ 9.3	9.3	9.4
Logan's Roadhouse, Inc.	(g)(i)	Consumer Services	L+1100	1.0%	5/5/19	7.0	7.0	7.0
Logan's Roadhouse, Inc.	(g)(q)(t)	Consumer Services	L+1100	1.0%	5/5/19	1.1	1.2	1.1
MB Precision Holdings LLC	(g)	Capital Goods	L+725, 2.3% PIK (2.3% Max PIK)	1.3%	1/23/21	13.8	13.8	12.6
Micronics Filtration, LLC	(e)(g)(h)	Capital Goods	L+850	1.3%	12/11/19	62.8	62.7	62.4
MORSCO, Inc.	(g)	Capital Goods	L+700	1.0%	10/31/23	2.7	2.6	2.7
Nobel Learning Communities, Inc.	(g)	Consumer Services	L+450	1.0%	5/5/21	—	—	—
Nobel Learning Communities, Inc.	(g)(q)	Consumer Services	L+450	1.0%	5/5/21	0.1	0.1	0.1
Nobel Learning Communities, Inc.	(g)	Consumer Services	L+436	4.5%	5/5/23	1.1	1.1	1.1
Nobel Learning Communities, Inc.	(g)(q)	Consumer Services	L+375	4.5%	5/5/23	0.6	0.6	0.6
North Haven Cadence Buyer, Inc.	(g)(q)	Consumer Services	L+500	1.0%	9/2/21	0.9	0.9	0.9
North Haven Cadence Buyer, Inc.	(e)(g)	Consumer Services	L+810	1.0%	9/2/22	27.7	27.7	28.2
North Haven Cadence Buyer, Inc.	(g)(q)	Consumer Services	L+750	1.0%	9/2/22	3.5	3.5	3.6
Nova Wildcat Amerock, LLC	(g)	Consumer Durables & Apparel	L+800	1.3%	9/10/19	17.3	17.3	17.4
PHRC License, LLC	(f)(g)	Consumer Services	L+850	1.5%	4/28/22	50.6	50.6	51.9
Polymer Additives, Inc.	(g)	Materials	L+888	1.0%	12/19/22	10.5	10.5	10.9
Polymer Additives, Inc.	(g)	Materials	L+834	1.0%	12/19/22	11.0	11.0	11.2
Polymer Additives, Inc.	(g)	Materials	L+875	1.0%	12/19/22	€ 15.0	17.0	18.6
Power Distribution, Inc.	(e)(g)	Capital Goods	L+725	1.3%	1/25/23	\$ 29.9	29.9	30.4
Roadrunner Intermediate Acquisition Co., LLC	(e)(g)(h)	Health Care Equipment & Services	L+725	1.0%	3/15/23	34.9	34.9	35.2
Rogue Wave Software, Inc.	(e)(g)(h)	Software & Services	L+858	1.0%	9/25/21	40.7	40.7	40.7
Safariland, LLC	(e)(g)(h)	Capital Goods	L+768	1.1%	11/18/23	126.1	126.1	127.8
Safariland, LLC	(g)(q)	Capital Goods	L+725	1.1%	11/18/23	33.3	33.3	33.8
Sequel Youth and Family Services, LLC	(e)(g)(h)	Health Care Equipment & Services	L+778	1.0%	9/1/22	94.1	94.1	95.0
Sequel Youth and Family Services, LLC	(g)(q)	Health Care Equipment & Services	L+700	1.0%	9/1/22	4.7	4.7	4.8
Sequential Brands Group, Inc.	(e)(g)(h)	Consumer Durables & Apparel	L+900	1.0%	7/1/22	79.0	79.0	78.3
Sorenson Communications, Inc.	(e)(g)(h)	Telecommunication Services	L+575	2.3%	4/30/20	90.7	90.5	91.4
SSC (Lux) Limited S.à r.l.	(e)(g)(j)	Health Care Equipment & Services	L+750	1.0%	9/10/24	45.5	45.4	46.4
Staples Canada, ULC	(g)(j)	Retailing	L+700	1.0%	9/12/23	C\$ 21.0	17.3	16.9
SunGard Availability Services Capital, Inc.	(g)	Software & Services	L+700	1.0%	9/30/21	\$ 4.4	4.3	4.1
SunGard Availability Services Capital, Inc.	(g)(i)	Software & Services	L+1000	1.0%	10/1/22	2.0	1.9	1.9
Trace3, LLC	(e)(h)	Software & Services	L+775	1.0%	6/6/23	31.1	31.1	31.8
U.S. Xpress Enterprises, Inc.	(e)(f)(h)	Transportation	L+1075, 0.0% PIK (1.8% Max PIK)	1.5%	5/30/20	52.7	52.7	52.8
USI Senior Holdings, Inc.	(e)(g)	Capital Goods	L+779	1.0%	1/5/22	56.6	56.6	56.9
USI Senior Holdings, Inc.	(g)(q)	Capital Goods	L+725	1.0%	1/5/22	11.5	11.5	11.6
VPG Metals Group LLC	(e)(g)(h)	Materials	L+1050	1.0%	12/30/20	114.2	114.2	115.1
Warren Resources, Inc.	(f)(g)	Energy	L+900, 1.0% PIK (1.0% Max PIK)	1.0%	5/22/20	2.0	2.0	2.1
Waste Pro USA, Inc.	(e)(g)(h)	Commercial & Professional Services	L+750	1.0%	10/15/20	93.6	93.6	95.4

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Portfolio Company <sup>(a)</sup>	Footnotes	Industry	Rate <sup>(b)</sup>	Floor	Maturity	Principal Amount <sup>(c)</sup>	Amortized Cost	Fair Value <sup>(d)</sup>
Zeta Interactive Holdings Corp.	(e)(g)(h)	Software & Services	L+750	1.0%	7/29/22	\$ 11.8	\$ 11.8	\$ 11.9
Zeta Interactive Holdings Corp.	(g)(q)	Software & Services	L+750	1.0%	7/29/22	2.2	2.2	2.3
<b>Total Senior Secured Loans—First Lien</b>							2,629.5	2,649.4
Unfunded Loan Commitments							(128.4)	(128.4)
<b>Net Senior Secured Loans—First Lien</b>							2,501.1	2,521.0
<b>Senior Secured Loans—Second Lien—8.6%</b>								
American Bath Group, LLC	(g)	Capital Goods	L+975	1.0%	9/30/24	18.0	17.6	18.0
Arena Energy, LP	(g)	Energy	L+900, 4.0% PIK (4.0% Max PIK)	1.0%	1/24/21	8.3	8.3	7.9
Byrider Finance, LLC	(f)(g)	Automobiles & Components	L+1000, 0.5% PIK (4.0% Max PIK)	1.3%	8/22/20	13.6	13.6	12.8
Chisholm Oil and Gas Operating, LLC	(g)	Energy	L+800	1.0%	3/21/24	16.0	16.0	16.0
Compuware Corp.	(g)	Software & Services	L+825	1.0%	12/15/22	1.2	1.1	1.2
Gruden Acquisition, Inc.	(g)	Transportation	L+850	1.0%	8/18/23	15.0	14.5	15.0
JW Aluminum Co.	(e)(f)(g)	Materials	L+850	0.8%	11/17/20	37.4	37.4	38.0
Logan's Roadhouse, Inc.	(g)(t)	Consumer Services	L+850 PIK (L+850 Max PIK)	1.0%	11/23/20	21.9	21.8	10.1
LTI Holdings, Inc.	(e)	Materials	L+875	1.0%	5/16/25	6.5	6.3	6.6
Spencer Gifts LLC	(e)(h)	Retailing	L+825	1.0%	6/29/22	30.0	29.9	16.2
Stadium Management Corp.	(e)(g)(h)	Consumer Services	Prime+725	0.3%	2/27/21	55.7	55.7	55.8
<b>Total Senior Secured Loans—Second Lien</b>							222.2	197.6
<b>Other Senior Secured Debt—7.1%</b>								
Advanced Lighting Technologies, Inc.	(g)(t)	Materials	L+700, 10.0% PIK (10.0% Max PIK)	1.0%	10/4/23	22.7	22.7	22.7
Black Swan Energy Ltd.	(e)(j)	Energy	9.0%		1/20/24	6.0	6.0	6.0
FourPoint Energy, LLC	(e)(f)(h)	Energy	9.0%		12/31/21	74.8	72.3	76.0
Global A&T Electronics Ltd.	(g)(j)(l)(r)	Semiconductors & Semiconductor Equipment	10.0%		2/1/19	7.0	7.0	6.5
Mood Media Corp.	(f)(g)(j)(t)	Media	L+600, 8.0% PIK (8.0% Max PIK)	1.0%	6/28/24	21.6	21.6	21.7
Ridgeback Resources Inc.	(f)(j)	Energy	12.0%		12/29/20	0.1	0.1	0.1
Sorenson Communications, Inc.	(f)	Telecommunication Services	9.0%, 0.0% PIK (9.0% Max PIK)		10/31/20	19.9	19.5	19.9
Sunnova Energy Corp.	(g)	Energy	6.0%, 6.0% PIK (6.0% Max PIK)		10/24/18	1.1	1.0	1.1
Velvet Energy Ltd.	(g)(j)	Energy	9.0%		10/5/23	7.5	7.5	7.6
<b>Total Other Senior Secured Debt</b>							157.7	161.6
<b>Subordinated Debt—15.6%</b>								
Ascent Resources Utica Holdings, LLC	(g)	Energy	10.0%		4/1/22	40.0	40.0	43.2
Aurora Diagnostics, LLC	(e)(f)(h)	Health Care Equipment & Services	10.8%, 1.5% PIK (1.5% Max PIK)		1/15/20	15.0	13.7	13.9
Bellatrix Exploration Ltd.	(g)(j)	Energy	8.5%		5/15/20	5.0	4.9	4.8
Brooklyn Basketball Holdings, LLC	(f)(g)	Consumer Services	L+725		10/25/19	19.9	19.9	20.2
CEC Entertainment, Inc.	(f)	Consumer Services	8.0%		2/15/22	5.0	5.0	4.7
Ceridian HCM Holding, Inc.	(f)(g)	Commercial & Professional Services	11.0%		3/15/21	17.4	17.8	18.2
DEI Sales, Inc.	(e)(g)	Consumer Durables & Apparel	9.0%, 4.0% PIK (4.0% Max PIK)		2/28/23	67.5	66.8	66.5
EV Energy Partners, L.P.	(f)(r)	Energy	8.0%		4/15/19	0.3	0.3	0.1
Greystone Mezzanine Equity Member Corp.	(g)(j)	Diversified Financials	L+650	4.5%	9/15/25	1.4	1.4	1.4
Greystone Mezzanine Equity Member Corp.	(g)(j)(q)	Diversified Financials	L+650	4.5%	9/15/25	25.6	25.6	25.6

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Portfolio Company <sup>(a)</sup>	Footnotes	Industry	Rate <sup>(b)</sup>	Floor	Maturity	Principal Amount <sup>(c)</sup>	Amortized Cost	Fair Value <sup>(d)</sup>
Imagine Communications Corp.	(g)	Media	12.5% PIK (12.5% Max PIK)		8/4/18	\$ 0.7	\$ 0.7	\$ 0.7
Jupiter Resources Inc.	(f)(g)(j)	Energy	8.5%		10/1/22	6.4	5.6	4.0
P.F. Chang's China Bistro, Inc.	(f)(g)	Consumer Services	10.3%		6/30/20	11.4	11.7	10.5
PriSo Acquisition Corp.	(g)	Capital Goods	9.0%		5/15/23	10.2	10.0	10.8
S1 Blocker Buyer Inc.	(g)	Commercial & Professional Services	10.0% PIK (10.0% Max PIK)		10/31/22	0.1	0.1	0.2
Sorenson Communications, Inc.	(f)	Telecommunication Services	13.9%, 0.0% PIK (13.9% Max PIK)		10/31/21	15.1	14.4	15.7
SunGard Availability Services Capital, Inc.	(f)(g)	Software & Services	8.8%		4/1/22	10.8	8.7	6.7
ThermaSys Corp.	(e)(f)(g)	Capital Goods	6.5%, 5.0% PIK (5.0% Max PIK)		5/3/20	145.2	145.2	131.6
VPG Metals Group LLC	(e)(g)	Materials	11.0%, 2.0% PIK (2.0% Max PIK)		6/30/18	2.2	2.2	2.2
<b>Total Subordinated Debt</b>							394.0	381.0
Unfunded Debt Commitments							(25.6)	(25.6)
<b>Net Subordinated Debt</b>							368.4	355.4
<b>Asset Based Finance—8.3%</b>								
Altus Power America Holdings, LLC, Preferred Equity	(g)(p)	Energy	9.0%, 5.0% PIK		10/3/23	955.3	0.9	0.9
Global Jet Capital Inc.	(g)	Commercial & Professional Services	15.0% PIK (15.0% Max PIK)		1/30/25	0.8	0.9	0.9
Global Jet Capital Inc.	(g)	Commercial & Professional Services	15.0% PIK (15.0% Max PIK)		4/30/25	5.4	5.4	5.5
Global Jet Capital Inc.	(g)	Commercial & Professional Services	15.0% PIK (15.0% Max PIK)		9/3/25	1.1	1.1	1.1
Global Jet Capital Inc.	(g)	Commercial & Professional Services	15.0% PIK (15.0% Max PIK)		9/29/25	1.1	1.1	1.1
Global Jet Capital Inc.	(f)(g)(j)	Commercial & Professional Services	15.0% PIK (15.0% Max PIK)		12/4/25	77.5	77.5	78.9
Global Jet Capital Inc.	(f)(g)(j)	Commercial & Professional Services	15.0% PIK (15.0% Max PIK)		12/9/25	12.7	12.7	12.9
Global Jet Capital Inc.	(f)(j)	Commercial & Professional Services	15.0% PIK (15.0% Max PIK)		1/29/26	6.6	6.6	6.7
Global Jet Capital Inc.	(g)	Commercial & Professional Services	15.0% PIK (15.0% Max PIK)		4/14/26	13.6	13.6	13.8
Global Jet Capital Inc.	(g)	Commercial & Professional Services	15.0% PIK (15.0% Max PIK)		12/2/26	13.3	13.3	13.5
MP4 2013-2A Class Subord. B	(f)(g)(j)	Diversified Financials	14.9%		7/25/29	21.0	11.3	12.0
NewStar Clarendon 2014-1A Class D	(g)(j)	Diversified Financials	L+435		1/25/27	1.6	1.5	1.6
NewStar Clarendon 2014-1A Class Subord. B	(g)(j)	Diversified Financials	15.8%		1/25/27	17.9	12.9	14.7
Rampart CLO 2007 1A Class Subord.	(g)(j)	Diversified Financials	4.5%		10/25/21	10.0	0.8	0.7
Wind River CLO Ltd. 2012 1A Class Subord. B	(g)(j)	Diversified Financials	9.9%		1/15/26	42.5	21.0	25.4
<b>Total Asset Based Finance</b>							180.6	189.7
<b>Equity/Other—21.9%<sup>(k)</sup></b>								
5 Arches, LLC, Common Equity	(g)(j)(n)	Diversified Financials				20,000	\$ 0.5	\$ 0.5
Advanced Lighting Technologies, Inc., Common Equity	(g)(l)(t)	Materials				587,637	16.5	13.0
Advanced Lighting Technologies, Inc., Warrants, 10/4/2027	(g)(l)(t)	Materials				9,262	0.1	0.1
Altus Power America Holdings, LLC, Common Equity	(g)(l)	Energy				462,008	0.5	0.1
AP Exhaust Holdings, LLC, Class A1 Common Units	(g)(l)(n)	Automobiles & Components				8	—	—
AP Exhaust Holdings, LLC, Class A1 Preferred Units	(g)(l)(n)	Automobiles & Components				803	0.9	0.8
APP Holdings, LP, Warrants, 5/25/2026	(g)(j)(l)	Capital Goods				698,482	2.5	1.9
Ascent Resources Utica Holdings, LLC, Common Equity	(g)(l)(m)	Energy				96,800,082	29.1	24.2
ASG Everglades Holdings, Inc., Common Equity	(g)(l)(t)	Software & Services				1,689,767	36.4	83.1

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Portfolio Company <sup>(a)</sup>	Footnotes	Industry	Rate <sup>(b)</sup>	Floor	Maturity	Number of Shares	Amortized Cost	Fair Value <sup>(d)</sup>
ASG Everglades Holdings, Inc., Warrants, 6/27/2022	(g)(l)(t)	Software & Services				229,541	\$ 6.5	\$ 6.3
Aspect Software Parent, Inc., Common Equity	(g)(l)(t)	Software & Services				428,935	20.2	—
Aurora Diagnostics Holdings, LLC, Warrants, 5/25/2027	(e)(f)(g)(l)	Health Care Equipment & Services				229,489	1.7	1.6
Burleigh Point, Ltd., Warrants, 7/16/2020	(g)(j)(l)	Retailing				3,451,216	1.9	—
Chisholm Oil and Gas, LLC, Series A Units	(g)(l)(n)	Energy				70,947	0.1	0.1
CSF Group Holdings, Inc., Common Equity	(g)(l)	Capital Goods				391,300	0.4	0.3
Eastman Kodak Co., Common Equity	(g)(l)(s)	Consumer Durables & Apparel				61,859	1.2	0.2
Escape Velocity Holdings, Inc., Common Equity	(g)(l)	Software & Services				19,312	0.2	0.5
FourPoint Energy, LLC, Common Equity, Class C-II-A Units	(g)(l)(n)	Energy				21,000	21.0	6.1
FourPoint Energy, LLC, Common Equity, Class D Units	(g)(l)(n)	Energy				3,937	2.6	1.2
FourPoint Energy, LLC, Common Equity, Class E-II Units	(g)(l)(n)	Energy				48,025	12.0	13.8
FourPoint Energy, LLC, Common Equity, Class E-III Units	(g)(l)(n)	Energy				70,875	17.7	20.6
Fronton Investor Holdings, LLC, Class B Units	(g)(n)(t)	Consumer Services				14,943	7.0	17.8
Global Jet Capital Holdings, LP, Preferred Equity	(f)(g)(j)(l)	Commercial & Professional Services				42,281,308	42.3	38.0
H.I.G. Empire Holdco, Inc., Common Equity	(g)(l)	Retailing				375	1.1	1.1
Harvey Holdings, LLC, Common Equity	(g)(l)	Capital Goods				2,333,333	2.3	6.0
Imagine Communications Corp., Common Equity, Class A Units	(g)(l)	Media				33,034	3.8	2.6
Industrial Group Intermediate Holdings, LLC, Common Equity	(g)(l)(n)	Materials				441,238	0.5	0.7
International Aerospace Coatings, Inc., Common Equity	(f)(l)	Capital Goods				4,401	0.5	—
International Aerospace Coatings, Inc., Preferred Equity	(f)(l)	Capital Goods				1,303	1.3	1.3
JMC Acquisition Holdings, LLC, Common Equity	(g)(l)	Capital Goods				483	0.5	0.6
JSS Holdco, LLC, Net Profits Interest	(g)(l)	Capital Goods				—	—	0.8
JW Aluminum Co., Common Equity	(f)(g)(l)(u)	Materials				972	—	—
JW Aluminum Co., Preferred Equity	(f)(g)(u)	Materials	12.5% PIK		11/17/25	4,499	49.4	57.3
MB Precision Investment Holdings LLC, Class A-2 Units	(g)(l)(n)	Capital Goods				490,213	0.5	—
Micronics Filtration Holdings, Inc., Common Equity	(g)(l)	Capital Goods				53,073	0.6	—
Micronics Filtration Holdings, Inc., Preferred Equity, Series A	(g)(l)	Capital Goods				55	0.6	0.9
Micronics Filtration Holdings, Inc., Preferred Equity, Series B	(g)(l)	Capital Goods				23	0.2	0.3
Mood Media Corp., Common Equity	(g)(j)(l)(t)	Media				16,243,967	11.8	26.8
North Haven Cadence TopCo, LLC, Common Equity	(g)(l)	Consumer Services				1,041,667	1.0	1.6
PDI Parent LLC, Common Equity	(g)(l)	Capital Goods				1,384,615	1.4	1.4
PSAV Holdings LLC, Common Equity	(f)(l)	Technology Hardware & Equipment				10,000	10.0	34.0
Ridgeback Resources Inc., Common Equity	(f)(j)(l)	Energy				324,954	2.0	2.0
Roadhouse Holding Inc., Common Equity	(g)(l)(t)	Consumer Services				6,672,036	6.9	—
S1 Blocker Buyer Inc., Common Equity	(g)	Commercial & Professional Services				59	0.6	0.9
Safariland, LLC, Common Equity	(f)(l)	Capital Goods				25,000	2.5	8.2
Safariland, LLC, Warrants, 7/27/2018	(f)(l)	Capital Goods				2,263	0.3	0.7
Safariland, LLC, Warrants, 9/20/2019	(f)(l)	Capital Goods				2,273	0.2	0.7
SandRidge Energy, Inc., Common Equity	(g)(j)(l)(s)	Energy				421,682	9.4	8.9
Sequel Industrial Products Holdings, LLC, Common Equity	(f)(g)(l)	Commercial & Professional Services				33,306	3.4	14.9
Sequel Industrial Products Holdings, LLC, Preferred Equity	(f)(g)	Commercial & Professional Services	9.5% PIK		11/10/18	8,000	13.4	13.4
Sequel Industrial Products Holdings, LLC, Warrants, 9/28/2022	(g)(l)	Commercial & Professional Services				1,293	—	0.4
Sequel Industrial Products Holdings, LLC, Warrants, 5/10/2022	(f)(l)	Commercial & Professional Services				19,388	—	6.7

*See notes to consolidated financial statements.*

**FS KKR Capital Corp.**  
**Consolidated Schedule of Investments (continued)**  
**As of December 31, 2017**  
**(in millions, except share amounts)**

Portfolio Company <sup>(a)</sup>	Footnotes	Industry	Rate <sup>(b)</sup>	Floor	Maturity	Number of Shares	Amortized Cost	Fair Value <sup>(d)</sup>
Sequential Brands Group, Inc., Common Equity	(g)(l)(s)	Consumer Durables & Apparel				206,664	\$ 2.8	\$ 0.4
Sorenson Communications, Inc., Common Equity	(f)(l)	Telecommunication Services				46,163	—	37.8
SSC Holdco Limited, Common Equity	(g)(j)(l)	Health Care Equipment & Services				113,636	2.3	2.7
Sunnova Energy Corp., Common Equity	(g)(l)	Energy				192,389	0.7	—
Sunnova Energy Corp., Preferred Equity	(g)(l)	Energy				35,115	0.2	0.1
The Brock Group, Inc., Common Equity	(g)(l)	Energy				183,826	3.7	3.8
The Stars Group Inc., Warrants, 5/15/2024	(g)(j)(l)	Consumer Services				2,000,000	16.8	25.1
ThermaSys Corp., Common Equity	(f)(l)	Capital Goods				51,813	—	—
ThermaSys Corp., Preferred Equity	(f)(l)	Capital Goods				51,813	5.2	0.1
Viper Holdings, LLC, Series I Units	(g)(l)	Consumer Durables & Apparel				308,948	0.5	0.5
Viper Holdings, LLC, Series II Units	(g)(l)(n)	Consumer Durables & Apparel				316,770	0.5	0.5
Viper Parallel Holdings LLC, Class A Units	(g)(l)	Consumer Durables & Apparel				649,538	1.1	1.1
VPG Metals Group LLC, Class A-2 Units	(f)(l)	Materials				3,637,500	3.6	2.2
Warren Resources, Inc., Common Equity	(f)(g)(l)	Energy				113,515	0.5	0.2
Zeta Interactive Holdings Corp., Preferred Equity, Series E-1	(g)(l)	Software & Services				215,662	1.7	2.1
Zeta Interactive Holdings Corp., Preferred Equity, Series F	(g)(l)	Software & Services				196,151	1.7	1.8
Zeta Interactive Holdings Corp., Warrants, 4/20/2027	(g)(l)	Software & Services				29,422	—	0.1
<b>Total Equity/Other</b>							<u>386.8</u>	<u>500.9</u>
<b>TOTAL INVESTMENTS—171.8%</b>							<u>\$ 3,816.8</u>	<u>3,926.2</u>
<b>LIABILITIES IN EXCESS OF OTHER ASSETS—(71.8%)</b>								<u>(1,641.2)</u>
<b>NET ASSETS—100%</b>								<u>\$ 2,285.0</u>

- (a) Security may be an obligation of one or more entities affiliated with the named company.
- (b) Certain variable rate securities in the Company's portfolio bear interest at a rate determined by a publicly disclosed base rate plus a basis point spread. As of December 31, 2017, the three-month London Interbank Offered Rate, or LIBOR or "L", was 1.69%, the Euro Interbank Offered Rate, or EURIBOR, was (0.33)% and the U.S. Prime Lending Rate, or Prime, was 4.50%. PIK means paid-in-kind.
- (c) Denominated in U.S. dollars unless otherwise noted.
- (d) Fair value determined by the Company's board of directors (see Note 7).
- (e) Security or portion thereof held within Locust Street Funding LLC and is pledged as collateral supporting the amounts outstanding under the term loan facility with JPMorgan Chase Bank, N.A. (see Note 8).
- (f) Security or portion thereof held within Race Street Funding LLC and is pledged as collateral supporting the amounts outstanding under the revolving credit facility with ING Capital LLC (see Note 8).
- (g) Security or portion thereof is pledged as collateral supporting the amounts outstanding under the revolving credit facility with ING Capital LLC (see Note 8).
- (h) Security or portion thereof held within Hamilton Street Funding LLC and is pledged as collateral supporting the amounts outstanding under the revolving credit facility with HSBC Bank USA, N.A. (see Note 8).
- (i) Position or portion thereof unsettled as of December 31, 2017.

*See notes to consolidated financial statements.*

**FS KKR Capital Corp.**  
**Consolidated Schedule of Investments (continued)**  
**As of December 31, 2017**  
**(in millions, except share amounts)**

- (j) The investment is not a qualifying asset under the Investment Company Act of 1940, as amended. A business development company 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 company's total assets. As of December 31, 2017, 82.0% of the Company's total assets represented qualifying assets.
- (k) Listed investments may be treated as debt for GAAP or tax purposes.
- (l) Security is non-income producing.
- (m) Security held within IC American Energy Investments, Inc., a wholly-owned subsidiary of the Company.
- (n) Security held within FSIC Investments, Inc., a wholly-owned subsidiary of the Company.
- (o) Security held within IC Arches Investments LLC, a wholly-owned subsidiary of the Company.
- (p) Security held within IC Altus Investments, LLC, a wholly-owned subsidiary of the Company.
- (q) Security is an unfunded commitment. Reflects the stated spread at the time of commitment, but may not be the actual rate received upon funding.
- (r) Asset is on non-accrual status.
- (s) Security is classified as Level 1 in the Company's fair value hierarchy (see Note 7).
- (t) Under the Investment Company Act of 1940, as amended, the Company generally is deemed to be an "affiliated person" of a portfolio company if it owns 5% or more of the portfolio company's voting securities and generally is deemed to "control" a portfolio company if it owns more than 25% of the portfolio company's voting securities or it has the power to exercise control over the management or policies of such portfolio company. As of December 31, 2017, the Company held investments in portfolio companies of which it is deemed to be an "affiliated person" but is not deemed to "control". The following table presents certain information with respect to investments in portfolio companies of which the Company was deemed to be an affiliated person for the year ended December 31, 2017:

Portfolio Company	Fair Value at December 31, 2016	Transfers In or Out	Purchases and Paid-in-kind Interest	Sales and Repayments	Accretion of Discount	Net Realized Gain (Loss)	Net Change in Unrealized Appreciation (Depreciation)	Fair Value at December 31, 2017	Interest Income <sup>(5)</sup>	PIK Income <sup>(5)</sup>	Fee Income <sup>(5)</sup>
<b>Senior Secured Loans—First Lien</b>											
Advanced Lighting Technologies, Inc.	\$ —	\$ —	\$ 20.0	\$ (2.9)	\$ 0.1	\$ 0.0	\$ 3.2	\$ 20.4	\$ 0.6	\$ —	\$ 0.9
ASG Technologies Group, Inc.	54.8	—	11.8	(65.8)	0.1	0.3	(1.2)	—	3.2	0.4	—
Aspect Software, Inc. <sup>(1)(2)</sup>	—	0.6	0.6	(0.2)	—	—	—	1.0	0.1	—	0.0
Aspect Software, Inc. <sup>(2)</sup>	—	0.7	—	(0.0)	—	—	(0.1)	0.6	0.1	—	0.0
Aspect Software, Inc. <sup>(3)</sup>	—	—	—	—	—	—	(0.4)	(0.4)	0.0	—	0.0
Logan's Roadhouse, Inc. <sup>(4)</sup>	—	—	7.0	—	—	—	(0.1)	6.9	0.0	0.1	0.7
<b>Senior Secured Loans—Second Lien</b>											
ASG Technologies Group, Inc.	23.9	—	—	(24.7)	0.5	5.6	(5.3)	—	2.3	—	1.2
Logan's Roadhouse, Inc.	15.4	—	5.6	—	0.1	—	(11.0)	10.1	—	2.0	—
<b>Senior Secured Bonds</b>											
Advanced Lighting Technologies, Inc.	—	32.2	—	(34.0)	—	1.8	—	—	2.2	—	—
Advanced Lighting Technologies, Inc.	—	—	22.7	—	—	—	—	22.7	0.3	—	—
Mood Media Corp.	—	21.6	—	—	—	—	0.1	21.7	1.5	—	—

*See notes to consolidated financial statements.*

**FS KKR Capital Corp.**  
**Consolidated Schedule of Investments (continued)**  
**As of December 31, 2017**  
**(in millions, except share amounts)**

Portfolio Company	Fair Value at December 31, 2016	Transfers In or Out	Purchases and Paid-in-kind Interest	Sales and Repayments	Accretion of Discount	Net Realized Gain (Loss)	Net Change in Unrealized Appreciation (Depreciation)	Fair Value at December 31, 2017	Interest Income <sup>(5)</sup>	PIK Income <sup>(5)</sup>	Fee Income <sup>(5)</sup>
<b>Subordinated Debt</b>											
Mood Media Corp. <sup>(2)</sup>	\$ —	\$ 5.7	\$ —	\$ (6.5)	\$ 0.1	\$ 0.7	\$ —	\$ —	\$ 0.4	\$ —	\$ —
<b>Equity/Other</b>											
Advanced Lighting Technologies, Inc., Common Equity	—	—	16.5	—	—	—	(3.5)	13.0	—	—	—
Advanced Lighting Technologies, Inc., Warrants	—	—	0.1	—	—	—	(0.0)	0.1	—	—	—
Advanced Lighting Technologies, Inc., Preferred Equity	—	—	—	—	—	—	—	—	—	—	—
ASG Everglades Holdings, Inc., Common Equity	79.7	—	—	—	—	—	3.4	83.1	—	—	—
ASG Everglades Holdings, Inc., Warrants, 6/27/2022	5.8	—	—	—	—	—	0.5	6.3	—	—	—
Aspect Software, Inc. <sup>(2)</sup>	—	19.8	0.1	—	—	0.3	(20.2)	—	—	—	—
Fronton Investor Holdings, LLC, Class B Units	15.1	—	—	(8.0)	—	—	10.7	17.8	—	—	—
Mood Media Corp.	—	6.7	5.2	—	—	—	14.9	26.8	—	—	—
Roadhouse Holding Inc., Common Equity	8.1	—	—	—	—	—	(8.1)	—	—	—	—
<b>Total</b>	<b>\$ 202.8</b>	<b>\$ 87.3</b>	<b>\$ 89.6</b>	<b>\$ (142.1)</b>	<b>\$ 0.9</b>	<b>\$ 8.7</b>	<b>\$ (17.1)</b>	<b>\$ 230.1</b>	<b>\$ 10.7</b>	<b>\$ 2.5</b>	<b>\$ 2.8</b>

- (1) Security includes a partially unfunded commitment with an amortized cost of \$0.0 and a fair value of \$0.0.
- (2) The Company held this investment as of December 31, 2016 but it was not deemed to be an “affiliated person” of the portfolio company or deemed to “control” the portfolio company as of December 31, 2016. Transfers in or out have been presented at amortized cost.
- (3) Security is an unfunded commitment with an amortized cost of \$0.4 and a fair value of \$0.0.
- (4) Security includes a partially unfunded commitment with an amortized cost of \$1.1 and a fair value of \$1.1.
- (5) Interest, PIK, fee and dividend income presented for the full year ended December 31, 2017.
- (u) Under the Investment Company Act of 1940, as amended, the Company generally is deemed to “control” a portfolio company if it owns more than 25% of the portfolio company’s voting securities or it has the power to exercise control over the management or policies of such portfolio company. As of December 31, 2017, the Company held investments in one portfolio company of which it is deemed to be an “affiliated person” and deemed to “control”. During the year ended December 31, 2017, the Company disposed of investments in one portfolio of which it was deemed to be an “affiliated person” and deemed to “control”. The following table presents certain information with respect to investments in portfolio companies of which the Company was deemed to be an affiliated person and deemed to control for the year ended December 31, 2017:

Portfolio Company	Fair Value at December 31, 2016	Transfers In or Out	Purchases and Paid-in-kind Interest	Sales and Repayments	Accretion of Discount	Net Realized Gain (Loss)	Net Change in Unrealized Appreciation (Depreciation)	Fair Value at December 31, 2017	Interest Income <sup>(2)</sup>	PIK Income <sup>(2)</sup>
<b>Senior Secured Loans—First Lien</b>										
Swiss Watch International, Inc. <sup>(1)</sup>	—	12.2	—	(1.6)	—	(10.6)	—	—	—	—
Swiss Watch International, Inc. <sup>(1)</sup>	—	42.3	—	—	—	(42.3)	—	—	(0.0)	—
<b>Senior Secured Loans—Second Lien</b>										
JW Aluminum Co.	38.1	—	0.1	(0.1)	0.0	—	(0.1)	38.0	3.5	0.1

*See notes to consolidated financial statements.*

**FS KKR Capital Corp.**  
**Consolidated Schedule of Investments (continued)**  
**As of December 31, 2017**  
**(in millions, except share amounts)**

Portfolio Company	Fair Value at December 31, 2016	Transfers In or Out	Purchases and Paid-in-kind Interest	Sales and Repayments	Accretion of Discount	Net Realized Gain (Loss)	Net Change in Unrealized Appreciation (Depreciation)	Fair Value at December 31, 2017	Interest Income <sup>(2)</sup>	PIK Income <sup>(2)</sup>
<b>Equity/Other</b>										
JW Aluminum Co., Common Equity	—	—	—	—	—	—	—	—	—	—
JW Aluminum Co., Preferred Equity	45.0	—	6.0	—	—	—	6.3	57.3	0.8	5.9
SWI Holdco LLC, Common Equity(1)	—	—	0.0	—	—	(0.0)	—	—	—	—
<b>Total</b>	<u>83.1</u>	<u>54.5</u>	<u>6.1</u>	<u>(1.7)</u>	<u>0.0</u>	<u>(52.9)</u>	<u>6.2</u>	<u>95.3</u>	<u>4.3</u>	<u>6.0</u>

(1) The Company held this investment as of December 31, 2016 but it was not deemed to be an “affiliated person” of the portfolio company or deemed to “control” the portfolio company as of December 31, 2016. Transfers in or out have been presented at amortized cost.

(2) Interest, PIK, fee and dividend income presented for the full year ended December 31, 2017.

*See notes to consolidated financial statements.*

**FS KKR Capital Corp.****Notes to Consolidated Financial Statements**  
**(in millions, except share and per share amounts)****Note 1. Principal Business and Organization**

FS KKR Capital Corp. (NYSE: FSK), or the Company, was incorporated under the general corporation laws of the State of Maryland on December 21, 2007 and formally commenced investment operations on January 2, 2009. The Company is an externally managed, non-diversified, closed-end management investment company that has elected to be regulated as a business development company, or BDC, under the Investment Company Act of 1940, as amended, or the 1940 Act. In addition, the Company has elected to be treated for U.S. federal income tax purposes, and intends to qualify annually, as a regulated investment company, or RIC, as defined under Subchapter M of the Internal Revenue Code of 1986, as amended, or the Code. As of December 31, 2018, the Company had various wholly-owned subsidiaries, including special-purpose financing subsidiaries and subsidiaries through which it holds interests in portfolio companies. The consolidated financial statements include both the Company's accounts and the accounts of its wholly-owned subsidiaries as of December 31, 2018. All significant intercompany transactions have been eliminated in consolidation. Certain of the Company's consolidated subsidiaries are subject to U.S. federal and state income taxes.

The Company's investment objectives are to generate current income and, to a lesser extent, long-term capital appreciation. The Company's portfolio is comprised primarily of investments in senior secured loans and second lien secured loans of private middle-market U.S. companies and, to a lesser extent, subordinated loans of private U.S. companies. In addition, a portion of the Company's portfolio may be comprised of equity and equity-related securities, corporate bonds, structured products, other debt securities and derivatives, including total return swaps and credit default swaps.

The Company is externally managed by FS/KKR Advisor, LLC, or the Advisor, pursuant to an investment advisory agreement, dated as of December 20, 2018, or the investment advisory agreement. On April 9, 2018, GSO / Blackstone Debt Funds Management LLC, or GDFM, resigned as the investment sub-advisor to the Company and terminated the investment sub-advisory agreement, or the investment sub-advisory agreement, between FB Income Advisor, LLC, or FB Advisor, and GDFM, effective April 9, 2018. In connection with GDFM's resignation as the investment sub-advisor to the Company, on April 9, 2018, the Company entered into an investment advisory agreement, or the prior investment advisory agreement, with the Advisor. The prior investment advisory agreement replaced the amended and restated investment advisory agreement, dated July 17, 2014, or the FB Advisor investment advisory agreement, by and between the Company and FB Advisor.

On December 19, 2018, the Company completed its acquisition, or the Merger, of Corporate Capital Trust, Inc., or CCT, pursuant to that certain Agreement and Plan of Merger, or the Merger Agreement, dated as of July 22, 2018, by and among the Company, CCT, IC Acquisition, Inc., a former wholly-owned subsidiary of the Company, or Merger Sub, and the Advisor. See Note 13 for a discussion of the Merger.

**Note 2. Summary of Significant Accounting Policies**

*Basis of Presentation:* The accompanying audited consolidated financial statements of the Company have been prepared in accordance with U.S. generally accepted accounting principles, or GAAP. The Company is considered an investment company under GAAP and follows the accounting and reporting guidance applicable to investment companies under Accounting Standards Codification Topic 946, *Financial Services—Investment Companies*. The Company has evaluated the impact of subsequent events through the date the consolidated financial statements were issued and filed with the U.S. Securities and Exchange Commission, or the SEC.

*Use of Estimates:* The preparation of the audited consolidated financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. Many of the amounts have been rounded, and all amounts are in millions, except share and per share amounts.

*Cash and Cash Equivalents:* The Company considers all highly liquid investments with original maturities of three months or less to be cash equivalents. All cash balances are maintained with high credit quality financial institutions, which are members of the Federal Deposit Insurance Corporation.

*Valuation of Portfolio Investments:* The Company determines the net asset value of its investment portfolio each quarter. Securities are valued at fair value as determined in good faith by the Company's board of directors. In connection with that



FS KKR Capital Corp.

Notes to Consolidated Financial Statements (continued)  
(in millions, except share and per share amounts)

**Note 2. Summary of Significant Accounting Policies (continued)**

determination, the Advisor provides the Company's board of directors with portfolio company valuations which are based on relevant inputs, including, but not limited to, indicative dealer quotes, values of like securities, recent portfolio company financial statements and forecasts, and valuations prepared by independent third-party valuation services.

Accounting Standards Codification Topic 820, *Fair Value Measurements and Disclosure*, or ASC Topic 820, issued by the Financial Accounting Standards Board, or the FASB, clarifies the definition of fair value and requires companies to expand their disclosure about the use of fair value to measure assets and liabilities in interim and annual periods subsequent to initial recognition. ASC Topic 820 defines fair value as the price that would be received from the sale of an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. ASC Topic 820 also establishes a three-tier fair value hierarchy, which prioritizes the inputs used in measuring fair value. These tiers include: Level 1, defined as observable inputs such as quoted prices in active markets; Level 2, which includes inputs such as quoted prices for similar securities in active markets and quoted prices for identical securities where there is little or no activity in the market; and Level 3, defined as unobservable inputs for which little or no market data exists, therefore requiring an entity to develop its own assumptions.

With respect to investments for which market quotations are not readily available, the Company undertakes a multi-step valuation process each quarter, as described below:

- the Company's quarterly fair valuation process begins with the Advisor reviewing and documenting valuations of each portfolio company or investment, which valuations are obtained from an independent third-party valuation service and provide a valuation range;
- the Advisor then provides the valuation committee of the Company's board of directors, or the valuation committee, with its valuation recommendation for each portfolio company or investment, along with supporting materials;
- preliminary valuations are then discussed with the valuation committee;
- the valuation committee reviews the preliminary valuations and the Advisor, together with its independent third-party valuation services, if applicable, supplement the preliminary valuations to reflect any comments provided by the valuation committee;
- following its review, the valuation committee will recommend that the Company's board of directors approve the fair valuations; and
- the Company's board of directors discusses the valuations and determines the fair value of each such investment in the Company's portfolio in good faith based on various statistical and other factors, including the input and recommendation of the Advisor, the valuation committee and any independent third-party valuation services, if applicable.

Determination of fair value involves subjective judgments and estimates. Accordingly, these notes to the Company's audited consolidated financial statements refer to the uncertainty with respect to the possible effect of such valuations and any change in such valuations on the Company's consolidated financial statements. In making its determination of fair value, the Company's board of directors may use any approved independent third-party pricing or valuation services. However, the Company's board of directors is not required to determine fair value in accordance with the valuation provided by any single source, and may use any relevant data, including information obtained from the Advisor or any approved independent third-party valuation or pricing service that the Company's board of directors deems to be reliable in determining fair value under the circumstances. Below is a description of factors that the Advisor, any approved independent third-party valuation services and the Company's board of directors may consider when determining the fair value of the Company's investments.

Valuation of fixed income investments, such as loans and debt securities, depends upon a number of factors, including prevailing interest rates for like securities, expected volatility in future interest rates, call features, put features and other relevant terms of the debt. For investments without readily available market prices, the Company may incorporate these factors into discounted cash flow models to arrive at fair value. Other factors that may be considered include the borrower's ability to adequately service its debt, the fair market value of the borrower in relation to the face amount of its outstanding debt and the quality of collateral securing the Company's debt investments.

**FS KKR Capital Corp.****Notes to Consolidated Financial Statements (continued)**  
**(in millions, except share and per share amounts)****Note 2. Summary of Significant Accounting Policies (continued)**

For convertible debt securities, fair value generally approximates the fair value of the debt plus the fair value of an option to purchase the underlying security (i.e., the security into which the debt may convert) at the conversion price. To value such an option, a standard option pricing model may be used.

The Company's equity interests in portfolio companies for which there is no liquid public market are valued at fair value. The Company's board of directors, in its determination of fair value, may consider various factors, such as multiples of earnings before interest, taxes, depreciation and amortization, or EBITDA, cash flows, net income, revenues or, in limited instances, book value or liquidation value. All of these factors may be subject to adjustments based upon the particular circumstances of a portfolio company or the Company's actual investment position. For example, adjustments to EBITDA may take into account compensation to previous owners or acquisition, recapitalization, restructuring or other related items.

The Advisor, any approved independent third-party valuation services and the Company's board of directors may also consider private merger and acquisition statistics, public trading multiples discounted for illiquidity and other factors, valuations implied by third-party investments in the portfolio companies or industry practices in determining fair value. The Advisor, any approved independent third-party valuation services and the Company's board of directors may also consider the size and scope of a portfolio company and its specific strengths and weaknesses, and may apply discounts or premiums, where and as appropriate, due to the higher (or lower) financial risk and/or the smaller size of portfolio companies relative to comparable firms, as well as such other factors as the Company's board of directors, in consultation with the Advisor and any approved independent third-party valuation services, if applicable, may consider relevant in assessing fair value. Generally, the value of the Company's equity interests in public companies for which market quotations are readily available is based upon the most recent closing public market price. Portfolio securities that carry certain restrictions on sale are typically valued at a discount from the public market value of the security.

When the Company receives warrants or other equity securities at nominal or no additional cost in connection with an investment in a debt security, the cost basis in the investment will be allocated between the debt securities and any such warrants or other equity securities received at the time of origination. The Company's board of directors subsequently values these warrants or other equity securities received at their fair value.

The fair values of the Company's investments are determined in good faith by the Company's board of directors. The Company's board of directors is responsible for the valuation of the Company's portfolio investments at fair value as determined in good faith pursuant to the Company's valuation policy and consistently applied valuation process. The Company's board of directors has delegated day-to-day responsibility for implementing its valuation policy to the Advisor, and has authorized the Advisor to utilize independent third-party valuation and pricing services that have been approved by the Company's board of directors. The valuation committee is responsible for overseeing the Advisor's implementation of the valuation process.

*Revenue Recognition:* Security transactions are accounted for on the trade date. The Company records interest income on an accrual basis to the extent that it expects to collect such amounts. The Company records dividend income on the ex-dividend date. Distributions received from limited liability company ("LLC") and limited partnership ("LP") investments are evaluated to determine if the distribution should be recorded as dividend income or a return of capital. The Company does not accrue as a receivable interest or dividends on loans and securities if it has reason to doubt its ability to collect such income. The Company's policy is to place investments on non-accrual status when there is reasonable doubt that interest income will be collected. The Company considers many factors relevant to an investment when placing it on or removing it from non-accrual status including, but not limited to, the delinquency status of the investment, economic and business conditions, the overall financial condition of the underlying investment, the value of the underlying collateral, bankruptcy status, if any, and any other facts or circumstances relevant to the investment. If there is reasonable doubt that the Company will receive any previously accrued interest, then the interest income will be written-off. 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. Non-accrual investments may be restored to accrual status when principal and interest become current and are likely to remain current based on the Company's judgment.

Loan origination fees, original issue discount and market discount are capitalized and the Company amortizes such amounts as interest income over the respective term of the loan or security. Upon the prepayment of a loan or security, any unamortized

## FS KKR Capital Corp.

Notes to Consolidated Financial Statements (continued)  
(in millions, except share and per share amounts)**Note 2. Summary of Significant Accounting Policies (continued)**

loan origination fees and original issue discount are recorded as interest income. Structuring and other non-recurring upfront fees are recorded as fee income when earned. The Company records prepayment premiums on loans and securities as fee income when it receives such amounts.

Effective January 1, 2018, the Company adopted ASC Topic 606, *Revenue from Contracts with Customers*, or ASC Topic 606, using the cumulative effect method applied to in-scope contracts with customers that have not been completed as of the date of adoption. The Company did not identify any in-scope contracts that had not been completed as of the date of adoption and, as a result, the Company did not recognize a cumulative effect on stockholders' equity in connection with the adoption of the new revenue recognition guidance.

The new revenue recognition guidance applies to all entities and all contracts with customers to provide goods or services in the ordinary course of business, excluding, among other things, financial instruments as well as certain other contractual rights and obligations. Under the new revenue recognition guidance, which the Company has applied to all new in-scope contracts as of the date of adoption, structuring and other upfront fees are recognized as revenue based on the transaction price as the performance obligation is fulfilled. The related performance obligation consists of structuring activities and is satisfied over time as such activities are performed. Consideration is variable and is constrained from being included in the transaction price until the uncertainty associated with the variable consideration is resolved, typically as of the trade date of the related transaction. Payment is typically due on the settlement date of the related transaction.

For the year ended December 31, 2018, the Company recognized \$7 in structuring fee revenue under the new revenue recognition guidance and included such revenue in the fee income line item on its consolidated statement of operations. Comparative periods are presented in accordance with revenue recognition guidance effective prior to January 1, 2018, under which the Company recorded structuring and other non-recurring upfront fees as income when earned. The Company has determined that the adoption of the new revenue recognition guidance did not have a material impact on the amount of revenue recognized for the year ended December 31, 2018.

*Net Realized Gains or Losses, Net Change in Unrealized Appreciation or Depreciation and Net Change in Unrealized Gains or Losses on Foreign Currency:* Gains or losses on the sale of investments are calculated by using the specific identification method. The Company measures realized gains or losses by the difference between the net proceeds from the repayment or sale and the amortized cost basis of the investment, without regard to unrealized appreciation or depreciation previously recognized, but considering unamortized fees. Net change in unrealized appreciation or depreciation reflects the change in portfolio investment values during the reporting period, including any reversal of previously recorded unrealized gains or losses when gains or losses are realized. Net change in unrealized gains or losses on foreign currency reflects the change in the value of receivables or accruals during the reporting period due to the impact of foreign currency fluctuations.

*Capital Gains Incentive Fee:* Pursuant to the terms of the investment advisory agreement, the incentive fee on capital gains is determined and payable in arrears as of the end of each calendar year (or upon termination of the investment advisory agreement). This fee equals 20.0% of the Company's incentive fee capital gains, which shall equal both CCT's and the Company's realized capital gains (without duplication) on a cumulative basis from inception, calculated as of the end of each calendar year, computed net of all realized capital losses and unrealized capital depreciation (without duplication) on a cumulative basis, less the aggregate amount of any capital gain incentive fees previously paid by CCT and the Company. On a quarterly basis, the Company accrues for the capital gains incentive fee by calculating such fee as if it were due and payable as of the end of such period.

The Company includes unrealized gains in the calculation of the capital gains incentive fee expense and related accrued capital gains incentive fee. This accrual reflects the incentive fees that would be payable to the Advisor if the Company's entire portfolio was liquidated at its fair value as of the balance sheet date even though the Advisor is not entitled to an incentive fee with respect to unrealized gains unless and until such gains are actually realized.

*Subordinated Income Incentive Fee:* Pursuant to the terms of the investment advisory agreement, the Advisor may also be entitled to receive a subordinated incentive fee on income. The subordinated incentive fee on income under the investment

## FS KKR Capital Corp.

Notes to Consolidated Financial Statements (continued)  
(in millions, except share and per share amounts)**Note 2. Summary of Significant Accounting Policies (continued)**

advisory agreement, which is calculated and payable quarterly in arrears, equals 20.0% of the Company's "pre-incentive fee net investment income" for the immediately preceding quarter and is subject to a hurdle rate, expressed as a rate of return on the value of the Company's net assets, equal to 1.75% per quarter, or an annualized hurdle rate of 7.0%. As a result, the Advisor will not earn this incentive fee for any quarter until the Company's pre-incentive fee net investment income for such quarter exceeds the hurdle rate of 1.75%. Once the Company's pre-incentive fee net investment income in any quarter exceeds the hurdle rate, the Advisor will be entitled to a "catch-up" fee equal to the amount of the pre-incentive fee net investment income in excess of the hurdle rate, until the Company's pre-incentive fee net investment income for such quarter equals 2.1875%, or 8.75% annually, of net assets. Thereafter, the Advisor will be entitled to receive 20.0% of pre-incentive fee net investment income.

The subordinated incentive fee on income is subject to a cap equal to (i) 20.0% of the "per share pre-incentive fee return" for the then-current and eleven preceding calendar quarters minus the cumulative "per share incentive fees" accrued and/or payable for the eleven preceding calendar quarters multiplied by (ii) the weighted average number of shares outstanding during the calendar quarter (or any portion thereof) for which the subordinated incentive fee on income is being calculated. The definitions of "per share pre-incentive fee return" and "per share incentive fees" under the investment advisory agreement take into account the historic per share pre-incentive fee return of both the Company and CCT, together with the historic per share incentive fees paid by both the Company and CCT. For the purpose of calculating the "per share pre-incentive fee return," any unrealized appreciation or depreciation recognized as a result of the purchase accounting for the Merger is excluded.

*Income Taxes:* The Company has elected to be treated for U.S. federal income tax purposes, and intends to qualify annually, as a RIC under Subchapter M of the Code. To qualify for and maintain qualification as a RIC, the Company must, among other things, meet certain source-of-income and asset diversification requirements, as well as distribute to its stockholders, for each tax year, at least 90% of its "investment company taxable income," which is generally the Company's net ordinary income plus the excess, if any, of realized net short-term capital gains over realized net long-term capital losses, determined without regard to any deduction for distributions paid. As a RIC, the Company will not have to pay corporate-level U.S. federal income taxes on any income that it distributes to its stockholders. The Company intends to make distributions in an amount sufficient to qualify for and maintain its RIC tax status each tax year and to not pay any U.S. federal income taxes on income so distributed. The Company is also subject to nondeductible federal excise taxes if it does not distribute in respect of each calendar year an amount at least equal to the sum of 98% of net ordinary income, 98.2% of any capital gain net income, if any, and any recognized and undistributed income from prior years for which it paid no U.S. federal income taxes. The Company accrued \$7, \$5 and \$6 in estimated excise taxes payable in respect of income received during the years ended December 31, 2018, 2017 and 2016, respectively. During the years ended December 31, 2018, 2017, and 2016, the Company paid \$6, \$6 and \$6, respectively, in excise and other taxes.

*Uncertainty in Income Taxes:* The Company evaluates its tax positions to determine if the tax positions taken meet the minimum recognition threshold in connection with accounting for uncertainties in income tax positions taken or expected to be taken for the purposes of measuring and recognizing tax benefits or liabilities in the Company's consolidated financial statements. Recognition of a tax benefit or liability with respect to an uncertain tax position is required only when the position is "more likely than not" to be sustained assuming examination by taxing authorities. The Company recognizes interest and penalties, if any, related to unrecognized tax liabilities as income tax expense in its consolidated statements of operations. During the years ended December 31, 2018, 2017 and 2016, the Company did not incur any interest or penalties.

The Company has analyzed the tax positions taken on federal and state income tax returns for all open tax years, and has concluded that no provision for income tax for uncertain tax positions is required in the Company's financial statements. The Company's federal and state income and federal excise tax returns for tax years for which the applicable statutes of limitations have not expired are subject to examination by the Internal Revenue Service and state departments of revenue.

*Distributions:* Distributions to the Company's stockholders are recorded as of the record date. Subject to the discretion of the Company's board of directors and applicable legal restrictions, the Company intends to declare and pay such distributions on a quarterly basis. Net realized capital gains, if any, are distributed or deemed distributed at least annually.

*Partial Loan Sales:* The Company follows the guidance in Accounting Standards Codification Topic 860, *Transfers and Servicing*, or ASC Topic 860, when accounting for loan participations and other partial loan sales. This guidance requires a

FS KKR Capital Corp.

Notes to Consolidated Financial Statements (continued)  
(in millions, except share and per share amounts)

**Note 2. Summary of Significant Accounting Policies (continued)**

participation or other partial loan sale to meet the definition of a participating interest, as defined in the guidance, in order for sale treatment to be allowed. Participations or other partial loan sales which do not meet the definition of a participating interest remain on the Company's consolidated balance sheets and the proceeds are recorded as a secured borrowing until the participation or other partial loan sale meets the definition. Secured borrowings are carried at fair value to correspond with the related investments, which are carried at fair value. See Note 9 for additional information.

*Reclassifications:* Certain amounts in the consolidated financial statements for the years ended December 31, 2017 and 2016 have been reclassified to conform to the classifications used to prepare the consolidated financial statements for the year ended December 31, 2018. These reclassifications had no material impact on the Company's consolidated financial position, results of operations or cash flows as previously reported.

*Derivative Instruments:* The Company's derivative instruments include foreign currency forward contracts and cross currency swaps. The Company recognizes all derivative instruments as assets or liabilities at fair value in its consolidated financial statements. Derivative contracts entered into by the Company are not designated as hedging instruments, and as a result, the Company presents changes in fair value through net change in unrealized appreciation (depreciation) on derivative instruments in the consolidated statements of operations. Realized gains and losses that occur upon the cash settlement of the derivative instruments are included in net realized gains (losses) on derivative instruments in the consolidated statements of operations.

*Recent Accounting Pronouncements:* In August 2018, the FASB issued Accounting Standards Update 2018-13, *Fair Value Measurement—Disclosures Framework—Changes to Disclosure Requirements of Fair Value Measurement* (Topic 820), or ASU 2018-13. ASU 2018-13 introduces new fair value disclosure requirements and eliminates and modifies certain existing fair value disclosure requirements. ASU 2018-13 is effective for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2019. The Company is currently evaluating the impact of ASU 2018-13 on its financial statements.

**Note 3. Share Transactions**

Below is a summary of transactions with respect to shares of the Company's common stock during the years ended December 31, 2018, 2017 and 2016:

	Year Ended December 31,					
	2018		2017		2016	
	Shares	Amount	Shares	Amount	Shares	Amount
Reinvestment of Distributions	—	\$ —	1,662,059	\$ 16	1,216,341	\$ 11
Share Repurchase Program	(6,571,347)	(50)	—	—	—	—
Issuance of Common Stock	292,324,670	1,567	—	—	—	—
Net Proceeds from Share Transactions	<u>285,753,323</u>	<u>\$ 1,517</u>	<u>1,662,059</u>	<u>\$ 16</u>	<u>1,216,341</u>	<u>\$ 11</u>

During the year ended December 31, 2018, the administrator for the Company's distribution reinvestment plan, or DRP, purchased 1,971,585 shares of common stock in the open market at an average price per share of \$7.61 (totaling \$15) pursuant to the DRP, and distributed such shares to participants in the DRP. During the year ended December 31, 2017, the administrator for the DRP purchased 611,141 shares of common stock in the open market at an average price per share of \$8.65 (totaling \$5) pursuant to the DRP, and distributed such shares to participants in the DRP. During the period from January 1, 2019 to February 27, 2019, the administrator for the DRP purchased 531,786 shares of common stock in the open market at an average price per share of \$5.64 (totaling \$3) pursuant to the DRP, and distributed such shares to participants in the DRP. For additional information regarding the terms of the DRP, see Note 5.

*Merger*

In accordance with the terms of the Merger Agreement, at the time of the transactions contemplated by the Merger Agreement, each outstanding share of CCT common stock was converted into the right to receive 2.3552 shares of the Company's common stock (with CCT stockholders receiving cash in lieu of fractional shares of the Company's common stock). As a result, the Company issued an aggregate of 292,324,670 shares of its common stock to former CCT stockholders.

**FS KKR Capital Corp.****Notes to Consolidated Financial Statements (continued)**  
**(in millions, except share and per share amounts)****Note 3. Share Transactions (continued)***February 2018 Share Repurchase Program*

In February 2018, the Company's board of directors authorized a stock repurchase program. Under the program, the Company was permitted to repurchase up to \$50 in the aggregate of its outstanding common stock in the open market at prices below the then-current net asset value per share. During the year ended December 31, 2018, the Company repurchased 6,571,347 shares of common stock pursuant to the share repurchase program at an average price per share of \$7.61 (totaling \$50). The program has terminated since the aggregate repurchase amount that was approved by the Company's board of directors has been expended.

*December 2018 Share Repurchase Program*

In December 2018, the Company's board of directors authorized a stock repurchase program. Under the program, the Company is permitted to repurchase up to \$200 in the aggregate of its outstanding common stock in the open market at prices below the then-current net asset value per share. The timing, manner, price and amount of any share repurchases will be determined by the Company, based upon the evaluation of economic and market conditions, the Company's stock price, applicable legal and regulatory requirements and other factors. The program will be in effect through December 19, 2019, unless extended, or until the aggregate repurchase amount that has been approved by the Company's board of directors has been expended. The program may be suspended, extended, modified or discontinued at any time.

During the period from January 1, 2019 to February 26, 2019, the Company repurchased 6,146,042 shares of common stock pursuant to the share repurchase program at an average price per share (inclusive of commissions paid) of \$6.34 (totaling \$39).

**Note 4. Related Party Transactions***Compensation of the Investment Adviser*

Pursuant to the investment advisory agreement, the Advisor is entitled to a base management fee calculated at an annual rate of 1.50% of the average weekly value of the Company's gross assets excluding cash and cash equivalents (gross assets equal the total assets of the Company as set forth on the Company's consolidated balance sheets) and an incentive fee based on the Company's performance. The base management fee is payable quarterly in arrears. All or any part of the base management fee not taken as to any quarter shall be deferred without interest and may be taken in such other quarter as the adviser shall determine. The prior investment advisory agreement had substantially similar terms, except that cash and cash equivalents were not excluded from gross assets. See Note 2 for a discussion of the capital gains and subordinated income incentive fees that the Advisor may be entitled to under the investment advisory agreement.

Pursuant to the FB Advisor investment advisory agreement, which has in effect until April 9, 2018, FB Advisor was entitled to an annual base management fee equal to 1.75% of the average value of the Company's gross assets (gross assets equal the total assets of the Company as set forth on the Company's consolidated balance sheets) and an incentive fee based on the Company's performance. FB Advisor had agreed, effective October 1, 2017, to (a) waive a portion of the base management fee to which it was entitled under the FB Advisor investment advisory agreement so that the fee received equaled 1.50% of the average value of the Company's gross assets and (b) continue to calculate the subordinated incentive fee on income to which it was entitled under the FB Advisor investment advisory agreement as if the base management fee was 1.75% of the average value of the Company's gross assets. Pursuant to the investment sub-advisory agreement, GDFM was entitled to receive 50% of all management and incentive fees payable to FB Advisor under the FB Advisor investment advisory agreement with respect to each year.

On April 9, 2018, the Company entered into an administration agreement with the Advisor, or the administration agreement, which replaced an administration agreement with FB Advisor, or the FB Advisor administration agreement. Pursuant to the administration agreement, the Advisor oversees the Company's day-to-day operations, including the provision of general ledger accounting, fund accounting, legal services, investor relations, certain government and regulatory affairs activities, and other administrative services. The Advisor also performs, or oversees the performance of, the Company's corporate operations

FS KKR Capital Corp.

Notes to Consolidated Financial Statements (continued)  
(in millions, except share and per share amounts)

**Note 4. Related Party Transactions (continued)**

and required administrative services, which includes being responsible for the financial records that the Company is required to maintain and preparing reports for the Company's stockholders and reports filed with the SEC. In addition, the Advisor assists the Company in calculating its net asset value, overseeing the preparation and filing of tax returns and the printing and dissemination of reports to the Company's stockholders, and generally overseeing the payment of the Company's expenses and the performance of administrative and professional services rendered to the Company by others.

Pursuant to the administration agreement, the Company reimburses the Advisor for expenses necessary to perform services related to its administration and operations, including the Advisor's allocable portion of the compensation and related expenses of certain personnel of Franklin Square Holdings, L.P. (which does business as FS Investments) and KKR Credit Advisors (US), LLC, or KKR Credit, providing administrative services to the Company on behalf of the Advisor. The Company reimburses the Advisor no less than quarterly for all costs and expenses incurred by the Advisor in performing its obligations and providing personnel and facilities under the administration agreement. The Advisor allocates the cost of such services to the Company based on factors such as total assets, revenues, time allocations and/or other reasonable metrics. The Company's board of directors reviews the methodology employed in determining how the expenses are allocated to the Company and the proposed allocation of administrative expenses among the Company and certain affiliates of the Advisor. The Company's board of directors then assesses the reasonableness of such reimbursements for expenses allocated to it based on the breadth, depth and quality of such services as compared to the estimated cost to the Company of obtaining similar services from third-party service providers known to be available. In addition, the Company's board of directors considers whether any single third-party service provider would be capable of providing all such services at comparable cost and quality. Finally, the Company's board of directors compares the total amount paid to the Advisor for such services as a percentage of the Company's net assets to the same ratio as reported by other comparable BDCs. The FB Advisor administration agreement was substantially similar to the administration agreement.

The following table describes the fees and expenses accrued under the investment advisory agreement, the prior investment advisory agreement, the FB Advisor investment advisory agreement, the administration agreement and the FB Advisor administration agreement, as applicable, during the years ended December 31, 2018, 2017 and 2016:

Related Party	Source Agreement	Description	Year Ended December 31,		
			2018	2017	2016
FB Advisor and the Advisor	Investment advisory agreement, prior investment advisory agreement and FB Advisor investment advisory agreement	Base Management Fee <sup>(1)</sup>	\$ 60	\$ 70	\$ 71
FB Advisor and the Advisor	Investment advisory agreement, prior investment advisory agreement and FB Advisor investment advisory agreement	Subordinated Incentive Fee on Income <sup>(2)</sup>	\$ 26	\$ 50	\$ 52
FB Advisor and the Advisor	Administration agreement and FB Advisor administration agreement	Administrative Services Expenses <sup>(3)</sup>	\$ 4	\$ 3	\$ 4

(1) FB Advisor agreed, effective October 1, 2017, to waive a portion of the base management fee to which it was entitled under the FB Advisor investment advisory agreement so that the fee received equaled 1.50% of the average value of the Company's gross assets. For the years ended December 31, 2018 and 2017, the amount shown is net of waivers of \$3 and \$3, respectively. During the years ended December 31, 2018, 2017 and 2016, \$59, \$73, and 72, respectively, in base management fees were paid to the Advisor and/or FB Advisor. As of December 31, 2018, \$20 in base management fees were payable to the Advisor, a portion of which were fees payable by CCT at the time of the Merger.

(2) During the year ended December 31, 2018, \$36 of subordinated incentive fees on income were paid to the Advisor and/or FB Advisor. As of December 31, 2018, a subordinated incentive fee on income of \$14 was payable to the Advisor, a portion of which were fees payable by CCT at the time of the Merger.

(3) During the years ended December 31, 2018, 2017 and 2016, \$3, \$3 and \$3, respectively, of administrative services expenses related to the allocation of costs of administrative personnel for services rendered to the Company by FB Advisor and the Advisor and the remainder related to other reimbursable expenses, including reimbursement of fees related to transactional expenses for prospective investments, including fees and expenses associated with performing due diligence reviews of investments that do not close, often referred to as "broken deal" costs. Broken deal costs were less than \$1 for the year ended December 31, 2018. The Company paid \$3, \$3 and \$4, respectively, in administrative services expenses to the Advisor and/or FB Advisor during the years ended December 31, 2018, 2017 and 2016.

**FS KKR Capital Corp.****Notes to Consolidated Financial Statements (continued)**  
**(in millions, except share and per share amounts)****Note 4. Related Party Transactions (continued)***Potential Conflicts of Interest*

The members of the senior management and investment teams of the Advisor serve or may serve as officers, directors or principals of entities that operate in the same or a related line of business as the Company does, or of investment vehicles managed by the same personnel. For example, the Advisor is the investment adviser to FS Investment Corporation II, FS Investment Corporation III, FS Investment Corporation IV and Corporate Capital Trust II, and the officers, managers and other personnel of the Advisor may serve in similar or other capacities for the investment advisers to future investment vehicles affiliated with FS Investments or KKR Credit. In serving in these multiple and other capacities, they may have obligations to other clients or investors in those entities, the fulfillment of which may not be in the Company's best interests or in the best interest of the Company's stockholders. The Company's investment objectives may overlap with the investment objectives of such investment funds, accounts or other investment vehicles.

*Exemptive Relief*

As a BDC, the Company is subject to certain regulatory restrictions in making its investments. For example, BDCs generally are not permitted to co-invest with certain affiliated entities in transactions originated by the BDC or its affiliates in the absence of an exemptive order from the SEC. However, BDCs are permitted to, and may, simultaneously co-invest in transactions where price is the only negotiated term.

In an order dated June 4, 2013, or the FS Order, the SEC granted exemptive relief permitting the Company, subject to the satisfaction of certain conditions, to co-invest in certain privately negotiated investment transactions with certain affiliates of FB Advisor, including FS Energy and Power Fund, FS Investment Corporation II, FS Investment Corporation III, FS Investment Corporation IV and any future BDCs that are advised by FB Advisor or its affiliated investment advisers. However, in connection with the investment advisory relationship with the Advisor, and in an effort to mitigate potential future conflicts of interest, the Company's board of directors authorized and directed that the Company (i) withdraw from the FS Order, except with respect to any transaction in which the Company participated in reliance on the FS Order prior to April 9, 2018, and (ii) rely on an exemptive relief order, dated April 3, 2018, that permits the Company, subject to the satisfaction of certain conditions, to co-invest in certain privately negotiated investment transactions, including investments originated and directly negotiated by the Advisor or KKR Credit, with certain affiliates of the Advisor.

**Note 5. Distributions**

The following table reflects the cash distributions per share that the Company has declared on its common stock during the years ended December 31, 2018, 2017 and 2016:

For the Year Ended December 31,	Distribution	
	Per Share	Amount
2016	\$0.89100	\$ 217
2017	\$0.85825	\$ 211
2018 <sup>(1)</sup>	\$0.85000	\$ 205

(1) Includes a \$0.09 per share special cash distribution that was paid on December 3, 2018.

On February 19, 2019, the Company's board of directors declared a regular quarterly cash distribution of \$0.19 per share, which will be paid on or about April 2, 2019 to stockholders of record as of the close of business on March 20, 2019. 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.

Pursuant to the DRP, the Company will reinvest all cash dividends or distributions declared by the Company's board of directors on behalf of stockholders who do not elect to receive their distributions in cash. As a result, if the Company's board of directors declares a distribution, then stockholders who have not elected to "opt out" of the DRP will have their distributions automatically reinvested in additional shares of the Company's common stock.



**FS KKR Capital Corp.**

**Notes to Consolidated Financial Statements (continued)**  
**(in millions, except share and per share amounts)**

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**Note 5. Distributions (continued)**

With respect to each distribution pursuant to the DRP, the Company reserves the right to either issue new shares of common stock or purchase shares of common stock in the open market in connection with implementation of the DRP. Unless the Company, in its sole discretion, otherwise directs the plan administrator, (A) if the per share market price (as defined in the DRP) is equal to or greater than the estimated net asset value per share (rounded up to the nearest whole cent) of the Company's common stock on the payment date for the distribution, then the Company will issue shares of common stock at the greater of (i) net asset value per share of common stock or (ii) 95% of the market price; or (B) if the market price is less than the net asset value per share, then, in the sole discretion of the Company, (i) shares of common stock will be purchased in open market transactions for the accounts of participants to the extent practicable, or (ii) the Company will issue shares of common stock at net asset value per share. Pursuant to the terms of the DRP, the number of shares of common stock to be issued to a participant will be determined by dividing the total dollar amount of the distribution payable to a participant by the price per share at which the Company issues such shares; provided, however, that shares purchased in open market transactions by the plan administrator will be allocated to a participant based on the average purchase price, excluding any brokerage charges or other charges, of all shares of common stock purchased in the open market.

If a stockholder receives distributions in the form of common stock pursuant to the DRP, such stockholder generally will be subject to the same federal, state and local tax consequences as if it elected to receive distributions in cash. If the Company's common stock is trading at or below net asset value, a stockholder receiving distributions in the form of additional common stock will be treated as receiving a distribution in the amount of cash that they would have received if they had elected to receive the distribution in cash. If the Company's common stock is trading above net asset value, a stockholder receiving distributions in the form of additional common stock will be treated as receiving a distribution in the amount of the fair market value of the Company's common stock. The stockholder's basis for determining gain or loss upon the sale of common stock received in a distribution will be equal to the total dollar amount of the distribution payable to the stockholder. Any stock received in a distribution will have a holding period for tax purposes commencing on the day following the day on which the shares of common stock are credited to the stockholder's account.

The Company may fund its cash distributions to stockholders from any sources of funds legally available to it, including proceeds from the sale of shares of the Company's common stock, borrowings, net investment income from operations, capital gains proceeds from the sale of assets, non-capital gains proceeds from the sale of assets, and dividends or other distributions paid to the Company on account of preferred and common equity investments in portfolio companies. The Company has not established limits on the amount of funds it may use from available sources to make distributions. During certain periods, the Company's distributions may exceed its earnings. As a result, it is possible that a portion of the distributions the Company makes may represent a return of capital. A return of capital generally is a return of a stockholder's investment rather than a return of earnings or gains derived from the Company's investment activities. Each year a statement on Form 1099-DIV identifying the sources of the distributions (i.e., paid from ordinary income, paid from net capital gains on the sale of securities, and/or a return of capital, which is a nontaxable distribution) will be mailed to the Company's stockholders. There can be no assurance that the Company will be able to pay distributions at a specific rate or at all.

**FS KKR Capital Corp.**
**Notes to Consolidated Financial Statements (continued)**  
**(in millions, except share and per share amounts)**
**Note 5. Distributions (continued)**

The following table reflects the sources of the cash distributions on a tax basis that the Company has paid on its common stock during the years ended December 31, 2018, 2017 and 2016:

Source of Distribution	Year Ended December 31,					
	2018		2017		2016	
	Distribution Amount	Percentage	Distribution Amount	Percentage	Distribution Amount	Percentage
Offering proceeds	\$ —	—	\$ —	—	\$ —	—
Borrowings	—	—	—	—	—	—
Net investment income <sup>(1)</sup>	205	100%	211	100%	217	100%
Short-term capital gains proceeds from the sale of assets	—	—	—	—	—	—
Long-term capital gains proceeds from the sale of assets	—	—	—	—	—	—
Non-capital gains proceeds from the sale of assets	—	—	—	—	—	—
Distributions on account of preferred and common equity	—	—	—	—	—	—
<b>Total</b>	<b>\$ 205</b>	<b>100%</b>	<b>\$ 211</b>	<b>100%</b>	<b>\$ 217</b>	<b>100%</b>

(1) During the years ended December 31, 2018, 2017 and 2016, 84.3%, 89.0% and 90.4%, respectively, of the Company's gross investment income was attributable to cash income earned, 1.8%, 1.2% and 1.8%, respectively, was attributable to non-cash accretion of discount and 13.9%, 9.8% and 7.8%, respectively, was attributable to paid-in-kind, or PIK, interest.

The Company's net investment income on a tax basis for the years ended December 31, 2018, 2017 and 2016 was \$244, \$206 and \$212, respectively. As of December 31, 2018, 2017 and 2016, the Company had \$190, \$151 and \$154, respectively, of undistributed net investment income and \$436, \$198 and \$73, respectively, of accumulated capital losses on a tax basis.

The Company's undistributed net investment income on a tax basis as of December 31, 2017 was adjusted following the filing of the Company's 2017 tax return in October 2018. The adjustment was primarily due to tax-basis income received by the Company during the year ended December 31, 2017 exceeding GAAP-basis income on account of certain collateralized securities and interests in partnerships, and the reclassification of realized gains and losses upon the sale of certain collateralized securities held in its investment portfolio during such period. The tax notices for such collateralized securities and interests in partnerships were received by the Company subsequent to the filing of the Company's annual report on Form 10-K for the year ended December 31, 2017.

The difference between the Company's GAAP-basis net investment income and its tax-basis net investment income is primarily due to the reclassification of unamortized original issue discount and prepayment fees recognized upon prepayment of loans from income for GAAP purposes to realized gains or deferred to future periods for tax purposes, the impact of consolidating certain subsidiaries for purposes of computing GAAP-basis net investment income but not for purposes of computing tax-basis net investment income, the reversal of non-deductible excise taxes and income recognized for tax purposes on certain transactions but not recognized for GAAP purposes.

The following table sets forth a reconciliation between GAAP-basis net investment income and tax-basis net investment income during the years ended December 31, 2018, 2017 and 2016:

	Year Ended December 31,		
	2018	2017	2016
GAAP-basis net investment income	\$ 205	\$ 204	\$ 207
Income subject to tax not recorded for GAAP	30	(1)	5
Excise taxes	7	5	6
GAAP versus tax-basis impact of consolidation of certain subsidiaries	12	12	9
Reclassification of unamortized original issue discount and prepayment fees	(5)	(14)	(15)
Other miscellaneous differences	(5)	—	—
<b>Tax-basis net investment income</b>	<b>\$ 244</b>	<b>\$ 206</b>	<b>\$ 212</b>

## FS KKR Capital Corp.

Notes to Consolidated Financial Statements (continued)  
(in millions, except share and per share amounts)**Note 5. Distributions (continued)**

The Company may make certain adjustments to the classification of stockholders' equity as a result of permanent book-to-tax differences. During the year ended December 31, 2018, the Company increased capital in excess of par value and accumulated undistributed (distributions in excess of) net investment income by \$186 and \$38, respectively, and decreased accumulated undistributed net realized gain (loss) on investments and gain (loss) on foreign currency by \$224. During the year ended December 31, 2017, the Company increased accumulated undistributed net realized gain (loss) on investments and gain (loss) on foreign currency and accumulated undistributed (distributions in excess of) net investment income by \$2 and \$3, respectively, and decreased capital in excess of par value by \$5, respectively.

The determination of the tax attributes of the Company's distributions is made annually as of the end of the Company's fiscal year based upon the Company's taxable income for the full year and distributions paid for the full year. The actual tax characteristics of distributions to stockholders are reported to stockholders annually on Form 1099-DIV.

As of December 31, 2018 and 2017, the components of accumulated earnings on a tax basis were as follows:

	Year Ended December 31,	
	2018	2017
Distributable ordinary income	\$ 190	\$ 151
Distributable realized gains (accumulated capital losses) <sup>(1)</sup>	(436)	(198)
Other temporary differences	0	(1)
Net unrealized appreciation (depreciation) <sup>(2)</sup>	176	60
<b>Total</b>	<b>\$ (70)</b>	<b>\$ 12</b>

(1) Net capital losses recognized for tax years beginning after December 22, 2010, may be carried forward indefinitely, and their character is retained as short-term or long-term losses. As of December 31, 2018, the Company had short-term and long-term capital loss carryforwards available to offset future realized capital gains of \$11 and \$424, respectively. \$114 of such losses were carried over from CCT due to the merger with CCT, and \$161 of such losses were carried over from losses generated by FSIC prior to the merger. Because of the loss limitation rules of the Code, some of the tax basis losses may be limited in their use. Any unused balances resulting from such limitations may be carried forward into future years indefinitely.

(2) As of December 31, 2018 and 2017, the gross unrealized appreciation was \$978 and \$258, respectively. As of December 31, 2018 and 2017, the gross unrealized depreciation was \$802 and \$198, respectively.

The aggregate cost of the Company's investments for U.S. federal income tax purposes totaled \$7,916 and \$3,870 as of December 31, 2018 and 2017, respectively. The aggregate net unrealized appreciation (depreciation) on a tax basis was \$(529) and \$56 as of December 31, 2018 and 2017, respectively.

As of December 31, 2018, the Company had a deferred tax liability of \$14 resulting from unrealized appreciation on investments held by the Company's wholly-owned taxable subsidiaries and a deferred tax asset of \$44 resulting from a combination of unrealized depreciation on investments held by and net operating losses and other tax attributes of the Company's wholly-owned taxable subsidiaries. As of December 31, 2018, certain wholly-owned taxable subsidiaries anticipated that they would be unable to fully utilize their generated net operating losses, therefore the deferred tax asset was offset by a valuation allowance of \$33. For the year ended December 31, 2018, the Company recorded a provision for taxes related to wholly-owned taxable subsidiaries of \$3.

**FS KKR Capital Corp.**
**Notes to Consolidated Financial Statements (continued)**  
**(in millions, except share and per share amounts)**
**Note 6. Investment Portfolio**

The following table summarizes the composition of the Company's investment portfolio at cost and fair value as of December 31, 2018 and 2017:

	December 31, 2018			December 31, 2017		
	Amortized Cost <sup>(1)</sup>	Fair Value	Percentage of Portfolio	Amortized Cost <sup>(1)</sup>	Fair Value	Percentage of Portfolio
Senior Secured Loans—First Lien	\$ 4,105	\$ 4,001	54.2%	\$ 2,501	\$ 2,521	64.2%
Senior Secured Loans—Second Lien	1,171	1,118	15.1%	222	197	5.0%
Other Senior Secured Debt	386	336	4.6%	158	162	4.1%
Subordinated Debt	495	429	5.8%	368	355	9.1%
Asset Based Finance	641	659	8.9%	181	190	4.8%
Strategic Credit Opportunities Partners, LLC	294	299	4.0%	—	—	—
Equity/Other	664	545	7.4%	387	501	12.8%
<b>Total</b>	<b>\$ 7,756</b>	<b>\$ 7,387</b>	<b>100.0%</b>	<b>\$ 3,817</b>	<b>\$ 3,926</b>	<b>100.0%</b>

(1) Amortized cost represents the original cost adjusted for the amortization of premiums and/or accretion of discounts, as applicable, on investments.

In general, under the 1940 Act, the Company would be presumed to “control” a portfolio company if it owned more than 25% of its voting securities or it had the power to exercise control over the management or policies of such portfolio company, and would be an “affiliated person” of a portfolio company if it owned 5% or more of its voting securities.

As of December 31, 2018, the Company held investments in eight portfolio companies of which it is deemed to “control.” As of December 31, 2018, the Company held investments in twelve portfolio companies of which it is deemed to be an “affiliated person” but is not deemed to “control.” For additional information with respect to such portfolio companies, see footnotes (y) and (z) to the consolidated schedule of investments as of December 31, 2018.

As of December 31, 2017, the Company held investments in one portfolio company of which it is deemed to “control.” As of December 31, 2017, the Company held investments in six portfolio companies of which it is deemed to be an “affiliated person” but is not deemed to “control.” For additional information with respect to such portfolio companies, see footnotes (t) and (u) to the consolidated schedule of investments as of December 31, 2017.

The Company's investment portfolio may contain loans and other unfunded arrangements that are in the form of lines of credit, revolving credit facilities, delayed draw credit facilities or other investments, which require the Company to provide funding when requested by portfolio companies in accordance with the terms of the underlying agreements. As of December 31, 2018, the Company had unfunded debt investments with aggregate unfunded commitments of \$172.4, unfunded equity commitments of \$386.7 and unfunded commitments of \$143.5 of Strategic Credit Opportunities Partners, LLC. As of December 31, 2017, the Company had twenty unfunded debt investments with aggregate unfunded commitments of \$154.1, one unfunded commitment to purchase up to \$0.3 in shares of preferred stock of Altus Power America Holdings, LLC and one unfunded commitment to purchase up to \$0.0 in shares of common stock of Chisholm Oil and Gas, LLC. The Company maintains sufficient cash on hand and available borrowings to fund such unfunded commitments should the need arise. For additional details regarding the Company's unfunded debt investments, see the Company's consolidated schedule of investments as of December 31, 2018 and 2017.

**FS KKR Capital Corp.**
**Notes to Consolidated Financial Statements (continued)**  
**(in millions, except share and per share amounts)**
**Note 6. Investment Portfolio (continued)**

The table below describes investments by industry classification and enumerates the percentage, by fair value, of the total portfolio assets in such industries as of December 31, 2018 and 2017:

Industry Classification	December 31, 2018		December 31, 2017	
	Fair Value	Percentage of Portfolio	Fair Value	Percentage of Portfolio
Automobiles & Components	\$ 141	1.9%	\$ 14	0.4%
Banks	15	0.2%	—	—
Capital Goods	1,588	21.4%	1,053	26.8%
Commercial & Professional Services	450	6.1%	560	14.3%
Consumer Durables & Apparel	436	5.9%	174	4.4%
Consumer Services	222	3.0%	265	6.7%
Diversified Financials	959	13.0%	140	3.6%
Energy	279	3.8%	258	6.6%
Food & Staples Retailing	84	1.1%	—	—
Food, Beverage & Tobacco	146	2.0%	70	1.8%
Health Care Equipment & Services	494	6.7%	240	6.1%
Household & Personal Products	66	0.9%	—	—
Insurance	89	1.2%	—	—
Materials	374	5.1%	371	9.4%
Media	95	1.3%	128	3.3%
Pharmaceuticals, Biotechnology & Life Sciences	9	0.1%	—	—
Real Estate	174	2.4%	—	—
Retailing	454	6.1%	174	4.4%
Semiconductors & Semiconductor Equipment	20	0.3%	7	0.2%
Software & Services	946	12.8%	205	5.2%
Technology Hardware & Equipment	71	1.0%	34	0.9%
Telecommunication Services	104	1.4%	165	4.2%
Transportation	171	2.3%	68	1.7%
Total	<u>\$7,387</u>	<u>100.0%</u>	<u>\$3,926</u>	<u>100.0%</u>

**Strategic Credit Opportunities Partners, LLC**

In May 2016, Strategic Credit Opportunities Partners, LLC, or SCJV, a joint venture between CCT and Conway Capital, LLC, or Conway, an affiliate of Guggenheim Life and Annuity Company and Delaware Life Insurance Company, was formed pursuant to the terms of a limited liability company agreement between the CCT and Conway, or the SCJV Agreement. As a result of the Merger, the Company succeeded CCT as a member of SCJV and as administrative agent of SCJV. Pursuant to the terms of the SCJV Agreement, the Company and Conway each have 50% voting control of SCJV and are required to agree on all investment decisions as well as all other significant actions for SCJV. SCJV was formed to invest its capital in a range of investments, including senior secured loans (both first lien and second lien) to middle market companies, broadly syndicated loans, equity, warrants and other investments. The SCJV Agreement requires the Company and Conway to provide capital to SCJV of up to \$500 in the aggregate where the Company and Conway would provide 87.5% and 12.5%, respectively, of the committed capital. As administrative agent of SCJV, the Company performs certain day-to-day management responsibilities on behalf of SCJV. As of December 31, 2018, the Company and Conway have funded approximately \$336.0 to SCJV, of which \$294.0 was from the Company.

Jersey City Funding LLC, or Jersey City Funding, a wholly-owned subsidiary of SCJV, has a revolving credit facility with Goldman Sachs Bank, or as amended, the GS Credit Facility, which provides for up to \$350 of borrowings as of December 31, 2018. The GS Credit Facility contains an “accordion” feature that allows Jersey City Funding, under certain circumstances, to increase the size of the facility to a maximum of \$400. The GS Credit Facility provides loans in U.S. dollars, Australian dollars,

**FS KKR Capital Corp.****Notes to Consolidated Financial Statements (continued)**  
**(in millions, except share and per share amounts)****Note 6. Investment Portfolio (continued)**

Euros and Pound Sterling. U.S. dollar loans bear interest at the rate of LIBOR plus 2.25%. Foreign currency loans bear interest at the floating rate plus the spread applicable to the specified currency. Jersey City Funding also pays a commitment fee of up to 0.50% on undrawn commitments. The GS Credit Facility matures on September 29, 2021. As of December 31, 2018, total outstanding borrowings under the GS Credit Facility were \$273.1. Borrowings under the GS Credit Facility are secured by substantially all of the assets of Jersey City Funding.

During the year ended December 31, 2018, the Company sold investments for proceeds of \$43.7 to SCJV and recognized a net realized gain (loss) of \$(0.9) in connection with the transactions. As of December 31, 2018, \$43.7 of these sales to SCJV are included in receivable for investments sold in the condensed consolidated statements of assets and liabilities.

As of December 31, 2018, SCJV had total investments with a fair value of \$580.5. As of December 31, 2018 and 2017, SCJV had no investments on non-accrual status.

Below is a summary of SCJV's portfolio, followed by a listing of the individual loans in SCJV's portfolio as of December 31, 2018:

Total debt investments <sup>(1)</sup>	\$537.7
Weighted average current interest rate on debt investments <sup>(2)</sup>	8.83%
Number of portfolio companies in SCJV	33
Largest investment in a single portfolio company <sup>(1)</sup>	\$ 69.5
Unfunded commitments <sup>(1)</sup>	\$ 22.5

(1) At cost.

(2) Computed as the (a) annual stated interest rate on accruing debt, divided by (b) total debt at par amount.

FS KKR Capital Corp.

Notes to Consolidated Financial Statements (continued)  
(in millions, except share and per share amounts)

Note 6. Investment Portfolio (continued)

Strategic Credit Opportunities Partners, LLC Portfolio  
As of December 31, 2018 (in millions)

Company <sup>(a)</sup>	Footnotes	Industry	Interest Rate <sup>(b)</sup>	Base Rate Floor	Maturity Date	No. Shares/ Principal Amount <sup>(c)</sup>	Cost	Fair Value
<b>Senior Secured Loans—First Lien</b>								
<b>—121.7%</b>								
Acosta Holdco Inc		Commercial & Professional Services	L+325	1.0%	9/26/2021	\$ 4.0	\$ 3.8	\$ 2.4
Apex Group Limited	(d)(e)	Diversified Financials	L+650	1.0%	6/15/2025	16.5	15.9	16.3
Apex Group Limited	(d)(e)(g)	Diversified Financials	L+650	1.0%	6/15/2025	12.4	12.4	12.1
Belk Inc		Retailing	L+475	1.0%	12/12/2022	4.1	3.7	3.3
Brand Energy & Infrastructure Services Inc		Capital Goods	L+425	1.0%	6/21/2024	17.8	17.8	16.9
Bugaboo International BV	(d)(e)(f)	Consumer Durables & Apparel	E+700, 7.75% PIK (7.75% Max PIK)		3/20/2025	€ 26.1	30.7	29.5
Casual Dining Group Ltd	(d)(e)(f)	Consumer Services	L+725, 0.75% PIK (0.75% Max PIK)		12/10/2022	£ 22.1	23.8	28.2
CommerceHub Inc		Software & Services	L+375		5/21/2025	\$ 2.2	2.2	2.1
Commercial Barge Line Co		Transportation	L+875	1.0%	11/12/2020	4.3	4.2	3.1
Dentix	(d)(e)	Health Care Equipment & Services	E+825		12/1/2022	€ 21.0	24.8	23.5
Eacom Timber Corp	(d)(e)	Materials	L+650	1.0%	11/30/2023	\$ 69.5	69.6	69.3
Harbor Freight Tools USA Inc		Retailing	L+250	0.8%	8/18/2023	2.6	2.6	2.5
Huws Gray Ltd	(d)(e)	Materials	L+550	0.5%	4/11/2025	£ 20.2	26.3	25.5
Huws Gray Ltd	(d)(e)(g)	Materials	L+550	0.5%	4/11/2025	8.1	11.0	10.2
ID Verde	(d)(e)	Commercial & Professional Services	E+700		3/29/2024	€ 2.3	2.5	2.7
ID Verde	(d)(e)(g)	Commercial & Professional Services	E+700		3/29/2024	1.6	2.0	1.8
ID Verde	(d)(e)	Commercial & Professional Services	E+700		3/29/2025	15.9	18.5	18.2
ID Verde	(d)(e)	Commercial & Professional Services	E+725		3/29/2025	£ 6.4	8.4	8.2
Koosharem LLC		Commercial & Professional Services	L+450	1.0%	4/18/2025	\$ 18.6	18.4	18.3
Marshall Retail Group LLC	(d)	Retailing	L+600	1.0%	8/25/2020	16.1	15.5	15.9
MedAssets Inc		Health Care Equipment & Services	L+450	1.0%	10/20/2022	6.9	7.0	6.6
P2 Energy Solutions, Inc.		Energy	L+400	1.0%	10/30/2020	2.9	2.9	2.8
Savers Inc		Retailing	L+375	1.3%	7/9/2019	9.7	9.4	9.3
SMART Global Holdings Inc	(d)	Semiconductors & Semiconductor Equipment	L+400		8/9/2022	0.1	—	0.1
SMART Global Holdings Inc	(d)(g)	Semiconductors & Semiconductor Equipment	L+400		8/9/2022	0.5	0.5	0.5

**FS KKR Capital Corp.**
**Notes to Consolidated Financial Statements (continued)**  
**(in millions, except share and per share amounts)**
**Note 6. Investment Portfolio (continued)**

Company <sup>(a)</sup>	Footnotes	Industry	Interest Rate <sup>(b)</sup>	Base Rate Floor	Maturity Date	No. Shares/ Principal Amount <sup>(c)</sup>	Cost	Fair Value
SMART Global Holdings Inc	(d)	Semiconductors & Semiconductor Equipment	L+625	1.0%	8/9/2022	\$ 38.7	\$ 39.1	\$ 39.1
Standard Aero Ltd		Capital Goods	L+375	1.0%	7/7/2022	1.0	1.0	1.0
Staples Canada	(d)(e)	Retailing	L+700	1.0%	9/12/2024	C\$ 45.1	34.1	33.3
TIBCO Software Inc		Software & Services	L+350	1.0%	12/4/2020	\$ 18.9	18.6	18.7
Transplace		Transportation	L+375	1.0%	10/9/2024	3.3	3.3	3.3
Utility One Source LP		Capital Goods	L+550	1.0%	4/18/2023	17.3	17.3	17.3
<b>Total Senior Secured Loans—</b>								
<b>First Lien</b>								
Unfunded Loan								
Commitments							(25.9)	(25.9)
<b>Net Senior Secured Loans—First Lien</b>								
							421.4	416.1
<b>Senior Secured Loans—Second Lien—5.1%</b>								
			11.50% PIK					
Casual Dining Group Ltd	(d)(e)(f)	Consumer Services	(11.50% Max PIK)		12/10/2022	£ 13.6	17.7	17.4
<b>Total Senior Secured Loans—Second Lien</b>								
							17.7	17.4
<b>Other Senior Secured Debt—2.4%</b>								
Artesyn Embedded Technologies Inc		Technology Hardware & Equipment	9.75%		10/15/2020	\$ 8.9	8.2	8.3
<b>Total Senior Secured Debt</b>								
							8.2	8.3
<b>Subordinated Debt—24.2%</b>								
Cemex Materials LLC		Materials	7.70%		7/21/2025	58.5	66.2	59.6
GCI Inc		Telecommunication Services	6.88%		4/15/2025	7.2	7.4	7.0
Hillman Group Inc		Consumer Durables & Apparel	6.38%		7/15/2022	1.9	1.8	1.6
JC Penney Corp Inc		Retailing	8.13%		10/1/2019	0.1	0.1	—
Kenan Advantage Group Inc		Transportation	7.88%		7/31/2023	7.7	7.6	7.4
Solera LLC		Software & Services	10.50%		3/1/2024	6.8	7.3	7.3
<b>Total Subordinated Debt</b>								
							90.4	82.9
<b>Asset Based Finance—13.1%</b>								
Sealane Trade Finance	(d)(e)	Banks	L+375	1.0%	5/8/2023	5.0	5.0	5.0
Sealane Trade Finance	(d)(e)	Banks	L+963	1.0%	5/8/2023	12.0	12.0	12.0
GA Capital Specialty Lending Fund, Limited Partnership Interest	(d)	Diversified Financials				16.1	16.1	27.7
<b>Total Asset Based Finance</b>								
							33.1	44.7



FS KKR Capital Corp.

Notes to Consolidated Financial Statements (continued)  
(in millions, except share and per share amounts)

Note 6. Investment Portfolio (continued)

Company <sup>(a)</sup>	Footnotes	Industry	Interest Rate <sup>(b)</sup>	Base Rate Floor	Maturity Date	No. Shares/ Principal Amount <sup>(c)</sup>	Cost	Fair Value
<b>Equity/Other—3.2%</b>								
Casual Dining Group Ltd	(d)(e)	Consumer Services				£ 12.7	\$ 15.9	\$ 11.1
<b>Total Equity/Other</b>							<u>15.9</u>	<u>11.1</u>
<b>TOTAL INVESTMENTS—169.7%</b>							<u>\$586.7</u>	<u>\$580.5</u>
<b>Derivative Instruments—0.0%</b>								
Foreign currency forward contracts								<u>\$ 0.1</u>

- (a) Security may be an obligation of one or more entities affiliated with the named company.
- (b) Certain variable rate securities in the Company's portfolio bear interest at a rate determined by a publicly disclosed base rate plus a basis point spread. As of December 31, 2018, the three-month London Interbank Offered Rate, or LIBOR or "L", was 2.81% and the Euro Interbank Offered Rate, or EURIBOR, was (0.31)%. PIK means paid-in-kind. PIK income accruals may be adjusted based on the fair value of the underlying investment.
- (c) Denominated in U.S. dollars unless otherwise noted.
- (d) Investments classified as Level 3.
- (e) A portfolio company domiciled in a foreign country. The jurisdiction of the security issuer may be a different country than the domicile of the portfolio company.
- (f) The underlying credit agreement or indenture contains a PIK provision, whereby the issuer has either the option or the obligation to make interest payments with the issuance of additional securities. The interest rate in the schedule represents the current interest rate in effect for these investments.
- (g) Security is an unfunded commitment. The stated rate reflects the spread disclosed at the time of commitment and may not indicate the actual rate received upon funding.

Below is selected balance sheet information for SCJV as of December 31, 2018:

<b>Selected Balance Sheet Information</b>	
Total investments, at fair value	\$580.5
Cash and other assets	75.5
<b>Total assets</b>	<u>656.0</u>
Debt	269.0
Other liabilities	45.0
<b>Total liabilities</b>	<u>314.0</u>
<b>Member's equity</b>	<u>\$342.0</u>

**FS KKR Capital Corp.**

**Notes to Consolidated Financial Statements (continued)**  
(in millions, except share and per share amounts)

**Note 6. Investment Portfolio (continued)**

Below is selected statement of operations information for SCJV for the year ended December 31, 2018:

<b>Selected Statement of Operation Information</b>	
Total investment income	\$50.7
<b>Expenses</b>	
Interest expense	12.7
Custodian and accounting fees	0.2
Administrative services	0.3
Professional services	0.4
Other	0.0
Total expenses	<u>13.6</u>
Net investment income	37.1
Net realized and unrealized losses	<u>(2.1)</u>
<b>Net increase in net assets resulting from operations</b>	<b><u>\$35.0</u></b>

**Note 7. Financial Instruments**

The following is a summary of the fair value and location of the Company's derivative instruments in the consolidated balance sheets held as of December 31, 2018:

<u>Derivative Instrument</u>	<u>Statement Location</u>	<u>Fair Value</u>
Cross currency swaps	Unrealized depreciation on swap contracts	\$ (16)
Foreign currency forward contracts	Unrealized appreciation on foreign currency forward contracts	3
<b>Total</b>		<b><u>\$ (13)</u></b>

Net realized and unrealized gains and losses on derivative instruments recorded by the Company for the year ended December 31, 2018 are in the following locations in the consolidated statements of operations:

<u>Derivative Instrument</u>	<u>Statement Location</u>	<u>Net Realized Gains (Losses)</u>
Cross currency swaps	Net realized gains (losses) on swap contracts	\$ 0
<b>Total</b>		<b><u>\$ 0</u></b>

<u>Derivative Instrument</u>	<u>Statement Location</u>	<u>Net Unrealized Gains (Losses)</u>
Cross currency swaps	Net change in unrealized appreciation (depreciation) on swap contracts	\$ (16)
Foreign currency forward contracts	Net change in unrealized appreciation (depreciation) on foreign currency forward contracts	3
<b>Total</b>		<b><u>\$ (13)</u></b>

*Offsetting of Derivative Instruments*

The Company has derivative instruments that are subject to master netting agreements. These agreements include provisions to offset positions with the same counterparty in the event of default by one of the parties. The Company's unrealized appreciation and depreciation on derivative instruments are reported as gross assets and liabilities, respectively, in the condensed consolidated statements of assets and liabilities. The following tables present the Company's assets and liabilities related to

FS KKR Capital Corp.

Notes to Consolidated Financial Statements (continued)  
(in millions, except share and per share amounts)

**Note 7. Financial Instruments (continued)**

derivatives by counterparty, net of amounts available for offset under a master netting arrangement and net of any collateral received or pledged by the Company for such assets and liabilities as of December 31, 2018:

Counterparty	Derivative Assets Subject to Master Netting Agreement	Derivatives Available for Offset	Non-cash Collateral Received <sup>(1)</sup>	Cash Collateral Received <sup>(1)</sup>	Net Amount of Derivative Assets <sup>(2)</sup>
JP Morgan Chase Bank	\$ 3	\$ (3)	\$ —	\$ —	\$ —
Total	\$ 3	\$ (3)	\$ —	\$ —	\$ —

Counterparty	Derivative Liabilities Subject to Master Netting Agreement	Derivatives Available for Offset	Non-cash Collateral Received <sup>(1)</sup>	Cash Collateral Received <sup>(1)</sup>	Net Amount of Derivative Liabilities <sup>(3)</sup>
JP Morgan Chase Bank	\$ (16)	\$ 3	\$ —	\$ —	\$ (13)
Total	\$ (16)	\$ 3	\$ —	\$ —	\$ (13)

(1) In some instances, the actual amount of the collateral received and/or pledged may be more than the amount shown due to overcollateralization.

(2) Net amount of derivative assets represents the net amount due from the counterparty to the Company in the event of default.

(3) Net amount of derivative liabilities represents the net amount due from the Company to the counterparty in the event of default.

*Foreign Currency Forward Contracts and Cross Currency Swaps:*

The Company may enter into foreign currency forward contracts and cross currency swaps from time to time to facilitate settlement of purchases and sales of investments denominated in foreign currencies and to economically hedge the impact that an adverse change in foreign exchange rates would have on the value of the Company's investments denominated in foreign currencies. A foreign currency forward contract is a commitment to purchase or sell a foreign currency at a future date at a negotiated forward rate. These contracts are marked-to-market by recognizing the difference between the contract forward exchange rate and the forward market exchange rate on the last day of the period presented as unrealized appreciation or depreciation. Realized gains or losses are recognized when forward contracts are settled. Risks arise as a result of the potential inability of the counterparties to meet the terms of their contracts. The Company attempts to limit counterparty risk by only dealing with well-known counterparties.

Cross currency swaps are interest rate swaps in which interest cash flows are exchanged between two parties based on the notional amounts of two different currencies. These swaps are marked-to-market by recognizing the difference between the present value of cash flows of each leg of the swaps as unrealized appreciation or depreciation. Realized gain or loss is recognized when periodic payments are received or paid and the swaps are terminated. The entire notional value of a cross currency swap is subject to the risk that the counterparty to the swap will default on its contractual delivery obligations. The Company attempts to limit counterparty risk by only dealing with well-known counterparties.

The foreign currency forward contracts and cross currency swap open at the end of the period are generally indicative of the volume of activity during the period.

**FS KKR Capital Corp.**
**Notes to Consolidated Financial Statements (continued)**  
**(in millions, except share and per share amounts)**
**Note 7. Financial Instruments (continued)**

As of December 31, 2018, the Company's open foreign currency forward contracts were as follows:

Foreign Currency	Settlement Date	Counterparty	Amount and Transaction	US\$ Value at Settlement Date	US\$ Value at December 31, 2018	Unrealized Appreciation (Depreciation)
AUD	1/14/2019	JP Morgan Chase Bank	A\$ 0.6 Sold	\$ 0.4	\$ 0.4	\$ —
CAD	10/10/2019	JP Morgan Chase Bank	C\$ 4.4 Sold	3.3	3.2	0.1
EUR	1/14/2019	JP Morgan Chase Bank	€ 84.0 Sold	98.0	96.3	1.7
EUR	7/8/2019	JP Morgan Chase Bank	€ 5.6 Sold	6.4	6.6	(0.2)
EUR	7/8/2019	JP Morgan Chase Bank	€ 22.3 Sold	26.3	26.0	0.3
EUR	7/17/2023	JP Morgan Chase Bank	€ 1.3 Sold	1.7	1.6	0.1
GBP	4/9/2019	JP Morgan Chase Bank	£ 3.4 Sold	4.4	4.4	—
GBP	1/11/2023	JP Morgan Chase Bank	£ 7.0 Sold	9.4	9.3	0.1
GBP	1/11/2023	JP Morgan Chase Bank	£ 1.9 Sold	2.9	2.6	0.3
GBP	1/11/2023	JP Morgan Chase Bank	£ 1.7 Sold	2.6	2.3	0.3
GBP	1/11/2023	JP Morgan Chase Bank	£ 3.4 Sold	4.8	4.6	0.2
Total				<u>\$ 160.2</u>	<u>\$ 157.3</u>	<u>\$ 2.9</u>

As of December 31, 2018, the Company's open cross currency swap was as follows:

Counterparty	Company Receives Fixed Rate	Company Pays Fixed Rate	Termination Date	Unrealized Appreciation (Depreciation)
JP Morgan Chase Bank	2.20% on USD notional amount of \$188.1	0.00% on EUR notional amount of €177.5	12/31/2019	\$ (16)
				<u>\$ (16)</u>

As of December 31, 2018, the combined contractual notional balance of the Company's foreign currency forward contracts and cross currency swaps totaled \$348.3, all of which related to economic hedging of the Company's foreign currency denominated debt investments. The table below displays the Company's foreign currency denominated debt investments and foreign currency forward contract, summarized by foreign currency type as of December 31, 2018:

	Debt investments Denominated in Foreign Currencies As of December 31, 2018			Hedges As of December 31, 2018	
	Par Value in Local Currency	Par Value in US\$	Fair Value	Net Foreign Currency Hedge Amount in Local Currency	Net Foreign Currency Hedge Amount in U.S. Dollars
Euros	€ 302.9	\$ 347.0	\$ 214.2	€ 290.7	\$ 320.5
Canadian Dollars	C\$ 11.5	8.4	8.5	C\$ 4.4	3.3
British Pound Sterling	—	—	—	£ 17.4	24.1
Australian Dollars	—	—	—	A\$ 0.6	0.4
Total		<u>\$ 355.4</u>	<u>\$ 222.7</u>		<u>\$ 348.3</u>

**Note 8. Fair Value of Financial Instruments**

Under existing accounting guidance, fair value is defined as the price that the Company would receive upon selling an investment or pay to transfer a liability in an orderly transaction to a market participant in the principal or most advantageous market for the investment. This accounting guidance emphasizes valuation techniques that maximize the use of observable market inputs and minimize the use of unobservable inputs. Inputs refer broadly to the assumptions that market participants would use in pricing an asset or liability, including assumptions about risk. Inputs may be observable or unobservable.

## FS KKR Capital Corp.

Notes to Consolidated Financial Statements (continued)  
(in millions, except share and per share amounts)**Note 8. Fair Value of Financial Instruments (continued)**

Observable inputs are inputs that reflect the assumptions market participants would use in pricing an asset or liability developed based on market data obtained from sources independent of the Company. Unobservable inputs are inputs that reflect the assumptions market participants would use in pricing an asset or liability developed based on the best information available in the circumstances. The Company classifies the inputs used to measure these fair values into the following hierarchy as defined by current accounting guidance:

*Level 1:* Inputs that are quoted prices (unadjusted) in active markets for identical assets or liabilities.

*Level 2:* Inputs that are quoted prices for similar assets or liabilities in active markets.

*Level 3:* Inputs that are unobservable for an asset or liability.

A financial instrument's categorization within the valuation hierarchy is based upon the lowest level of input that is significant to the fair value measurement.

As of December 31, 2018 and 2017, the Company's investments and secured borrowing were categorized as follows in the fair value hierarchy:

Valuation Inputs	December 31, 2018	December 31, 2017
	Investments	Investments
Level 1—Price quotations in active markets	\$ —	\$ 9
Level 2—Significant other observable inputs	846	—
Level 3—Significant unobservable inputs	6,541	3,917
	<u>\$ 7,387</u>	<u>\$ 3,926</u>

The Company has elected the fair value option under ASC Topic 825, *Financial Instruments*, relating to accounting for debt obligations at their fair value for its secured borrowings which arose due to partial loan sales which did not meet the criteria for sale treatment under ASC Topic 860. The Company reports changes in the fair value of its secured borrowing as a component of the net change in unrealized appreciation (depreciation) on secured borrowing in the consolidated statements of operations. The net gain or loss reflects the difference between the fair value and the principal amount due on maturity.

The Company's investments consist primarily of debt investments that were acquired directly from the issuer. Debt investments, for which broker quotes are not available, are valued by independent valuation firms, which determine the fair value of such investments by considering, among other factors, the borrower's ability to adequately service its debt, prevailing interest rates for like investments, expected cash flows, call features, anticipated repayments and other relevant terms of the investments. Except as described below, all of the Company's equity/other investments are also valued by independent valuation firms, which determine the fair value of such investments by considering, among other factors, contractual rights ascribed to such investments, as well as various income scenarios and multiples of earnings before interest, taxes, depreciation and amortization, or EBITDA, cash flows, net income, revenues or, in limited instances, book value or liquidation value. An investment that is newly issued and purchased near the date of the financial statements is valued at cost if the Company's board of directors determines that the cost of such investment is the best indication of its fair value. Such investments described above are typically classified as Level 3 within the fair value hierarchy. Investments that are traded on an active public market are valued at their closing price as of the date of the financial statements and are classified as Level 1 within the fair value hierarchy. Except as described above, the Company typically values its other investments by using the midpoint of the prevailing bid and ask prices from dealers on the date of the relevant period end, which are provided by independent third-party pricing services and screened for validity by such services and are typically classified as Level 2 within the fair value hierarchy.

The Company periodically benchmarks the bid and ask prices it receives from the third-party pricing services and/or dealers and independent valuation firms, as applicable, against the actual prices at which the Company purchases and sells its investments. Based on the results of the benchmark analysis and the experience of the Company's management in purchasing and

FS KKR Capital Corp.

Notes to Consolidated Financial Statements (continued)  
(in millions, except share and per share amounts)

**Note 8. Fair Value of Financial Instruments (continued)**

selling these investments, the Company believes that these prices are reliable indicators of fair value. The valuation committee and the board of directors reviewed and approved the valuation determinations made with respect to these investments in a manner consistent with the Company's valuation policy.

The following is a reconciliation for the years ended December 31, 2018 and 2017 of investments for which significant unobservable inputs (Level 3) were used in determining fair value:

	For the Year Ended December 31, 2018							
	Senior Secured Loans— First Lien	Senior Secured Loans— Second Lien	Other Senior Secured Debt	Subordinated Debt	Asset Based Finance	Strategic Credit Opportunities Partners, LLC	Equity/Other	Total
Fair value at beginning of period	\$ 2,521	\$ 197	\$ 162	\$ 355	\$ 190	\$ —	\$ 492	\$ 3,917
Accretion of discount (amortization of premium)	3	—	1	—	—	—	—	4
Net realized gain (loss)	(7)	(19)	(1)	(145)	—	—	53	(119)
Net change in unrealized appreciation (depreciation)	(111)	(12)	(44)	(40)	8	5	(234)	(428)
Purchases	2,002	865	72	295	446	294	358	4,332
Paid-in-kind interest	4	1	3	17	19	—	11	55
Sales and repayments	(617)	(40)	(8)	(50)	(4)	—	(146)	(865)
Net transfers in or out of Level 3 <sup>(1)</sup>	(106)	(108)	(20)	(132)	—	—	11	(355)
Fair value at end of period	<u>\$ 3,689</u>	<u>\$ 884</u>	<u>\$ 165</u>	<u>\$ 300</u>	<u>\$ 659</u>	<u>\$ 299</u>	<u>\$ 545</u>	<u>\$ 6,541</u>

The amount of total gains or losses for the period included in changes in net assets attributable to the change in unrealized gains or losses relating to investments still held at the reporting date

	<u>(105)</u>	<u>(23)</u>	<u>(44)</u>	<u>(52)</u>	<u>11</u>	<u>5</u>	<u>(162)</u>	<u>\$ (370)</u>
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	For the Year Ended December 31, 2017							
	Senior Secured Loans— First Lien	Senior Secured Loans— Second Lien	Other Senior Secured Debt	Subordinated Debt	Asset Based Finance	Strategic Credit Opportunities Partners, LLC	Equity/Other	Total
Fair value at beginning of period	\$ 1,935	\$ 599	\$ 160	\$ 341	\$ 186	\$ —	\$ 499	\$ 3,720
Accretion of discount (amortization of premium)	2	9	1	14	—	—	—	26
Net realized gain (loss)	(56)	(24)	(44)	(14)	—	—	(4)	(142)
Net change in unrealized appreciation (depreciation)	77	(4)	50	30	(3)	—	(22)	128
Purchases	954	77	86	119	1	—	43	1,280
Paid-in-kind interest	3	3	—	10	18	—	7	41
Sales and repayments	(394)	(463)	(91)	(145)	(12)	—	(31)	(1,136)
Net transfers in or out of Level 3	—	—	—	—	—	—	—	—
Fair value at end of period	<u>\$ 2,521</u>	<u>\$ 197</u>	<u>\$ 162</u>	<u>\$ 355</u>	<u>\$ 190</u>	<u>\$ —</u>	<u>\$ 492</u>	<u>\$ 3,917</u>

The amount of total gains or losses for the period included in changes in net assets attributable to the change in unrealized gains or losses relating to investments still held at the reporting date

	<u>\$ 24</u>	<u>\$ (17)</u>	<u>\$ 3</u>	<u>\$ 16</u>	<u>—</u>	<u>—</u>	<u>\$ (15)</u>	<u>\$ 11</u>
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## FS KKR Capital Corp.

Notes to Consolidated Financial Statements (continued)  
(in millions, except share and per share amounts)**Note 8. Fair Value of Financial Instruments (continued)**

- (1) As of June 30, 2018, the Company determined to classify investments whose valuations were obtained from independent third-party pricing services as Level 2 in the fair value hierarchy as the Company identified significant other observable inputs in these market quotations. It is the Company's policy to recognize transfers between levels at the beginning of the reporting period.

The following is a reconciliation for the year ended December 31, 2017 of the secured borrowing for which significant unobservable inputs (Level 3) were used in determining fair value:

	<b>Secured Borrowing</b>
	<b>For the Year</b>
	<b>Ended</b>
	<b>December 31, 2017</b>
Fair value at beginning of period	\$ (3)
Amortization of premium (accretion of discount)	(0)
Net realized gain (loss)	(0)
Net change in unrealized appreciation (depreciation)	0
Repayments on secured borrowing	3
Paid-in-kind interest	—
Proceeds from secured borrowing	—
Net transfers in or out of Level 3	—
Fair value at end of period	<u>\$ —</u>
The amount of total gains or losses for the period included in changes in net assets attributable to the change in unrealized gains or losses relating to investments still held at the reporting date	<u>\$ —</u>

FS KKR Capital Corp.

Notes to Consolidated Financial Statements (continued)  
(in millions, except share and per share amounts)

**Note 8. Fair Value of Financial Instruments (continued)**

The valuation techniques and significant unobservable inputs used in recurring Level 3 fair value measurements as of December 31, 2018 and 2017 were as follows:

Type of Investment	Fair Value at December 31, 2018	Valuation Technique <sup>(1)</sup>	Unobservable Input	Range	Weighted Average
Senior Secured Loans—First Lien	\$ 3,542	Market Comparables	Market Yield (%)	6.9% - 16.8%	10.8%
			EBITDA Multiples (x)	3.9x - 9.5x	5.1x
			Revenue Multiples (x)	0.2x - 0.2x	0.2x
	58	Other <sup>(2)</sup>	Other <sup>(2)</sup>	N/A	N/A
	89	Cost	Cost	99.0% - 99.0%	99.0%
Senior Secured Loans—Second Lien	804	Market Comparables	Market Yield (%)	8.9% - 17.8%	12.5%
			EBITDA Multiples (x)	4.5x - 6.0x	5.5x
	80	Cost	Cost	98.5% - 98.5%	98.5%
Other Senior Secured Debt	155	Market Comparables	Market Yield (%)	8.2% - 13.6%	9.7%
			EBITDA Multiples (x)	0.2x - 8.5x	4.0x
	10	Other <sup>(2)</sup>	Other <sup>(2)</sup>	N/A	N/A
Subordinated Debt	300	Market Comparables	Market Yield (%)	7.9% - 24.0%	12.3%
			EBITDA Multiples (x)	7.3x - 10.1x	9.2x
Asset Based Finance	282	Market Comparables	Market Yield (%)	17.7% - 19.0%	18.4%
			Price to Book Multiple (x)	1.2x - 1.3x	1.3x
			Net Aircraft Book Value Multiple (x)	1.0x - 1.0x	1.0x
	60	Market Quotes	Indicative Dealer Quotes	5.6% - 99.6%	44.7%
	169	Discounted Cash Flow	Discount Rate (%)	5.2% - 16.0%	10.0%
	74	Net Asset Value	Net Asset Value	N/A	N/A
	32	Other <sup>(2)</sup>	Other <sup>(2)</sup>	N/A	N/A
	42	Cost	Cost	100.0% - 100.0%	100.0%
Strategic Credit Opportunities Partners, LLC	299	Net Asset Value	Net Asset Value	N/A	N/A
Equity/Other	375	Market Comparables	EBITDA Multiples (x)	0.2x - 15.7x	7.7x
			Revenue Multiples (x)	0.9x - 1.2x	1.1x
			Capacity Multiple (\$/kW)	\$1,875.0 - \$2,125.0	\$2,000.0
			Net Aircraft Book Value Multiple (x)	1.0x - 1.0x	1.0x
			Production Multiples (MMcfe/d)	\$4,708.0 - \$5,167.0	\$4,937.5
			Proved Reserves Multiples (Bcfe)	\$1.2 - \$1.3	\$1.2
			PV-10 Multiples (x)	0.8x - 2.3x	1.5x
			Production Multiples (Mboe/d)	\$25,000.0 - \$38,750.0	\$26,724.8
			Proved Reserves Multiples (Mmboe)	\$3.5 - \$13.8	\$4.2
			Price to Book Multiple (x)	1.0x - 1.0x	1.0x
	32	Discounted Cash Flow	Discount Rate (%)	11.8% - 13.8%	12.8%
		Option Valuation			
	131	Model	Volatility (%)	30.0% - 30.0%	30.0%
			Equity Illiquidity Discount	10.0% - 10.0%	10.0%
	5	Other <sup>(2)</sup>	Other <sup>(2)</sup>	N/A	N/A
	2	Cost	Cost	100.0% - 100.0%	100.0%
<b>Total</b>	<b>\$ 6,541</b>				

(1) Investments using a market quotes valuation technique were primarily valued by using the midpoint of the prevailing bid and ask prices from dealers on the date of the relevant period end, which were provided by independent third-party pricing services and screened for validity by such services. Investments valued using an EBITDA multiple or a revenue multiple pursuant to the market comparables valuation technique may be conducted using an enterprise valuation waterfall analysis. For investments utilizing a market comparables valuation technique, a significant increase (decrease) in the market yield, in isolation, would result in a significantly lower (higher) fair value measurement, and a significant increase (decrease) in any of the valuation multiples, in isolation, would result in a significantly higher (lower) fair value measurement. For investments utilizing a discounted cash flow valuation technique, a significant increase (decrease) in the discount rate, in isolation, would result in a significantly lower (higher) fair value measurement. For investments utilizing an option valuation model valuation technique, a significant increase (decrease) in the volatility, in isolation, would result in a significantly higher (lower) fair value measurement.

(2) Fair value based on expected outcome of proposed corporate transactions and/or other factors.



FS KKR Capital Corp.

Notes to Consolidated Financial Statements (continued)  
(in millions, except share and per share amounts)

Note 8. Fair Value of Financial Instruments (continued)

Type of Investment	Fair Value at December 31, 2017	Valuation Technique <sup>(1)</sup>	Unobservable Input	Range	Weighted Average
Senior Secured Loans—First Lien	\$ 2,355	Market Comparables	Market Yield (%)	6.2% - 14.0%	9.8%
	53	Other <sup>(2)</sup>	EBITDA Multiples (x)	5.0x - 8.0x	7.2x
	113	Market Quotes	Other <sup>(2)</sup>	N/A	N/A
Senior Secured Loans—Second Lien	84	Market Comparables	Indicative Dealer Quotes	85.5% - 102.8%	99.4%
			Market Yield (%)	8.3% - 20.7%	11.3%
			EBITDA Multiples (x)	5.0x - 6.0x	5.5x
Senior Secured Bonds	113	Market Quotes	Indicative Dealer Quotes	50.5% - 102.3%	93.7%
	113	Market Comparables	Market Yield (%)	7.7% - 12.3%	8.6%
			EBITDA Multiples (x)	4.8x - 8.0x	7.7x
			Production Multiples (Mboe/d)	\$42,250.0 - \$44,750.0	\$43,500.0
			Proved Reserves Multiples (Mmboe)	\$10.3 - \$11.3	\$10.8
			PV-10 Multiples (x)	0.8x - 0.8x	0.8x
	29	Other <sup>(2)</sup>	Other <sup>(2)</sup>	N/A	N/A
	20	Market Quotes	Indicative Dealer Quotes	99.5% - 100.5%	100.0%
Subordinated Debt	222	Market Comparables	Market Yield (%)	7.8% - 16.8%	14.5%
			EBITDA Multiples (x)	9.0x - 11.0x	9.5x
	133	Market Quotes	Indicative Dealer Quotes	50.0% - 108.5%	99.4%
Asset Based Finance	136	Market Comparables	Market Yield (%)	7.8% - 16.8%	14.5%
	54	Market Quotes	Indicative Dealer Quotes	6.6% - 100.2%	65.8%
Equity/Other	449	Market Comparables	Market Yield (%)	15.3% - 15.8%	15.5%
			Capacity Multiple (\$/kW)	\$2,000.0 - \$2,250.0	\$2,125.0
			EBITDA Multiples (x)	4.8x - 23.5x	8.3x
			Production Multiples (Mboe/d)	\$32,500.0 - \$44,750.0	\$34,191.4
			Production Multiples (MMcfe/d)	\$5,000.0 - \$5,500.0	\$5,250.0
			Proved Reserves Multiples (Bcfe)	\$1.8 - \$2.0	\$1.9
			Proved Reserves Multiples (Mmboe)	\$8.3 - \$11.3	\$8.6
			PV-10 Multiples (x)	0.8x - 2.6x	2.3x
		Discounted Cash Flow	Discount Rate (%)	11.0% - 13.0%	12.0%
		Option Valuation Model	Volatility (%)	30.0% - 36.5%	35.3%
	43	Other <sup>(2)</sup>	Other <sup>(2)</sup>	N/A	N/A
<b>Total</b>	<b>\$ 3,917</b>				

(1) Investments using a market quotes valuation technique were valued by using the midpoint of the prevailing bid and ask prices from dealers on the date of the relevant period end, which were provided by independent third-party pricing services and screened for validity by such services. Investments valued using an EBITDA multiple or a revenue multiple pursuant to the market comparables valuation technique may be conducted using an enterprise valuation waterfall analysis. For investments utilizing a market comparables valuation technique, a significant increase (decrease) in the market yield, in isolation, would result in a significantly lower (higher) fair value measurement, and a significant increase (decrease) in any of the valuation multiples, in isolation, would result in a significantly higher (lower) fair value measurement. For investments utilizing a discounted cash flow valuation technique, a significant increase (decrease) in the discount rate, in isolation, would result in a significantly lower (higher) fair value measurement. For investments utilizing an option valuation model valuation technique, a significant increase (decrease) in the volatility, in isolation, would result in a significantly higher (lower) fair value measurement.

(2) Fair value based on expected outcome of proposed corporate transactions and/or other factors.

FS KKR Capital Corp.

Notes to Consolidated Financial Statements (continued)  
(in millions, except share and per share amounts)

**Note 9. Financing Arrangements**

The following tables present summary information with respect to the Company's outstanding financing arrangements as of December 31, 2018 and 2017:

Arrangement	Type of Arrangement	Rate	As of December 31, 2018		Maturity Date
			Amount Outstanding	Amount Available	
CCT New York Funding Credit Facility <sup>(1)</sup>	Revolving Credit Facility	L+2.50%	\$ 240	\$ 60	January 16, 2021
CCT Tokyo Funding Credit Facility <sup>(1)</sup>	Revolving Credit Facility	L+1.75% - 2.00% <sup>(2)</sup>	183	117	December 2, 2022
Locust Street Credit Facility <sup>(1)</sup>	Term Loan Credit Facility	L+2.68%	425	—	November 1, 2020
Senior Secured Revolving Credit Facility <sup>(1)</sup>	Revolving Credit Facility	L+1.75% - 2.00% <sup>(3)</sup>	1,224 <sup>(4)</sup>	991	August 9, 2023
4.000% Notes due 2019 <sup>(5)</sup>	Unsecured Notes	4.00%	400	—	July 15, 2019
4.250% Notes due 2020 <sup>(5)</sup>	Unsecured Notes	4.25%	405	—	January 15, 2020
4.750% Notes due 2022 <sup>(5)</sup>	Unsecured Notes	4.75%	275	—	May 15, 2022
5.000% Notes due 2022 <sup>(5)</sup>	Unsecured Notes	5.00%	245	—	June 28, 2022
<b>Total</b>			<b>\$ 3,397</b>	<b>\$ 1,168</b>	

(1) The carrying amount outstanding under the facility approximates its fair value.

(2) The spread over LIBOR is determined by reference to the amount outstanding under the facility.

(3) The spread over LIBOR is determined by reference to the ratio of the value of the borrowing base to the aggregate amount of certain outstanding indebtedness of the Company.

(4) Amount includes borrowing in Euros, Canadian dollars and pound sterling. Euro balance outstanding of €25 has been converted to U.S. dollars at an exchange rate of €1.00 to \$1.15 as of December 31, 2018 to reflect total amount outstanding in U.S. dollars. Canadian dollar balance outstanding of CAD \$24 has been converted to U.S. dollars at an exchange rate of CAD \$1.00 to \$0.73 as of December 31, 2018 to reflect total amount outstanding in U.S. dollars. Pound sterling balance outstanding of £3 has been converted to U.S. dollars at an exchange rate of £1.00 to \$1.28 as of December 31, 2018 to reflect total amount outstanding in U.S. dollars.

(5) As of December 31, 2018, the fair value of the 4.000% notes, the 4.250% notes, the 4.750% notes and the 5.000% notes was approximately \$400, \$406, \$274 and \$242, respectively. These valuations are considered Level 2 valuations within the fair value hierarchy.

Arrangement	Type of Arrangement	Rate	As of December 31, 2017		Maturity Date
			Amount Outstanding	Amount Available	
Hamilton Street Credit Facility <sup>(1)</sup>	Revolving Credit Facility	L+2.50%	\$ 150	\$ —	December 15, 2021
ING Credit Facility <sup>(1)</sup>	Revolving Credit Facility	L+2.25%	67 <sup>(2)</sup>	261	March 16, 2021
Locust Street Credit Facility <sup>(1)</sup>	Term Loan Credit Facility	L+2.68%	425	—	November 1, 2020
4.000% Notes due 2019 <sup>(3)</sup>	Unsecured Notes	4.00%	400	—	July 15, 2019
4.250% Notes due 2020 <sup>(3)</sup>	Unsecured Notes	4.25%	405	—	January 15, 2020
4.750% Notes due 2022 <sup>(3)</sup>	Unsecured Notes	4.75%	275	—	May 15, 2022
<b>Total</b>			<b>\$ 1,722</b>	<b>\$ 261</b>	

(1) The carrying amount outstanding under the facility approximates its fair value.

(2) Borrowings in Euros and Canadian dollars. Euro balance outstanding of €42 has been converted to U.S. dollars at an exchange rate of €1.00 to \$1.20 as of December 31, 2017 to reflect total amount outstanding in U.S. dollars. Canadian dollar balance outstanding of CAD \$21 has been converted to U.S. dollars at an exchange rate of CAD \$1.00 to \$0.80 as of December 31, 2017 to reflect total amount outstanding in U.S. dollars.

(3) As of December 31, 2017, the fair value of the 4.000% notes, the 4.250% notes and the 4.750% notes was approximately \$407, \$415 and \$284, respectively. These valuations are considered Level 2 valuations within the fair value hierarchy.

**FS KKR Capital Corp.**
**Notes to Consolidated Financial Statements (continued)**  
**(in millions, except share and per share amounts)**
**Note 9. Financing Arrangements (continued)**

For the years ended December 31, 2018, 2017 and 2016, the components of total interest expense for the Company's financing arrangements were as follows:

Arrangement <sup>(1)</sup>	CCT New York Funding Credit Facility <sup>(2)</sup>	CCT Tokyo Funding Credit Facility <sup>(2)</sup>	Hamilton Street Credit Facility <sup>(2)</sup>	ING Credit Facility <sup>(2)</sup>	JPM Facility	Locust Street Credit Facility	Senior Secured Revolving Credit Facility	4.000% Notes due 2019	4.250% Notes due 2020	4.750% Notes due 2022	5.000% Notes due 2022	Partial Loan Sale <sup>(3)</sup>	Total
<b>Fiscal 2018</b>													
Direct interest expense	\$ 1	\$ 0	\$ 3	\$ 3	\$ —	\$ 21	\$ 4	\$ 16	\$ 17	\$ 13	\$ 0	\$ —	\$ 78
Amortization of deferred financing costs and discount	—	—	1	—	—	1	1	1	1	1	—	—	6
Total interest expense	<u>\$ 1</u>	<u>\$ 0</u>	<u>\$ 4</u>	<u>\$ 3</u>	<u>\$ —</u>	<u>\$ 22</u>	<u>\$ 5</u>	<u>\$ 17</u>	<u>\$ 18</u>	<u>\$ 14</u>	<u>\$ 0</u>	<u>\$ —</u>	<u>\$ 84</u>
<b>Fiscal 2017</b>													
Direct interest expense	\$ —	\$ —	\$ 6	\$ 5	\$ —	\$ 17	\$ —	\$ 16	\$ 17	\$ 13	\$ —	\$ 0	\$ 74
Amortization of deferred financing costs and discount	—	—	0	1	—	1	—	1	1	1	—	0	5
Total interest expense	<u>\$ —</u>	<u>\$ —</u>	<u>\$ 6</u>	<u>\$ 6</u>	<u>\$ —</u>	<u>\$ 18</u>	<u>\$ —</u>	<u>\$ 17</u>	<u>\$ 18</u>	<u>\$ 14</u>	<u>\$ —</u>	<u>\$ 0</u>	<u>\$ 79</u>
<b>Fiscal 2016</b>													
Direct interest expense	\$ —	\$ —	\$ 0	\$ 5	\$ 19	\$ 3	\$ —	\$ 16	\$ 14	\$ 13	\$ —	\$ 0	\$ 70
Amortization of deferred financing costs and discount	—	—	0	1	—	0	—	1	1	1	—	0	4
Total interest expense	<u>\$ —</u>	<u>\$ —</u>	<u>\$ 0</u>	<u>\$ 6</u>	<u>\$ 19</u>	<u>\$ 3</u>	<u>\$ —</u>	<u>\$ 17</u>	<u>\$ 15</u>	<u>\$ 14</u>	<u>\$ —</u>	<u>\$ 0</u>	<u>\$ 74</u>

(1) Borrowings of each of the Company's wholly-owned, special-purpose financing subsidiaries are considered borrowings of the Company for purposes of complying with the asset coverage requirements applicable to BDCs under the 1940 Act.

(2) Direct interest expense includes the effect of non-usage fees.

(3) Total interest expense for the secured borrowing includes the effect of amortization of discount.

The Company's average borrowings and weighted average interest rate, including the effect of non-usage fees, for the year ended December 31, 2018 were \$1,725 and 4.53%, respectively. As of December 31, 2018, the Company's weighted average effective interest rate on borrowings, including the effect of non-usage fees, was 4.58%.

The Company's average borrowings and weighted average interest rate, including the effect of non-usage fees, for the year ended December 31, 2017 were \$1,769 and 4.18%, respectively. As of December 31, 2017, the Company's weighted average effective interest rate on borrowings, including the effect of non-usage fees, was 4.26%.

**FS KKR Capital Corp.****Notes to Consolidated Financial Statements (continued)**  
**(in millions, except share and per share amounts)****Note 9. Financing Arrangements (continued)***CCT New York Funding Credit Facility*

On November 29, 2016, CCT New York Funding LLC, or CCT New York Funding, a wholly owned special purpose financing subsidiary of the Company, entered into a revolving credit facility, or the CCT New York Funding Credit Facility, pursuant to a loan and security agreement with JPMorgan Chase Bank, National Association, or JPMorgan, as administrative agent and lender, any additional lenders from time to time party thereto, the collateral administrator, collateral agent and securities intermediary party thereto, and the Company, which succeeded CCT as the portfolio manager.

The CCT New York Funding Credit Facility provides for borrowings in an aggregate principal amount up to \$300 with an accordion feature which allows for the expansion of the borrowing limit up to \$400, subject to consent from the lenders and other customary conditions. Advances outstanding under the CCT New York Funding Credit Facility bear interest at a rate equal to three-month LIBOR plus a spread of 2.50% per annum, payable quarterly. CCT New York Funding pays a quarterly commitment fee of 0.70% per annum on any unused commitment amounts. Any amounts borrowed under the CCT New York Funding Credit Facility will mature, and all accrued and unpaid interest thereunder will be due and payable, on January 16, 2021.

Advances under the CCT New York Funding Credit Facility are subject to a compliance condition which will be satisfied at any given time if the outstanding advances minus the amount of principal and certain interest proceeds in CCT New York Funding's accounts is less than or equal to 60% of the net asset value of CCT New York Funding's portfolio of assets.

In connection with the CCT New York Funding Credit Facility, CCT New York Funding has made certain representations and warranties and is required to comply with various covenants, reporting requirements and other customary requirements for similar facilities. The CCT New York Funding Credit Facility contains events of default customary for similar financing transactions, including: (i) failure to make principal payments when due or any other payments under the CCT New York Funding Credit Facility within two business days of when they are due; (ii) the insolvency or bankruptcy of CCT New York Funding or the Company; (iii) a "Change of Control" (as defined in the CCT New York Funding loan and security agreement) of CCT New York Funding; (iv) the Company's net asset value is less than the product of (a) the outstanding advances minus the amount of principal and certain interest proceeds in CCT New York Funding's accounts and (b) 117.64%, and is not remedied within two business days of notice by JPMorgan; and (v) the Advisor or a permitted affiliate thereof ceases to be the Company's investment adviser. Upon the occurrence and during the continuation of an event of default, JPMorgan may declare the outstanding advances and all other obligations under the CCT New York Funding Credit Facility immediately due and payable.

The occurrence of events of default (as described above) or events defined as "Market Value Events" in the CCT New York Funding loan and security agreement triggers (i) a requirement that CCT New York Funding obtain the consent of JPMorgan prior to entering into any sale or disposition with respect to portfolio assets and (ii) the right of JPMorgan to direct CCT New York Funding to enter into sales or dispositions with respect to any portfolio assets, in each case, in JPMorgan's sole discretion.

CCT New York Funding's obligations to JPMorgan under the CCT New York Funding Credit Facility are secured by a first priority security interest in substantially all of the assets of CCT New York Funding, including its portfolio of assets. The obligations of CCT New York Funding under the CCT New York Funding Credit Facility are non-recourse to the Company.

*CCT Tokyo Funding Credit Facility*

On December 2, 2015, CCT Tokyo Funding LLC, or CCT Tokyo Funding, a wholly owned, special purpose financing subsidiary of the Company, entered into a revolving credit facility, or the CCT Tokyo Funding Credit Facility, pursuant to a loan and servicing agreement with Sumitomo Mitsui Banking Corporation, or SMBC, as the administrative agent, collateral agent, and lender, and the Company, which succeeded CCT as the servicer and transferor.

The CCT Tokyo Funding Credit Facility provides for borrowings in an aggregate principal amount up to \$300. The end of the reinvestment period and the stated maturity date for the CCT Tokyo Funding Credit Facility are December 2, 2019 and December 2, 2022, respectively. The reinvestment period and the stated maturity date are both subject to two further one-year extensions by mutual agreement of CCT Tokyo Funding and SMBC. Advances under the CCT Tokyo Funding Credit Facility are subject to a borrowing base test.

## FS KKR Capital Corp.

Notes to Consolidated Financial Statements (continued)  
(in millions, except share and per share amounts)**Note 9. Financing Arrangements (continued)**

Advances outstanding under the CCT Tokyo Funding Credit Facility bear interest at a rate equal to (i) for loans for which CCT Tokyo Funding elects the base rate option, the higher of (A) the “Prime Rate” (as defined in the CCT Tokyo Funding loan and servicing agreement) or (B) the federal funds effective rate plus 0.50%, plus a spread of 0.75% per annum, or (ii) for loans for which CCT Tokyo Funding elects the LIBOR rate option, three-month LIBOR plus a spread of 1.75% per annum. In each case, the spread increases by 0.25% per annum if the average daily amount of advances outstanding during the relevant remittance period does not exceed \$150. Effective June 2, 2016, CCT Tokyo Funding began paying a quarterly non-usage fee of 0.35% per annum on any unborrowed amounts up to a threshold amount equal to the lesser of (i) 50% of the borrowing base during the relevant remittance period and (ii) \$150, and 0.875% per annum on any unborrowed amounts above such threshold amount.

In connection with the CCT Tokyo Funding Credit Facility, CCT Tokyo Funding has made certain representations and warranties and is required to comply with various covenants, reporting requirements and other customary requirements for similar facilities. The CCT Tokyo Funding Credit Facility contains customary events of default for similar financing transactions, including: (i) failure to make principal payments when due or any other payments under the CCT Tokyo Funding Credit Facility within three business days of when they are due; (ii) failure to cure a deficiency in the required borrowing base within 12 business days; (iii) the insolvency or bankruptcy of CCT Tokyo Funding or the Company; (iv) a “Change of Control” (as defined in the CCT Tokyo Funding loan and servicing agreement) of CCT Tokyo Funding; (v) the aggregate maximum unfunded commitments for CCT Tokyo Funding’s portfolio of assets is greater than \$20 for more than five business days; and (vi) the Advisor or a permitted affiliate thereof ceases to be the Company’s investment adviser. Upon the occurrence and during the continuance of an event of default, the administrative agent may declare the outstanding advances and all other obligations under the CCT Tokyo Funding Credit Facility immediately due and payable.

CCT Tokyo Funding’s obligations to SMBC under the CCT Tokyo Funding Credit Facility are secured by a first priority security interest in substantially all of the assets of CCT Tokyo Funding, including its portfolio of assets. The obligations of CCT Tokyo Funding under the CCT Tokyo Credit Facility are non-recourse to the Company.

*JPM Facility*

On July 21, 2011, through its two wholly-owned, special-purpose financing subsidiaries, Locust Street Funding LLC, or Locust Street, and Race Street Funding LLC, or Race Street, the Company entered into a debt financing arrangement with JPMorgan Chase Bank, N.A., London Branch, or JPM, which was subsequently amended several times, or the JPM Facility. Prior to its termination, the Company and JPM most recently amended the financing arrangement on April 28, 2016 to, among other things, reduce the amount of outstanding available debt financing from \$725 to \$650. On November 1, 2016, in connection with the entrance into the Locust Street Credit Facility (as defined below), (i) the Class A Notes issued by Locust Street to Race Street were redeemed, (ii) the amended and restated global master repurchase agreement between Race Street and Locust Street was terminated and (iii) the JPM Facility was prepaid and terminated.

*Locust Street Credit Facility*

On November 1, 2016, Locust Street entered into a loan agreement, or the Locust Street loan agreement and, together with the related transaction documents, the Locust Street Credit Facility, with JPMorgan, as lender and administrative agent, Citibank, N.A., as collateral agent and securities intermediary, and Virtus Group, LP, as collateral administrator, pursuant to which JPMorgan advanced a \$625 term loan to Locust Street. Advances outstanding under the Locust Street Credit Facility bear interest at a rate equal to three-month LIBOR plus a spread of 2.6833% per annum. Interest is payable quarterly in arrears. Under the Locust Street loan agreement, Locust Street agreed to repay \$200 of the aggregate principal amount of the advances on or before January 31, 2017, which repayment was satisfied in full in December 2016. All remaining outstanding advances under the loan agreement will mature, and all accrued and unpaid interest thereunder, will be due and payable, on November 1, 2020.

Advances under the Locust Street loan agreement are subject to a compliance condition which will be satisfied at any given time if the outstanding advances minus the amount of principal and certain interest proceeds in Locust Street’s accounts is less than or equal to 53% of the net asset value of Locust Street’s portfolio of assets. Locust Street also made certain customary representations and warranties and is required to comply with various customary covenants, reporting requirements and other requirements.

**FS KKR Capital Corp.****Notes to Consolidated Financial Statements (continued)**  
**(in millions, except share and per share amounts)****Note 9. Financing Arrangements (continued)**

The Locust Street loan agreement contains events of default customary for similar financing transactions, including: (i) the failure to make principal payments when due or any other payments under the Locust Street loan agreement within two business days of when they are due; (ii) the insolvency or bankruptcy of Locust Street or the Company; (iii) a “Change of Control” (as defined in the Locust Street loan agreement) of Locust Street; and (iv) the transaction documents are amended in a manner materially adverse to JPMorgan, as administrative agent, without JPMorgan’s consent. Upon the occurrence and during the continuation of an event of default, JPMorgan may declare the outstanding advances and all other obligations under the Locust Street loan agreement immediately due and payable.

The occurrence of events of default (as described above) or events defined as “Coverage Events” in the Locust Street loan agreement triggers (i) a requirement that Locust Street obtain the consent of JPMorgan prior to entering into any sale or disposition with respect to portfolio assets and (ii) the right of JPMorgan to direct Locust Street to enter into sales or dispositions with respect to any portfolio assets, in each case, in JPMorgan’s sole discretion.

Locust Street’s obligations to JPMorgan under the Locust Street Credit Facility are secured by a first priority security interest in substantially all of the assets of Locust Street, including its portfolio of assets. The obligations of Locust Street under the Locust Street Credit Facility are non-recourse to the Company, and the Company’s exposure under the Locust Street Credit Facility is limited to the value of the Company’s investment in Locust Street.

The Company incurred costs in connection with obtaining the Locust Street Credit Facility, which the Company has recorded as deferred financing costs on its consolidated balance sheets and amortizes to interest expense over the life of the facility. As of December 31, 2018, \$2 of such deferred financing costs had yet to be amortized to interest expense.

*Senior Secured Revolving Credit Facility*

On August 9, 2018, the Company entered into a senior secured revolving credit facility, or the Senior Secured Revolving Credit Facility, with FS Investment Corporation II, or FSIC II, FS Investment Corporation III, or FSIC III, (and prior to the Merger, CCT) JPMorgan, as administrative agent, ING Capital LLC, or ING, as collateral agent and the lenders party thereto. The Senior Secured Revolving Credit Facility provided for borrowings in U.S. dollars and certain agreed upon foreign currencies in an initial aggregate amount of up to \$3,435, with an option for the Company to request, at one or more times, that existing or new lenders, at their election, provide up to \$1,718 of additional commitments. The Senior Secured Revolving Credit Facility initially provided for a sublimit available for the Company to borrow up to \$685 of the total facility amount, subject to increase or reduction from time to time pursuant to the terms of the Senior Secured Revolving Credit Facility and the oversight and approval of the Company’s board of directors. A sublimit of the total facility amount also is available to each of FSIC II and FSIC III, as additional borrowers, and the obligations of the other borrowers under the Senior Secured Revolving Credit Facility are several (and not joint) in all respects. The Senior Secured Revolving Credit Facility provides for the issuance of letters of credit on behalf of the Company in an aggregate face amount not to exceed \$25.

On November 8, 2018, the total facility amount was increased to \$3,515 and the Company’s sublimit was increased to \$765. Upon the Merger, the new sublimit for the Company became \$2,215.

Availability under the Senior Secured Revolving Credit Facility will terminate on August 9, 2022, or the Revolver Termination Date, and the outstanding loans under the Senior Secured Revolving Credit Facility will mature on August 9, 2023. The Senior Secured Revolving Credit Facility also requires mandatory prepayment of interest and principal upon certain events during the term-out period commencing on the Revolver Termination Date.

The proceeds of the Senior Secured Revolving Credit Facility initially drawn by the Company were used in part to prepay in full all loans outstanding as of August 9, 2018 under (i) the senior secured revolving credit agreement, dated as of April 3, 2014, by and among the Company, the lenders party thereto and ING as administrative agent (as amended, restated, amended and restated and otherwise modified), or the ING Credit Facility, and (ii) the loan and security agreement, dated as of December 15, 2016, by and among Hamilton Street Funding LLC, the lenders party thereto, HSBC Bank USA, National Association, as administrative agent, and U.S. Bank National Association, as collateral agent, account bank and custodian (as amended, restated, amended and restated and otherwise modified), or the Hamilton Street Credit Facility.

**FS KKR Capital Corp.****Notes to Consolidated Financial Statements (continued)**  
**(in millions, except share and per share amounts)****Note 9. Financing Arrangements (continued)**

Borrowings under the Senior Secured Revolving Credit Facility are subject to compliance with a borrowing base test. Interest under the Senior Secured Revolving Credit Facility for (i) loans for which the Company elects the base rate option, (A) if the total value of the borrowing base is equal to or greater than 1.85 times the aggregate amount of certain outstanding indebtedness of the Company, or the Combined Debt Amount, is payable at an “alternate base rate” (which is the greatest of (a) the prime rate as publicly announced by JPMorgan, (b) the sum of (x) the greater of (I) the federal funds effective rate and (II) the overnight bank funding rate plus (y) 0.5%, and (c) the one month LIBOR plus 1% per annum) plus 0.75% and, (B) if the value of the borrowing base is less than 1.85 times the Combined Debt Amount, the alternate base rate plus 1.00%; and (ii) loans for which the Company elects the Eurocurrency option (A) if the value of the borrowing base is equal to or greater than 1.85 times the Combined Debt Amount, is payable at a rate equal to LIBOR plus 1.75% and (B) if the value of the borrowing base is less than 1.85 times the Combined Debt Amount, is payable at a rate equal to LIBOR plus 2.00%. The Company will pay a non-usage fee of at least 0.375% and up to 0.50% per annum (based on the immediately preceding quarter’s average usage) on the unused portion of its sublimit under the Senior Secured Revolving Credit Facility during the revolving period. The Company also will be required to pay letter of credit participation fees and a fronting fee on the average daily amount of any lender’s exposure with respect to any letters of credit issued under the Senior Secured Revolving Credit Facility.

In connection with the Senior Secured Revolving Credit Facility, the Company has made certain representations and warranties and must comply with various covenants and reporting requirements customary for facilities of this type. In addition, the Company must comply with the following financial covenants: (a) the Company must maintain a minimum shareholders’ equity, measured as of each fiscal quarter end; and (b) the Company must maintain at all times a 200% asset coverage ratio.

The Senior Secured Revolving Credit Facility contains events of default customary for facilities of this type. Upon the occurrence of an event of default, JPMorgan, at the instruction of the lenders, may terminate the commitments and declare the outstanding advances and all other obligations under the Senior Secured Revolving Credit Facility immediately due and payable.

The Company’s obligations under the Senior Secured Revolving Credit Facility are guaranteed by certain of the Company’s subsidiaries. The Company’s obligations under the Senior Secured Revolving Credit Facility are secured by a first priority security interest in substantially all of the assets of the Company and the subsidiary guarantors thereunder.

The Company incurred costs in connection with obtaining the Senior Secured Revolving Credit Facility, which the Company has recorded as deferred financing costs, along with \$2 of unamortized fees from the ING Credit Facility, on its consolidated balance sheets and which the Company amortizes to interest expense over the life of the facility. As of December 31, 2018, \$6 of such deferred financing costs had yet to be amortized to interest expense.

*Hamilton Street Credit Facility*

On December 15, 2016, Hamilton Street Funding LLC, or Hamilton Street, a wholly owned, special purpose financing subsidiary of the Company, entered into the Hamilton Street Credit Facility, which provided for a five-year maturity with a four-year revolving period during which Hamilton Street was permitted to borrow, repay and reborrow advances in U.S. dollars and certain agreed foreign currencies in an aggregate amount of up to \$150. In connection with entering into the Senior Secured Revolving Credit Facility, the Company repaid and terminated the Hamilton Street Credit Facility. The \$1 of remaining unamortized deferred financing costs for the Hamilton Street Credit Facility were charged to interest expense.

*ING Credit Facility*

On April 3, 2014, the Company entered into the ING Credit Facility, which, as amended, provided for a maturity date of March 16, 2021 with a revolving period through March 16, 2020 during which the Company was permitted to borrow, repay and reborrow advances in U.S. dollars and certain agreed foreign currencies in an aggregate amount of up to \$328. In connection with entering into the Senior Secured Revolving Credit Facility, the Company repaid and terminated the ING Credit Facility. The Company incurred costs in connection with obtaining the ING Credit Facility, which the Company had recorded as deferred financing costs on its consolidated balance sheets and amortized to interest expense over the life of the facility. As of August 9, 2018, \$2 of such deferred financing costs had yet to be amortized to interest expense. Pursuant to the terms of the Senior Secured Revolving Credit Facility, the remaining unamortized deferred financing costs of \$2 will be amortized over the contractual term of the Senior Secured Revolving Credit Facility.

FS KKR Capital Corp.

Notes to Consolidated Financial Statements (continued)  
(in millions, except share and per share amounts)

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**Note 9. Financing Arrangements (continued)**

*4.000% Notes due 2019*

On July 14, 2014, the Company and U.S. Bank National Association, or U.S. Bank, entered into an indenture, or the base indenture, and a first supplemental indenture thereto, or together with the base indenture and any supplemental indentures thereto, the indenture, relating to the Company's issuance of \$400 aggregate principal amount of its 4.000% notes due 2019, or the 4.000% notes.

The 4.000% notes will mature on July 15, 2019 and may be redeemed in whole or in part at the Company's option at any time or from time to time at the applicable redemption price set forth in the indenture. The 4.000% 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 4.000% notes are general unsecured obligations of the Company that rank senior in right of payment to all of the Company's existing and future indebtedness that is expressly subordinated in right of payment to the 4.000% notes and rank *pari passu* with all outstanding and future unsecured unsubordinated indebtedness issued by the Company.

In addition, on the occurrence of a "change of control repurchase event," as defined in the indenture, the Company will generally be required to make an offer to purchase the outstanding 4.000% notes at a price equal to 100% of the principal amount of such notes plus accrued and unpaid interest to the repurchase date.

The indenture contains certain covenants, including covenants requiring the Company to comply with the asset coverage requirements of Section 18(a)(1)(A) of the 1940 Act, as modified by Section 61(a)(1) of the 1940 Act, whether or not it is subject to those requirements, and to provide financial information to the holders of the 4.000% notes and U.S. Bank if the Company is no longer subject to the reporting requirements under the Securities Exchange Act of 1934, as amended, or the Exchange Act. These covenants are subject to limitations and exceptions that are described in the indenture.

The Company incurred costs in connection with issuing the 4.000% notes, which the Company has recorded as deferred financing costs on its consolidated balance sheets and amortizes to interest expense over the life of the 4.000% notes. As of December 31, 2018, \$0 of such deferred financing costs had yet to be amortized to interest expense. In connection with issuing the 4.000% notes, the Company has charged discount against the carrying amount of such notes. As of December 31, 2018, \$0 of such discount had yet to be amortized to interest expense.

*4.250% Notes due 2020*

On December 3, 2014, the Company and U.S. Bank entered into a second supplemental indenture to the base indenture relating to the Company's issuance of \$325 aggregate principal amount of its 4.250% notes due 2020, or the 4.250% notes. On December 8, 2016, the Company issued an additional \$80 aggregate principal amount of the 4.250% notes as additional notes under the second supplemental indenture.

The 4.250% notes will mature on January 15, 2020 and may be redeemed in whole or in part at the Company's option at any time or from time to time at the applicable redemption price set forth in the indenture. The 4.250% notes bear interest at a rate of 4.250% per year, payable semi-annually on January 15 and July 15 of each year, commencing on July 15, 2015. The 4.250% notes are general unsecured obligations of the Company that rank senior in right of payment to all of the Company's existing and future indebtedness that is expressly subordinated in right of payment to the 4.250% notes and rank *pari passu* with all outstanding and future unsecured unsubordinated indebtedness issued by the Company.

In addition, on the occurrence of a "change of control repurchase event," as defined in the indenture, the Company will generally be required to make an offer to purchase the outstanding 4.250% notes at a price equal to 100% of the principal amount of such notes plus accrued and unpaid interest to the repurchase date.

The indenture contains certain covenants, including covenants requiring the Company to comply with the asset coverage requirements of Section 18(a)(1)(A) of the 1940 Act, as modified by Section 61(a)(1) of the 1940 Act, whether or not it is subject to those requirements, and to provide financial information to the holders of the 4.250% notes and U.S. Bank if the Company is no longer subject to the reporting requirements under the Exchange Act. These covenants are subject to limitations and exceptions that are described in the indenture.



**FS KKR Capital Corp.****Notes to Consolidated Financial Statements (continued)**  
**(in millions, except share and per share amounts)****Note 9. Financing Arrangements (continued)**

The Company incurred costs in connection with issuing the 4.250% notes, which the Company has recorded as deferred financing costs on its consolidated balance sheets and amortizes to interest expense over the life of the 4.250% notes. As of December 31, 2018, \$0 of such deferred financing costs had yet to be amortized to interest expense. In connection with issuing the 4.250% notes, the Company has charged discount against the carrying amount of such notes. As of December 31, 2018, \$1 of such discount had yet to be amortized to interest expense.

**4.750% Notes due 2022**

On April 30, 2015, the Company and U.S. Bank entered into a third supplemental indenture to the base indenture relating to the Company's issuance of \$275 aggregate principal amount of its 4.750% notes due 2022, or the 4.750% notes.

The 4.750% notes will mature on May 15, 2022 and may be redeemed in whole or in part at the Company's option at any time or from time to time at the applicable redemption price set forth in the indenture. The 4.750% notes bear interest at a rate of 4.750% per year, payable semi-annually on May 15 and November 15 of each year, commencing on November 15, 2015. The 4.750% notes are general unsecured obligations of the Company that rank senior in right of payment to all of the Company's existing and future indebtedness that is expressly subordinated in right of payment to the 4.750% notes and rank *pari passu* with all outstanding and future unsecured unsubordinated indebtedness issued by the Company.

In addition, on the occurrence of a "change of control repurchase event," as defined in the indenture, the Company will generally be required to make an offer to purchase the outstanding 4.750% notes at a price equal to 100% of the principal amount of such notes plus accrued and unpaid interest to the repurchase date.

The indenture contains certain covenants, including covenants requiring the Company to comply with the asset coverage requirements of Section 18(a)(1)(A) of the 1940 Act, as modified by Section 61(a)(1) of the 1940 Act, whether or not it is subject to those requirements, and to provide financial information to the holders of the 4.750% notes and U.S. Bank if the Company is no longer subject to the reporting requirements under the Exchange Act. These covenants are subject to limitations and exceptions that are described in the indenture.

The Company incurred costs in connection with issuing the 4.750% notes, which the Company has recorded as deferred financing costs on its consolidated balance sheets and amortizes to interest expense over the life of the 4.750% notes. As of December 31, 2018, \$0 of such deferred financing costs had yet to be amortized to interest expense. In connection with issuing the 4.750% notes, the Company has charged discount against the carrying amount of such notes. As of December 31, 2018, \$2 of such discount had yet to be amortized to interest expense.

**5.000% Notes due 2022**

On June 28, 2017, CCT and The Bank of New York Mellon Trust Company, N.A., or BNY Mellon, entered into an indenture relating to its issuance of \$140 aggregate principal amount of 5.00% senior unsecured notes due 2022, or the 5.00% notes. On August 31, 2017, CCT issued \$105 aggregate principal amount of the 5.00% notes as additional notes under the indenture. As a result of the Merger, the Company succeeded CCT as the party responsible under the indenture. The 5.00% notes will mature on June 28, 2022 and may be redeemed in whole or in part at the Company's option at any time or from time to time at the applicable redemption price set forth in the indenture. The 5.00% notes bear interest at a rate of 5.00% per year, payable semi-annually on June 28 and December 28 of each year, commencing on December 28, 2017. The interest rate on the 5.00% notes is subject to adjustment in certain instances set forth in the indenture (up to a maximum interest rate of 5.50%), based on the corporate ratings of the Company by Fitch Ratings, Inc., Kroll Bond Rating Agency, Inc. and Standard & Poor's Rating Services. The 5.00% notes are general unsecured obligations of the Company that rank senior in right of payment to all of the Company's existing and future indebtedness that is expressly subordinated in right of payment to the 5.00% notes and rank *pari passu* with all outstanding and future unsecured unsubordinated indebtedness issued by the Company.

In addition, on the occurrence of a "change of control repurchase event," as defined in the indenture, the Company will generally be required to make an offer to purchase the outstanding 5.00% notes at a price equal to 100% of the principal amount of such notes plus accrued and unpaid interest to the repurchase date.

FS KKR Capital Corp.

Notes to Consolidated Financial Statements (continued)  
(in millions, except share and per share amounts)

**Note 9. Financing Arrangements (continued)**

The indenture contains certain covenants, including the covenant to provide financial information to the holders of the 5.00% notes and BNY Mellon if the Company is no longer subject to the reporting requirements under the Exchange Act. These covenants are subject to limitations and exceptions that are described in the indenture.

*Partial Loan Sale*

Certain partial loan sales do not qualify for sale accounting under ASC Topic 860 because these sales do not meet the definition of a participating interest, as defined in the guidance, in order for sale treatment to be allowed. Participations or other partial loan sales which do not meet the definition of a participating interest remain as an investment on the consolidated balance sheets and the portion sold is recorded as a secured borrowing in the liabilities section of the consolidated balance sheets. For these partial loan sales, the interest earned on the entire loan balance is recorded within interest income and the interest earned by the buyer in the partial loan sale is recorded within interest expense in the consolidated statements of operations.

The secured borrowing was the result of the Company's completion of a partial sale of a senior secured loan associated with one portfolio company that did not meet the definition of a participating interest. As a result, sale treatment was not allowed and the partial loan sale was treated as a secured borrowing. During the year ended December 31, 2017, the secured borrowing was fully repaid.

**Note 10. Commitments and Contingencies**

The Company enters into contracts that contain a variety of indemnification provisions. The Company's maximum exposure under these arrangements is unknown; however, the Company has not had prior claims or losses pursuant to these contracts. The Advisor has reviewed the Company's existing contracts and expects the risk of loss to the Company to be remote.

The Company is not currently subject to any material legal proceedings and, to the Company's knowledge, no material legal proceedings are threatened against the Company. From time to time, the Company may be a party to certain legal proceedings in the ordinary course of business, including proceedings relating to the enforcement of the Company's rights under contracts with its portfolio companies. While the outcome of these legal proceedings cannot be predicted with certainty, the Company does not expect that any such proceedings will have a material effect upon its financial condition or results of operations.

See Note 6 for a discussion of the Company's unfunded commitments.

**Note 11. Senior Securities Asset Coverage**

Information about the Company's senior securities is shown in the table below for the years ended December 31, 2018, 2017, 2016, 2015 and 2014:

Year Ended December 31,	Total Amount Outstanding Exclusive of Treasury Securities	Asset Coverage per Unit <sup>(1)</sup>	Involuntary Liquidation Preference per Unit <sup>(2)</sup>	Average Market Value per Unit <sup>(3)</sup> (Exclude Bank Loans)
2014	\$ 1,864	2.27	—	N/A
2015	\$ 1,835	2.20	—	N/A
2016	\$ 1,703	2.35	—	N/A
2017	\$ 1,722	2.33	—	N/A
2018	\$ 3,397	2.23	—	N/A

(1) Asset coverage per unit is the ratio of the carrying value of the Company's total consolidated assets, less all liabilities and indebtedness not represented by senior securities, to the aggregate amount of senior securities representing indebtedness.

(2) The amount to which such class of senior security would be entitled upon the voluntary liquidation of the Company in preference to any security junior to it. The "—" in this column indicates that the SEC expressly does not require this information to be disclosed for certain types of senior securities.

(3) Not applicable because senior securities are not registered for public trading on an exchange.

**FS KKR Capital Corp.**
**Notes to Consolidated Financial Statements (continued)**  
**(in millions, except share and per share amounts)**
**Note 12. Financial Highlights**

The following is a schedule of financial highlights of the Company for the years ended December 31, 2018, 2017, 2016, 2015 and 2014:

	Year Ended December 31,				
	2018	2017	2016	2015	2014
<b>Per Share Data:<sup>(1)</sup></b>					
Net asset value, beginning of period	\$ 9.30	\$ 9.41	\$ 9.10	\$ 9.83	\$ 10.18
<b>Results of operations<sup>(2)</sup></b>					
Net investment income (loss)	0.82	0.83	0.85	1.10	0.97
Net realized gain (loss) and unrealized appreciation (depreciation)	(1.43)	(0.08)	0.35	(0.94)	(0.19)
Net increase (decrease) in net assets resulting from operations	(0.61)	0.75	1.20	0.16	0.78
<b>Stockholder distributions<sup>(3)</sup></b>					
Distributions from net investment income	(0.85)	(0.86)	(0.89)	(0.75)	(0.79)
Distributions from net realized gain on investments	—	—	—	(0.14)	(0.29)
Net decrease in net assets resulting from stockholder distributions	(0.85)	(0.86)	(0.89)	(0.89)	(1.08)
<b>Capital share transactions</b>					
Issuance of common stock <sup>(4)</sup>	0.00	0.00	0.00	0.00	0.00
Repurchases of common stock <sup>(5)</sup>	0.04	—	—	—	(0.05)
Deduction of deferred costs <sup>(6)</sup>	(0.04)	—	—	—	—
Net increase (decrease) in net assets resulting from capital share transactions	0.00	—	—	—	(0.05)
Net asset value, end of period	\$ 7.84	\$ 9.30	\$ 9.41	\$ 9.10	\$ 9.83
Per share market value, end of period	\$ 5.18	\$ 7.35	\$ 10.30	\$ 8.99	\$ 9.93
Shares outstanding, end of period	531,478,739	245,725,416	244,063,357	242,847,016	240,896,559
Total return based on net asset value <sup>(7)</sup>	(6.56)%	7.97%	13.19%	1.63%	7.17%
Total return based on market value <sup>(8)</sup>	(20.15)%	(21.39)%	25.91%	(0.78)%	5.52%
<b>Ratio/Supplemental Data:</b>					
Net assets, end of period	\$ 4,166	\$ 2,285	\$ 2,297	\$ 2,209	\$ 2,367
Ratio of net investment income to average net assets <sup>(9)</sup>	9.15%	8.86%	9.32%	11.25%	9.54%
Ratio of total operating expenses to average net assets <sup>(8)</sup>	8.57%	9.48%	9.69%	8.90%	8.90%
Ratio of net operating expenses to average net assets <sup>(9)</sup>	8.44%	9.37%	9.69%	8.90%	8.79%
Portfolio turnover	19.92%	29.17%	29.65%	39.93%	50.27%
Total amount of senior securities outstanding, exclusive of treasury securities	\$ 3,397	\$ 1,722	\$ 1,703	\$ 1,835	\$ 1,864
Asset coverage per unit <sup>(10)</sup>	2.23	2.33	2.35	2.20	2.27

(1) Per share data may be rounded in order to recompute the ending net asset value per share.

(2) The per share data was derived by using the weighted average shares outstanding during the applicable period.

(3) The per share data for distributions reflect the actual amount of distributions paid per share during the applicable period.

**FS KKR Capital Corp.**

**Notes to Consolidated Financial Statements (continued)**  
(in millions, except share and per share amounts)

**Note 12. Financial Highlights (continued)**

- (4) The issuance of common stock on a per share basis reflects the incremental net asset value changes as a result of the issuance of shares of common stock pursuant to the Company's distribution reinvestment plan. The issuance of common stock at a price that is greater than the net asset value per share results in an increase in net asset value per share. The per share impact of the Company's distribution reinvestment plan is an increase to the net asset value of less than \$0.01 per share during the years ended December 31, 2018, 2017, 2016, 2015 and 2014.
- (5) Represents the incremental impact of the Company's share repurchase program by buying shares in the open market at a price lower than net asset value per share for the year ended December 31, 2018. For the year ended December 31, 2014, represents a reduction to net asset value as a result of the Company repurchasing shares at a price greater than its net asset value per share for the year ended December 31, 2014.
- (6) As a result of the purchase price allocation for the Merger, the Company permanently wrote off approximately \$22 of deferred costs and prepaid assets from CCT's balance sheet. Refer to Note 13 for a discussion of the Merger.
- (7) The total return based on net asset value for each year presented was calculated by taking the net asset value per share as of the end of the applicable year, adding the cash distributions per share that were declared during the applicable calendar year and dividing the total by the net asset value per share at the beginning of the applicable year. Total return based on net asset value does not consider the effect of any sales commissions or charges that may be incurred in connection with the sale of shares of the Company's common stock. The historical calculation of total return based on net asset value in the table should not be considered a representation of the Company's future total return based on net asset value, which may be greater or less than the return shown in the table due to a number of factors, including the Company's ability or inability to make investments in companies that meet its investment criteria, the interest rates payable on the debt securities the Company acquires, the level of the Company's expenses, variations in and the timing of the recognition of realized and unrealized gains or losses, the degree to which the Company encounters competition in its markets and general economic conditions. As a result of these factors, results for any previous period should not be relied upon as being indicative of performance in future periods. The total return calculations set forth above represent the total return on the Company's investment portfolio during the applicable period and do not represent an actual return to stockholders.
- (8) The total return based on market value for each period presented was calculated based on the change in market price during the applicable period, including the impact of distributions reinvested in accordance with the Company's DRP. The total return based on market value for the year ended December 31, 2014 was calculated based on the period from April 16, 2014, the first day the shares began trading on the NYSE at a closing price of \$10.25, to December 31, 2014. Total return based on market value does not consider the effect of any sales commissions or charges that may be incurred in connection with the sale of shares of the Company's common stock. The historical calculation of total return based on market value in the table should not be considered a representation of the Company's future total return based on market value, which may be greater or less than the return shown in the table due to a number of factors, including the Company's ability or inability to make investments in companies that meet its investment criteria, the interest rates payable on the debt securities the Company acquires, the level of the Company's expenses, variations in and the timing of the recognition of realized and unrealized gains or losses, the degree to which the Company encounters competition in its markets, general economic conditions and fluctuations in per share market value. As a result of these factors, results for any previous period should not be relied upon as being indicative of performance in future periods.
- (9) Weighted average net assets during the applicable period are used for this calculation. The following is a schedule of supplemental ratios for the years ended December 31, 2018, 2017, 2016, 2015 and 2014:

	Year Ended December 31,				
	2018	2017	2016	2015	2014
Ratio of accrued capital gains incentive fees to average net assets	—	—	—	(0.89)%	(0.37)%
Ratio of subordinated income incentive fees to average net assets	1.16%	2.19%	2.33%	2.59%	2.29%
Ratio of interest expense to average net assets	3.75%	3.44%	3.33%	3.19%	2.56%
Ratio of excise taxes to average net assets	0.31%	0.23%	0.25%	0.26%	0.21%

- (10) Asset coverage per unit is the ratio of the carrying value of the Company's total consolidated assets, less liabilities and indebtedness not represented by senior securities, to the aggregate amount of senior securities representing indebtedness.

**Note 13. CCT Acquisition**

On December 19, 2018, the Company completed its previously announced acquisition of CCT pursuant to the Merger Agreement. Pursuant to the Merger Agreement, CCT was first merged with and into Merger Sub, with CCT as the surviving corporation, and, immediately following such merger, CCT was then merged with and into the Company, with the Company as the surviving company.

In accordance with the terms of the Merger Agreement, each outstanding share of CCT common stock was converted into the right to receive 2.3552 shares of the Company's common stock (with CCT stockholders receiving cash in lieu of fractional shares of the Company's common stock). As a result, the Company issued an aggregate of approximately 292,324,670 shares of its common stock to former CCT stockholders.

## FS KKR Capital Corp.

Notes to Consolidated Financial Statements (continued)  
(in millions, except share and per share amounts)**Note 13. CCT Acquisition (continued)**

The Merger was accounted for in accordance with the asset acquisition method of accounting as detailed in Accounting Standards Codification 805-50, *Business Combinations—Related Issues*. The fair value of the Merger consideration paid by the Company was allocated to the assets acquired and liabilities assumed based on their relative fair values as of the date of acquisition and did not give rise to goodwill.

In applying the asset acquisition method of accounting, the Company used a cost approach to allocate the cost of the consideration given against the assets being acquired. The cost of the acquisition was determined to be the fair value of the consideration given as the Company determined that the fair value of the shares of its Common Stock issued pursuant to the Merger Agreement based on its most recent traded price on the NYSE to be the most evident. Since the fair value of the consideration given was less than the fair value of the assets received, the Company utilized the relative fair value method to reduce the recorded value of deferred costs and prepaid assets by \$22 and CCT's investments by \$717. Immediately upon consummation of the Merger, CCT's investments that were written down as a result of the purchase price allocation were written back up to their respective fair values under ASC Topic 820. This is reflected as change in unrealized appreciation from merger accounting on the consolidated statement of operations.

The Merger was considered a tax-free reorganization. The Company has elected to carry forward the historical cost basis of the CCT investments, resulting in an additional \$260 of unrealized depreciation on its investments from CCT.

The following table summarizes the allocation of the purchase price to the assets acquired and liabilities assumed as a result of the Merger:

Common stock issued	\$1,574
Total purchase price	\$1,574
Assets acquired:	
Investments, at fair value	\$3,451
Cash and cash equivalents	197
Other assets	64
Total other assets acquired	\$3,712
Debt	1,928
Other liabilities assumed	\$ 210
Total purchase price	\$1,574

The Company incurred \$7 of professional fees and other costs associated with the merger. Such costs were capitalized by the Company and included in the purchase price of the Merger. Subsequent to the Merger, the investments were marked up to their fair value, while the deferred costs and prepaid assets (\$0.04 per share) were permanently written off.

The following table summarizes the balance sheet of CCT on the Merger date subsequent to the mark up of CCT investments to their fair value:

Cash	\$ 197
Investments (\$4,428 at cost)	4,168
Other assets	64
Total assets	\$4,429
Debt	1,928
Other liabilities	210
Total liabilities	\$2,138
Net assets	\$2,291

**FS KKR Capital Corp.**
**Notes to Consolidated Financial Statements (continued)**  
**(in millions, except share and per share amounts)**
**Note 14. Selected Quarterly Financial Data (Unaudited)**

The following is the quarterly results of operations for the years ended December 31, 2018 and 2017. The following information reflects all normal recurring adjustments necessary for a fair presentation of the information for the periods presented. The operating results for any quarter are not necessarily indicative of results for any future period.

	Quarter Ended			
	December 31, 2018	September 30, 2018	June 30, 2018	March 31, 2018
<b>Investment income</b>	\$ 103	\$ 95	\$ 96	\$ 100
<b>Operating expenses</b>				
Net expenses and excise taxes	50	39	50	50
Net investment income	53	56	46	50
<b>Realized and unrealized gain (loss)</b>	545	(67)	(77)	(37)
<b>Net increase (decrease) in net assets resulting from operations</b>	<u>\$ 598</u>	<u>\$ (11)</u>	<u>\$ (31)</u>	<u>\$ 13</u>
<b>Per share information-basic and diluted</b>				
Net investment income	<u>\$ 0.19</u>	<u>\$ 0.23</u>	<u>\$ 0.19</u>	<u>\$ 0.21</u>
Net increase (decrease) in net assets resulting from operations	<u>\$ 2.16</u>	<u>\$ (0.05)</u>	<u>\$ (0.13)</u>	<u>\$ 0.05</u>
Weighted average shares outstanding	<u>277,283,374</u>	<u>239,495,341</u>	<u>242,801,446</u>	<u>245,713,188</u>
	Quarter Ended			
	December 31, 2017	September 30, 2017	June 30, 2017	March 31, 2017
<b>Investment income</b>	\$ 111	\$ 104	\$ 98	\$ 106
<b>Operating expenses</b>				
Net expenses and excise taxes	57	53	52	53
Net investment income	54	51	46	53
<b>Realized and unrealized gain (loss)</b>	(39)	34	(28)	11
<b>Net increase (decrease) in net assets resulting from operations</b>	<u>\$ 15</u>	<u>\$ 85</u>	<u>\$ 18</u>	<u>\$ 64</u>
<b>Per share information-basic and diluted</b>				
Net investment income	<u>\$ 0.22</u>	<u>\$ 0.21</u>	<u>\$ 0.19</u>	<u>\$ 0.22</u>
Net increase (decrease) in net assets resulting from operations	<u>\$ 0.06</u>	<u>\$ 0.35</u>	<u>\$ 0.08</u>	<u>\$ 0.26</u>
Weighted average shares outstanding	<u>245,725,416</u>	<u>245,678,745</u>	<u>245,107,405</u>	<u>244,554,969</u>

The sum of quarterly per share amounts does not necessarily equal per share amounts reported for the years ended December 31, 2018 and 2017. This is due to changes in the number of weighted-average shares outstanding and the effects of rounding for each period.

For the year ended December 31, 2018, 80.6% and 70.6% of net investment income distributions qualified as interest related dividends for former FSIC stockholders and former CCT stockholders, respectively, which are exempt from U.S. withholding tax applicable to non U.S. shareholders.

**Item 9. Changes in and Disagreements with Accountants on Accounting and Financial Disclosure.**

None.

**Item 9A. Controls and Procedures.**

**Evaluation of Disclosure Controls and Procedures**

We maintain disclosure controls and procedures that are designed to ensure that information required to be disclosed in our reports filed under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the SEC's rules and forms and that such information is accumulated and communicated to our management, including our chief executive officer and chief financial officer, as appropriate, to allow for timely decisions regarding required disclosure. In designing and evaluating the disclosure controls and procedures, management recognizes that any controls and procedures, no matter how well designed and operated, can provide only reasonable assurance of achieving the desired control objectives, and management is required to apply its judgment in evaluating the cost-benefit relationship of possible controls and procedures.

As required by Exchange Act Rule 13(a)-15(b), we carried out an evaluation under the supervision and with the participation of our management, including our chief executive officer and chief financial officer, of the effectiveness of the design and operation of our disclosure controls and procedures as of December 31, 2018. Based on the foregoing, our chief executive officer and chief financial officer concluded that our disclosure controls and procedures were (a) designed to ensure that the information we are required to disclose in our reports under the Exchange Act is recorded, processed and reported in an accurate manner and on a timely basis and the information that we are required to disclose in our Exchange Act reports is accumulated and communicated to management to permit timely decisions with respect to required disclosure and (b) operating in an effective manner.

**Management's Annual Report on Internal Control Over Financial Reporting**

Our management is responsible for establishing and maintaining adequate internal control over financial reporting. As defined in Exchange Act Rules 13a-15(f) and 15d-15(f), internal control over financial reporting is a process designed by, or under the supervision of, the company's principal executive and principal financial officers, or persons performing similar functions, and effected by the company's board of directors, management and other personnel, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with GAAP.

Our internal control over financial reporting includes those policies and procedures that:

1. Pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the Company's transactions and the dispositions of assets of the Company;
2. Provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the Company are being made only in accordance with authorizations of our management and board of directors; and
3. Provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of the Company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, a system of internal control over financial reporting can provide only reasonable assurance with respect to financial statement preparation and presentation and may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Management's report on internal control over financial reporting is set forth above under the heading "Management's Report on Internal Control over Financial Reporting" in Item 8 of this annual report on Form 10-K.

**Attestation Report of the Registered Public Accounting Firm**

Our registered public accounting firm has issued an attestation report on our internal control over financial reporting. This report appears on page 70.

**Changes in Internal Control Over Financial Reporting**

During the quarter ended December 31, 2018, there was no change in our internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) or 15d-15(f)) that materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

**Item 9B. Other Information.**

None.



**PART III**

We will file a definitive Proxy Statement for our 2019 Annual Meeting of Stockholders with the SEC, pursuant to Regulation 14A promulgated under the Exchange Act, not later than 120 days after the end of our fiscal year. Accordingly, certain information required by Part III has been omitted under General Instruction G(3) to Form 10-K. Only those sections of our definitive Proxy Statement that specifically address the items set forth herein are incorporated by reference.

**Item 10. Directors, Executive Officers and Corporate Governance.**

The information required by Item 10 is hereby incorporated by reference from the Company's definitive Proxy Statement relating to the Company's 2019 Annual Meeting of Stockholders, to be filed with the SEC within 120 days following the end of our fiscal year.

**Item 11. Executive Compensation.**

The information required by Item 11 is hereby incorporated by reference from the Company's definitive Proxy Statement relating to the Company's 2019 Annual Meeting of Stockholders, to be filed with the SEC within 120 days following the end of our fiscal year.

**Item 12. Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters.**

The information required by Item 12 is hereby incorporated by reference from the Company's definitive Proxy Statement relating to the Company's 2019 Annual Meeting of Stockholders, to be filed with the SEC within 120 days following the end of our fiscal year.

**Item 13. Certain Relationships and Related Transactions, and Director Independence.**

The information required by Item 13 is hereby incorporated by reference from the Company's definitive Proxy Statement relating to the Company's 2019 Annual Meeting of Stockholders, to be filed with the SEC within 120 days following the end of our fiscal year.

**Item 14. Principal Accountant Fees and Services.**

The information required by Item 14 is hereby incorporated by reference from the Company's definitive Proxy Statement relating to the Company's 2019 Annual Meeting of Stockholders, to be filed with the SEC within 120 days following the end of our fiscal year.

**PART IV****Item 15. Exhibits, Financial Statement Schedules.****a. Documents Filed as Part of this Report**

The following financial statements are set forth in Item 8:

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<a href="#">Management's Report on Internal Control over Financial Reporting</a>	68
<a href="#">Report of Independent Registered Public Accounting Firm</a>	69
<a href="#">Report of Independent Registered Public Accounting Firm</a>	70
<a href="#">Consolidated Balance Sheets as of December 31, 2018 and 2017</a>	71
<a href="#">Consolidated Statements of Operations for the years ended December 31, 2018, 2017 and 2016</a>	72
<a href="#">Consolidated Statements of Changes in Net Assets for the years ended December 31, 2018, 2017 and 2016</a>	74
<a href="#">Consolidated Statements of Cash Flows for the years ended December 31, 2018, 2017 and 2016</a>	75
<a href="#">Consolidated Schedules of Investments as of December 31, 2018 and 2017</a>	77
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**b. Exhibits**

Please note that the agreements included as exhibits to this annual report on Form 10-K are included to provide information regarding their terms and are not intended to provide any other factual or disclosure information about the Company or the other parties to the agreements. The agreements contain representations and warranties by each of the parties to the applicable agreement that have been made solely for the benefit of the other parties to the applicable agreement and may not describe the actual state of affairs as of the date they were made or at any other time.

The following exhibits are filed as part of this annual report or hereby incorporated by reference to exhibits previously filed with the SEC:

- 2.1 [Agreement and Plan of Merger, by and among FS Investment Corporation, IC Acquisition, Inc., Corporate Capital Trust, Inc. and FS/KKR Advisor, LLC, dated as of July 22, 2018. \(Incorporated by reference to Exhibit 2.1 to the Company's Current Report on Form 8-K filed on July 23, 2018.\)](#)
- 3.1 [Second Articles of Amendment and Restatement of FS Investment Corporation. \(Incorporated by reference to Exhibit 3.1 to the Company's Current Report on Form 8-K filed on April 16, 2014.\)](#)
- 3.2 [Articles of Amendment of FS Investment Corporation. \(Incorporated by reference to Exhibit 3.1 to the Company's Current Report on Form 8-K filed on December 3, 2018.\)](#)
- 3.3 [Articles of Amendment of FS Investment Corporation. \(Incorporated by reference to Exhibit 3.1 to the Company's Current Report on Form 8-K filed on December 19, 2018.\)](#)
- 3.4 [Second Amended and Restated Bylaws of FS Investment Corporation. \(Incorporated by reference to Exhibit 3.2 to the Company's Current Report on Form 8-K filed on April 16, 2014.\)](#)
- 3.5 [Amendment No. 1 to the Second Amended and Restated Bylaws of FS Investment Corporation. \(Incorporated by reference to Exhibit 3.1 to the Company's Current Report on Form 8-K filed on July 23, 2018.\)](#)
- 4.1 [Distribution Reinvestment Plan, effective as of June 2, 2014. \(Incorporated by reference to Exhibit 4.1 to the Company's Current Report on Form 8-K filed on May 23, 2014.\)](#)
- 4.2 [Indenture, dated as of July 14, 2014, by and between the Company and U.S. Bank National Association, as trustee. \(Incorporated by reference to Exhibit 4.2 to the Company's Quarterly Report on Form 10-Q for the quarterly period ended June 30, 2014 filed on August 14, 2014.\)](#)
- 4.3 [First Supplemental Indenture, dated as of July 14, 2014, relating to the 4.000% Notes due 2019, by and between the Company and U.S. Bank National Association, as trustee. \(Incorporated by reference to Exhibit 4.2 to the Company's Current Report on Form 8-K filed on July 15, 2014.\)](#)
- 4.4 [Form of 4.000% Notes due 2019. \(Included as Exhibit A in the First Supplemental Indenture in Exhibit 4.3\) \(Incorporated by reference to Exhibit 4.2 to the Company's Current Report on Form 8-K filed on July 15, 2014.\)](#)

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- 4.5 [Second Supplemental Indenture, dated as of December 3, 2014, relating to the 4.250% Notes due 2020, by and between the Company and U.S. Bank National Association, as trustee. \(Incorporated by reference to Exhibit 4.1 to the Company's Current Report on Form 8-K filed on December 3, 2014.\)](#)
- 4.6 [Form of 4.250% Notes due 2020. \(Included as Exhibit A in the Second Supplemental Indenture in Exhibit 4.5\) \(Incorporated by reference to Exhibit 4.1 to the Company's Current Report on Form 8-K filed on December 3, 2014.\)](#)
- 4.7 [Third Supplemental Indenture, dated as of April 30, 2015, relating to the 4.750% Notes due 2022, by and between the Company and U.S. Bank National Association, as trustee. \(Incorporated by reference to Exhibit 4.1 to the Registrant's Current Report on Form 8-K filed on April 30, 2015.\)](#)
- 4.8 [Form of 4.750% Notes due 2022. \(Included as Exhibit A to the Third Supplemental Indenture in Exhibit 4.7\) \(Incorporated by reference to Exhibit 4.1 to the Company's Current Report on Form 8-K filed on April 30, 2015.\)](#)
- 4.9 [Indenture, dated June 28, 2017, by and between The Bank of New York Mellon Trust Company, N.A. and Corporate Capital Trust, Inc. \(Incorporated by reference to Exhibit 4.1 to Corporate Capital Trust Inc.'s Current Report on Form 8-K filed on July 5, 2017.\)](#)
- 4.10 [Form of 5.00% Notes due 2022. \(Included as Exhibit A to the Indenture in Exhibit 4.9\) \(Incorporated by reference to Exhibit 4.1 to Corporate Capital Trust Inc.'s Current Report on Form 8-K filed on July 5, 2017.\)](#)
- 10.1 [Investment Advisory Agreement, dated as of December 20, 2018, by and between FS KKR Capital Corp. and FS/KKR Advisor, LLC. \(Incorporated by reference to Exhibit 10.1 to the Registrant's Current Report on Form 8-K filed on December 28, 2018.\)](#)
- 10.2 [Investment Advisory Agreement, dated as of April 9, 2018, by and between FS Investment Corporation and FS/KKR Advisor, LLC. \(Incorporated by reference to Exhibit 10.1 to the Registrant's Current Report on Form 8-K filed on April 9, 2018.\)](#)
- 10.3 [Administration Agreement, dated as of April 9, 2018, by and between FS Investment Corporation and FS/KKR Advisor, LLC. \(Incorporated by reference to Exhibit 10.2 to the Registrant's Current Report on Form 8-K filed on April 9, 2018.\)](#)
- 10.4 [Amended and Restated Investment Advisory Agreement, dated as of July 17, 2014, by and between FS Investment Corporation and FB Income Advisor, LLC. \(Incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K filed on July 22, 2014.\)](#)
- 10.5 [Administration Agreement, dated as of April 16, 2014, by and between FS Investment Corporation and FB Income Advisor, LLC. \(Incorporated by reference to Exhibit 10.2 to the Company's Current Report on Form 8-K filed on April 16, 2014.\)](#)
- 10.6 [Investment Sub-advisory Agreement, dated as of April 3, 2008, by and between FB Income Advisor, LLC and GSO / Blackstone Debt Funds Management LLC. \(Incorporated by reference to Exhibit \(g\)\(2\) filed with Amendment No. 2 to the Company's registration statement on Form N-2 \(File No. 333-149374\) filed on June 19, 2008.\)](#)
- 10.7 [Custodian Agreement, dated as of November 14, 2011, by and between the Company and State Street Bank and Trust Company. \(Incorporated by reference to Exhibit 10.9 filed with the Company's Quarterly Report on Form 10-Q for the quarterly period ended September 30, 2011 filed on November 14, 2011.\)](#)
- 10.8 [Loan Agreement, dated as of November 1, 2016, among Locust Street Funding LLC, JPMorgan Chase Bank, National Association, as lender and Administrative Agent, Citibank, N.A., as Collateral Agent and Securities Intermediary, and Virtus Group, LP, as Collateral Administrator. \(Incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K filed on November 2, 2016.\)](#)
- 10.9 [Senior Secured Revolving Credit Agreement, dated as of August 9, 2018, among Corporate Capital Trust, Inc., FS Investment Corporation, FS Investment Corporation II, FS Investment Corporation III, each other person designated as a "borrower" thereunder pursuant to section 9.19 thereof, the lenders party thereto, JPMorgan Chase Bank, N.A., as administrative agent, and ING Capital LLC, as collateral agent. \(Incorporated by reference to Exhibit 10.21 to the Company's Quarterly Report on Form 10-Q filed on August 8, 2018.\)](#)
- 10.10\* [Commitment Increase Agreement, dated as of November 8, 2018, among BNP Paribas, Corporate Capital Trust, Inc., FS Investment Corporation, FS Investment Corporation II, FS Investment Corporation III, JPMorgan Chase Bank, N.A., Bank of Montreal, Suntrust Bank, and ING Capital LLC.](#)

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- 10.11\* [Commitment Increase Agreement, dated as of November 8, 2018, among U.S. Bank National Association, Corporate Capital Trust, Inc., FS Investment Corporation, FS Investment Corporation II, FS Investment Corporation III, JPMorgan Chase Bank, N.A., Bank of Montreal, Suntrust Bank, and ING Capital LLC.](#)
- 10.12 [Loan and Security Agreement, dated as of November 29, 2016, among CCT SE I LLC, as borrower, JPMorgan Chase Bank, National Association, as administrative agent, Corporate Capital Trust, Inc., as portfolio manager, the lenders party thereto and the collateral agent, collateral administrator and intermediary party thereto. \(Incorporated by reference to Exhibit 10.1 to Corporate Capital Trust, Inc.'s Current Report on Form 8-K filed on December 2, 2016.\)](#)
- 10.13 [Amendment to Loan and Security Agreement, dated September 1, 2017, by and among CCT New York Funding LLC, Corporate Capital Trust, Inc., State Street Bank and Trust Company and JP Morgan Chase Bank, N.A. \(Incorporated by reference to Exhibit 10.1 to Corporate Capital Trust, Inc.'s Quarterly Report on Form 10-Q filed on November 9, 2017.\)](#)
- 10.14 [Second Amendment to Loan and Security Agreement, dated as of January 16, 2018, by and among CCT New York Funding, LLC, Corporate Capital Trust, Inc., State Street Bank and JP Morgan Chase Bank. \(Incorporated by reference to Exhibit 10.1 to Corporate Capital Trust, Inc.'s Quarterly Report on Form 10-Q filed on May 15, 2018.\)](#)
- 10.15 [Loan and Servicing Agreement, dated as of December 2, 2015, among CCT Tokyo Funding LLC, Corporate Capital Trust, Inc. and Sumitomo Mitsui Banking Corporation. \(Incorporated by reference to Exhibit 10.42 to Corporate Capital Trust, Inc.'s Annual Report on Form 10-K filed on March 21, 2016.\)](#)
- 10.16 [First Amendment to Loan and Servicing Agreement, dated September 20, 2017, by an among CCT Tokyo Funding LLC, Corporate Capital Trust, Inc. and Sumitomo Mitsui Banking Corporation. \(Incorporated by reference to Exhibit 10.3 to Corporate Capital Trust, Inc.'s Quarterly Report on Form 10-Q filed on November 9, 2017.\)](#)
- 10.17 [Second Amendment to Loan and Servicing Agreement, dated as of November 28, 2017, by and among CCT Tokyo Funding LLC, Corporate Capital Trust, Inc. and Sumitomo Mitsui Banking Corporation. \(Incorporated by reference to Exhibit 10.2 to Corporate Capital Trust Inc.'s Current Report on Form 8-K filed on November 28, 2017.\)](#)
- 10.18\* [Fourth Amendment to Loan and Servicing Agreement, dated as of November 30, 2018, by and among CCT Tokyo Funding LLC, Corporate Capital Trust, Inc., and Sumitomo Mitsui Banking Corporation.](#)
- 21.1\* [Subsidiaries of the Company.](#)
- 31.1\* [Certification of Chief Executive Officer pursuant to Rule 13a-14 of the Securities Exchange Act of 1934, as amended.](#)
- 31.2\* [Certification of Chief Financial Officer pursuant to Rule 13a-14 of the Securities Exchange Act of 1934, as amended.](#)
- 32.1\* [Certification of Chief Executive Officer pursuant to Section 1350, Chapter 63 of Title 18, United States Code, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.](#)
- 32.2\* [Certification of Chief Financial Officer pursuant to Section 1350, Chapter 63 of Title 18, United States Code, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.](#)

\* Filed herewith.

### **c. Financial statement schedules**

No financial statement schedules are filed herewith because (1) such schedules are not required or (2) the information has been presented in the aforementioned financial statements.

**SIGNATURES**

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this annual report to be signed on its behalf by the undersigned, thereunto duly authorized.

**FS KKR CAPITAL CORP.**

Date: February 27, 2019

/s/ MICHAEL C. FORMAN

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**Michael C. Forman**  
Chief Executive Officer

Pursuant to the requirements of the Securities Exchange Act of 1934, this annual report has been signed below by the following persons on behalf of the registrant and in the capacity and on the dates indicated.

Date: February 27, 2019

/s/ MICHAEL C. FORMAN

---

**Michael C. Forman**  
Chief Executive Officer and Director  
(Principal Executive Officer)

Date: February 27, 2019

/s/ WILLIAM GOEBEL

---

**William Goebel**  
Chief Financial Officer  
(Principal Accounting and Financial Officer)

Date: February 27, 2019

/s/ BARBARA ADAMS

---

**Barbara Adams**  
Director

Date: February 27, 2019

/s/ FREDERICK ARNOLD

---

**Frederick Arnold**  
Director

Date: February 27, 2019

/s/ TODD BUILIONE

---

**Todd Builione**  
Director

Date: February 27, 2019

/s/ BRIAN R. FORD

---

**Brian R. Ford**  
Director

Date: February 27, 2019

/s/ RICHARD GOLDSTEIN

---

**Richard Goldstein**  
Director

Date: February 27, 2019

/s/ MICHAEL J. HAGAN

---

**Michael J. Hagan**  
Director

Date: February 27, 2019

/s/ JEFFREY K. HARROW

---

**Jeffrey K. Harrow**  
Director

Date: February 27, 2019

/s/ JEREL A. HOPKINS

---

**Jerel A. Hopkins**  
Director

Date: February 27, 2019

/s/ JAMES H. KROPP

---

**James H. Kropp**  
Director

Date: February 27, 2019

/s/ JOSEPH P. UJOBAL

---

**Joseph P. Ujobai**  
Director

## COMMITMENT INCREASE AGREEMENT

November 8, 2018

JPMorgan Chase Bank, N.A., as  
Administrative Agent for the Lenders  
party to the Credit Agreement referred  
to below (the "Administrative Agent")  
500 Stanton Christiana Road, NCC5/Floor 1  
Newark, DE 19713

Ladies and Gentlemen:

We refer to the Senior Secured Revolving Credit Agreement dated as of August 9, 2018 (as amended, modified or supplemented from time to time, the "Credit Agreement"; the terms defined therein being used herein as therein defined) between Corporate Capital Trust, Inc. ("CCT"), FS Investment Corporation ("FSIC"), FS Investment Corporation II ("FSIC II"), FS Investment Corporation III ("FSIC III"), and together with CCT, FSIC and FSIC II, the "Borrowers"), the Lenders party thereto, ING Capital LLC, as Collateral Agent, and JPMorgan Chase Bank, N.A., as Administrative Agent for said Lenders. You have advised us that FSIC (the "Relevant Borrower") has requested in a letter dated November 8, 2018 (the "Increase Request") from the Relevant Borrower to the Administrative Agent that the aggregate amount of the Commitments be increased on the terms and subject to the conditions set forth herein.

A. Commitment Increase. Pursuant to Section 2.07(e) of the Credit Agreement, BNP Paribas (the "Assuming Lender"), hereby agrees to make Loans in the amount set forth opposite the name of the Assuming Lender listed in Schedule I hereto pursuant to the instruction of the Administrative Agent, such Loans to be effective as of the Increase Date (as defined in the Increase Request); provided that the Administrative Agent shall have received a duly executed officer's certificate from the Relevant Borrower, dated the Increase Date, in substantially the form of Exhibit I hereto.

B. Confirmation of Assuming Lender. The Assuming Lender (i) confirms that it has received a copy of the Credit Agreement and the other Loan Documents, together with copies of the financial statements referred to therein and such other documents and information as it has deemed appropriate to make its own credit analysis and decision to enter into this Agreement; (ii) agrees that it will, independently and without reliance upon the Administrative Agent or any other Lender or Agent and based on such documents and information as it shall deem appropriate at the time, continue to make its own credit decisions in taking or not taking action under the Credit Agreement; and (iii) acknowledges and agrees that, from and after the Increase Date, the Commitment Increase set forth opposite the name of the Assuming Lender listed in Schedule I hereto shall be included in the Commitment, and the Commitment Increase shall be governed for all purposes by the Credit Agreement and the other Loan Documents.

Very truly yours,

BNP PARIBAS

By: /s/ Liza Shabetayer

Name: Liza Shabetayer

Title: Director

By: /s/ Marguerite L. Lebon

Name: Marguerite L. Lebon

Title: Vice President

Accepted and agreed:

**CORPORATE CAPITAL TRUST, INC.**

By: /s/ Ryan Wilson

Name: Ryan Wilson

Title: Chief Operating Officer



**FS INVESTMENT CORPORATION**

By: /s/ William Goebel

Name: William Goebel

Title: Chief Financial Officer

**FS INVESTMENT CORPORATION II**

By: /s/ William Goebel

Name: William Goebel

Title: Chief Financial Officer

**FS INVESTMENT CORPORATION III**

By: /s/ William Goebel

Name: William Goebel

Title: Chief Financial Officer

Acknowledged:

**JPMORGAN CHASE BANK, N.A.,**  
as Administrative Agent

By: /s/ Alfred Chi

Name: Alfred Chi

Title: Vice President

Acknowledged:

**JPMORGAN CHASE BANK, N.A.,**  
as Issuing Bank

By: /s/ Alfred Chi

Name: Alfred Chi

Title: Vice President

Acknowledged:

**BANK OF MONTREAL,**  
as Issuing Bank

By: /s/ Brian L. Banke \_\_\_\_\_

Name: Brian L. Banke

Title: Managing Director

---

Acknowledged:

**SUNTRUST BANK,**  
as Issuing Bank

By: /s/ Doug Kennedy

Name: Doug Kennedy

Title: Director

Acknowledged:

**ING CAPITAL LLC,**  
as Issuing Bank

By: /s/ Patrick Frisch  
Name: Patrick Frisch  
Title: Managing Director

By: /s/ Dominik G. Breuer  
Name: Dominik G. Breuer, CFA  
Title: Vice President



<u>Assuming Lender</u>	<u>Commitment</u>
BNP Paribas	\$30,000,000.00

## COMMITMENT INCREASE AGREEMENT

November 8, 2018

JPMorgan Chase Bank, N.A., as  
Administrative Agent for the Lenders  
party to the Credit Agreement referred  
to below (the "Administrative Agent")  
500 Stanton Christiana Road, NCC5/Floor 1  
Newark, DE 19713

Ladies and Gentlemen:

We refer to the Senior Secured Revolving Credit Agreement dated as of August 9, 2018 (as amended, modified or supplemented from time to time, the "Credit Agreement"; the terms defined therein being used herein as therein defined) between Corporate Capital Trust, Inc. ("CCT"), FS Investment Corporation ("FSIC"), FS Investment Corporation II ("FSIC II"), FS Investment Corporation III ("FSIC III", and together with CCT, FSIC and FSIC II, the "Borrowers"), the Lenders party thereto, ING Capital LLC, as Collateral Agent, and JPMorgan Chase Bank, N.A., as Administrative Agent for said Lenders. You have advised us that FSIC (the "Relevant Borrower") has requested in a letter dated November 8, 2018 (the "Increase Request") from the Relevant Borrower to the Administrative Agent that the aggregate amount of the Commitments be increased on the terms and subject to the conditions set forth herein.

A. Commitment Increase. Pursuant to Section 2.07(e) of the Credit Agreement, US Bank National Association (the "Assuming Lender"), hereby agrees to make Loans in the amount set forth opposite the name of the Assuming Lender listed in Schedule I hereto pursuant to the instruction of the Administrative Agent, such Loans to be effective as of the Increase Date (as defined in the Increase Request); provided that the Administrative Agent shall have received a duly executed officer's certificate from the Relevant Borrower, dated the Increase Date, in substantially the form of Exhibit I hereto.

B. Confirmation of Assuming Lender. The Assuming Lender (i) confirms that it has received a copy of the Credit Agreement and the other Loan Documents, together with copies of the financial statements referred to therein and such other documents and information as it has deemed appropriate to make its own credit analysis and decision to enter into this Agreement; (ii) agrees that it will, independently and without reliance upon the Administrative Agent or any other Lender or Agent and based on such documents and information as it shall deem appropriate at the time, continue to make its own credit decisions in taking or not taking action under the Credit Agreement; and (iii) acknowledges and agrees that, from and after the Increase Date, the Commitment Increase set forth opposite the name of the Assuming Lender listed in Schedule I hereto shall be included in the Commitment, and the Commitment Increase shall be governed for all purposes by the Credit Agreement and the other Loan Documents.

---

Very truly yours,

US BANK NATIONAL ASSOCIATION

By: /s/ Barry K. Chung

\_\_\_\_\_  
Name: Barry K. Chung

Title: Sr. Vice President

Accepted and agreed:

**CORPORATE CAPITAL TRUST, INC.**

By: /s/ Ryan Wilson

\_\_\_\_\_  
Name: Ryan Wilson

Title: Chief Operating Officer

**FS INVESTMENT CORPORATION**

By: /s/ William Goebel

Name: William Goebel

Title: Chief Financial Officer

**FS INVESTMENT CORPORATION II**

By: /s/ William Goebel

Name: William Goebel

Title: Chief Financial Officer

**FS INVESTMENT CORPORATION III**

By: /s/ William Goebel

Name: William Goebel

Title: Chief Financial Officer

Acknowledged:

**JPMORGAN CHASE BANK, N.A.,**  
as Administrative Agent

By: /s/ Alfred Chi

Name: Alfred Chi

Title: Vice President



Acknowledged:

**JPMORGAN CHASE BANK, N.A.,**  
as Issuing Bank

By: /s/ Alfred Chi

Name: Alfred Chi

Title: Vice President

Acknowledged:

**BANK OF MONTREAL,**  
as Issuing Bank

By: /s/ Brian L. Banke \_\_\_\_\_

Name: Brian L. Banke

Title: Managing Director

Acknowledged:

**SUNTRUST BANK,**  
as Issuing Bank

By: /s/ Doug Kennedy

Name: Doug Kennedy

Title: Director

---

Acknowledged:

**ING CAPITAL LLC,**  
as Issuing Bank

By: /s/ Patrick Frisch  
Name: Patrick Frisch  
Title: Managing Director

By: /s/ Dominik G. Breuer  
Name: Dominik G. Breuer, CFA  
Title: Vice President

<u>Assuming Lender</u>	<u>Commitment</u>
US Bank National Association	\$50,000,000.00

**FOURTH AMENDMENT TO LOAN AND SERVICING AGREEMENT  
(CCT Tokyo Funding LLC)**

THIS FOURTH AMENDMENT TO LOAN AND SERVICING AGREEMENT, dated as of November 30, 2018 (this "Amendment"), is entered into by and among CCT TOKYO FUNDING LLC, as the Borrower (the "Borrower"), CORPORATE CAPITAL TRUST, INC., as the Servicer, the Lender identified on the signature pages hereto and SUMITOMO MITSUI BANKING CORPORATION, the Administrative Agent (in such capacity, the "Administrative Agent").

**R E C I T A L S**

WHEREAS, the above-named parties (together with certain other parties) have entered into that certain Loan and Servicing Agreement, dated as of December 2, 2015 (as amended, supplemented or otherwise modified from time to time prior to the date hereof, the "Agreement"), by and among the Borrower, the Transferor, the Servicer, each of the Lenders from time to time party thereto, the Collateral Agent and the Administrative Agent;

WHEREAS, pursuant to and in accordance with Section 11.01 of the Agreement (as amended by this Amendment), the parties hereto desire to amend the Agreement in certain respects as provided herein;

NOW, THEREFORE, based upon the above Recitals, the mutual premises and agreements contained herein and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the undersigned, intending to be legally bound, hereby agree as follows:

**SECTION 1.01 Definitions.**

Each capitalized term used but not defined herein has the meaning ascribed thereto in the Agreement (as amended by this Amendment).

**SECTION 1.02 Amendment.**

Effective as of the date hereof, the parties hereto agree that the Agreement is hereby amended as indicated in the attached Annex A.

**SECTION 1.03 Agreement in Full Force and Effect as Amended.**

Except as specifically amended hereby, all provisions of the Agreement shall remain in full force and effect. This Amendment shall not be deemed to expressly or impliedly waive, amend or supplement any provision of the Agreement other than as expressly set forth herein and shall not constitute a novation of the Agreement.

**SECTION 1.04 Representations and Warranties.**

The Borrower hereby represents and warrants as of the date of this Amendment as follows:

(a) this Amendment has been duly executed and delivered by it;

(b) this Amendment constitutes its legal, valid and binding obligation, enforceable against it in accordance with its terms, except as enforceability may be limited by applicable bankruptcy, insolvency, reorganization, moratorium or similar laws affecting the enforcement of creditors' rights generally or by general principles of equity; and

(c) there is no Event of Default, Unmatured Event of Default, or Servicer Termination Event that is continuing or would result from entering into this Amendment.

**SECTION 1.05 Conditions to Effectiveness.**

The effectiveness of this Amendment is subject to the receipt by (A) the Administrative Agent of (a) executed counterparts (or other evidence of execution, including facsimile signatures, satisfactory to the Administrative Agent) of this Amendment, the amendment to the Purchase and Sale Agreement and the fee letter related thereto and (b) the fee payable on the date hereof as specified in the fee letter and (B) Mayer Brown LLP of its fees invoiced to date.

**SECTION 1.06 Miscellaneous.**

(a) This Amendment may be executed in any number of counterparts (including by facsimile), and by the different parties hereto on the same or separate counterparts, each of which shall be deemed to be an original instrument but all of which together shall constitute one and the same agreement.

(b) The descriptive headings of the various sections of this Amendment are inserted for convenience of reference only and shall not be deemed to affect the meaning or construction of any of the provisions hereof.

(c) This Amendment may not be amended or otherwise modified except as provided in the Agreement (as amended by this Amendment).

(d) The failure or unenforceability of any provision hereof shall not affect the other provisions of this Amendment.

(e) Whenever the context and construction so require, all words used in the singular number herein shall be deemed to have been used in the plural, and vice versa, and the masculine gender shall include the feminine and neuter and the neuter shall include the masculine and feminine.

(f) This Amendment represents the final agreement between the parties only with respect to the subject matter expressly covered hereby and may not be contradicted by evidence of prior, contemporaneous or subsequent oral agreements between the parties. There are no unwritten oral agreements between the parties.

(g) THIS AMENDMENT AND THE RIGHTS AND OBLIGATIONS OF THE PARTIES UNDER THIS AMENDMENT SHALL BE GOVERNED BY AND CONSTRUED AND INTERPRETED IN ACCORDANCE WITH THE LAWS OF THE STATE OF NEW YORK. EACH OF THE PARTIES HERETO HEREBY AGREES TO THE NON-EXCLUSIVE JURISDICTION OF ANY STATE OR FEDERAL COURT LOCATED WITHIN THE STATE OF NEW YORK. EACH OF THE PARTIES HERETO HEREBY WAIVES ANY OBJECTION BASED ON FORUM NON CONVENIENS, AND ANY OBJECTION TO VENUE OF ANY ACTION INSTITUTED HEREUNDER IN ANY OF THE AFOREMENTIONED COURTS AND CONSENTS TO THE GRANTING OF SUCH LEGAL OR EQUITABLE RELIEF AS IS DEEMED APPROPRIATE BY SUCH COURT.

**[Signature Pages Follow]**



IN WITNESS WHEREOF, the undersigned have caused this Amendment to be executed by their respective officers thereunto duly authorized, as of the date first written above.

**BORROWER:**

**CCT TOKYO FUNDING LLC**

By: /s/ Philip S. Davidson

Name: Philip S. Davidson

Title: Secretary

**SERVICER:**

**CORPORATE CAPITAL TRUST, INC.**

By: /s/ Philip S. Davidson

Name: Philip S. Davidson

Title: General Counsel

**[Signatures Continue on the Following Page]**

[Signature Page to Fourth Amendment – CCT Tokyo Funding LLC]

**ADMINISTRATIVE AGENT:**

**SUMITOMO MITSUI BANKING CORPORATION**

By: /s/ Glenn Autorino  
Name: Glenn Autorino  
Title: Managing Director

**LENDER:**

**SUMITOMO MITSUI BANKING CORPORATION**

By: /s/ Glenn Autorino  
Name: Glenn Autorino  
Title: Managing Director

[Signature Page to Fourth Amendment – CCT Tokyo Funding LLC]

ANNEX A

[See Attached]

Up to U.S.\$300,000,000

LOAN AND SERVICING AGREEMENT

Dated as of December 2, 2015

Among

CCT TOKYO FUNDING LLC,  
as the Borrower

CORPORATE CAPITAL TRUST, INC.,  
as the Servicer and as the Transferor

SUMITOMO MITSUI BANKING CORPORATION,  
as the Administrative Agent and as the Collateral Agent

and

EACH OF THE LENDERS FROM TIME TO TIME PARTY HERETO,  
as the Lenders

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### ANNEXES

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This LOAN AND SERVICING AGREEMENT is made as of December 2, 2015, among:

- (1) CCT TOKYO FUNDING LLC, a Delaware limited liability company (together with its successors and assigns in such capacity, the "Borrower");
- (2) CORPORATE CAPITAL TRUST, INC., a Maryland corporation, as the Servicer (as defined herein) and as the Transferor (as defined herein);
- (3) SUMITOMO MITSUI BANKING CORPORATION, a Japanese joint stock corporation, as Administrative Agent (together with its successors and assigns in such capacity, the "Administrative Agent") and as the Collateral Agent (together with its successors and assigns in such capacity, the "Collateral Agent"); and
- (4) EACH OF THE LENDERS FROM TIME TO TIME PARTY HERETO, as a Lender.

#### PRELIMINARY STATEMENT

The Lenders have agreed, on the terms and conditions set forth herein, to provide a secured revolving credit facility which shall provide for Advances from time to time in an aggregate principal amount not to exceed the Borrowing Base. The proceeds of the Advances will be used (a) to finance the Borrower's purchase, on a "true sale" basis, of Eligible Loan Assets from the Transferor, approved by the Administrative Agent, pursuant to the Purchase and Sale Agreement between the Borrower and the Transferor, (b) to finance the Borrower's purchase, on a "true sale" basis, of Eligible Loan Assets, approved by the Administrative Agent, from Persons that are not Affiliates of the Borrower, the Servicer or the Transferor, (c) to fund the Unfunded Exposure Account and (d) to distribute such proceeds to the Borrower's parent. Further, the Lenders, in entering into this transaction, are relying on the separateness of the Borrower from the Parent as an important structural element of this transaction. Accordingly, the parties agree as follows:

#### ARTICLE II.

#### DEFINITIONS

##### SECTION 2.01 Certain Defined Terms.

(a) Certain capitalized terms used throughout this Agreement are defined above or in this Section 1.01.

(b) As used in this Agreement and the exhibits and schedules thereto (each of which is hereby incorporated herein and made a part hereof), the following terms shall have the following meanings (such meanings to be equally applicable to both the singular and plural forms of the terms defined):

“1940 Act” means the Investment Company Act of 1940, as amended, and the rules and regulations promulgated thereunder.

“Account Bank” means Wells Fargo, in its capacity as the “Account Bank” pursuant to the Control Agreement.

“Action” has the meaning assigned to that term in Section 8.03.

“Additional Amount” has the meaning assigned to that term in Section 2.11(a).

“Adjusted Borrowing Value” means for any Loan Asset, for any date of determination, an amount equal to the Assigned Value of such Loan Asset at such time multiplied by the Outstanding Balance of such Loan Asset; *provided* that the Adjusted Borrowing Value of any Warranty Loan Asset or Loan Asset (or, if applicable, any portion thereof representing the Excess Concentration Amount for such Loan Asset) that is no longer an Eligible Loan Asset shall be zero (*provided* that the Administrative Agent in its sole and absolute discretion, may agree to a value other than zero).

“Administrative Agent” means Sumitomo Mitsui Banking Corporation, in its capacity as administrative agent for the Lenders, together with its successors and assigns, including any successor appointed pursuant to Article IX.

“Advance” means each loan advanced by the Lenders to the Borrower on an Advance Date pursuant to Article II.

“Advance Date” means, with respect to any Advance, the Business Day on which such Advance is made.

“Advance Funding Account” means an account in the name of the Borrower (account number [] at the Account Bank) with the wire instructions set forth on Schedule V or such other account or with such other wire instructions as from time to time the Borrower has designated to the Administrative Agent in writing with evidence satisfactory to the Administrative Agent confirming that a Responsible Officer of the Borrower has requested such account or wire instruction modification in writing.

“Advances Outstanding” means, at any time, the sum of the principal amounts of Advances made to the Borrower for the initial and any subsequent borrowings pursuant to Sections 2.01 and 2.02 as of such time, reduced by the aggregate Available Collections received and distributed as repayment of principal amounts of Advances Outstanding pursuant to Section 2.04 at or prior to such time and any other amounts received by the Lenders to repay the principal amounts of Advances Outstanding pursuant to Section 2.18 or otherwise at or prior to such time; *provided* that the principal amounts of Advances Outstanding shall not be reduced by any Available Collections or other amounts if at any time such Available Collections or other amounts are rescinded or must be returned for any reason.

“Affected Party” has the meaning assigned to that term in Section 2.10.

“Affiliate” when used with respect to a Person, means any other Person controlling, controlled by or under common control with such Person. For the purposes of this definition, “control,” when used with respect to any specified Person, means the power to vote 20% or more of the voting securities of such Person or to direct the management and policies of such Person, directly or indirectly, whether through the ownership of voting securities, by contract or otherwise; and the terms “controlling” and “controlled” have meanings correlative to the foregoing; *provided* that for purposes of determining whether any Loan Asset is an Eligible Loan Asset or for purposes of Section 5.01(b)(xix), the term Affiliate shall not include any Affiliate relationship which may exist solely as a result of direct or indirect ownership or control by (x) a common Financial Sponsor, (y) a Financial Sponsor that is under common control with such Person or (z) Persons under common control in different industries and whose assets do not cross-collateralize different Loan Assets.

“Agented Note” means any Loan Asset (i) originated as a part of a syndicated loan transaction that has been closed (without regard to any contemporaneous or subsequent syndication of such Loan Asset) prior to such Loan Asset becoming part of the Collateral Portfolio and (ii) with respect to which, upon an assignment of the note to the Borrower, the Borrower, as assignee of the note, will have all of the rights but none of the obligations of the transferor with respect to such note and the Underlying Collateral.

“Agreement” means this Loan and Servicing Agreement (including any schedules, exhibits or annexes), as the same may be amended, restated, supplemented and/or otherwise modified from time to time hereafter.

[“Agreement and Plan of Merger” means that certain Agreement and Plan of Merger, dated as of July 22, 2018, by and among CCT, FSIC, IC Acquisition, Inc. and FS/KKR Advisor, LLC.](#)

“Applicable Law” means for any Person or property of such Person all existing and future laws, rules, regulations (including temporary and final income tax regulations), statutes, treaties, codes, ordinances, permits, certificates, orders, licenses of and published interpretations by any Governmental Authority applicable to such Person (including, without limitation, predatory lending laws, usury laws, the Federal Truth-in-Lending Act, the Equal Credit Opportunity Act, the Fair Credit Billing Act, the Fair Credit Reporting Act, the Fair Debt Collection Practices Act, the Federal Trade Commission Act, the Magnuson-Moss Warranty Act, the Federal Reserve Board’s Regulations “B” and “Z”, the Servicemembers Civil Relief Act of 2003 and state adaptations of the National Consumer Act and of the Uniform Consumer Credit Code and all other consumer credit laws and equal credit opportunity and disclosure laws) and applicable judgments, decrees, injunctions, writs, awards or orders of any court, arbitrator or other administrative, judicial, or quasi-judicial tribunal or agency of competent jurisdiction.

“Applicable Percentage” means, for each Eligible Loan Asset ~~(a)~~, [the corresponding percentage for the type of Loan Asset \(such type to be determined as of the Cut-Off Date of each Loan Asset and set forth on Approval Notice pertaining to such Loan\) set forth below:](#)

(a) that is a First Lien Loan Asset (other than a Broadly Syndicated Loan Asset, 65%;

(b) that is a Broadly Syndicated Loan Asset, 70%; and

(bc) that is ~~not a Broadly Syndicated~~ a Second Lien Loan Asset, ~~65~~25%.

“Applicable Spread” has the meaning assigned to that term in the Lender Fee Letter.

“Approval Notice” means, with respect to any Eligible Loan Asset, the written notice, in substantially the form attached hereto as Exhibit A, evidencing the approval by the Administrative Agent, in its sole discretion, of the acquisition of such Eligible Loan Asset by the Borrower.

“Approved Valuation Firm” means (a) each of (i) Houlihan Lokey Howard & Zukin, (ii) Lincoln International LLC, (iii) Duff & Phelps Corp. and (iv) Valuation Research Corporation and (b) any other nationally recognized valuation firm approved by each of the Borrower and the Administrative Agent in their sole reasonable discretion.

“Assigned Documents” has the meaning assigned to that term in Section 2.12.

“Assigned Value” means: ~~(a)~~ with respect to each Loan Asset constituting a First Lien Loan Asset, as of any date of determination and expressed as a percentage of the Outstanding Balance of such Loan Asset, (i) on and after the Cut-Off Date with respect to such Loan Asset but prior to the occurrence of a Value Adjustment Event with respect to such Loan Asset, (A) if the purchase price of such Loan Asset was less than 95% of the par amount of such Loan Asset, a percentage equal to the purchase price divided by the par amount and (B), otherwise, 100.0% and (ii) after any occurrence of a Value Adjustment Event, the lesser of (x) 100% and (y) any value determined pursuant to Section 2.19 and (b) with respect to each Loan Asset constituting a Second Lien Loan Asset, as of any date of determination and expressed as a percentage of the Outstanding Balance of such Loan Asset, (i) on and after the Cut-Off Date with respect to such Loan Asset but prior to the occurrence of a Value Adjustment Event with respect to such Loan Asset, the lesser of (A) 100.0% and (B) the value assigned to such Loan Asset by the Administrative Agent in its sole discretion as of the Cut-Off Date of such Loan Asset and (ii) after any occurrence of a Value Adjustment Event, the lesser of (x) 100% and (y) any value determined pursuant to Section 2.19.

“Assignment and Acceptance” has the meaning assigned to that term in Section 11.04(a).

“Available Collections” means all cash collections and other cash proceeds actually received with respect to any Loan Asset, including without limitation, all Principal Collections, all Interest Collections, all proceeds of any sale or disposition with respect to such Loan Asset, cash proceeds or other funds received by the Borrower or the Servicer with respect to any Underlying Collateral (including from any guarantors), all other amounts on deposit in the Collection Account from time to time, and all proceeds of Permitted Investments with respect to the Controlled Accounts; *provided* that, for the avoidance of doubt, “Available Collections” shall not include amounts on deposit in the Unfunded Exposure Account that do not represent proceeds of Permitted Investments.

“Bankruptcy Code” means Title 11, United States Code, 11 U.S.C. §§ 101 et seq., as amended from time to time.

“Bankruptcy Event” shall be deemed to have occurred with respect to a Person if either:

(i) a case or other proceeding shall be commenced, without the application or consent of such Person, in any court, seeking the liquidation, reorganization, debt arrangement, dissolution, winding up, or composition or readjustment of debts of such Person, the appointment of a trustee, receiver, custodian, liquidator, assignee, sequestrator or the like for such Person or all or substantially all of its assets, or any similar action with respect to such Person under any law relating to bankruptcy, insolvency, reorganization, winding up or composition or adjustment of debts, and such case or proceeding shall continue undismissed, or unstayed and in effect, for a period of 60 consecutive days; or an order for relief in respect of such Person shall be entered in an involuntary case under the federal bankruptcy laws or other similar laws now or hereafter in effect; or

(ii) such Person shall commence a voluntary case or other proceeding under any Bankruptcy Laws now or hereafter in effect, or shall consent to the appointment of or taking possession by a receiver, liquidator, assignee, trustee, custodian, sequestrator (or other similar official) for such Person or all or substantially all of its assets, or shall make any general assignment for the benefit of creditors, or shall fail to, or admit in writing its inability to, pay its debts generally as they become due, or, if a corporation or similar entity, its board of directors or members shall vote to implement any of the foregoing.

“Bankruptcy Laws” means the Bankruptcy Code and all other applicable liquidation, conservatorship, bankruptcy, moratorium, rearrangement, receivership, insolvency, reorganization, suspension of payments, or similar debtor relief laws from time to time in effect affecting the rights of creditors generally.

“Bankruptcy Proceeding” means any case, action or proceeding before any court or other Governmental Authority relating to any Bankruptcy Event.

“Base Rate” means, on any date, a fluctuating per annum interest rate equal to the higher of (a) the Prime Rate as of such date or (b) the Federal Funds Rate as of such date plus 0.50%.

“Base Rate Advance” means any Advance (i) not made as a LIBOR Advance in accordance with Section 2.02(b) and (ii) not converted into a LIBOR Advance in accordance with Section 2.02(c).

“Base Rate Advances Outstanding” means, at any time, the outstanding Base Rate Advances.

“Base Rate Yield Rate” means, as of any date of determination, an interest rate *per annum* equal to the Base Rate for such date plus the Applicable Spread.

“Basel III Regulation” means, with respect to any Affected Party, any rule, regulation or guideline applicable to such Affected Party and arising directly or indirectly from (a) any of the following documents prepared by the Basel Committee on Banking Supervision of the Bank of International Settlements: (i) Basel III: International Framework for Liquidity Risk Measurement, Standards and Monitoring (December 2010), (ii) Basel III: A Global Regulatory Framework for More Resilient Banks and Banking Systems (June 2011), (iii) Basel III: The Liquidity Coverage Ratio and Liquidity Risk Monitoring Tools (January 2013), or (iv) any document supplementing, clarifying or otherwise relating to any of the foregoing, or (b) any accord, treaty, statute, law, rule, regulation, guideline or pronouncement (whether or not having the force of law) of any governmental authority implementing, furthering or complementing any of the principles set forth in the foregoing documents of strengthening capital and liquidity, in each case as from time to time amended, restated, supplemented or otherwise modified. Without limiting the generality of the foregoing, “Basel III Regulation” shall include Part 6 of European Union regulation 575/2013 on prudential requirements for credit institutions and investment firms (the “CRR”) and any law, regulation, standard, guideline, directive or other publication supplementing or otherwise modifying the CRR.

“Benefit Plan Entity” has the meaning assigned to that term in Section 4.01(x).

“Borrower” has the meaning assigned to that term in the preamble hereto.

“Borrowing Base” means, as of any date of determination, an amount equal to the lesser of:

(a) (i) the sum of the products of (A) the Applicable Percentage for each Eligible Loan Asset as of such date and (B) (x) the Adjusted Borrowing Value of such Eligible Loan Asset as of such date minus (ii) the Excess Concentration Amount, plus (iii) the amount on deposit in the Principal Collection Account as of such date plus (iv) the amount on deposit in the Unfunded Exposure Account as of such date minus (v) the Unfunded Exposure Equity Amount as of such date; or

(b) (i) the Maximum Facility Amount as of such date, minus (ii) the Unfunded Exposure Amount as of such date, plus (iii) amounts on deposit in the Unfunded Exposure Account as of such date; *provided* that, for the avoidance of doubt, any Loan Asset (or, if applicable, any portion thereof representing the Excess Concentration Amount for such Loan Asset) which at any time is no longer an Eligible Loan Asset shall not be included in the calculation of “Borrowing Base”.

“Borrowing Base Certificate” means a certificate setting forth the calculation of the Borrowing Base as of the applicable date of determination substantially in the form of Exhibit B hereto, prepared by the Servicer.

“Borrowing Base Deficiency” means, as of any date of determination, the extent to which the aggregate Advances Outstanding on such date exceeds the Borrowing Base.

“Breakage Fee” means, for any full or partial repayment of any LIBOR Advance on any date other than a Payment Date or with less than three Business Days’ prior written notice to the Administrative Agent, the breakage costs, if any related to such repayment, which shall be deemed to be the amount determined by the Administrative Agent to be the excess of (a) the amount of interest that would have accrued on the principal amount of the LIBOR Advance had such prepayment not occurred, at the LIBOR rate that would have been applicable to such LIBOR Advance, for the period from the date of such prepayment to (i) the last day of the then-current Interest Period therefor if on such last day the Administrative Agent will have had at least three Business Days’ notice of such prepayment and (ii) if on such last day the Administrative Agent will not have had at least three Business Days’ notice of such prepayment, the last day of the next Interest Period therefor, over (b) the amount of interest that would accrue on such principal amount for such period at the interest rate which the Administrative Agent would earn for a deposit in Dollars of a comparable amount and period from other banks in the Eurocurrency market.

“Broadly Syndicated Loan Asset” means any Loan Asset (a) that is part of a credit facility with a facility size on the date of origination thereof at least equal to U.S.\$250,000,000 and (b) as to which, on the date of origination thereof, (i) Moody’s has either (x) assigned a corporate family rating to an Obligor thereon or (y) assigned to such credit facility a monitored publicly available rating and (ii) S&P has either (x) assigned an issuer credit rating to the Obligor thereof or (y) assigned to such credit facility a monitored publicly available rating.

“Business Day” means a day of the year other than (i) Saturday or a Sunday or (ii) any other day on which commercial banks in New York, New York or the city in which the offices of the Collateral Agent are located and are authorized or required by Applicable Law, regulation or executive order to close; *provided* that, if any determination of a Business Day shall relate to an LIBOR Advance, the term “Business Day” shall also exclude any day on which banks are not open for dealings in Dollar deposits in the London interbank market. For avoidance of doubt, if the offices of the Collateral Agent are authorized by Applicable Law, regulation or executive order to close but remain open, such day shall not be a “Business Day”.

“Cause” means, with respect to an Independent Director, (i) acts or omissions by such Independent Director that constitute willful disregard of, bad faith or gross negligence with respect to, or a breach of such Independent Director’s duties as set forth in the Borrower’s organizational documents, (ii) that such Independent Director has engaged in or has been charged with, or has been convicted of, fraud or other acts constituting a crime under any law applicable to such Independent Director, (iii) that such Independent Director is unable to perform his or her duties as Independent Director due to death, disability or incapacity, or (iv) that such Independent Director no longer meets the definition of Independent Director.

“CCT” means Corporate Capital Trust, Inc., a Maryland corporation.

“Change of Control” shall be deemed to have occurred if any of the following occur (other than in connection with, relating to or arising from a Permitted BDC Merger):

- (a) the Management Agreement shall fail to be in full force and effect;



(b) the certificate of incorporation, by-laws and any other governing documents of the Parent shall fail to be in full force and effect;

(c) the creation or imposition of any Lien (other than a Permitted Lien) on any limited liability company membership interest in the Borrower without the prior written consent of the Administrative Agent;

(d) the failure by the Parent, directly or indirectly, to own 100% of the limited liability company membership interests in the Borrower;

(e) the assignment or transfer by ~~CCT~~(i) prior to the consummation of a Permitted BDC Merger, CCT, and (ii) on or after the consummation of each Permitted BDC Merger, the applicable Permitted BDC, of its rights or obligations as “Servicer” under this Agreement and any other Transaction Document to an entity other than an Affiliate of ~~CCT~~(i) prior to the consummation of a Permitted BDC Merger, CCT, and (ii) on or after the consummation of each Permitted BDC Merger, the applicable Permitted BDC (other than pursuant to Section 6.01 following the delivery of a Servicer Termination Notice);

(f) any event which results in a change of Control of ~~CCT~~(i) prior to the consummation of a Permitted BDC Merger, CCT, and (ii) on or after the consummation of each Permitted BDC Merger, the applicable Permitted BDC; or

(g) the failure of KKR Credit Advisors (US) LLC or a Permitted Successor Advisor to act as an advisor to the Servicer.

“Closing Date” means December 2, 2015.

“Code” means the Internal Revenue Code of 1986, as amended.

“Collateral Agent” has the meaning assigned to that term in the preamble hereto.

“Collateral Agent Expenses” means all accrued and unpaid expenses (including reasonable attorneys’ fees, costs and expenses) and indemnity amounts payable by the Borrower to the Collateral Agent under the Transaction Documents.

“Collateral Agent Fees” means, with respect to any Payment Date, fees in the amount equal to the product of (x) 0.04% per annum and (y) (i) the average Outstanding Balance of the Loan Assets during each day of the related Remittance Period plus (ii) the average amount on deposit in the Principal Collection Account during each day of the related Remittance Period plus (iii) the average amount on deposit in the Unfunded Exposure Account during each day of the Related Remittance Period; provided that the Collateral Agent Fees shall not be less than \$50,000 annually; *provided further that*, notwithstanding any of the foregoing, other than Collateral Agent fees incurred during a period in which an Event of Default has occurred and not been cured and fees incurred in connection with such Event of Default, so long as SMBC or its Affiliate is the Collateral Agent, the Collateral Agent Fees shall be \$0.

“Collateral Agent Termination Notice” has the meaning assigned to that term in Section 10.05.

“Collateral Custodian” means Wells Fargo, not in its individual capacity, but solely as collateral custodian pursuant to the terms of the Custody Agreement.

“Collateral Custodian and Account Bank Expenses” means the expenses set forth in the Collateral Custodian and Account Bank Fee Letter and all accrued and unpaid expenses including reasonable attorneys’ fees, costs and expenses) and indemnity amounts payable by the Borrower to the Collateral Custodian and Account Bank under the Transaction Documents.

“Collateral Custodian and Account Bank Fee Letter” means the Fee Schedule accepted by the Servicer on behalf of the Borrower and the Collateral Custodian and Account Bank on December 2, 2015, as such Fee Schedule may be amended, modified, supplemented, restated or replaced from time to time.

“Collateral Custodian and Account Bank Fees” means the fees set forth in the Collateral Custodian and Account Bank Fee Letter that are payable to the Collateral Custodian and Account Bank.

“Collateral Portfolio” means all right, title, and interest (whether now owned or hereafter acquired or arising, and wherever located) of the Borrower, to and under all accounts, cash and currency, chattel paper, tangible chattel paper, electronic chattel paper, copyrights, copyright licenses, equipment, fixtures, contract rights, general intangibles (including payment intangibles), instruments, certificates of deposit, certificated securities, uncertificated securities, financial assets, securities entitlements, commercial tort claims, deposit accounts, inventory, investment property, letter-of-credit rights, software, supporting obligations, accessions, or other property consisting of, arising out of, or related to any of the following (in each case excluding the Retained Interest and the Excluded Amounts):

- (i) the Portfolio Assets, and all monies due or to become due in payment under the Loan Assets included therein on and after the related Cut-Off Date, including, but not limited to, all Available Collections;
- (ii) the Controlled Accounts and all Permitted Investments purchased with funds on deposit in the Controlled Accounts; and (iii) all income and Proceeds of the foregoing.

“Collection Account” means a trust account (comprised of the Interest Collection Account and the Principal Collection Account) in the name of the Borrower for the benefit of and under the control of the Collateral Agent for the benefit of the Secured Parties; (it being understood, however, that the Servicer shall be able to request distributions and releases therefrom in accordance herewith and expressly permitted hereby); *provided* that the funds deposited therein (including any interest and earnings thereon) from time to time and subject to the terms thereof shall constitute the property and assets of the Borrower, and the Borrower shall be solely liable for any Taxes payable with respect to the Collection Account.

“Collection Date” means the date on which the aggregate outstanding principal amount of the Advances Outstanding have been repaid in full and all Yield and Fees and all other Obligations have been indefeasibly paid in full (other than contingent reimbursement and indemnification obligations for which no claim has been made), and the Borrower shall have no further right to request any additional Advances.

“Commitment” means, with respect to each Lender, (i) prior to the end of the Reinvestment Period or for purposes of Advances made pursuant to Section 2.02(f), the Dollar amount set forth opposite such Lender’s name on Annex A hereto (as such amount may be revised from time to time in accordance with the terms hereof) or the amount set forth as such Lender’s “Commitment” on Schedule I to the Joinder Supplement relating to such Lender, as applicable, and (ii) after the Reinvestment Period (other than for purposes of Advances made pursuant to Section 2.02(f)), such Lender’s Pro Rata Share of the aggregate Advances Outstanding.

“Control” means the possession, directly or indirectly, of the power to direct or cause the direction of the management or policies of a Person, whether through the ability to exercise voting power, by contract or otherwise.

“Control Agreement” means that certain securities account control agreement, dated as of the date hereof, by and among the Borrower, the Servicer, the Collateral Agent and the Account Bank, as such agreement may from time to time be amended, supplemented or otherwise modified in accordance with the terms thereof.

“Controlled Accounts” means the Collection Account and the Unfunded Exposure Account.

“Conversion Date” means, with respect to any Advance, the Business Day on which such Advance was, or is to be, converted from a Base Rate Advance to a LIBOR Advance.

“Conversion Notice” means, with respect to any Advance, the written notice, in substantially the form attached hereto as Exhibit C, evidencing the request of the Borrower to the Administrative Agent to convert such Advance from a Base Rate Advance into a LIBOR Advance.

“Custody Agreement” means that certain Custody Agreement, dated the date of this Agreement, by and among the Borrower, the Servicer, the Transferor, the Administrative Agent, the Collateral Agent, and the Collateral Custodian.

“Cut-Off Date” means, with respect to each Loan Asset, the date such Loan Asset is acquired by the Borrower.

“Defaulted Loan Asset” means a Loan Asset which has become subject to a Value Adjustment Event of the type described in clauses (i) or (ii) of the definition thereof. If the Value Adjustment Event which gave rise to a Defaulted Loan Asset is cured, the Borrower may submit such Loan Asset for review by the Administrative Agent (in its sole discretion) for the purpose of re-classifying such Loan Asset as a Loan Asset which is no longer a Defaulted Loan Asset.

“Delayed Draw Loan Asset” means a Loan Asset that is fully committed on the initial funding date of such Loan Asset and is required to be fully funded in one or more

installments on draw dates to occur within one year of the initial funding of such Loan Asset but which, once all such installments have been made, has the characteristics of a Term Loan Asset.

“Disbursement Request” means a disbursement request from the Servicer (on behalf of the Borrower) to the Account Bank in the form attached hereto as Exhibit D in connection with a disbursement request from the Unfunded Exposure Account in accordance with Section 2.04(c).

“Dollar”, “USD” or “U.S.\$” means a dollar or other equivalent unit in such coin or currency of the United States as at the time shall be legal tender for all debts, public and private.

“EBITDA” mean, with respect to any period and any Loan Asset, the meaning of “EBITDA”, “Adjusted EBITDA” or any comparable definition in the Loan Agreement for such Loan Asset (together with all reasonable add-backs and exclusions as designated in such Loan Agreement), and in any case that “EBITDA”, “Adjusted EBITDA” or such comparable definition is not defined in such Loan Agreement, an amount, for the principal obligor on such Loan Asset and any of its parents or Subsidiaries that are obligated pursuant to the Loan Agreement for such Loan Asset (determined on a consolidated basis without duplication in accordance with GAAP) equal to earnings from continuing operations for such period plus interest expense, income taxes, unallocated depreciation and amortization for such period (to the extent deducted in determining earnings from continuing operations for such period), and any other item the Servicer and the Administrative Agent mutually deem to be appropriate.

“Eligible Bid” means a bid made in good faith by a bidder for all or any portion of the Collateral Portfolio in connection with a sale of the Collateral Portfolio in whole or in part pursuant to Section 7.02(i).

“Eligible Loan Asset” means, at any time, a Loan Asset which has been Pledged hereunder in respect of which each of the representations and warranties contained in Section 4.02 and Schedule II hereto is true and correct as of such time.

“Eligible Replacement” has the meaning assigned to that term in Section 6.01(c).

“Eligible Successor Agent” has the meaning assigned to that term in Section 9.01(h).

“Environmental Laws” means any and all foreign, federal, state and local laws, statutes, ordinances, rules, regulations, permits, licenses, approvals, interpretations and orders of courts or Governmental Authorities, relating to the protection of human health or the environment, including, but not limited to, requirements pertaining to the manufacture, processing, distribution, use, treatment, storage, disposal, transportation, handling, reporting, licensing, permitting, investigation or remediation of Hazardous Materials. Environmental Laws include, without limitation, the Comprehensive Environmental Response, Compensation, and Liability Act (42 U.S.C. § 9601 et seq.), the Hazardous Material Transportation Act (49 U.S.C. § 331 et seq.), the Resource Conservation and Recovery Act (42 U.S.C. § 6901 et seq.), the Federal Water Pollution Control Act (33 U.S.C. § 1251 et seq.), the Clean Air Act (42 U.S.C. § 7401 et seq.), the Toxic Substances Control Act (15 U.S.C. § 2601 et seq.), the Safe Drinking

Water Act (42 U.S.C. § 300, et seq.), the Environmental Protection Agency’s regulations relating to underground storage tanks (40 C.F.R. Parts 280 and 281), and the Occupational Safety and Health Act (29 U.S.C. § 651 et seq.), and the rules and regulations thereunder, each as amended or supplemented from time to time.

“ERISA” means the United States Employee Retirement Income Security Act of 1974, as amended from time to time.

“ERISA Affiliate” means (a) any corporation that is a member of the same controlled group of corporations (within the meaning of Section 414(b) of the Code) as the Borrower or Servicer, as applicable, (b) a trade or business (whether or not incorporated) under common control (within the meaning of Section 414(c) of the Code) with the Borrower or Servicer, as applicable, or (c) for purposes of Section 302 of ERISA and Section 412 of the Code, a member of the same affiliated service group (within the meaning of Section 414(m) of the Code) as the Borrower or Servicer, as applicable, any corporation described in clause (a) above or any trade or business described in clause (b) above.

“Eurodollar Disruption Event” means the occurrence of any of the following: (a) SMBC shall have notified the Administrative Agent of a determination by SMBC or any of its assignees or participants that it would be contrary to law or to the directive of any central bank or other Governmental Authority (whether or not having the force of law) to obtain Dollars in the London interbank market to fund any Advance, (b) SMBC shall have notified the Administrative Agent of the inability, for any reason, of SMBC or any of its respective assignees or participants to determine LIBOR, (c) SMBC shall have notified the Administrative Agent of a determination by SMBC or any of its respective assignees or participants that the rate at which deposits of Dollars are being offered to SMBC or any of its respective assignees or participants in the London interbank market does not accurately reflect the cost to SMBC or its assignee or participant of making, funding or maintaining any Advance or (d) SMBC shall have notified the Administrative Agent of the inability of SMBC or any of its respective assignees or participants to obtain Dollars in the London interbank market to make, fund or maintain any Advance.

“Event of Default” has the meaning assigned to that term in Section 7.01.

“Excepted Persons” has the meaning assigned to that term in Section 11.13(a).

“Excess Concentration Amount” means, as of any date of determination, the sum of the Adjusted Borrowing Value of all Eligible Loan Assets as of such date that are Second Lien Loan Assets in excess of 20.0% of the Excess Concentration Measure.

“Excess Concentration Measure” means, as of any date of determination, the sum of the Adjusted Borrowing Value of each Eligible Loan Asset.

“Exchange Act” means the United States Securities Exchange Act of 1934, as amended, and the rules and regulations promulgated thereunder.

“Excluded Amounts” means (a) any amount received in the Collection Account with respect to any Loan Asset included as part of the Collateral Portfolio, which amount is attributable to the payment of any Tax, fee or other charge imposed by any Governmental

Authority on such Loan Asset or on any Underlying Collateral and (b) any amount received in the Collection Account or other Controlled Account representing (i) any amount representing a reimbursement of insurance premiums, (ii) any escrows relating to Taxes, insurance and other amounts in connection with Loan Assets which are held in an escrow account for the benefit of the Obligor and the secured party pursuant to escrow arrangements under a Loan Agreement and (iii) any amount received in the Collection Account with respect to any Loan Asset retransferred or substituted for upon the occurrence of a Warranty Event or that is otherwise replaced by a Substitute Eligible Loan Asset, or that is otherwise sold or transferred by the Borrower pursuant to Section 2.07, to the extent such amount is attributable to a time after the effective date of such replacement or sale.

“Excluded Taxes” has the meaning assigned to that term in Section 2.11(a).

“Exposure Amount” means, as of any date of determination, with respect to each Loan Asset owned by the Borrower, the maximum unfunded commitment associated with such Loan Asset (including, without limitation, any letter of credit reimbursements).

“Extension Fee” has the meaning assigned to that term in the Lender Fee Letter.

“Facility Maturity Date” means the earliest to occur of (i) the Stated Maturity Date, (ii) the date of the declaration, or automatic occurrence, of the Facility Maturity Date pursuant to Section 7.01, (iii) the Collection Date and (iv) the occurrence of the termination of this Agreement pursuant to Section 2.18(b) hereof.

“Fair Market Value” means, with respect to any Loan Asset or item of Collateral Portfolio, as of each date fair market value information is publicly published by the Borrower, Servicer or Transferor, as applicable, if such Loan Asset has been reduced in value on such date below the original principal amount, the lesser of (i) the fair market value of such Loan Asset as required by, and in accordance with, the 1940 Act and any orders of the Securities and Exchange Commission issued to the Transferor, to be determined by the board of directors of the Transferor and reviewed by its auditors and (ii) the fair value of such Loan Asset determined in accordance with GAAP.

“FATCA” means Sections 1471 through 1474 of the Code, as of the date of this Agreement (or any amended or successor version that is substantively comparable and not materially more onerous to comply with), any current or future regulations or official interpretations thereof, any agreements entered into pursuant to Section 1471(b)(1) of the Code and any intergovernmental agreements (or related legislation or official administrative rules or practices) implementing the foregoing.

“Federal Funds Rate” means, for any day, a fluctuating *per annum* interest rate equal, for each such day, to the rate set forth for such day opposite the caption “Federal funds (effective)” in Federal Reserve Board Statistical Release H.15(519) or any successor or substitute publication selected by the Administrative Agent (or, if such day is not a Business Day, for the next preceding Business Day), or, if for any reason such rate is not available on any day, the rate determined, in the sole discretion of the Administrative Agent, to be the rate at which overnight federal funds are being offered in the national federal funds market at 9:00 a.m. on such day.

“Federal Reserve Bank” means any of the twelve regional Federal Reserve Banks chartered under the laws of the United States.

“Fees” means (i) the Non-Usage Fee, (ii) the Extension Fee, if applicable and (iii) the other fees payable to each Lender pursuant to the terms of any Lender Fee Letter.

“Financial Asset” has the meaning specified in Section 8-102(a)(9) of the UCC.

“Financial Sponsor” means any Person, including any Subsidiary of such Person, whose principal business activity is acquiring, holding, and selling investments (including controlling interests) in otherwise unrelated companies that each are distinct legal entities with separate management, books and records and bank accounts, whose operations are not integrated with one another and whose financial condition and creditworthiness are independent of the other companies so owned by such Person.

“Fitch” means Fitch Ratings, Inc. or any successor thereto.

“First Lien Loan Asset” means any Loan Asset that (i) provides that the payment obligation of the Obligor on such Loan Asset is either senior to, or *pari passu* with, all other Indebtedness of such Obligor, (ii) is secured by a pledge of collateral, which security interest is validly perfected and first priority under Applicable Law (subject to liens permitted under the applicable Underlying Collateral that are reasonable for similar loans, and liens accorded priority by law in favor of any Governmental Authority), and (iii) the Servicer determines in good faith that the value of the collateral or the enterprise value securing the Loan Asset and ability to generate cash flow on or about the time of acquisition equals or exceeds the outstanding principal balance of the Loan Asset plus the aggregate outstanding balances of all other loans of equal or higher seniority secured by the same collateral.

“Foreign Lender” means a Lender that is not a U.S. Person.

[“FSIC” means FS Investment Corporation.](#)

“GAAP” means generally accepted accounting principles as in effect from time to time in the United States.

“Governmental Authority” means, with respect to any Person, any nation or government, any state or other political subdivision thereof, any central bank (or similar monetary or regulatory authority) thereof, any body or entity exercising executive, legislative, judicial, regulatory or administrative functions of or pertaining to government and any court or arbitrator having jurisdiction over such Person.

“Hazardous Materials” means all materials subject to any Environmental Law, including, without limitation, materials listed in 49 C.F.R. § 172.010, materials defined as hazardous pursuant to § 101(14) of the Comprehensive Environmental Response, Compensation and Liability Act of 1980, as amended, flammable, explosive or radioactive materials, hazardous

or toxic wastes or substances, lead-based materials, petroleum or petroleum distillates or asbestos or material containing asbestos, polychlorinated biphenyls, radon gas, urea formaldehyde and any substances classified as being “in inventory”, “usable work in process” or similar classification that would, if classified as unusable, be included in the foregoing definition.

“Indebtedness” means, with respect to any Person at any date, (a) all indebtedness of such Person for borrowed money or for the deferred purchase price of property or services (other than current liabilities incurred in the ordinary course of business and payable in accordance with customary trade practices) or that is evidenced by a note, bond, debenture or similar instrument or other evidence of indebtedness customary for indebtedness of that type, (b) all obligations of such Person under leases that have been or should be, in accordance with GAAP, recorded as capital leases, (c) all obligations of such Person in respect of acceptances issued or created for the account of such Person, (d) all liabilities secured by any Lien on any property owned by such Person even though such Person has not assumed or otherwise become liable for the payment thereof, (e) all indebtedness, obligations or liabilities of that Person in respect of derivatives, and (f) all obligations under direct or indirect guaranties in respect of obligations (contingent or otherwise) to purchase or otherwise acquire, or to otherwise assure a creditor against loss in respect of, indebtedness or obligations of others of the kind referred to in clauses (a) through (e); *provided* that, for the avoidance of doubt, any Loan Assets sold by the Borrower in a manner which is characterized on the books of the Borrower as a secured borrowing by the Borrower in accordance with GAAP but does not create any recourse to the Borrower (for example, where the Borrower sells a portion of a loan which has been restructured as a first lien loan and a first lien last out loan) shall not constitute “Indebtedness” of the Borrower.

“Indemnified Amounts” has the meaning assigned to that term in Section 8.01.

“Indemnified Party” has the meaning assigned to that term in Section 8.01.

“Indemnifying Party” has the meaning assigned to that term in Section 8.03.

“Independent Director” means an individual who has prior experience as an independent director, independent manager or independent member and who is provided by CT Corporation, Corporation Service Company, Puglisi & Associates, National Registered Agents, Inc., Wilmington Trust Company, Stewart Management Company, Lord Securities Corporation or, if none of those companies is then providing professional Independent Directors, another nationally-recognized company reasonably approved by the Administrative Agent, in each case that is not an Affiliate of the Borrower and that provides professional Independent Directors and other corporate services in the ordinary course of its business, and which individual is duly appointed as an Independent Director and is not, and for the five-year period prior to such individual’s appointment as Independent Director has not been, and will not while serving as Independent Director be, any of the following:

(a) a member, partner, equityholder, manager, director, officer or employee of the Borrower, the Parent, or any of their respective equityholders or Affiliates (other than as an Independent Director of the Parent, the Borrower or an Affiliate of the Borrower or the Parent or any special purpose vehicle that is required by a creditor to be a single purpose bankruptcy remote entity; provided that such Independent Director is employed by a company that routinely provides professional Independent Directors or managers in the ordinary course of its business);



(b) a creditor, supplier or service provider (including provider of professional services) to the Borrower, the Parent, or any of their respective equityholders or Affiliates (other than as an employee of a nationally-recognized company that routinely provides professional Independent Directors and other corporate services to the Borrower, the Parent or any of their respective Affiliates in the ordinary course of its business);

(c) a family member of any such member, partner, equityholder, manager, director, officer, employee, creditor, supplier or service provider; or

(d) a Person that controls (whether directly, indirectly or otherwise) any of (a), (b) or (c) above.

For purposes of this definition, “family member” includes any child, stepchild, grandchild, parent, stepparent, grandparent, spouse, former spouse, sibling, niece, nephew, mother-in-law, father-in-law, son-in-law, daughter-in-law, brother-in-law or sister-in-law, including adoptive relationships and any person sharing the Independent Director’s household (other than a tenant or employee).

“Indorsement” has the meaning specified in Section 8-102(a)(11) of the UCC, and “Indorsed” has a corresponding meaning.

“Initial Advance” means the first Advance made pursuant to Article II.

“Initial Reinvestment Period Extension” has the meaning assigned to that term in Section 2.01(d)(i).

“Initial Stated Maturity Date Extension” has the meaning assigned to that term in Section 2.01(d)(ii).

“Initial Payment Date” means the 15th day of March, 2016 (or if such day is not a Business Day, the next succeeding Business Day).

“Instrument” has the meaning specified in Section 9-102(a)(47) of the UCC.

“Insurance Policy” means, with respect to any Loan Asset, an insurance policy covering liability and physical damage to, or loss of, the Underlying Collateral.

“Insurance Proceeds” means any amounts received on or with respect to a Loan Asset under any Insurance Policy or with respect to any condemnation proceeding or award in lieu of condemnation, other than (i) any such amount received which is required to be used to restore, improve or repair the related real estate or required to be paid to the Obligor under the Loan Agreement or (ii) prior to an Event of Default hereunder and with prior notice to the Administrative Agent, any such amount for which the Borrower has elected, in its reasonable business discretion, to be used to restore, improve or repair the related real estate or otherwise to be paid to the Obligor under the Loan Agreement.

“Interest Collection Account” means a sub-account (account number [] at the Account Bank) of the Collection Account into which Interest Collections shall be deposited.

“Interest Collections” means, (i) with respect to any Loan Asset, all payments and collections attributable to interest on such Loan Asset, including, without limitation, all scheduled payments of interest and payments of interest relating to principal prepayments, all delayed compensation (representing compensation for delayed settlement), all guaranty payments attributable to interest, proceeds of any liquidations, sales or dispositions attributable to interest on such Loan Asset and all Recoveries attributable to interest on such Loan Asset and (ii) amendment fees, late fees, waiver fees, prepayment fees, commitment fees, upfront fees, ticking fees or other similar amounts received in respect of Loan Assets.

“Interest Period” means with respect to any LIBOR Advance (i) the period beginning on, and including, the Advance Date or Conversion Date, as applicable, with respect to such LIBOR Advance and ending on, but excluding, the first succeeding Payment Date (*provided* that if the Advance Date or Conversion Date, as applicable, for any LIBOR Advance occurs prior to the Payment Date in the same calendar month, the initial Interest Period for such LIBOR Advance shall end on, but exclude, the second succeeding Payment Date) and (ii) thereafter, for so long as such LIBOR Advance or any portion thereof remains outstanding, each period beginning on, and including, the Payment Date on which the immediately preceding Interest Period with respect to such LIBOR Advance ended and ending on, but excluding, the next succeeding Payment Date.

“Investment Policies” means ~~CCF~~the Servicer’s written investment policies in effect on the date hereof (a copy of which has been previously delivered to the Administrative Agent), as same may be amended from time to time in ~~CCF~~Servicer’s reasonable business judgment.

“Joinder Supplement” means an agreement among the Borrower, a Lender and the Administrative Agent in the form of Exhibit E to this Agreement (appropriately completed) delivered in connection with a Person becoming a Lender hereunder after the Closing Date.

“Lender” means (i) SMBC, (ii) each financial institution which may from time to time become a Lender hereunder by executing and delivering a Joinder Supplement to the Administrative Agent and the Borrower as contemplated by Section 2.22 and/or (iii) any other Person to whom a Lender assigns any part of its rights and obligations under this Agreement and the other Transaction Documents in accordance with the terms of Section 11.04.

“Lender Allocation Percentage” means, as of any Payment Date Cut-Off, the greater of: (i) 65% and (ii) the percentage obtained by dividing (x) the Advances Outstanding as of such date by (y) the sum of the Adjusted Borrowing Value of ~~all~~each Eligible Loan ~~Assets~~Asset as of such date.

“Lender Fee Letter” means each fee letter agreement that shall be entered into by and among the Borrower, the Servicer and the applicable Lender in connection with the transactions contemplated by this Agreement, as amended, modified, waived, supplemented, restated or replaced from time to time.

“LIBOR” means, for any day during any Interest Period, with respect to any LIBOR Advance (or portion thereof), the rate per annum for a three-month maturity appearing on the Reuters Screen LIBOR01 Page (or any successor or substitute page) (the “LIBOR Page”) as the London interbank offered rate for deposits in Dollars at approximately 11:00 a.m., London time, on the LIBOR Determination Date for such Interest Period; *provided* that for the initial Interest Period with respect to any LIBOR Advance, if such Interest Period is shorter than three months or longer than three months, the Administrative Agent shall have the right to determine LIBOR for such Interest Period as the rate per annum for a period of the same duration as such Interest Period appearing on the LIBOR Page as the London interbank offered rate for deposits in Dollars at approximately 11:00 a.m., London time, on the LIBOR Determination Date for such Interest Period, or if no rate per annum for deposits in Dollars for a period of such duration is set forth on the LIBOR Page at such time on such LIBOR Determination Date, the Administrative Agent shall have the right to determine LIBOR for such Interest Period by linear interpolation between the rate per annum for deposits in Dollars for the next shorter period and the rate per annum for deposits in Dollars for the next longer period set forth on the LIBOR Page at such time on such LIBOR Determination Date; *provided further* that if the rates that are described above in this definition are not set forth on the LIBOR Page as of such times, the Administrative Agent shall determine LIBOR (a) by reference to such other comparable publicly available information service for displaying rates for Dollar deposits in the London interbank market as may be selected by the Administrative Agent, in its sole discretion, or (b) if no such service is available, as the rate per annum at which Dollar deposits of \$5,000,000 for a relevant maturity are offered by the principal London office of Sumitomo Mitsui Banking Corporation Europe Limited at approximately 11:00 a.m. London time on such LIBOR Determination Date for delivery on the first day of such Interest Period to other banks in the Eurocurrency market; *provided further* that if the LIBOR Page rate shall be less than zero, such rate shall be deemed to be zero for purposes of this Agreement.

“LIBOR Advance” means (i) any Advance made as a LIBOR Advance in accordance with Section 2.02(b) and (ii) any Advance converted from a Base Rate Advance to a LIBOR Advance in accordance with Section 2.02(c).

“LIBOR Advances Outstanding” means, at any time, the outstanding LIBOR Advances.

“LIBOR Determination Date” means, with respect to each Interest Period, the day that is two Business Days prior to the first day of such Interest Period.

“LIBOR Yield” means, for any LIBOR Advances Outstanding, and any Interest Period for each such LIBOR Advance, the sum of the amounts determined for each day in such Interest Period in accordance with the following formula:

$$\text{where: } \text{YR} = \frac{\text{YR} \times \text{L}}{\text{D}}$$

the LIBOR Yield Rate applicable to such LIBOR Advance during such Interest Period;

L = the outstanding principal amount of such LIBOR Advance on such day; and  
D = 360;

“LIBOR Yield Rate” means, for any LIBOR Advance, as of any date of determination during any Interest Period applicable to such LIBOR Advance, an interest rate per annum equal to LIBOR for such LIBOR Advance during such Interest Period plus the Applicable Spread; *provided* that if the Administrative Agent determines that a Eurodollar Disruption Event has occurred, at the election of the Administrative Agent, the LIBOR Yield Rate shall be equal to the Base Rate plus the Applicable Spread for each day until the Administrative Agent determines that such Eurodollar Disruption Event has ceased, at which time the LIBOR Yield Rate shall again be equal to LIBOR for such LIBOR Advance for such date plus the Applicable Spread.

“Lien” means any mortgage or deed of trust, pledge, hypothecation, collateral assignment, deposit arrangement, encumbrance, lien (statutory or other), charge, claim, preference, priority or other security interest or preferential arrangement in the nature of a security interest of any kind or nature whatsoever (including any conditional sale, lease or other title retention agreement, sale subject to a repurchase obligation, any easement, right of way or other encumbrance on title to real property, and any financing lease having substantially the same economic effect as any of the foregoing) or the filing of or agreement to give any financing statement perfecting a security interest under the UCC or comparable law of any jurisdiction.

“Lien Release Dividend” has the meaning assigned to that term in Section 2.07(g).

“Lien Release Dividend Date” means the date of a Lien Release Dividend specified by the Borrower, which date may be any Business Day, provided written notice is given in accordance with Section 2.07(g).

“Loan Agreement” means the loan agreement, credit agreement or other agreement pursuant to which a Loan Asset has been issued or created and each other agreement that governs the terms of or secures the obligations represented by such Loan Asset or of which the holders of such Loan Asset are the beneficiaries.

“Loan Asset” means any commercial loan, or portion thereof, individually or collectively, acquired by the Borrower in the ordinary course of its business, which loan includes, without limitation, (i) the Required Loan Documents and Loan Asset File, and (ii) all right, title and interest of the Borrower in and to the loan and any Underlying Collateral, but excluding, in each case, the Retained Interest and Excluded Amounts and owned by the Borrower on the initial Advance Date (as set forth on the Loan Asset Schedule delivered on the initial Advance Date) or acquired by the Borrower after the initial Advance Date pursuant to the delivery of a Loan Assignment and listed on Schedule I to the Loan Assignment with respect to acquisitions from the Transferor and pursuant to assignments or novations contemplated by each relevant Loan Agreement with respect to all acquisitions.

“Loan Asset Checklist” means an electronic or hard copy, as applicable, of a checklist delivered by or on behalf of the Borrower to the Collateral Custodian, for each Loan Asset, of all Required Loan Documents to be included within the respective Loan Asset File, which shall specify whether such document is an original or a copy.

“Loan Asset File” means, with respect to each Loan Asset, a file containing (a) each of the documents and items as set forth on the Loan Asset Checklist with respect to such Loan Asset and (b) duly executed originals (to the extent required herein) and copies of any other Records relating to such Loan Assets and Portfolio Assets pertaining thereto.

“Loan Asset Register” has the meaning assigned to that term in Section 5.03(k).

“Loan Asset Schedule” means the schedule of Loan Agreements (as amended or modified from time to time in accordance with the terms hereof) evidencing Loan Assets delivered by the Borrower to the Collateral Custodian and the Administrative Agent. Each such schedule shall set forth, as to any Eligible Loan Asset to be Pledged hereunder, the applicable information specified on Schedule IV, which shall also be provided to the Collateral Custodian in electronic format acceptable to the Collateral Custodian.

“Loan Assignment” has the meaning set forth in the Purchase and Sale Agreement.

“Loan-to-Value Ratio” means, with respect to a Loan Asset, the percentage equivalent of a fraction, (i) the numerator of which is equal to the commitment amount as provided in the applicable Loan Agreement of such Loan Asset plus the commitment amount of any other senior or pari passu Indebtedness of the related Obligor (including, in the case of Revolving Loan Asset and Delayed Draw Loan Asset, without duplication, the maximum availability thereof) and (ii) the denominator of which is equal to the enterprise value of the Obligor that issued such Loan Asset (as determined by the Servicer in accordance with the Servicing Standard, as of the Cut-Off Date, unless the Administrative Agent in its reasonable discretion disagrees with such determination, in which case the Administrative Agent shall determine the enterprise value of such Obligor). In the event the Borrower disagrees with the Administrative Agent’s determination of the enterprise value of such Obligor, the Borrower may (at its expense) retain an Approved Valuation Firm to value such Obligor, and if the value determined by such firm is greater than the Administrative Agent’s determination of the enterprise value of such Obligor, such firm’s valuation shall become the enterprise value of such Obligor; provided that the enterprise value of such Obligor shall be the value assigned by the Administrative Agent until such firm has determined its value.

“Majority Owned Affiliate” means an Affiliate at least 50.1% of the equity interests of which are owned, directly or indirectly, by the Borrower, the Servicer or the Transferor, as applicable.

“Make-Whole Premium” means an amount, payable *pro rata* to each Lender, equal to, to the extent the Agreement is terminated or the Maximum Facility is reduced, in whole or in part, in each case pursuant to Section 2.18(b) (a) after the Closing Date but on or prior to the date which is one year following the Closing Date, 2.00% of the Maximum Facility Amount

(if the Agreement is terminated) or the amount by which the Maximum Facility Amount is reduced, as applicable, (b) after any date that is after the first anniversary of the Closing Date but on or prior to the date which is two years following the Closing Date, 1.00% of the Maximum Facility Amount (if the Agreement is terminated) or the amount by which the Maximum Facility Amount is reduced, as applicable and (c) after any date that is after the second anniversary of the Closing Date, 0.00% of the Maximum Facility Amount (if the Agreement is terminated) or the amount by which the Maximum Facility Amount is reduced, as applicable; provided that the Make-Whole Premium shall be calculated without giving effect to the proviso in the definition of “Maximum Facility Amount”.

“Management Agreement” means the Amended and Restated Limited Liability Company Agreement of the Borrower, dated as of December 2, 2015, as the same may be amended, restated, supplemented or otherwise modified from time to time as permitted hereunder.

“Margin Stock” means “margin stock” as such term is defined in Regulation T, U or X of the Federal Reserve Board.

“Material Adverse Effect” means, with respect to any event or circumstance, a material adverse effect on (a) the business, condition (financial or otherwise), operations, performance or properties of the Transferor, the Servicer or the Borrower, (b) the validity, enforceability or collectability of this Agreement or any other Transaction Document or the validity, enforceability or collectability of the Loan Assets generally or any material portion of the Loan Assets, (c) the rights and remedies of any Secured Party with respect to matters arising under this Agreement or any other Transaction Document, (d) the ability of each of the Borrower, the Transferor and the Servicer, to perform their respective obligations under this Agreement or any other Transaction Document to which such entity is a party or (e) the status, existence, perfection, priority or enforceability of the Collateral Agent’s, the Administrative Agent’s or the other Secured Parties’ Lien on the Collateral Portfolio.

“Material Modification” means any amendment or waiver of, or modification or supplement to, a Loan Agreement governing a Loan Asset executed or effected on or after the Cut-Off Date for such Loan Asset which:

(a) reduces or forgives any or all of the principal amount due under such Loan Asset;

(b) (i) delays or extends the maturity date or any principal payment date for such Loan Asset by more than six (6) months or, along with all prior such amendments, waivers, modifications or supplements executed or effected on or after the applicable Cut-Off Date, causes the maturity date or any principal payment date for such Loan Asset to be delayed or extended more than six (6) months in the aggregate; or

(ii) delays or extends the maturity date or any principal payment date for such Loan Asset beyond the Stated Maturity Date; *provided however* that this clause (ii) shall not apply to any amendment or waiver of, or modification or supplement to, a Loan Agreement governing a Loan Asset the maturity date of which was subsequent to the Stated Maturity Date

as of the Cut-Off Date for such Loan Asset; *provided further* that if the Borrower has purchased or purchases a Loan Asset that is a portion of a loan tranche under a Loan Agreement and subsequently purchases an additional portion of such loan tranche, then for purposes of clause (i) or (ii) of this clause (b), a Material Modification pursuant to such clause (i) or (ii) to the portion of such tranche first purchased by the Borrower shall be deemed to also constitute a Material Modification to any portion of such tranche subsequently purchased by the Borrower;

(c) waives one or more interest payments, permits any interest due in cash to be deferred or capitalized and added to the principal amount of such Loan Asset (other than any deferral or capitalization already allowed by the terms of the Loan Agreement of any PIK Loan Asset), or reduces the spread or coupon with respect to such Loan Asset by more than 2.00% or, along with all prior such amendments, waivers, modifications or supplements executed or effected on or after the applicable Cut-Off Date, reduces the spread or coupon with respect to such Loan Asset by more than 2.00%;

(d) contractually or structurally subordinates such Loan Asset, or the Lien of such Loan Asset, by operation of a priority of payments, turnover provisions, the transfer of assets in order to limit recourse to the related Obligor or the granting of Liens (other than Permitted Liens) on any of the Underlying Collateral securing such Loan Asset;

(e) substitutes, alters or releases a material portion of the Underlying Collateral securing such Loan Asset and such substitution, alteration or release, as determined in the sole discretion of the Administrative Agent, materially and adversely affects the value of such Loan Asset; or

(f) amends, modifies, waives or supplements any financial covenants or waives any default of any Loan Asset, in each case that could reasonably be expected to have a material adverse effect on the Obligor's creditworthiness or on the collectability of such Loan Asset had such amendment, modification, waiver or supplement not occurred; or

(g) results in materially less financial information in respect of reporting frequency, scope or otherwise that is provided by the Obligor with respect to such Loan Asset.

“Maximum Facility Amount” means the aggregate Commitments as then in effect, which amount shall not exceed \$300,000,000; *provided* that at all times after the Reinvestment Period, the Maximum Facility Amount shall mean the aggregate Advances Outstanding at such time.

“Measurement Date” means each of the following, as applicable: (i) the Closing Date; (ii) each Cut-Off Date; (iii) each Reporting Date; (iv) each Advance Date; and (v) the date of any optional repurchase, substitution or Lien Release Dividend pursuant to or any Borrowing Base calculation required by Section 2.07.

“Monthly Reporting Date” means the seventh Business Day of each calendar month, commencing December 2015.

“Monthly Servicing Report” has the meaning assigned to that term in Section 6.08(b).

“Moody’s” means Moody’s Investors Service, Inc. (or its successors in interest).

“Multiemployer Plan” means a “multiemployer plan” as defined in Section 4001(a)(3) of ERISA to which the Borrower or Servicer, as applicable, or any ERISA Affiliate of either contributed or had any obligation to contribute on behalf of its employees at any time during the current year or the preceding five years.

“Non-Usage Fee” has the meaning assigned to that term in the Lender Fee Letter.

“Noteless Loan Asset” means a Loan Asset with respect to which the Loan Agreements (i) do not require the Obligor to execute and deliver a promissory note to evidence the Indebtedness created under such Loan Asset or (ii) require the Obligor to execute and deliver such promissory note to any holder of the Indebtedness created under such Loan Asset only if such holder requests the Obligor to deliver such promissory note, and the Obligor has not been requested to deliver such promissory note with respect to such Loan Asset held by the Borrower.

“Notice and Request for Consent” has the meaning assigned to that term in Section 2.07(g)(i).

“Notice of Borrowing” means an irrevocable written notice of borrowing from the Borrower to the Administrative Agent and each Lender in the form attached hereto as Exhibit F.

“Notice of Exclusive Control” has the meaning assigned to that term in the Control Agreement.

“Notice of Reduction” means a notice of a reduction of the Advances Outstanding and/or the Maximum Facility Amount pursuant to Section 2.18, in the form attached hereto as Exhibit G.

“Obligations” means all present and future Indebtedness and other liabilities and obligations (howsoever created, arising or evidenced, whether direct or indirect, absolute or contingent, or due or to become due) of the Borrower to the Secured Parties, arising under this Agreement and/or any other Transaction Document and shall include, without limitation, all liability for principal of and interest on the Advances Outstanding, Breakage Fees, indemnifications and other amounts due or to become due by the Borrower to the Lenders, the Administrative Agent, the Secured Parties, the Account Bank, the Collateral Agent and the Collateral Custodian under this Agreement and/or any other Transaction Document, including, without limitation, any amounts payable under any Lender Fee Letter, any Make-Whole Premium and costs and expenses payable by the Borrower to the Secured Parties, including reasonable and reasonably documented outside attorneys’ fees, costs and expenses, including without limitation, interest, fees and other obligations that accrue after the commencement of an insolvency proceeding (in each case whether or not allowed as a claim in such insolvency proceeding).

“Obligor” means, collectively, each Person obligated to make payments under a Loan Agreement, including any guarantor thereof.



“Officer’s Certificate” means a certificate signed by a director, a manager, the president, the secretary, an assistant secretary, the chief financial officer or any vice president, as an authorized officer, of any Person.

“Opinion of Counsel” means a written opinion of counsel, which opinion and counsel are acceptable to the Administrative Agent in its sole discretion; *provided* that Dechert LLP shall be considered acceptable counsel for purposes of this definition.

“Optional Sale” has the meaning assigned to that term in Section 2.07(h).

“Outstanding Balance” means the principal balance of a Loan Asset, expressed exclusive of PIK Interest and accrued interest. For the avoidance of doubt, the Outstanding Balance with respect to a Revolving Loan Asset or a Delayed Draw Loan Asset shall be equal to the funded amount of such Revolving Loan Asset or Delayed Draw Loan Asset.

“Parent” means CCT or any successor entity formed by or surviving any Permitted BDC Merger.

“Payment Date” means the 15th day of each March, June, September and December or, if such day is not a Business Day, the next succeeding Business Day, commencing on the Initial Payment Date; *provided* that the final Payment Date shall occur on the Collection Date; provided further that the Administrative Agent may, in its sole discretion with three (3) Business Days’ prior written notice to the Borrower, the Collateral Agent and the Servicer, *déclassé* any Business Day a Payment Date if (i)(x) an Event of Default shall have ~~been~~ declared or (y) after the automatic occurrence of a Facility Maturity Date and (ii) the Administrative Agent or the Lenders have declared the Advances Outstanding and the other Obligations to be immediately due and payable in full in accordance with Section 7.01.

“Payment Date Cut-Off” means, with respect to each Payment Date, the fifth Business Day prior to such Payment Date.

“Payment Duties” has the meaning assigned to that term in Section 10.02(b)(ii).

“Pension Plan” has the meaning assigned to that term in Section 4.01(x).

“Permitted BDC” means each of FSIC, FS Investment Corporation II, FS Investment Corporation III, FS Investment Corporation IV and Corporate Capital Trust II.

“Permitted BDC Merger” means any transaction or a series of related transactions for the direct or indirect acquisition by a Permitted BDC of CCT, including, for the avoidance of doubt, the transactions contemplated pursuant to the Agreement and Plan of Merger; provided that substantially concurrently with the consummation of any merger where CCT (or such successor for which opinions referenced below have been delivered) is not the surviving entity, such Permitted BDC shall have delivered perfection, true sale and non-consolidation opinions in form reasonably satisfactory to the Administrative Agent.

“Permitted Investments” means, at any time:

(i) direct interest bearing obligations of, and interest bearing obligations guaranteed as to timely payment of principal and interest by, the United States or any agency or instrumentality of the United States, the obligations of which are backed by the full faith and credit of the United States;

(ii) demand or time deposits in, certificates of deposit of, demand notes of, or bankers’ acceptances issued by any depository institution or trust company organized under the laws of the United States or any State thereof (including any federal or state branch or agency of a foreign depository institution or trust company) and subject to supervision and examination by federal and/or state banking authorities (including, if applicable, the Collateral Agent, the Collateral Custodian or the Administrative Agent or any agent thereof acting in its commercial capacity); *provided* that the short term unsecured debt obligations of such depository institution or trust company at the time of such investment, or contractual commitment providing for such investment, are rated at least “A-1” by Standard & Poor’s and “P-1” by Moody’s;

(iii) commercial paper that (i) is payable in Dollars and (ii) is rated at least “A1” by Standard & Poor’s and “P-1” by Moody’s; and (iv) units of money market funds rated in the highest credit rating category by each of S&P and Moody’s.

No Permitted Investment shall have an “f”, “r”, “p”, “pi”, “q”, “sf” or “t” subscript affixed to its S&P rating. Any such investment may be made or acquired from or through the Collateral Agent or the Administrative Agent or any of their respective affiliates, or any entity for whom the Collateral Agent, the Administrative Agent, the Collateral Custodian, the Account Bank or any of their respective affiliates provides services and receives compensation (so long as such investment otherwise meets the applicable requirements of the foregoing definition of Permitted Investment at the time of acquisition); *provided* that, notwithstanding the foregoing clauses (i) through (iv), unless the Borrower and the Servicer have received the written advice of counsel of national reputation experienced in such matters to the contrary (together with an Officer’s Certificate of the Borrower or the Servicer to the Administrative Agent and the Collateral Agent that the advice specified in this definition has been received by the Borrower and the Servicer), Permitted Investments may only include obligations or securities that constitute cash equivalents for purposes of the rights and assets in paragraph (c)(8)(i)(B) of the exclusions from the definition of “covered fund” for purposes of the Volcker Rule.

“Permitted Liens” means any of the following as to which no enforcement, collection, execution, levy or foreclosure proceeding shall have been commenced (a) Liens for state, municipal or other local Taxes if such Taxes shall not at the time be due and payable or if a Person shall currently be contesting the validity thereof in good faith by appropriate proceedings and with respect to which reserves in accordance with GAAP have been provided on the books of such Person, (b) Liens imposed by law, such as materialmen’s, warehousemen’s, mechanics’, carriers’, workmen’s and repairmen’s Liens and other similar Liens, arising by operation of law in the ordinary course of business for sums that are not overdue or are being contested in good faith and (c) Liens granted pursuant to or by the Transaction Documents.

“Permitted Successor Advisor” means any joint venture entity between (i) KKR Credit Advisors (US) LLC or its Affiliate and (ii) Franklin Square Holdings, L.P. or its Affiliate, pursuant to which joint venture (a) KKR Credit Advisors (US) LLC or its Affiliate owns at least

50% of the equity interests of all classes (including voting equity interests) and (b) at least 50% of the investment committee with the sole authority to make investment-related decisions for ~~CCT~~(1) prior to the consummation of a Permitted BDC Merger, CCT, and (2) on or after the consummation of each Permitted BDC Merger, the applicable Permitted BDC, are employees of KKR Credit Advisors (US) LLC or its Affiliate.

“Person” means an individual, partnership, corporation (including a statutory or business trust), limited liability company, joint stock company, trust, unincorporated association, sole proprietorship, joint venture, government (or any agency or political subdivision thereof) or other entity.

“PIK Interest” means interest accrued on a Loan Asset that is added to the principal amount of such Loan Asset instead of being paid as interest as it accrues.

“PIK Loan Asset” means a Loan Asset which provides for a portion of the interest that accrues thereon to be added to the principal amount of such Loan Asset for some period of the time prior to such Loan Asset requiring the current cash payment of such previously capitalized interest, which cash payment shall be treated as an Interest Collection at the time it is received.

“Pledge” means the pledge of any Eligible Loan Asset or other Portfolio Asset pursuant to Article II.

“Portfolio Assets” means all Loan Assets owned by the Borrower, together with all proceeds thereof and other assets or property related thereto, including all right, title and interest of the Borrower in and to:

- (a) any amounts on deposit in any cash reserve, collection, custody or lockbox accounts securing the Loan Assets;
- (b) all rights with respect to the Loan Assets to which the Borrower is entitled as lender of record under the applicable Loan Agreement;
- (c) the Controlled Accounts, together with all cash and investments in each of the foregoing including amounts earned on investments therein;
- (d) any Underlying Collateral securing a Loan Asset and all Recoveries related thereto, all payments paid in respect thereof and all monies due, to become due and paid in respect thereof accruing after the applicable Cut-Off Date and all liquidation proceeds;
- (e) all Required Loan Documents, the Loan Asset Files related to any Loan Asset, any Records, and the documents, agreements, and instruments included in the Loan Asset Files or Records;
- (f) all Insurance Policies with respect to any Loan Asset;
- (g) all Liens, guaranties, indemnities, warranties, letters of credit, accounts, bank accounts and property subject thereto from time to time purporting to secure or support payment of any Loan Asset, together with all UCC financing statements, mortgages or similar filings signed or authorized by an Obligor relating thereto;

(h) the Purchase and Sale Agreement (including, without limitation, rights of recovery of the Borrower against the Transferor) and the assignment to the Collateral Agent, for the benefit of the Secured Parties, of all UCC financing statements filed by the Borrower against the Transferor under or in connection with the Purchase and Sale Agreement;

(i) all records (including computer records) with respect to the foregoing (including, without limitation, the Records);

(j) all collections, income, payments, proceeds and other benefits of each of the foregoing; and

(k) all rights with respect to the Loan Assets to which the Borrower is entitled as assignee under any assignment agreement related to the applicable Loan Agreement.

“Prime Rate” means, as of any date, the rate announced by SMBC from time to time and in effect on such date as its prime rate in the United States at its New York Branch, such rate to change as and when such designated rate changes. The Prime Rate is not intended to be the lowest rate of interest charged by SMBC or any other specified financial institution in connection with extensions of credit to debtors.

“Principal Collection Account” means a sub-account (account number [] at the Account Bank) of the Collection Account into which Principal Collections shall be deposited.

“Principal Collections” means (i) any amounts deposited by the Borrower (or the Servicer on its behalf) in accordance with Section 2.06(a)(i) or Section 2.07(c)(i) and (ii) with respect to any Loan Asset, all amounts received which are not Interest Collections, including, without limitation, all Recoveries, all Insurance Proceeds, all scheduled payments of principal and principal prepayments and all guaranty payments and proceeds of any liquidations, sales or dispositions, in each case, not attributable to the interest on such Loan Asset. For the avoidance of doubt, “Principal Collections” shall not include amounts on deposit in the Unfunded Exposure Account.

“Pro Rata Share” means, with respect to each Lender, the percentage obtained by dividing the Commitment of such Lender (as determined under clause (i) of the definition of “Commitment”), by the aggregate Commitments of all the Lenders (as determined under clause (i) of the definition of “Commitment”).

“Proceeds” means, with respect to any Collateral Portfolio, all property that is receivable or received when such Collateral Portfolio is collected, sold, liquidated, foreclosed, exchanged, or otherwise disposed of, whether such disposition is voluntary or involuntary, and includes all rights to payment with respect to any insurance relating to such Collateral Portfolio.

“Purchase and Sale Agreement” means that certain Purchase and Sale Agreement, dated as of the Closing Date, between the Transferor, as the seller, and the Borrower, as the purchaser, as amended, modified, waived, supplemented, restated or replaced from time to time.

“Quarterly Reporting Date” means the seventh Business Day of each calendar quarter, commencing with the calendar quarter beginning January 1, 2016.

“Quarterly Servicing Report” has the meaning assigned to that term in Section 6.08(b).

“Records” means all documents relating to the Loan Assets, including books, records and other information executed in connection with the origination or acquisition of the Collateral Portfolio or maintained with respect to the Collateral Portfolio and the related Obligor that the Borrower, the Transferor or the Servicer have generated, in which the Borrower has acquired an interest pursuant to the Purchase and Sale Agreement or in which the Borrower or the Transferor have otherwise obtained an interest.

“Recoveries” means, as of the time any Underlying Collateral with respect to any Loan Asset subject to a payment default, or other default, by the related Obligor is sold, discarded or abandoned (after a determination by the Servicer that such Underlying Collateral has little or no remaining value) or otherwise determined to be fully liquidated by the Servicer in accordance with the Servicing Standard, the proceeds from the sale of the Underlying Collateral, the proceeds of any related Insurance Policy, any other recoveries with respect to such Loan Asset, as applicable, the Underlying Collateral, and amounts representing late fees and penalties, net of any amounts received that are required under such Loan Asset, as applicable, to be refunded to the related Obligor.

“Register” has the meaning assigned to that term in Section 2.14.

“Reinvestment Period” shall mean the date commencing on the Closing Date and ending on the day preceding the earliest of (i) December 2, ~~2018~~2019 (or such later date as results from the Initial Reinvestment Period Extension or the Second Reinvestment Period Extension in accordance with and pursuant to Section 2.01(d)(i), or as otherwise agreed to in writing by the Borrower, the Servicer, the Administrative Agent and the Lenders), (ii) the occurrence of an Event of Default and the termination of the Commitments pursuant to Section 7.01 and (iii) the declaration or automatic or scheduled occurrence of the Facility Maturity Date; *provided* that if any of the foregoing is not a Business Day, the Reinvestment Period shall end on the next Business Day.

“Release Date” has the meaning set forth in Section 2.07(c).

“Relevant Test Period” means, with respect to any Loan Asset, the relevant test period for the calculation of Total Net Leverage Ratio for such Loan Asset in the related Loan Agreement or, if no such period is provided for therein, for Obligor delivering monthly financing statements, each period of the last 12 consecutive reported calendar months, and for Obligor delivering quarterly financing statements, each period of the last four consecutive reported fiscal quarters of the principal Obligor on such Loan Asset; provided that with respect to any Loan Asset for which the relevant test period is not provided for in the related Loan Agreement, if an Obligor is a newly-formed entity as to which 12 consecutive calendar months have not yet elapsed, “Relevant Test Period” shall initially include the period from the date of formation of such Obligor to the end of the twelfth calendar month or fourth fiscal quarter (as the case may be) from the date of formation, and shall subsequently include each period of the last 12 consecutive reported calendar months or four consecutive reported fiscal quarters (as the case may be) of such Obligor.

“Remittance Period” means, (i) as to the Initial Payment Date, the period beginning on the Closing Date and ending on, and including, the Payment Date Cut-Off immediately preceding such Payment Date and (ii) as to any subsequent Payment Date, the period beginning on the first day after the most recently ended Remittance Period and ending on, and including, the Payment Date Cut-Off immediately preceding such Payment Date, or, with respect to the final Remittance Period, the Collection Date.

“Replacement Servicer” has the meaning assigned to that term in Section 6.01(c).

“Reporting Date” means, as the context requires, either (i) the Monthly Reporting Date or (ii) the Quarterly Reporting Date.

“Required Lenders” means (i) SMBC (as a Lender hereunder) and its successors and assigns, in the event any such party is a Lender hereunder and (ii) the Lenders representing an aggregate of at least 51% of the aggregate Commitments of the Lenders then in effect.

“Required Loan Documents” means, for each Loan Asset, originals (except as otherwise indicated) of the following documents or instruments, all as specified on the related Loan Asset Checklist:

(a)(i) other than in the case of a Noteless Loan Asset, the original or, if accompanied by an original “lost note” affidavit and indemnity, a copy of, the underlying promissory note, endorsed by the Borrower (and evidencing an unbroken chain of endorsements from each prior holder thereof evidenced in the chain of endorsements in blank), and (ii) if such promissory note is not issued in the name of the Borrower or in the case of a Noteless Loan Asset (x) a copy of each transfer document or instrument relating to such Noteless Loan Asset evidencing the assignment of such Noteless Loan Asset from the Borrower in blank, and (y) a copy of the Loan Asset Register with respect to such Noteless Loan Asset, as described in Section 5.03(k)(ii) and (iii) additional transfer agreements, consents or other documentation necessary (if any) to ensure the Borrower is a lender of record under the underlying Loan Agreement and recognized by the underlying agent or administrative agent, as applicable, and the Obligor with respect to such Loan Asset as a lender thereto;

(b) originals or copies of each of the following, to the extent applicable to the related Loan Asset; any related Loan Agreement, credit agreement, note purchase agreement, security agreement (if separate from any mortgage), sale and servicing agreement, acquisition agreement, subordination agreement, intercreditor agreement or similar instruments, guarantee, Insurance Policy, assumption or substitution agreement or similar material operative document, in each case together with any amendment or modification thereto, as set forth on the Loan Asset Checklist; and

(c) with respect to any Loan Asset originated by the Transferor or an Affiliate and with respect to which the Transferor or an Affiliate acts as administrative agent (or in a comparable capacity), either (i) copies of the UCC-1 Financing Statements, if any, and any related continuation statements, each showing the Obligor as debtor and the Collateral Agent as total assignee or showing the Obligor, as debtor and the Transferor or the applicable Affiliate as secured party and each with evidence of filing thereon, or (ii) copies of any such financing statements certified by the Servicer to be true and complete copies thereof in instances where the original financing statements have been sent to the appropriate public filing office for filing, in each case as set forth in the Loan Asset Checklist.

“Required Reports” means, collectively, the asset report and the Servicing Reports required pursuant to Section 6.08(b), the Servicer’s Certificate required pursuant to Section 6.08(c), the financial statements of the Servicer required pursuant to Section 6.08(d), the tax returns of the Borrower, the Transferor, the Parent and the Servicer required pursuant to Section 6.08(e), the financial statements and valuation reports of each Obligor required pursuant to Section 6.08(f), the annual statements as to compliance required pursuant to Section 6.09, and the annual independent public accountant’s report required pursuant to Section 6.10.

“Responsible Officer” means, with respect to any Person, any duly authorized officer of such Person with direct responsibility for the administration of this Agreement and also, with respect to a particular matter, any other duly authorized officer of such Person to whom such matter is referred because of such officer’s knowledge of and familiarity with the particular subject.

“Restricted Junior Payment” means (i) any dividend or other distribution, direct or indirect, on account of any class of membership interests of the Borrower now or hereafter outstanding, except a dividend or distribution paid solely in interests of that class of membership interests or in any junior class of membership interests of the Borrower; (ii) any redemption, retirement, sinking fund or similar payment, purchase or other acquisition for value, direct or indirect, of any class of membership interests of the Borrower now or hereafter outstanding, (iii) any payment made to redeem, purchase, repurchase or retire, or to obtain the surrender of, any outstanding warrants, options or other rights to acquire membership interests of the Borrower now or hereafter outstanding, and (iv) any payment of management fees by the Borrower. For the avoidance of doubt, (x) payments and reimbursements due to the Servicer in accordance with this Agreement or any other Transaction Document do not constitute Restricted Junior Payments and (y) distributions by the Borrower to holders of its membership interests of Loan Assets or of cash or other proceeds relating thereto which have been substituted by the Borrower in accordance with this Agreement shall not constitute Restricted Junior Payments.

“Retained Interest” means, with respect to any Agented Note that is transferred to the Borrower, (i) all of the obligations, if any, of the agent(s) under the documentation evidencing such Agented Note and (ii) the applicable portion of the interests, rights and obligations under the documentation evidencing such Agented Note that relate to such portion(s) of the indebtedness that is owned by another lender.

“Revolving Loan Asset” means a Loan Asset that is a line of credit or contains an unfunded commitment arising from an extension of credit to an Obligor, pursuant to the terms of which amounts borrowed may be repaid and subsequently reborrowed.

“S&P” means Standard & Poor’s Ratings Services, a Standard & Poor’s Financial Services LLC business (or its successors in interest).

“Scheduled Payment” means each scheduled payment of principal and/or interest required to be made by an Obligor on the related Loan Asset, as adjusted pursuant to the terms of the related Loan Agreement.

“Second Lien Loan Asset” means any Loan Asset that (a) is secured by a valid and perfected second priority Lien on substantially all of the Obligor’s assets constituting Underlying Collateral for the Loan Asset (whether or not there is also a security interest of a higher or lower priority in additional collateral), subject to any “permitted liens” as defined in the applicable Loan Agreement for such Loan Asset or such comparable definition if “permitted liens” is not defined therein, (b) is *pari passu* in right of payment with the Indebtedness of the holders of the first priority security interest (other than with respect to receipt of the proceeds of liquidated collateral following an event of default), (c) pursuant to an intercreditor or subordination agreement between the Borrower (or the applicable agent) and the holder of such first priority security interest (or the applicable agent), the amount of Indebtedness covered by such first priority security interest is limited in terms of aggregate outstanding amount or percent of outstanding principal and (d) has a Loan-to-Value Ratio, as of the Cut-Off Date, of not greater than 70%.

“Second Reinvestment Period Extension” has the meaning assigned to that term in Section 2.01(d)(i).

“Second Stated Maturity Date Extension” has the meaning assigned to that term in Section 2.01(d)(ii).

“Secured Party” means each of the Administrative Agent, each Lender (together with its successors and assigns), each Affected Party, the Collateral Agent, the Collateral Custodian, the Account Bank and, to the extent of any Obligations owing to such Person hereunder or under any other Transaction Document, each of their respective Affiliates, assigns, officers, directors, employees and agents.

“Securities Act” means the U.S. Securities Act of 1933, as amended, and the rules and regulations promulgated thereunder.

“Sequential Pay Event” means, as of any date of determination, (i) after the occurrence of an Event of Default and the termination of the Commitments pursuant to Section 7.01, (ii) after the declaration or automatic or scheduled occurrence of the Facility Maturity Date or (iii) after the end of the Reinvestment Period when the aggregate Adjusted Borrowing Value of the Loan Assets held by the Borrower first equals 50% or less of the aggregate Adjusted Borrowing Value of the Loan Assets held by the Borrower as of the final day of the Reinvestment Period.

“Servicer” means at any time the Person then authorized, pursuant to Section 6.01 to service, administer, and collect on the Loan Assets and exercise rights and remedies in respect of the same.



“Servicer Pension Plan” has the meaning set forth in Section 4.03(p).

“Servicer Termination Event” means the occurrence of any one or more of the following events:

(a) any failure by the Servicer to make any payment, transfer or deposit into the Collection Account (including, without limitation, with respect to bifurcation and remittance of Interest Collections and Principal Collections) or the Unfunded Exposure Account, as required by this Agreement or any Transaction Document which continues unremedied for a period of two Business Days;

(b) any failure on the part of the Servicer duly to (i) observe or perform in any material respect any other covenants or agreements of the Servicer set forth in this Agreement or the other Transaction Documents to which the Servicer is a party (including, without limitation, any delegation of the Servicer’s duties that is not permitted by Section 6.01 of this Agreement) or (ii) comply in any material respect with the Servicing Standard regarding the servicing of the Collateral Portfolio and in each case of clause (i) or (ii) the same continues unremedied for a period of 30 days (if such failure can be remedied) after the earlier to occur of (x) the date on which written notice of such failure requiring the same to be remedied shall have been given to the Servicer by the Administrative Agent or the Collateral Agent (at the direction of the Administrative Agent) and (y) the date on which a Responsible Officer of the Servicer acquires knowledge thereof;

(c) the failure of the Servicer to make any payment when due (after giving effect to any related grace period) under one or more agreements for borrowed money to which it is a party and for which there is recourse to the Servicer or the property of the Servicer for such debt in an aggregate amount in excess of United States \$5,000,000, individually or in the aggregate;

(d) a Bankruptcy Event shall occur with respect to the Servicer;

(e) ~~CCT~~ (i) prior to the consummation of a Permitted BDC Merger, CCT, and (ii) on or after the consummation of each Permitted BDC Merger, the applicable Permitted BDC, shall assign its rights or obligations as “Servicer” hereunder to any Person without the consent of each Lender and the Administrative Agent (as required in Section 11.04(a) of this Agreement) (other than pursuant to Section 6.01 following the delivery of a Servicer Termination Notice);

(f) the occurrence of any Change of Control with respect to the Servicer that does not comply with the provisions of Section 5.04(a) of this Agreement;

(g) any failure by the Servicer to deliver (i) any required Servicing Report on or before the date occurring two Business Days after the date such report is required to be made or given, as the case may be or (ii) any other Required Reports hereunder on or before the date occurring five Business Days after the date such report is required to be made or given, as the case may be, in each case under the terms of this Agreement;

(h) any representation, warranty or certification made by the Servicer in any Transaction Document or in any document or report delivered pursuant to any Transaction Document shall prove to have been incorrect when made, which inaccuracy has a Material Adverse Effect on the Lenders, and continues to be unremedied for a period of 30 days after the earlier to occur of (i) the date on which written notice of such incorrectness requiring the same to be remedied shall have been given to the Servicer by the Administrative Agent, or the Collateral Agent (at the direction of the Administrative Agent) and (ii) the date on which a Responsible Officer of the Servicer acquires knowledge thereof;

(i) any financial or other information reasonably requested from the Servicer in accordance with the terms of this Agreement by the Administrative Agent, a Lender or the Collateral Agent is not provided as requested within 10 Business Days following such request;

(j) the rendering against the Servicer of one or more final judgments, decrees or orders for the payment of money in excess of United States \$15,000,000, individually or in the aggregate, (excluding, in each case, any amounts covered by insurance), and the continuance of such judgment, decree or order unsatisfied and in effect for any period of more than 60 consecutive days after the later of (i) the date on which the right to appeal thereof has expired if no such appeal has commenced, or (ii) the date on which all rights to appeal have been extinguished, without such judgment, decree or order being vacated, stayed or discharged during such 60 day period;

(k) the occurrence of (i) an Event of Default, (ii) the Facility Maturity Date or (iii) a Material Adverse Effect with respect to the Servicer or its business; or

(l) the Servicer resigns in contravention of Section 6.11 of this Agreement.

“Servicer Termination Notice” has the meaning assigned to that term in Section 6.01(b).

“Servicer’s Certificate” has the meaning assigned to that term in Section 6.08(c).

“Servicing Fees” means the fee payable to the Servicer on each Payment Date in arrears in respect of each Remittance Period, which fee shall be equal to the product of (i) 0.50%, (ii) the arithmetic mean of the aggregate Outstanding Balance of all Eligible Loan Assets on the first day and on the last day of the related Remittance Period and (iii) the actual number of days in such Remittance Period divided by 360; *provided* that the rate set forth in clause (i) hereof may be increased up to 0.75% at the discretion of the Administrative Agent in the event that a successor Servicer is appointed pursuant to Section 6.01(c).

“Servicing File” means, for each Loan Asset, (a) copies of each of the Required Loan Documents and (b) any other portion of the Loan Asset File which is not part of the Required Loan Documents.

“Servicing Report” has the meaning assigned to that term in Section 6.08(b).

“Servicing Standard” means, with respect to any Loan Assets included in the Collateral Portfolio, to service and administer such Loan Assets on behalf of the Secured Parties in accordance with Applicable Law, the terms of this Agreement, the Loan Agreements, all customary and usual servicing practices for loans like the Loan Assets and, to the extent

consistent with the foregoing, (a)(i) if the Servicer is the originator or an Affiliate thereof, the higher of: (A) the customary and usual servicing practices that a prudent loan investor or lender would use in servicing loans like the Loan Assets for its own account, and (B) the same care, skill, prudence and diligence with which the Servicer services and administers loans for its own account or for the account of others pursuant to and in accordance with the Investment Policies, and (ii) if the Servicer is not the originator or an Affiliate thereof, the same care, skill, prudence and diligence with which the Servicer services and administers loans for its own account or for the account of others; (b) with a view to maximize the value of the Loan Assets; and (c) without regard to: (i) the Servicer's right to receive compensation for its services hereunder or with respect to any particular transaction, (ii) the ownership by the Servicer or any Affiliate thereof of any Loan Assets, or (iii) the ownership, servicing or management for others by the Servicer of any other loans or property by the Servicer.

“SMBC” means Sumitomo Mitsui Banking Corporation, a Japanese joint stock corporation, in its individual capacity, together with its successors and assigns.

“Solvent” means, as to any Person at any time, having a state of affairs such that all of the following conditions are met: (a) the fair market value of the property of such Person is greater than the amount of such Person's liabilities (including disputed, contingent and unliquidated liabilities) as such value is established and liabilities evaluated for purposes of Section 101(32) of the Bankruptcy Code; (b) the present fair saleable value of the property of such Person in an orderly liquidation of such Person is not less than the amount that will be required to pay the probable liability of such Person on its debts and other liabilities as they become absolute and matured; (c) such Person is able to realize upon its property and pay its debts and other liabilities (including disputed, contingent and unliquidated liabilities) as they mature in the normal course of business; (d) such Person does not intend to, and does not believe that it will, incur debts or liabilities beyond such Person's ability to pay as such debts and liabilities mature; and (e) such Person is not engaged in a business or a transaction, and does not propose to engage in a business or a transaction, for which such Person's property assets would constitute unreasonably small capital.

“State” means one of the fifty states of the United States or the District of Columbia.

“Stated Maturity Date” means December 2, ~~2021~~2022 (or, if such day is not a Business Day, the next succeeding Business Day) or such later date as results from the Initial Stated Maturity Date Extension or the Second Stated Maturity Date Extension in accordance with and pursuant to Section 2.01(d)(ii), or as otherwise agreed to in writing by the Borrower, the Servicer, the Administrative Agent and the Lenders.

“Structured Finance Obligation” means any obligation secured directly by, referenced to, or representing ownership of, a pool of receivables or other financial assets of any obligor, including collateralized debt obligations and mortgage-backed securities, including (but not limited to) collateral debt obligations, collateral loan obligations, asset backed securities and commercial mortgage backed securities or any resecuritization thereof.

“Subsidiary” means with respect to a person, a corporation, partnership or other entity of which shares of stock or other ownership interests having ordinary voting power (other than stock or such other ownership interests having such power only by reason of the happening of a contingency) to elect a majority of the board of directors or other managers of such corporation, partnership or other entity are at the time owned, or the management of which is otherwise controlled, directly or indirectly through one or more intermediaries, or both, by such person.

“Substitute Eligible Loan Asset” means each Eligible Loan Asset Pledged by the Borrower to the Collateral Agent, on behalf of the Secured Parties, pursuant to Section 2.07(a) or Section 2.07(c)(ii).

“Successor Servicer” has the meaning assigned to that term in Section 6.01(i).

“Taxes” means any present or future taxes, levies, imposts, duties, charges, assessments or fees of any nature (including interest, penalties, and additions thereto) that are imposed by any Governmental Authority.

“Term Loan Asset” means a Loan Asset that is a term loan that has been fully funded and does not contain any unfunded commitment arising from an extension of credit to an Obligor.

“Total Net Leverage Ratio” means, with respect to any Loan Asset for any Relevant Test Period, the meaning of “Total Net Leverage Ratio” relating to total Indebtedness in the Loan Agreement for such Loan Asset, and in any case that “Total Net Leverage Ratio” or such comparable definition is not defined in such Loan Agreement, the ratio with respect to the applicable Obligor of (a) total Indebtedness minus Unrestricted Cash to (b) EBITDA, as calculated by the Servicer in good faith using information from and calculations consistent with the relevant compliance statements and financial reporting packages provided by the relevant Obligor as per the requirements of the Loan Agreement.

“Transaction Documents” means this Agreement, any Variable Funding Note(s), any Joinder Supplement, the Purchase and Sale Agreement, the Control Agreement, the Custody Agreement, the Collateral Custodian and Account Bank Fee Letter, each Lender Fee Letter and each document, instrument or agreement related to any of the foregoing.

“Transferor” means CCT, in its capacity as the transferor hereunder and as the seller under the Purchase and Sale Agreement, together with its successors and assigns in such capacity.

“UCC” means the Uniform Commercial Code as from time to time in effect in the relevant jurisdiction.

“Underlying Collateral” means, with respect to a Loan Asset, any property or other assets designated and pledged or mortgaged as collateral to secure repayment of such Loan Asset, as applicable, including, without limitation, mortgaged property and/or a pledge of the stock, membership or other ownership interests in the related Obligor and all proceeds from any sale or other disposition of such property or other assets.

“Underwriting Period” has the meaning assigned to that term in Section 3.02(b)(ii).

“Underwriting Request” has the meaning assigned to that term in Section 3.02(b)(ii).

“Unfunded Exposure Account” means a trust account (account number [] at the Account Bank) in the name of the Borrower and under the control of the Collateral Agent for the benefit of the Secured Parties; *provided* that the funds deposited therein (including any interest and earnings thereon) from time to time and subject to the terms thereof shall constitute the property and assets of the Borrower and the Borrower shall be solely liable for any Taxes payable with respect to the Unfunded Exposure Account.

“Unfunded Exposure Amount” means, as of any date of determination, an amount equal to the aggregate amount of all Exposure Amounts.

“Unfunded Exposure Amount Shortfall” has the meaning assigned to that term in Section 2.02(f).

“Unfunded Exposure Equity Amount” means, on any date of determination, an amount equal to, for each Eligible Loan Asset which has any unfunded commitments, the aggregate sum of the products of (a) the Exposure Amount for each such Eligible Loan Asset and (b) the difference of (x) 100% minus (y) the Applicable Percentage for each such Eligible Loan Asset.

“United States” means the United States of America.

“Unmatured Event of Default” means any event that, if it continues uncured, will, with lapse of time, notice or lapse of time and notice, constitute an Event of Default.

“Unrestricted Cash” means, with respect to any Loan Asset for any Relevant Test Period, the meaning of “Unrestricted Cash” or any comparable definition in the Loan Agreement for each Loan Asset, and in any case that “Unrestricted Cash” or such comparable definition is not defined in such Loan Agreement, all cash available for use for general corporate purposes and not held in any reserve account or legally or contractually restricted for any particular purposes or subject to any lien (other than blanket liens permitted under or granted in accordance with such Loan Agreement).

“U.S. Person” means any Person that is a “United States person” as defined in Section 7701(a)(30) of the Code.

“Value Adjustment Event” means, with respect to any Loan Asset, the occurrence of any one or more of the following events after the related Cut-Off Date (any of which, for the avoidance of doubt, may occur more than once):

- (i) an Obligor principal payment default under any Loan Asset;

(ii) any other Obligor payment default with respect to principal or interest under any Loan Asset (after giving effect to any applicable grace and/or cure periods set forth in the Loan Agreement, but in any case not to exceed five Business Days);

(iii) a Bankruptcy Event with respect to the related Obligor;

(iv) the occurrence of a Material Modification with respect to such Loan Asset; ~~or~~

(v) the Obligor in respect of such Loan Asset fails to deliver to the Borrower or the Servicer any financial reporting information (after giving effect to any grace and/or cure period set forth in the Loan Agreement); ~~or~~

(vi) any other Obligor default under such Loan Asset (after giving effect to any applicable grace or cure periods in accordance with the applicable Loan Agreement) that, in the Administrative Agent's sole discretion, could reasonably be expected to have a material and adverse effect on the creditworthiness of such Obligor or on the collectability of any amount required to be paid under the related Loan Agreement for such Loan Asset; or

(vii) for Second Lien Loan Assets only, the Total Net Leverage Ratio for any Relevant Test Period of the related Obligor with respect to such Loan Asset (x) is more than 1.25x higher than such Total Net Leverage Ratio as calculated on the applicable Cut-Off Date (or, in the case of Loan Assets approved by the Administrative Agent prior to November 30, 2018, as set forth on the Approval Notice for such Loan Assets) and (y) is more than 3.50x.

“Variable Funding Note” has the meaning assigned to such term in Section 2.01(a).

“Volcker Rule” means Section 13 of the U.S. Bank Holding Company Act of 1956, as amended, and the applicable rules and regulations thereunder.

“Warranty Event” means, as to any Loan Asset, the discovery by the Borrower, the Transferor (if applicable) or the Servicer that as of the related Cut-Off Date for such Loan Asset there existed a breach of any representation or warranty set forth in Section 4.02 and Schedule II or Section 4.2 of the Purchase and Sale Agreement by the Borrower, the Transferor (if applicable) or the Servicer relating to such Loan Asset (including that the Loan Asset failed to satisfy the criteria of the definition of “Eligible Loan Asset”) and the failure of Borrower to cure such breach, or cause the same to be cured, within 10 Business Days after the earlier to occur of the Borrower's, Seller's or Servicer's receipt of notice thereof from the Administrative Agent or the Borrower's, Seller's or Servicer's becoming aware thereof.

“Warranty Loan Asset” means a Loan Asset with respect to which a Warranty Event has occurred.

“Wells Fargo” means Wells Fargo, National Association.

“Withholding Agent” means the Borrower, the Servicer and the Administrative Agent.

“Yield” means the sum of the following, payable on each Payment Date:

(a) the aggregate LIBOR Yield for all LIBOR Advances Outstanding that have an Interest Period that ends on such Payment Date and for any part of the outstanding principal amount of a LIBOR Advance that was prepaid on a day other than a day on which an Interest Period for such LIBOR Advance ended, to the extent that LIBOR Yield with respect to such prepaid principal remains accrued and unpaid: plus,

(b) with respect to any previously ended Remittance Period during which any Base Rate Advances were outstanding, the sum for each day in such Remittance Period of amounts determined in accordance with the following formula (but only to the extent that such amounts were not previously paid to the Lenders):

$$\frac{YR \times L}{D}$$

where: YR = the Base Rate Yield Rate applicable on such day;

L = the aggregate principal amount of the Base Rate Advances Outstanding on such day;  
and

D = 365 or 366, as applicable;

*provided* that (i) no provision of this Agreement shall require the payment or permit the collection of Yield in excess of the maximum permitted by Applicable Law and (ii) Yield shall not be considered paid by any distribution if at any time such distribution is later required to be rescinded by any Lender to the Borrower or any other Person for any reason including, without limitation, such distribution becoming void or otherwise avoidable under any statutory provision or common law or equitable action, including, without limitation, any provision of the Bankruptcy Code.

SECTION 2.02 Other Terms. All accounting terms used but not specifically defined herein shall be construed in accordance with GAAP. All terms used in Article 9 of the UCC in the State of New York, and used but not specifically defined herein, are used herein as defined in such Article 9.

SECTION 2.03 Computation of Time Periods. Unless otherwise stated in this Agreement, in the computation of a period of time from a specified date to a later specified date, the word “from” means “from and including” and the words “to” and “until” each mean “to but excluding.”

SECTION 2.04 Interpretation.

In each Transaction Document, unless a contrary intention appears:

(a) the singular number includes the plural number and vice versa;

(b) reference to any Person includes such Person's successors and assigns but only if such successors and assigns are not prohibited by the Transaction Documents;

(c) reference to any gender includes each other gender;

(d) reference to day or days without further qualification means calendar days;

(e) reference to any time means New York, New York time;

(f) reference to the words "include", "includes" and "including" shall be deemed to be followed by the phrase "without limitation";

(g) reference to any agreement (including any Transaction Document), document or instrument means such agreement, document or instrument as amended, modified, waived, supplemented, restated or replaced and in effect from time to time in accordance with the terms thereof and, if applicable, the terms of the other Transaction Documents, and reference to any promissory note includes any promissory note that is an extension or renewal thereof or a substitute or replacement therefor;

(h) reference to any Applicable Law means such Applicable Law as amended, modified, codified, replaced or reenacted, in whole or in part, and in effect from time to time, including rules and regulations promulgated thereunder and reference to any Section or other provision of any Applicable Law means that provision of such Applicable Law from time to time in effect and constituting the substantive amendment, modification, codification, replacement or reenactment of such Section or other provision; and

(i) for the avoidance of doubt, on each Measurement Date, the status of each Loan Asset shall be re-determined by the Servicer as of such date and, as a consequence thereof, Loan Assets that were (i) previously Eligible Loan Assets on a prior Measurement Date may be excluded from the Borrowing Base calculated on such Measurement Date and (ii) previously not Eligible Loan Assets on a prior Measurement Date may be included in the Borrowing Base calculated on such Measurement Date.

SECTION 2.05 Nature of Obligations. The parties hereto intend the Advances made hereunder to be a "loan" and not a "security" for purposes of Section 8-102(15) of the UCC.

### ARTICLE III.

#### THE FACILITY

SECTION 3.01 Variable Funding Note and Advances.

(a) Variable Funding Note. Upon the written request of any Lender at any time, the Borrower shall (on the terms and subject to the conditions hereinafter set forth) deliver to such Lender, at the address set forth in Section 11.02 of this Agreement, and upon the written request of any additional Lender, the Borrower shall deliver to such additional Lender, at the address set forth in the applicable Joinder Supplement, a duly executed variable funding note (as amended, modified, supplemented or restated from time to time, a "Variable Funding Note"), in



substantially the form of Exhibit H, in an aggregate face amount equal to the applicable Lender's Commitment as of the date on which such Variable Funding Note is issued and otherwise duly completed. If any Variable Funding Note is issued, interest shall accrue on such Variable Funding Note, and such Variable Funding Note shall be payable, as described herein.

(b) Advances. On the terms and conditions hereinafter set forth, from time to time from the Closing Date until the end of the Reinvestment Period, the Borrower may request that the Lenders make Advances secured by the Collateral Portfolio, (x) to the Borrower for the purpose of purchasing Eligible Loan Assets, (y) to the Unfunded Exposure Account in an amount up to the Unfunded Exposure Amount or (z) to the Borrower for distributions to the Transferor in connection with prior transfers of unleveraged Eligible Loan Assets to the Borrower as capital contributions to the Borrower, including with respect to any Borrowing Base capacity resulting from any repayment of Advances previously made to the Borrower (so long as such distribution is permitted pursuant to Section 5.02(m) of this Agreement). Other than pursuant to Section 2.02(f), under no circumstances shall any Lender be required to make any Advance if after giving effect to such Advance and the addition to the Collateral Portfolio of the Eligible Loan Assets being acquired by the Borrower using the proceeds of such Advance, (i) an Event of Default has occurred, or would result therefrom, or an Unmatured Event of Default exists or would result therefrom or (ii) the aggregate Advances Outstanding would exceed the Borrowing Base. Notwithstanding anything to the contrary herein (including Section 2.02(f)), no Lender shall be obligated to provide the Borrower (or to the Unfunded Exposure Account, if applicable) with aggregate funds in connection with an Advance that would exceed the lesser of (x) such Lender's unused Commitment then in effect and (y) the aggregate unused Commitments then in effect.

(c) Notations on Variable Funding Note. Each Lender is hereby authorized to enter on a schedule attached to the Variable Funding Note, if any, with respect to such Lender a notation (which may be computer generated) with respect to each Advance under the Variable Funding Note made by such Lender of: (i) the date and principal amount thereof, and (ii) each repayment of principal thereof, and any such recordation shall, absent manifest error, constitute prima facie evidence of the accuracy of the information so recorded. The failure of any Lender to make any such notation on the schedule attached to any Variable Funding Note shall not limit or otherwise affect the obligation of the Borrower to repay the Advances Outstanding in accordance with their respective terms as set forth herein.

(d) (i) The Borrower may, at any time after the first anniversary of the Closing Date, make a request to the Administrative Agent and the Lenders to extend the date set forth in clause (i) of the definition of "Reinvestment Period" for a period of one year (or such shorter period as determined by the Servicer and mutually agreed to by the Administrative Agent, each of the Lenders, the Borrower and the Servicer) (such extension, the "Initial Reinvestment Period Extension"). Following such Initial Reinvestment Period Extension, the Borrower may, at any time thereafter, make a request to the Administrative Agent and the Lenders to extend the date set forth in clause (i) of the definition of "Reinvestment Period" (as revised by the Initial Reinvestment Period Extension) for an additional period of one year (such extension, the "Second Reinvestment Period Extension"). The effectiveness of either the Initial Reinvestment Period Extension or the Second Reinvestment Period Extension shall be conditioned upon the payment of the applicable Extension Fee to the Administrative Agent for

the Administrative Agent's own account, in immediately available funds. For the avoidance of doubt, the Borrower agrees that any of the Lenders or the Administrative Agent, in their sole and absolute discretion, without regard to the value or performance of the Loan Assets or any other factor, may elect not to extend the date set forth in clause (i) of the definition of "Reinvestment Period".

(ii) The Borrower may, at any time after the first anniversary of the Closing Date, make a request to the Administrative Agent and the Lenders to extend the date set forth in the definition of "Stated Maturity Date" for a period of one year (or such shorter period as determined by the Servicer and mutually agreed to by the Administrative Agent, each of the Lenders, the Borrower and the Servicer) (such extension, the "Initial Stated Maturity Date Extension"). Following such Initial State Maturity Date Extension, the Borrower may, at any time thereafter, make a request to the Administrative Agent and the Lenders to extend the date set forth in the definition of "Stated Maturity Date" (as revised by the Initial Stated Maturity Date Extension) for an additional period of one year (such extension, the "Second Stated Maturity Date Extension"). The effectiveness of either the Initial Stated Maturity Date Extension or the Second Stated Maturity Date Extension shall be conditioned upon the payment of the applicable Extension Fee to the Administrative Agent for the Administrative Agent's own account, in immediately available funds. For the avoidance of doubt, the Borrower agrees that any of the Lenders or the Administrative Agent, in their sole and absolute discretion, without regard to the value or performance of the Loan Assets or any other factor, may elect not to extend the date set forth in the definition of "Stated Maturity Date".

#### SECTION 3.02 Procedure for Advances.

(a) During the Reinvestment Period, the Lenders will make Advances on any Business Day at the request of the Borrower, subject to and in accordance with the terms and conditions of Sections 2.01 and 2.02 and subject to the provisions of Article III hereof.

(b) The Borrower shall request an Advance by delivering irrevocable written notice in the form of a Notice of Borrowing, in which the Borrower shall specify whether the Advance shall be a LIBOR Advance or a Base Rate Advance. For each LIBOR Advance, the Borrower shall deliver a Notice of Borrowing to the Administrative Agent and each Lender (with a copy to the Collateral Custodian and the Account Bank) no later than 1:00 p.m. at least three Business Days before the Business Day on which the LIBOR Advance is to be made; provided that if such Notice of Borrowing is delivered later than 1:00 p.m. on such Business Day, such Notice of Borrowing shall be deemed to have been received on the following Business Day. For each Base Rate Advance, the Borrower shall deliver an irrevocable written notice in the form of a Notice of Borrowing to the Administrative Agent and each Lender no later than 1:00 p.m. one Business Day prior to the Business Day on which such Base Rate Advance is to be made; *provided* that if such Notice of Borrowing is delivered later than 1:00 p.m. on such Business Day, such Notice of Borrowing shall be deemed to have been received on the following Business Day. The Borrower or the Servicer shall post all Loan Agreements and other loan documents and information with respect to each proposed Eligible Loan Asset, if any, to a Deal Interactive (or other replacement) website to which the Administrative Agent and each Lender has access.

Each Notice of Borrowing shall include a duly completed Borrowing Base Certificate (updated to the date such Advance is requested and giving pro forma effect to the Advance requested and the use of the proceeds thereof), and shall specify:

- (i) the aggregate amount of such Advance, which amount shall not cause the Advances Outstanding to exceed the Borrowing Base; *provided* that, except with respect to an Advance pursuant to Section 2.02(f), the amount of such Advance must be at least equal to \$500,000;
- (ii) the proposed Advance Date and whether such Advance will be a LIBOR Advance or a Base Rate Advance;
- (iii) a representation that all conditions precedent for an Advance described in Article III hereof have been satisfied;
- (iv) the amount of cash that will be funded by the Transferor or the Borrower into the Unfunded Exposure Account in connection with any Revolving Loan Asset or Delayed Draw Loan Asset funded by such Advance, if applicable; and
- (v) whether such Advance (or portion thereof) should be remitted to the Advance Funding Account or the Unfunded Exposure Account.

On the date of each Advance, upon satisfaction of the applicable conditions set forth in Article III, each Lender shall, in accordance with instructions received by the Borrower, either (i) make available to the Borrower, in same day funds, an amount equal to such Lender's Pro Rata Share of such Advance, by payment into the Advance Funding Account or (ii) remit in same day funds an amount equal to such Lender's Pro Rata Share of such Advance into the Unfunded Exposure Account, as applicable; *provided* that, with respect to an Advance funded pursuant to Section 2.02(f), each Lender shall remit the Advance equal to such Lender's Pro Rata Share of the Unfunded Exposure Amount Shortfall in same day funds to the Unfunded Exposure Account.

(c) Each LIBOR Advance shall bear interest at the applicable LIBOR Yield Rate. The Base Rate Advances Outstanding shall bear interest at the Base Rate Yield Rate. So long as no Event of Default has occurred and is continuing, the Borrower may request that the Administrative Agent convert any Base Rate Advance, in whole and not in part, to a LIBOR Advance by delivering a Conversion Notice to the Administrative Agent no later than 1:00 p.m. at least three Business Days before the Conversion Date on which such Base Rate Advance is to be converted into a LIBOR Advance.

(d) Subject to Section 2.18 and the other terms, conditions, provisions and limitations set forth herein (including, without limitation, the payment of the Make-Whole Premium and Breakage Fees, as applicable), the Borrower may (i) borrow, repay or prepay and reborrow Advances without any penalty, fee or premium on and after the Closing Date and prior to the end of the Reinvestment Period and (ii) repay or prepay Advances without any penalty, fee or premium after the end of the Reinvestment Period and prior to the Facility Maturity Date.

(e) A determination by SMBC of the existence of any Eurodollar Disruption Event (any such determination to be communicated to the Borrower by written notice from the Administrative Agent promptly after the Administrative Agent learns of such event), or of the effect of any Eurodollar Disruption Event on its making or maintaining Advances at LIBOR, shall be conclusive absent manifest error.

(f) If, on the last day of the Reinvestment Period (or no later than three Business Days after the occurrence of an Event of Default if the Reinvestment Period ends due to the occurrence of an Event of Default), the amount on deposit in the Unfunded Exposure Account is less than the aggregate Unfunded Exposure Amount, the Borrower shall request an Advance in the amount of such shortfall after taking into account the amounts required to be deposited into the Unfunded Exposure Account in accordance with clause (iii) below (the “Unfunded Exposure Amount Shortfall”). Following receipt of a Notice of Borrowing (as described in clause (ii) below), each Lender shall fund such Unfunded Exposure Amount Shortfall in accordance with Section 2.02(b), notwithstanding anything to the contrary herein (including, without limitation, (a) the Borrower’s failure to satisfy any of the conditions precedent set forth in Section 3.02, (b) the occurrence of an Event of Default or (c) the existence of (x) an Unmatured Event of Default or (y) a Borrowing Base Deficiency); *provided that*:

(i) each Lender may fund such Unfunded Exposure Amount Shortfall in its sole discretion to the extent that doing so would cause such Lender to make an Advance that would result in the aggregate outstanding principal amount of such Lender’s Advances to exceed such Lender’s Commitment;

(ii) the Borrower shall have caused a properly completed Notice of Borrowing (which shall specify the account details of the Unfunded Exposure Account where the funds will be made available) to be delivered to the Administrative Agent (with a copy to the Lenders) on a timely basis; and

(iii) to the extent the Reinvestment Period has ended due to the occurrence of an Event of Default, each Lender shall have a funding obligation with respect to the Unfunded Exposure Amount Shortfall under this Section 2.02(f) solely to the extent that (A) the Borrower shall have, prior to the applicable Advance Date, deposited an amount not less than the Unfunded Exposure Equity Amount in the Unfunded Exposure Account pursuant to Section 2.04(a)(viii) or by an equity contribution by ~~CCT(x)~~ prior to the consummation of a Permitted BDC Merger, CCT, and (y) on or after the consummation of each Permitted BDC Merger, the applicable Permitted BDC, or by any combination of those two methods and (B) such funds, as of such Advance Date, remain on deposit in the Unfunded Exposure Account.

For the avoidance of doubt, the Borrower shall not be required to fund the Unfunded Exposure Account unless and until the occurrence of an Event of Default or the last day of the Reinvestment Period or as required to prevent the occurrence of a Borrowing Base Deficiency. For the further avoidance of doubt, any obligation of a Lender to make an Advance pursuant to this Section 2.02(f) shall be without prejudice to the obligation of the Borrower to cure any Borrowing Base Deficiency that exists prior to such Advance or results therefrom.

(g) The obligation of each Lender to remit its Pro Rata Share of any Advance shall be several from that of each other Lender and the failure of any Lender to so make such amount available to the Borrower shall not relieve any other Lender of its obligation hereunder.

SECTION 3.03 Determination of Yield. Each Lender shall determine the Yield for its portion of the Advances Outstanding (including unpaid Yield related thereto, if any, due and payable on a prior Payment Date) to be paid by the Borrower on each Payment Date and shall advise the Servicer thereof on or prior to 10:00a.m. on the third Business Day prior to such Payment Date.

SECTION 3.04 Remittance Procedures. By delivery of a Servicing Report on a Reporting Date, the Servicer, as agent for the Administrative Agent and the Lenders, shall, and if the Servicer fails to do so, the Administrative Agent may instruct the Account Bank to, apply funds on deposit in the Controlled Accounts on the related Payment Date as described in this Section 2.04; *provided* that at any time after delivery of Notice of Exclusive Control that has not been rescinded, the Administrative Agent shall instruct the Collateral Agent (who shall instruct the Account Bank) to apply funds on deposit in the Controlled Accounts as described in this Section 2.04.

(a) Interest and Principal Payments During Reinvestment Period and Absent a Sequential Pay Event. On each Payment Date during the Reinvestment Period, so long as no Sequential Pay Event has occurred and is continuing, the Servicer shall transfer (or instruct the Account Bank to transfer) Interest Collections and Principal Collections held by the Account Bank in the Collection Account as of the Payment Date Cut-Off, in accordance with the Servicing Report, to the following Persons in the following amounts and priority:

(i) to any applicable Governmental Authority, any Tax or withholding for or on account of any Tax which could result in a Lien on any of the Collateral Portfolio;

(ii) *pari passu* to (a) the Collateral Agent, in payment in full of the Collateral Agent Fee with respect to such Payment Date (along with any unpaid Collateral Agent Fee with respect to any previous Payment Date) and all accrued and unpaid Collateral Agent Expenses and (b) the Collateral Custodian and the Account Bank in payment in full of the Collateral Custodian and Account Bank Fees with respect to such Payment Date (along with any unpaid Collateral Custodian and Account Bank Fees with respect to any previous Payment Date) and all accrued and unpaid Collateral Custodian and Account Bank Expenses; *provided* that, so long as no Event of Default has occurred and is continuing, (i) amounts payable to the Collateral Agent for the Collateral Agent Expenses pursuant to the foregoing shall not exceed \$60,000 for any 12-month period and (ii) amounts payable to the Collateral Custodian and Account Bank pursuant to the foregoing clause (b) shall not exceed \$75,000 for any 12-month period (other than indemnity amounts payable by the Borrower to the Collateral Custodian and Account Bank under the Transaction Documents, which amounts shall not be subject to such cap);

(iii) to the Servicer, in payment in full of all accrued and unpaid expenses; *provided* that amounts payable to the Servicer pursuant to the foregoing shall not exceed \$25,000 for any three-month period;

(iv) to the Servicer, in payment in full of the Servicing Fees with respect to such Payment Date (along with any unpaid Servicing Fees with respect to any previous Payment Date);

(v) to the Administrative Agent, all accrued and unpaid fees, out-of-pocket expenses (including reasonable and reasonably documented out-of-pocket outside attorneys' fees, costs and expenses), indemnity amounts and any other administrative expenses and amounts payable by the Borrower to the Administrative Agent under the Transaction Documents;

(vi) *pro rata*, in accordance with the amounts due under this clause, to each Lender (A) all Yield payable on such Payment Date and (B) the Non-Usage Fee to the extent that such Non-Usage Fee is accrued and unpaid as of the last day of the related Remittance Period;

(vii) *pro rata*, to each Lender, all accrued and unpaid fees (including Breakage Fees), out-of-pocket expenses (including reasonable and reasonably documented out-of-pocket outside attorneys' fees, costs and expenses) and indemnity amounts payable by the Borrower to any Lender under the Transaction Documents;

(viii) to pay the Advances Outstanding to the extent required to satisfy any outstanding Borrowing Base Deficiency or to avoid a Borrowing Base Deficiency (on a *pro forma* basis after giving effect to the payment to be made on such Payment Date) from arising;

(ix) at the discretion of the Servicer, to the Unfunded Exposure Account up to an amount necessary to cause the amount on deposit in the Unfunded Exposure Account to equal the Unfunded Exposure Equity Amount;

(x) *first* to (a) the Collateral Custodian and the Account Bank, in payment in full of all accrued and unpaid Collateral Custodian and Account Bank Expenses, and *second* to (b) the Collateral Agent, in payment in full of all accrued and unpaid Collateral Agent Expenses, each to the extent not paid pursuant to Section 2.04(b)(ii);

(xi) to the Servicer, in payment in full of any expenses not reimbursed pursuant to Section 2.04(a)(iii); and

(xii) to the Borrower, any remaining amounts.

(b) Payment Date Transfers After the Reinvestment Period or Following the Occurrence of a Sequential Pay Event.

On each Payment Date after the expiration of the Reinvestment Period, or if a Sequential Pay Event has occurred and is continuing, the Servicer shall transfer collected funds held by the Account Bank in the Collection Account as of the

Payment Date Cut-Off, in accordance with the Servicing Report, to the following Persons in the following amounts and priority:

(i) to any applicable Governmental Authority, any Tax or withholding for or on account of any Tax which could result in a Lien on any of the Collateral Portfolio;

(ii) *pari passu* to (a) the Collateral Agent, in payment in full of the Collateral Agent Fee with respect to such Payment Date (along with any unpaid Collateral Agent Fee with respect to any previous Payment Date) and all accrued and unpaid Collateral Agent Expenses and (b) the Collateral Custodian and the Account Bank in payment in full of the Collateral Custodian and Account Bank Fees with respect to such Payment Date (along with any unpaid Collateral Custodian and Account Bank Fees with respect to any previous Payment Date) and all accrued and unpaid Collateral Custodian and Account Bank Expenses; *provided* that, so long as no Event of Default has occurred and is continuing, (i) amounts payable to the Collateral Agent for the Collateral Agent Expenses pursuant to the foregoing shall not exceed \$60,000 for any 12-month period and (ii) amounts payable to the Collateral Custodian and Account Bank pursuant to the foregoing clause (b) shall not exceed \$75,000 for any 12-month period (other than indemnity amounts payable by the Borrower to the Collateral Custodian and Account Bank under the Transaction Documents, which amounts shall not be subject to such cap);

(iii) to the Servicer, in payment in full of all accrued and unpaid expenses; *provided* that amounts payable to the Servicer pursuant to the foregoing shall not exceed \$25,000 for any three-month period;

(iv) to the Servicer, in payment in full of the Servicing Fees with respect to such Payment Date (along with any unpaid Servicing Fees with respect to any previous Payment Date);

(v) to the Administrative Agent, all accrued and unpaid fees, out-of-pocket expenses (including reasonable and reasonably documented out-of-pocket outside attorneys' fees, costs and expenses), indemnity amounts and any other administrative expenses and amounts (to the extent not previously paid in accordance with Section 8.01(b)) payable by the Borrower to the Administrative Agent under the Transaction Documents;

(vi) *pro rata*, in accordance with the amounts due under this clause, to each Lender (A) all Yield payable on such Payment Date and (B) the Non-Usage Fee to the extent that such Non-Usage Fee is accrued and unpaid as of the last day of the related Remittance Period;

(vii) *pro rata*, to each Lender, all accrued and unpaid fees (including Breakage Fees), out-of-pocket expenses (including reasonable and reasonably documented out-of-pocket outside attorneys' fees, costs and expenses) and indemnity amounts payable by the Borrower to any Lender under the Transaction Documents;

(viii) to the Unfunded Exposure Account in an amount necessary to cause the amount on deposit in the Unfunded Exposure Account to equal the Unfunded Exposure Amount;

(ix) prior to the occurrence of a Sequential Pay Event, *pro rata* to each Lender, the Lender Allocation Percentage of the amount available under this clause (ix)

to pay the Advances Outstanding, including any applicable Make-Whole Premium, until paid in full;

(x) after the occurrence of a Sequential Pay Event, *pro rata* to each Lender, to pay the Advances Outstanding, including any applicable Make-Whole Premium, until paid in full;

(xi) *first* to (a) the Collateral Custodian and the Account Bank, in payment in full of all accrued and unpaid Collateral Custodian and Account Bank Expenses, and *second* to (b) the Collateral Agent, in payment in full of all accrued and unpaid Collateral Agent Expenses, each to the extent not paid pursuant to Section 2.04(b)(ii);

(xii) to the Servicer, in payment in full of any expenses not reimbursed pursuant to Section 2.04(b)(iii) and

(xiii) to the Borrower, any remaining amounts.

(c) Unfunded Exposure Account. On or prior to the last day of the Reinvestment Period, the Borrower shall fund an amount equal to the Unfunded Exposure Amount into the Unfunded Exposure Account. During the Reinvestment Period, no amounts shall be required to be deposited into the Unfunded Exposure Account (other than pursuant to Section 2.02(f) or Section 2.06(a)). Funds on deposit in the Unfunded Exposure Account as of any date of determination may be withdrawn to fund draw requests of the relevant Obligor under any Revolving Loan Asset or Delayed Draw Loan Asset; *provided* that, until an Event of Default has occurred, the amount withdrawn to fund such draw request shall not create any Borrowing Base Deficiency. Any such draw request made by an Obligor, along with wiring instructions for the applicable Obligor, shall be forwarded by the Servicer (on behalf of the Borrower) to the Account Bank (with a copy to the Administrative Agent, the Collateral Agent and each Lender) in the form of a Disbursement Request, and the Servicer (on behalf of the Borrower) shall instruct the Account Bank to fund such draw request in accordance with the Disbursement Request; *provided* that at any time after delivery of Notice of Exclusive Control, the Collateral Agent shall so instruct the Account Bank. At any time, the Servicer (or, after delivery of a Notice of Exclusive Control, the Collateral Agent acting at the direction of the Administrative Agent) may cause any amounts on deposit in the Unfunded Exposure Account which exceed the Unfunded Exposure Amount as of any date of determination to be deposited into the Principal Collection Account as Principal Collections.

(d) Insufficiency of Funds. The parties hereby agree that, subject to this Section 2.04, if the funds on deposit in the Collection Account are insufficient to pay any amounts due and payable on a Payment Date, the Borrower shall nevertheless remain responsible



for, and shall pay on each succeeding Payment Date until paid in full all amounts payable under this Agreement and the other Transaction Documents in accordance with the terms of this Agreement and the other Transaction Documents. For the avoidance of doubt, notwithstanding anything to the contrary contained herein, any failure by the Borrower to pay any amount payable under any Transaction Document on the date such payment is due according to such Transaction Document shall, if not cured within any applicable grace period, constitute an Event of Default notwithstanding that at the time such payment is due and during any applicable grace period Available Collections are insufficient for the Borrower to make such payment.

SECTION 3.05 Instructions to the Collateral Agent. To the extent permitted by Applicable Law, the Administrative Agent shall promptly transmit to the Servicer and the Borrower by telecopy or e-mail a copy of all instructions and directions given to the Collateral Agent or the Account Bank by the Administrative Agent, pursuant to Section 2.04. If either the Administrative Agent or Collateral Agent disagrees with the computation of any amounts to be paid or deposited by the Borrower or the Servicer under Section 2.04 or otherwise pursuant to this Agreement, or upon their respective instructions, it shall so notify the Borrower, the Servicer and the Collateral Agent in writing and in reasonable detail to identify the specific disagreement. If such disagreement cannot be resolved within two Business Days, the determination of the Administrative Agent as to such amounts shall be conclusive and binding on the parties hereto absent manifest error. In the event the Collateral Agent or the Account Bank receives instructions from the Servicer or the Borrower which conflict with any instructions received by the Administrative Agent, the Collateral Agent or the Account Bank, as applicable, shall rely on and follow the instructions given by the Administrative Agent.

SECTION 3.06 Borrowing Base Deficiency Payments.

(a) In addition to any other obligation of the Borrower to cure any Borrowing Base Deficiency pursuant to the terms of this Agreement, if, on any day prior to the Collection Date, any Borrowing Base Deficiency exists, then the Borrower shall, within 12 Business Days from the earlier of (x) the date of the Borrower acquiring knowledge of such Borrowing Base Deficiency and (y) the date of the Borrower receives written notice of such Borrowing Base Deficiency from the Administrative Agent, eliminate such Borrowing Base Deficiency in its entirety by effecting one or more (or any combination thereof) of the following actions in order to eliminate such Borrowing Base Deficiency as of such date of determination: (i) deposit cash in Dollars into the Principal Collection Account and/or the Unfunded Exposure Account in the amount necessary to eliminate such Borrowing Base Deficiency, (ii) repay Advances Outstanding (together with any Breakage Fees and all accrued and unpaid costs and expenses of the Administrative Agent and the Lenders, in each case in respect of the amount so prepaid) in the amount necessary to eliminate such Borrowing Base Deficiency, and/or (iii) subject to the approval of the Administrative Agent, in its sole discretion, Pledge additional Eligible Loan Assets in the amount necessary to eliminate such Borrowing Base Deficiency. If the Administrative Agent does not reply to a request by the Borrower within any time period provided for such a reply pursuant to this Section 2.06(a) and does not inform the Borrower that the Administrative Agent is extending the period for such a reply, such failure to reply shall constitute a denial of such request.

(b) No later than 2:00 p.m. on the Business Day prior to the proposed repayment of Advances Outstanding or Pledge of additional Eligible Loan Assets pursuant to Section 2.06(a), (unless waived by the Administrative Agent), the Borrower (or the Servicer on its behalf) shall deliver (i) to the Administrative Agent (with a copy to the Collateral Agent and the Collateral Custodian), notice of such repayment or Pledge and a duly completed Borrowing Base Certificate, updated to the date such repayment or Pledge is being made and giving pro forma effect to such repayment or Pledge, and (ii) to the Administrative Agent, if applicable, a description of any Eligible Loan Asset and each Obligor of such Eligible Loan Asset to be Pledged and added to the updated Loan Asset Schedule. Any notice pertaining to any repayment or any Pledge pursuant to this Section 2.06 shall be irrevocable.

SECTION 3.07 Substitution and Sale of Loan Assets; Affiliate Transactions.

(a) Substitutions. The Borrower may, with the consent of the Administrative Agent in its sole discretion, replace any Loan Asset (including, without limitation, any Defaulted Loan Assets) with an Eligible Loan Asset so long as (i) no event has occurred, or would result from such substitution, which constitutes an Event of Default an Unmatured Event of Default or a Borrowing Base Deficiency *provided* that a Borrowing Base Deficiency (and any Unmatured Event of Default arising therefrom) shall not impair the right of the Borrower to effect an otherwise permitted substitution as necessary to facilitate a cure of such Borrowing Base Deficiency (and any Unmatured Event of Default arising therefrom) so long as immediately after giving effect to such substitution and any other sale or transfer substantially contemporaneous therewith, such Borrowing Base Deficiency shall be cured or if not cured, reduced and (ii) simultaneously therewith, the Borrower Pledges (in accordance with all of the terms and provisions contained herein) a Substitute Eligible Loan Asset.

(b) Discretionary Sales. The Borrower shall be permitted to sell Loan Assets to Persons other than the Transferor or its Affiliates (which, for the avoidance of doubt, shall be permitted in accordance with Section 2.06(e)) from time to time; *provided* that (A) the proceeds of such sale shall be deposited into the Collection Account to be disbursed in accordance with Section 2.04 hereof or reinvested, prior to the end of the Reinvestment Period, in additional Eligible Loan Assets in accordance with (and to the extent permitted under) Section 2.21 hereof, (B) no Event of Default has occurred or would result from such sale, and no Unmatured Event of Default or a Borrowing Base Deficiency exists or would result from such sale; and (C) the prior written consent of the Administrative Agent (in its sole discretion) shall be required if:

(i) the proceeds of the sale of such Loan Asset will be less than the Adjusted Borrowing Value of such Loan Asset;

(ii) after giving effect to such sale and all other sales, substitutions or releases of Loan Assets (other than Warranty Loan Assets) pursuant to Sections 2.07(a), 2.07(b), 2.07(e) or 2.07(g) during the previous 12-month period (or, at any time prior to the first 12 months following the Closing Date, such shorter period), the Outstanding Balance of all Loan Assets disposed pursuant to such sales, substitutions or releases will exceed 30% of the highest aggregate Outstanding Balance of all Loan Assets at any time during such period; or

(iii) at any time from and after the end of the Reinvestment Period, the proceeds of the sale of such Loan Asset will be equal to or greater than the Adjusted Borrowing Value of such Loan Asset immediately after the sale of such Loan Asset and

- a. the Collateral Portfolio will include fewer than seven Loan Assets, or
- b. the aggregate Adjusted Borrowing Value of all the Loan Assets will be less than \$70,000,000.

(c) Repurchase or Substitution of Warranty Loan Assets. If on any day a Loan Asset is (or becomes) a Warranty Loan Asset, no later than 10 Business Days following the earlier of knowledge by the Borrower, the Servicer or the Transferor (if applicable) of such Loan Asset becoming a Warranty Loan Asset or receipt by the Borrower from the Administrative Agent of written notice thereof, the Borrower shall either:

(i) make a deposit to the Collection Account (as Principal Collections for allocation pursuant to Section 2.04) in immediately available funds in an amount equal to the sum of (x) the initial Assigned Value with respect to such Loan Asset multiplied by the Outstanding Balance of such Loan Asset and (y) any expenses or fees with respect to such Loan Asset and costs and damages incurred by the Administrative Agent or by any Lender in connection with any violation by such Loan Asset of any predatory or abusive lending law which is an Applicable Law (a notification regarding the amount of such expenses or fees to be provided by the Administrative Agent to the Borrower); *provided* that the Administrative Agent shall have the right to determine whether the amount so deposited is sufficient to satisfy the foregoing requirements; or

(ii) with the prior written consent of the Administrative Agent, in its sole discretion, substitute a Substitute Eligible Loan Asset for such Warranty Loan Asset.

Upon confirmation of the deposit of the amounts set forth in Section 2.07(c)(i) into the Collection Account or the delivery by the Borrower of a Substitute Eligible Loan Asset for each Warranty Loan Asset (the date of such confirmation or delivery, the "Release Date"), such Warranty Loan Asset and related Portfolio Assets shall be removed from the Collateral Portfolio and, as applicable, the Substitute Eligible Loan Asset and related Portfolio Assets shall be included in the Collateral Portfolio. On the Release Date of each Warranty Loan Asset, the Collateral Agent, for the benefit of the Secured Parties, shall automatically and without further action be deemed to release to the Borrower, without recourse, representation or warranty, all the right, title and interest and any Lien of the Collateral Agent, for the benefit of the Secured Parties in, to and under the Warranty Loan Asset and any related Portfolio Assets and all future monies due or to become due with respect thereto.

(d) Conditions to Sales, Substitutions and Repurchases. Any sales, substitutions or repurchases effected pursuant to Sections 2.07(a), (b), or (c) shall be subject to the satisfaction of the following conditions (as certified in writing to the Administrative Agent and Collateral Agent by the Borrower):

(i) the Borrower shall deliver a Borrowing Base Certificate to the Administrative Agent in connection with such sale, substitution or repurchase;

(ii) the Borrower shall deliver a list of all Loan Assets to be sold, substituted or repurchased;

(iii) the Loan Assets were selected for sale, repurchase or substitution in a manner consistent with and pursuant to the Investment Policies in effect as of the date of such selection;

(iv) the Borrower shall give one Business Day's notice of such sale, substitution or repurchase;

(v) the Borrower shall notify the Administrative Agent of any amount to be deposited into the Collection Account in connection with any sale, substitution or repurchase;

(vi) the representations and warranties contained in Sections 4.01, 4.02 and 4.03 hereof shall continue to be correct in all material respects (or if such representation and warranty is already qualified by the words "material", "materially" or "Material Adverse Effect", then such representation and warranty shall be true and correct in all respects), except to the extent relating to an earlier date;

(vii) any repayment of Advances Outstanding in connection with any sale, substitution or repurchase of Loan Assets hereunder shall comply with the requirements set forth in Section 2.18; and

(viii) the Borrower and the Servicer (on behalf of the Borrower) shall agree to pay the reasonable and reasonably documented outside legal fees and expenses of the Administrative Agent, each Lender, Collateral Agent and the Collateral Custodian in connection with any such sale, substitution or repurchase (including, but not limited to, expenses incurred in connection with the release of the Lien of the Collateral Agent on behalf of the Secured Parties and any other party having an interest in the Loan Asset in connection with such sale, substitution or repurchase).

(e) Affiliate Transactions. Notwithstanding anything to the contrary set forth herein or in any other Transaction Document, the Transferor shall not reacquire and no Affiliate of the Transferor shall acquire from the Borrower and the Borrower shall not transfer to the Transferor or to Affiliates of the Transferor, and none of the Transferor nor any Affiliates thereof shall have a right or ability to purchase, the Loan Assets other than transfers that (i) are permitted by Section 2.07(f) of this Agreement, and (ii) are made on an arms' length basis and for fair market value; *provided* that (x) the proceeds of such sale shall be deposited into the Collection Account to be disbursed in accordance with Section 2.04 hereof, (y) no Event of Default has occurred and is continuing or would result from such sale and no Unmatured Event of Default or a Borrowing Base Deficiency exists or would result from such sale; and (z) the Administrative Agent shall provide prior written consent to such sale.

(f) Limitations on Sales and Substitutions. (i) The Outstanding Balance of all Loan Assets (other than Warranty Loan Assets) substituted with Eligible Loan Assets from the Transferor or any Affiliate pursuant to Section 2.07(a), sold pursuant to Sections 2.07(e) or released pursuant to a Lien Release Dividend during the term of this Agreement shall not exceed 20% of the highest aggregate Outstanding Balance of all Loan Assets at any time during the previous 12-month period, and (ii) the Outstanding Balance of all Defaulted Loan Assets (other than Warranty Loan Assets) substituted with Eligible Loan Assets from the Transferor or any Affiliate pursuant to Section 2.07(a), sold pursuant to Section 2.07(e) or released pursuant to a Lien Release Dividend during the term of this Agreement shall not exceed 10% of the highest aggregate Outstanding Balance of all Loan Assets at any time during the previous 12-month period. Notwithstanding the foregoing, the Borrower shall be permitted to sell Loan Assets that are not Eligible Loan Assets; *provided* that, after the occurrence and during the continuance of an Event of Default, the prior written consent of the Administrative Agent shall be required for any such sale.

(g) Lien Release Dividend. Notwithstanding any provision contained in this Agreement to the contrary, provided no Event of Default has occurred and no Unmatured Event of Default exists, on a Lien Release Dividend Date, the Borrower may dividend to the Transferor any Loan Assets that were sold by the Transferor to the Borrower, or portions thereof (each, a "Lien Release Dividend"), subject to the following terms and conditions, as certified by the Borrower and the Transferor to the Administrative Agent (with a copy to the Collateral Agent and the Collateral Custodian):

(i) The Borrower and the Transferor shall have given the Administrative Agent, with a copy to the Collateral Agent and the Collateral Custodian, at least five Business Days prior written notice requesting that the Administrative Agent consent to the effectuation of a Lien Release Dividend, in the form of Exhibit I hereto and which shall contain a list specifying all Loan Assets or portions thereof to be transferred (a "Notice and Request for Consent"), which consent shall be given in the sole and absolute discretion of the Administrative Agent; *provided* that the Administrative Agent will endeavor to promptly respond to the Notice and Request for Consent but if the Administrative Agent shall not have responded to the Notice and Request for Consent by 11:00 a.m. on the day that is one Business Day prior to the proposed Lien Release Dividend Date, the Administrative Agent shall be deemed not to have given its consent;

(ii) On any Lien Release Dividend Date, no more than four Lien Release Dividends shall have been made during the 12-month period immediately preceding the proposed Lien Release Dividend Date;

(iii) After giving effect to the Lien Release Dividend on the Lien Release Dividend Date, (A) no Borrowing Base Deficiency, Event of Default or Unmatured Event of Default shall exist, (B) the representations and warranties contained in Sections 4.01, 4.02 and 4.03 hereof shall continue to be correct in all material respects, except to the extent relating to an earlier date, (C) the eligibility of any Loan Asset remaining as part of the Collateral Portfolio after the Lien Release Dividend will be redetermined as of the Lien Release Dividend Date, (D) no claim shall have been asserted or proceeding commenced challenging the enforceability or validity of any of the Required Loan Documents and (E) there shall have been no Material Adverse Effect with respect to the Servicer or the Borrower;

(iv) Such Lien Release Dividend must be in compliance with Applicable Law and may not (A) be made with the intent to hinder, delay or defraud any creditor of the Borrower or (B) leave the Borrower, immediately after giving effect to the Lien Release Dividend, not Solvent;

(v) On or prior to the Lien Release Dividend Date, the Borrower shall have obtained all authorizations, consents and approvals required to effectuate the Lien Release Dividend;

(vi) If a portion of a Loan Asset is being transferred pursuant to such Lien Release Dividend, (A) such transfer shall not have an adverse effect on the portion of such Loan Asset remaining as a part of the Collateral Portfolio, any other aspect of the Collateral Portfolio, the Lenders, the Administrative Agent or any other Secured Party and (B) a new promissory note (other than with respect to a Noteless Loan Asset) for the portion of the Loan Asset remaining as a part of the Collateral Portfolio shall have been executed, and the original thereof has been endorsed to the Collateral Agent and delivered to the Collateral Custodian;

(vii) Each Loan Asset, or portion thereof, as applicable, shall be transferred at a value equal to the Outstanding Balance thereof, exclusive of any accrued and unpaid interest or PIK Interest thereon;

(viii) The Borrower shall deliver a Borrowing Base Certificate (including a calculation of the Borrowing Base after giving effect to such Lien Release Dividend) to the Administrative Agent;

(ix) The Borrower shall have paid in full an aggregate amount equal to the sum of all amounts due and owing to the Administrative Agent, the Lenders, the Collateral Agent or the Collateral Custodian, as applicable, under this Agreement and the other Transaction Documents, if any, to the extent accrued to such date (including, without limitation, Breakage Fees) with respect to the Loan Assets to be transferred pursuant to such Lien Release Dividend and incurred in connection with the transfer of such Loan Assets pursuant to such Lien Release Dividend; and

(x) The Borrower and the Servicer (on behalf of the Borrower) shall pay the reasonable and reasonably documented outside legal fees and expenses of the Administrative Agent, the Lenders, the Collateral Agent and the Collateral Custodian in connection with any Lien Release Dividend (including, but not limited to, expenses incurred in connection with the release of the Lien of the Collateral Agent, on behalf of the Secured Parties, and any other party having an interest in the Loan Assets in connection with such Lien Release Dividend).

SECTION 3.08 Payments and Computations, Etc.

(a) All amounts to be paid or deposited by the Borrower or the Servicer hereunder shall be paid or deposited in accordance with the terms hereof no later than 5:00 p.m. on the day when due in Dollars in immediately available funds to the Collection Account or such other account as is designated by the Administrative Agent. The Borrower or the Servicer, as applicable, shall, to the extent permitted by law, pay to the Secured Parties interest on all amounts not paid or deposited when due to any of the Secured Parties hereunder at 2.0% per annum above the Base Rate (other than with respect to any Advances Outstanding, which shall accrue at the LIBOR Yield Rate or Base Rate Yield Rate, as applicable), payable on demand, from the date of such nonpayment until such amount is paid in full (as well after as before judgment); *provided* that such interest rate shall not at any time exceed the maximum rate permitted by Applicable Law. Any Obligation hereunder shall not be reduced by any distribution of any portion of Available Collections if at any time such distribution is rescinded or required to be returned by any Lender to the Borrower or any other Person for any reason. Each LIBOR Advance shall accrue interest at the applicable LIBOR Yield Rate for such LIBOR Advance during each applicable Interest Period. All computations of interest and all computations with respect to the Yield, the LIBOR Yield and the LIBOR Yield Rate with respect to LIBOR Advances shall be computed on the basis of a year of 360 days for the actual number of days elapsed, other than calculations with respect to the Base Rate, which shall be based on a year consisting of 365 or 366 days, as applicable. Payments of Yield with respect to each LIBOR Advance shall be payable on each Payment Date on which an Interest Period for such LIBOR Advance ends. Each Base Rate Advance shall accrue interest at the Base Rate Yield Rate for each day beginning on, and including, the Advance Date with respect to such Base Rate Advance and ending on, but excluding, the Conversion Date for such Base Rate Advance or the date such Base Rate Advance is repaid in full. All computations of interest and all computations with respect to the Yield and Base Rate Yield Rate with respect to Base Rate Advances shall be computed on the basis of a year of 365 or 366 days, as the case may be, for the actual number of days elapsed. With respect to any calendar month in which a Payment Date occurs, any Yield that accrues with respect to any Base Rate Advance during the period that commences and on and includes the first day of such calendar month and ends on and includes the Payment Date Cut-Off in such calendar month shall be payable on the Payment Date that occurs in such calendar month. Any Yield with respect to any Base Rate Advance that accrues in such calendar month after the Payment Date Cut-Off in such calendar month shall be payable on the Payment Date next following the Payment Date that occurs in such calendar month.

(b) Whenever any payment hereunder shall be stated to be due on a day other than a Business Day, such payment shall be due on the next succeeding Business Day, and such extension of time shall in such case be included in the computation of payment of Yield or any fee payable hereunder, as the case may be.

(c) If any Advance requested by the Borrower and approved by the Lenders and the Administrative Agent pursuant to Section 2.02 is not for any reason whatsoever, except as a result of the gross negligence or willful misconduct of, or failure to fund such Advance on the part of, the Lenders, the Administrative Agent or an Affiliate thereof, made or effectuated, as the case may be, on the date specified therefor, the Borrower shall indemnify such Lender against any loss, cost or expense incurred by such Lender related thereto (other than any such loss, cost or expense solely due to the gross negligence or willful misconduct or failure to fund such

Advance on the part of the Lenders, the Administrative Agent or an Affiliate thereof), including, without limitation, any loss (including cost of funds and reasonable out-of-pocket expenses), cost or expense incurred by reason of the liquidation or reemployment of deposits or other funds acquired by such Lender to fund Advances or maintain the Advances Outstanding. Any such Lender shall provide to the Borrower documentation setting forth the amounts of any loss, cost or expense referred to in the previous sentence, such documentation to be conclusive absent manifest error.

(d) Unless sooner prepaid pursuant to the terms hereof, the Advances Outstanding shall be repaid in full on the Facility Maturity Date or on such later date as is agreed to in writing by the Borrower, the Servicer, the Administrative Agent, the Collateral Agent and the Lenders.

SECTION 3.09 Fees. The Borrower shall pay the Lenders (either directly or through the Administrative Agent) the Fees in the amounts and on the dates set forth in the Lender Fee Letter.

SECTION 3.10 Increased Costs; Capital Adequacy.

(a) If, due to either (i) the introduction of or any change following the date hereof (including, without limitation, any change by way of imposition or increase of reserve or liquidity requirements) in or in the interpretation, administration or application following the date hereof of any Applicable Law (including, without limitation, any law or regulation resulting in any payments paid to any Lender under this Agreement being subject to any Tax, except for Taxes on the overall net income of such Lender), in each case whether foreign or domestic or (ii) the compliance with any guideline or request following the date hereof from any central bank or other Governmental Authority (whether or not having the force of law), there shall be any increase in the cost to the Administrative Agent, any Lender or any Affiliate, participant, successor or assign thereof (each of which shall be an "Affected Party") of agreeing to make or making, funding or maintaining any Advance (or any reduction of the amount of any payment (whether of principal, interest, fee, compensation or otherwise) to any Affected Party hereunder), as the case may be, or there shall be any reduction in the amount of any sum received or receivable by an Affected Party under this Agreement or under any other Transaction Document, the Borrower shall, from time to time, after written demand by the Administrative Agent (which demand shall be accompanied by a statement setting forth in reasonable detail the basis for such demand), on behalf of such Affected Party, pay to the Administrative Agent, on behalf of such Affected Party, additional amounts sufficient to compensate such Affected Party for such increased costs or reduced payments within 10 days after such demand; *provided* that the amounts payable under this Section 2.10 shall be without duplication of amounts payable under Section 2.11 and shall not include any Excluded Taxes.

(b) If either (i) the introduction of or any change following the date hereof in or in the interpretation, administration or application following the date hereof of any law, guideline, rule or regulation, directive or request or (ii) the compliance by any Affected Party with any law, guideline, rule, regulation, directive or request following the date hereof, from any central bank, any Governmental Authority or agency, including, without limitation, compliance



by an Affected Party with any request or directive regarding capital adequacy, has or would have the effect of reducing the rate of return on the capital of any Affected Party, as a consequence of its obligations hereunder or any related document or arising in connection herewith or therewith to a level below that which any such Affected Party could have achieved but for such introduction, change or compliance (taking into consideration the policies of such Affected Party with respect to capital adequacy), by an amount deemed by such Affected Party to be material, then, from time to time, after demand by such Affected Party (which demand shall be accompanied by a statement setting forth in reasonable detail the basis for such demand), the Borrower shall pay the Administrative Agent on behalf of such Affected Party such additional amounts as will compensate such Affected Party for such reduction. For the avoidance of doubt, any increase in cost and/or reduction in Yield with respect to any Affected Party caused by regulatory capital allocation adjustments due to FAS 166, 167 and subsequent statements and interpretations shall constitute a circumstance on which such Affected Party may base a claim for reimbursement under this Section 2.10.

(c) In determining any amount provided for in this Section 2.10, the Affected Party may use any reasonable averaging and attribution methods. The Administrative Agent, on behalf of any Affected Party making a claim under this Section 2.10, shall submit to the Borrower a certificate setting forth in reasonable detail the basis for and the computations of such additional or increased costs, which certificate shall be conclusive absent manifest error.

(d) Failure or delay on the part of any Affected Party to demand compensation pursuant to this Section 2.10 shall not constitute a waiver of such Affected Party's right to demand or receive such compensation; *provided* that the Borrower shall not be required to compensate such Affected Party pursuant to this Section 2.10 for any increased costs incurred or reductions suffered more than nine months prior to the date that such Affected Party notifies the Borrower of any change set forth in clauses (a) and (b) above giving rise to such increased costs or reductions and of such Affected Party's intention to claim compensation therefor (except that, if such change giving rise to such increased costs or reductions is retroactive, then the nine-month period referred to above shall be extended to include the period of retroactive effect thereof).

(e) If at any time the Borrower shall be liable for the payment of any additional amounts in accordance with this Section 2.10, then the Borrower shall have the option to terminate this Agreement (in accordance with the provisions of Section 2.18(b)) but without the payment of any Make-Whole Premium); *provided* that such option to terminate shall in no event relieve the Borrower of paying any amounts owing pursuant to this Section 2.10 in accordance with the terms hereof.

(f) Notwithstanding anything herein to the contrary, the Dodd-Frank Wall Street Reform and Consumer Protection Act and all rules and regulations promulgated thereunder or issued in connection therewith shall be deemed to have been introduced after the Closing Date, thereby constituting a change for which a claim for increased costs or additional amounts may be made hereunder with respect to the Affected Parties, regardless of the date enacted, adopted or issued.

SECTION 3.11 Taxes.

(a) All payments made by the Borrower or made by the Servicer on behalf of the Borrower under this Agreement will be made free and clear of and without deduction or withholding for or on account of any Taxes, except as required by Applicable Law. If any Applicable Law (as determined in good faith discretion of an applicable Withholding Agent) requires any Taxes to be withheld from any amounts payable to any Indemnified Party, then the amount payable to such Person will be increased (the amount of such increase, the "Additional Amount") such that every net payment made under this Agreement after withholding for or on account of any Taxes (including, without limitation, any Taxes on such increase) is not less than the amount that would have been paid had no such deduction or withholding been made. The foregoing obligation to pay Additional Amounts with respect to payments required to be made by the Borrower or made by the Servicer on behalf of the Borrower under this Agreement will not, however, apply with respect to (i) Taxes imposed on or measured by the overall net income (however denominated) of the Administrative Agent, any Lender, or any other recipient of any payment to be made hereunder, or profits, franchise and similar Taxes imposed on the Administrative Agent or such Lender or other recipient (in lieu of net income or profit taxes) and backup withholding and similar Taxes by (I) the jurisdiction (or any political subdivision thereof) under the laws of which such recipient is organized or in which its principal office is located or, in the case of any Lender, in which its applicable lending office or the office to which its interest in the Advances is assigned is located or (II) any other jurisdiction (or any political subdivision thereof) as a result of a present or former connection between the Administrative Agent or such Lender or other recipient and such jurisdiction imposing such Tax other than a connection arising solely as a result of engaging in any transaction contemplated under this Agreement, (ii) any branch profits Taxes imposed by the United States or any similar Tax imposed by any other jurisdiction described in clause (i) above; (iii) in the case of a Lender, any United States federal withholding Tax that is imposed on amounts payable (including, for the avoidance of doubt, consent, amendment or similar fees) to such Lender at the time such Lender acquires an interest in the Advances or designates a new lending office (other than a designation made at the request of Borrower), except to the extent that such Lender (or its assignor, if any) was entitled, at the time of designation of a new lending office (or assignment), to receive Additional Amounts from Borrower with respect to such withholding tax pursuant to this Section 2.11(a); (iv) in the case of a Lender who designates a new lending office (other than a designation made at the request of Borrower), any United States federal withholding Tax that is imposed on interest payments pursuant to any Applicable Law that is in effect at the time of such change in lending office, except to the extent that such Lender was entitled, immediately prior to such change in lending office, to receive Additional Amounts or indemnity payments from the Borrower with respect to such withholding Tax pursuant to this Section 2.11(a); (v) any Tax attributable to such recipient's failure to comply with Section 2.11(d); (vi) any Taxes imposed under, or as a result of the failure of such recipient to satisfy the applicable requirements under, FATCA; and (vii) interest, penalties, additions to Tax and costs or expenses solely resulting from the assessment or imposition of Taxes described in clauses (i) through (vi) of this definition ("Excluded Taxes").

(b) The Borrower will indemnify (and, to the extent the funds available for such indemnification pursuant to Section 2.04 are insufficient, the Servicer, on behalf of the Borrower, will indemnify) each Indemnified Party for the full amount of Taxes (other than Excluded Taxes) payable by such Person in respect of Additional Amounts and any liability (including penalties, interest and expenses) arising therefrom or with respect thereto. All payments in respect of this indemnification shall be made within 10 days from the date a written invoice therefor is delivered to the Borrower.

(c) Within 30 days after the date of any payment by the Borrower or by the Servicer on behalf of the Borrower of any Taxes, the Borrower or the Servicer, as applicable, will furnish to the Administrative Agent and the Lenders at the applicable address set forth on this Agreement, appropriate evidence of payment thereof.

(d) Each Foreign Lender that (a) is a party hereto on the Closing Date or (b) becomes an assignee of an interest under this Agreement after the Closing Date (unless such Lender was already a Lender hereunder immediately prior to such assignment) shall deliver to the Borrower with a copy to the Administrative Agent, (i) within 15 days after becoming a Foreign Lender hereunder, one (or such other number as may from time to time be prescribed by Applicable Law) duly completed and properly executed copy of the applicable Internal Revenue Service Form W-8 (or any successor forms or other certificates or statements that may be required from time to time by the relevant United States taxing authorities or Applicable Law), as appropriate, to permit the Borrower to make payments hereunder for the account of such Lender without deduction or withholding of United States federal income or similar Taxes and (ii) upon the obsolescence of or after the occurrence of any event requiring a change in, any form or certificate previously delivered pursuant to this Section 2.11(d), copies (in such numbers as may from time to time be prescribed by Applicable Law or regulations) of such additional, amended or successor forms, certificates or statements as may be required under Applicable Law to permit the Borrower or the Servicer to make payments hereunder for the account of such Lender without deduction or withholding of United States federal income or similar Taxes. In addition, any Lender that is a U.S. Person shall deliver to the Borrower, with a copy to the Administrative Agent, one (or such other number as may from time to time be prescribed by Applicable Law) duly completed and properly executed copy of Internal Revenue Service Form W-9 (or any successor forms or other certificates or statements that may be required from time to time by the relevant United States taxing authorities or Applicable Law) as will enable Borrower, Servicer and Administrative Agent to determine whether or not such Lender is subject to backup withholding or information reporting requirements.

(e) If, in connection with an agreement or other document providing liquidity support, credit enhancement or other similar support to any Lender in connection with this Agreement or the funding or maintenance of Advances hereunder, such Lender is required to compensate a bank or other financial institution in respect of Taxes under circumstances similar to those described in this Section 2.11, then, within 10 days after demand by each applicable Lender, the Borrower shall pay to such Lender such additional amount or amounts as may be necessary to reimburse such Lender for any amounts paid by them.

(f) If a payment made to a Lender hereunder would be subject to United States federal withholding Tax imposed by FATCA if such Lender fails to comply with the applicable reporting requirements of FATCA (including those contained in Section 1471(b) or 1472(b) of the Code, as applicable), such Lender shall deliver to the Borrower, the Servicer and the Administrative Agent at the time or

times prescribed by Applicable Law and at such time or times reasonably requested by the Borrower, the Servicer or the Administrative Agent such documentation prescribed by Applicable Law (including as prescribed by Section 1471(b)(3)(C)(i) of the Code) and such additional documentation reasonably requested by the Borrower, Servicer and the Administrative Agent to comply with their obligations under FATCA and to determine that such Lender has complied with Lender obligations under FATCA and to determine the amount to deduct and withhold from such payment. Solely for purposes of this Section 2.11, “FATCA” shall include any amendments made to FATCA after the date of this Agreement.

(g) If the Administrative Agent or any Lender determines, in its sole discretion exercised in good faith, that it has received a refund or credit (in lieu of such refund) of any amounts as to which it has been indemnified by the Borrower or with respect to which the Borrower has paid additional amounts pursuant to this Section 2.11, it shall pay to the Borrower an amount equal to such refund (but only to the extent of indemnity payments made, or additional amounts paid, by the Borrower under this Section with respect to the amounts giving rise to such refund), together with any interest paid by the relevant Governmental Authority with respect to such refund, *provided* that the Borrower, upon the request of the Administrative Agent or such Lender, agrees to repay as soon as reasonably practicable the amount paid over to such Borrower (plus any penalties, interest or other charges imposed by the relevant Governmental Authority) to the Administrative Agent or such Lender in the event the Administrative Agent or such Lender is required to repay such refund to such Governmental Authority. This subsection shall not be construed to require the Administrative Agent or any Lender to make available its Tax returns or its books or records (or any other information relating to its Taxes that it deems confidential) to the Borrower or any other Person.

(h) Without prejudice to the survival of any other agreement of the Borrower and the Servicer hereunder, the agreements and obligations of the Borrower, the Servicer, the Administrative Agent and each Lender contained in this Section 2.11 shall survive the termination of this Agreement.

(i) For the purposes of this Section 2.11, the term “Applicable Law” includes FATCA.

**SECTION 3.12 Collateral Assignment of Agreements.** The Borrower hereby collaterally assigns to the Collateral Agent, for the benefit of the Secured Parties, all of the Borrower’s right and title to and interest in, to and under (but not any obligations under) the Purchase and Sale Agreement (and any UCC financing statements filed under or in connection therewith), the Loan Agreements related to each Loan Asset, all other agreements, documents and instruments evidencing, securing or guarantying any Loan Asset and all other agreements, documents and instruments related to any of the foregoing but excluding any Excluded Amounts or Retained Interest (the “Assigned Documents”). In furtherance and not in limitation of the foregoing, the Borrower hereby collaterally assigns to the Collateral Agent, for the benefit of the Secured Parties, its right to indemnification under Article IX of the Purchase and Sale Agreement. The Borrower confirms that until the Collection Date the Collateral Agent (at the direction of the Administrative Agent) on behalf of the Secured Parties shall have the sole right to enforce the Borrower’s rights and remedies under the Purchase and Sale Agreement and any UCC financing statements filed under or in connection therewith for the benefit of the Secured Parties. The parties hereto agree that such collateral assignment to the Collateral Agent, for the benefit of the Secured Parties, shall automatically terminate upon the Collection Date.

SECTION 3.13 Grant of a Security Interest. To secure the prompt, complete and indefeasible payment in full when due, whether by lapse of time, acceleration or otherwise, of the Obligations and the performance by the Borrower of all of the covenants and obligations to be performed by it pursuant to this Agreement and each other Transaction Document, whether now or hereafter existing, due or to become due, direct or indirect, or absolute or contingent, the Borrower hereby (a) collaterally assigns and pledges to the Collateral Agent, on behalf of the Secured Parties, and (b) grants a security interest to the Collateral Agent, on behalf of the Secured Parties, in all of the Borrower's right, title and interest in, to and under (but none of the obligations under) all of the Collateral Portfolio, whether now existing or hereafter arising or acquired by the Borrower, and wherever the same may be located. For the avoidance of doubt, the Collateral Portfolio shall not include any Excluded Amounts, and the Borrower does not hereby assign, pledge or grant a security interest in any such amounts. Anything herein to the contrary notwithstanding, (a) the Borrower shall remain liable under the Collateral Portfolio to the extent set forth therein to perform all of its duties and obligations thereunder to the same extent as if this Agreement had not been executed, (b) the exercise by the Collateral Agent, for the benefit of the Secured Parties, of any of its rights in the Collateral Portfolio shall not release the Borrower from any of its duties or obligations under the Collateral Portfolio, and (c) none of the Administrative Agent, the Collateral Agent, any Lender (nor its successors and assigns) nor any Secured Party shall have any obligations or liability under the Collateral Portfolio by reason of this Agreement, nor shall the Administrative Agent, the Collateral Agent, any Lender (nor its successors and assigns) nor any Secured Party be obligated to perform any of the obligations or duties of the Borrower thereunder or to take any action to collect or enforce any claim for payment assigned hereunder. The Borrower authorizes the Collateral Agent to file all such financing statements and amendments thereto pursuant to the UCC or other notices appropriate under applicable law, as the Collateral Agent may require, each in form satisfactory to the Collateral Agent. Such financing statements and amendments may contain a description of the Collateral as set forth herein or in any generic manner and may describe the Collateral Portfolio as "all assets" or words of similar effect.

SECTION 3.14 Evidence of Debt. The Administrative Agent shall maintain, solely for this purpose as the agent of the Borrower, at its address referred to in Section 11.02 a copy of each assignment and acceptance agreement and participation agreement delivered to and accepted by it and a register for the recordation of the names and addresses and interests of the Lenders (the "Register"). The entries in the Register shall be conclusive and binding for all purposes, absent manifest error, and the Borrower, the Administrative Agent and each Lender shall treat each person whose name is recorded in the Register as a Lender under this Agreement for all purposes of this Agreement. The Register shall be available for inspection by the Borrower or any Lender at any reasonable time and from time to time upon reasonable prior notice.

SECTION 3.15 Survival of Representations and Warranties. It is understood and agreed that the representations and warranties set forth in Sections 4.01, 4.02 and 4.03 are made and are true and correct on the date of this Agreement and on each Cut-Off Date unless such representations and warranties are made as of a specific date.

SECTION 3.16 Release of Loan Assets.

(a) The Borrower may obtain the release of (i) any Loan Asset (and the related Portfolio Assets pertaining thereto) released pursuant to a Lien Release Dividend or sold or substituted in accordance with the applicable provisions of Section 2.07 and any Portfolio Assets pertaining to such Loan Asset, (ii) any Collateral Portfolio that expires by its terms and all amounts in respect thereof have been paid in full by the related Obligor and deposited in the Collection Account and (iii) any Collateral Portfolio as otherwise specified in, and in accordance with, Section 3.4 of the Custody Agreement. The Servicer, with the consent of the Administrative Agent, shall give notice of such release to the Collateral Custodian and the Collateral Agent (in the form of Exhibit L). If applicable, the Collateral Agent, for the benefit of the Secured Parties, shall at the sole expense of the Servicer and at the direction of the Administrative Agent, execute such documents and instruments of release as may be prepared by the Servicer on behalf of the Borrower and take other such actions as shall reasonably be requested by the Borrower to effect a release of the Lien created pursuant to this Agreement. Upon receiving such notification by the Servicer as described in the first sentence of this clause (a), if applicable, the Collateral Custodian shall deliver the Required Loan Documents to the Borrower.

(b) Promptly after the Collection Date has occurred, each Lender and the Administrative Agent, in accordance with their respective interests, shall release to the Borrower, for no consideration but at the sole expense of the Borrower, their respective remaining interests in the Portfolio Assets, free and clear of any Lien resulting solely from an act by the Collateral Agent, any Lender or the Administrative Agent but without any other representation or warranty, express or implied, by or recourse against any Lender or the Administrative Agent.

SECTION 3.17 Treatment of Amounts Received by the Borrower. Amounts received by the Borrower pursuant to Section 2.07 on account of Loan Assets shall be treated as payments of Principal Collections or Interest Collections, as applicable, on Loan Assets hereunder.

SECTION 3.18 Prepayment; Termination.

(a) Except as expressly permitted or required herein, including, without limitation, any repayment necessary to cure a Borrowing Base Deficiency, Advances Outstanding may only be reduced in whole or in part at the option of the Borrower at any time by delivering a Notice of Reduction (which notice shall include a Borrowing Base Certificate) to the Administrative Agent, the Collateral Agent and the Lenders at least three Business Days prior to such reduction. Upon any prepayment, the Borrower shall also pay in full the related Breakage Fees, if any, (solely to the extent such prepayment occurs on any day other than a Payment Date), and other accrued and unpaid costs and expenses of Administrative Agent and Lenders related to such prepayment; *provided* that no reduction in Advances Outstanding shall be given effect unless (i) sufficient funds have been remitted to pay all such amounts in full, as determined by the Administrative Agent, in its sole discretion and (ii) no event has occurred, or would result from, such prepayment which would constitute an Event of Default or an Unmatured Event of Default. The Administrative Agent shall apply amounts received from the Borrower pursuant to this Section 2.18(a) to the payment of any Breakage Fees, to the *pro rata* reduction of the Advances Outstanding and to the payment of any accrued and unpaid costs and expenses of the Administrative Agent and the Lender related to such prepayment. Any notice relating to any repayment pursuant to this Section 2.18(a) shall be irrevocable.

(b) The Borrower may, at its option, terminate this Agreement and the other Transaction Documents upon three Business Days' prior written notice to the Administrative Agent and the Lenders and upon payment in full of all Advances Outstanding, all accrued and unpaid Yield, any Breakage Fees, all accrued and unpaid costs and expenses of the Administrative Agent and Lenders, payment of the Make-Whole Premium *pro rata* to each Lender if such prepayment occurs prior to the third anniversary of the Closing Date (subject to Section 2.10(f)) and payment of all other Obligations (other than unmatured contingent indemnification obligations). In addition, the Borrower may, at its option, reduce the Maximum Facility Amount in whole or in part upon payment in full of the Make-Whole Premium, if applicable, and delivery of a Notice of Reduction at least three Business Days prior to such reduction; *provided that* (x) after giving effect to such reduction the Maximum Facility Amount is not less than the Advances Outstanding and (y) no Event of Default or Unmatured Event of Default would result from such reduction in the Maximum Facility Amount. Any termination of this Agreement shall be subject to Section 11.05.

(c) The Borrower hereby acknowledges and agrees that the Make-Whole Premium constitutes additional consideration for the Lenders to enter into this Agreement.

#### SECTION 3.19 Value Adjustment Events.

(a) If a Value Adjustment Event occurs with respect to any Loan Asset, the Assigned Value of such Loan Asset may be amended one time by the Administrative Agent after each such Value Adjustment Event, in its commercially reasonable judgment. The Administrative Agent will provide written notice of the revised Assigned Value to the Borrower and the Servicer. To the extent the Servicer has actual knowledge or has received notice of any Value Adjustment Event with respect to any Loan Asset, the Servicer shall give prompt notice thereof to the Administrative Agent (but, in any event, not later than two Business Days after it receives notice or gains actual knowledge thereof).

(b) If the circumstances giving rise to any Value Adjustment Event with regard to any Loan Asset cease to be applicable, the Servicer may provide written notice of such changed circumstance to the Administrative Agent, and if no Value Adjustment Event shall then be continuing for such Loan Asset, the Administrative Agent shall in good faith re-evaluate the Assigned Value for such Collateral Obligation.

(c) In the event the Borrower disagrees with any Assigned Value for any Loan Asset designated by the Administrative Agent following a Value Adjustment Event with respect to such Loan Asset, the Borrower may (at its expense) retain any Approved Valuation Firm selected by the Administrative Agent to value such Loan Asset and if the value determined by such firm is greater than the Assigned Value designated by the Administrative Agent, such firm's valuation shall become the Assigned Value of such Loan Asset; *provided that* the Assigned Value of such Loan Asset shall be the value assigned by the Administrative Agent until such firm has determined its value; *provided further* that if the value determined by such firm is less than the Assigned Value designated by the Administrative Agent, the Administrative Agent in its sole discretion may further modify the Assigned Value of such Loan Asset to reflect such lower value.

SECTION 3.20 Collections and Allocations.

(a) The Servicer shall promptly identify Available Collections received as being on account of Interest Collections or Principal Collections and shall transfer, or cause to be transferred, all Available Collections received directly by it to the Collection Account by the close of business on the second Business Day after such Collections are received. Upon the transfer of Available Collections to the Collection Account, the Servicer shall segregate Principal Collections and Interest Collections and transfer the same to the Principal Collection Account and the Interest Collection Account, respectively. The Servicer shall further include a statement as to the amount of Principal Collections and Interest Collections on deposit in the Principal Collection Account and the Interest Collection Account on each Quarterly Reporting Date in the Servicing Report delivered pursuant to Section 6.08(b).

(b) On the Cut-Off Date with respect to any Loan Asset, the Servicer will deposit into the Collection Account all Available Collections received in respect of Eligible Loan Assets being transferred to and included as part of the Collateral Portfolio on such date.

(c) With the prior written consent of the Administrative Agent (a copy of which will be provided by the Servicer to the Collateral Agent), the Servicer may withdraw from the Collection Account any deposits thereto constituting Excluded Amounts if the Servicer has, prior to such withdrawal and consent, delivered to the Administrative Agent and each Lender a report setting forth the calculation of such Excluded Amounts in form and substance reasonably satisfactory to the Administrative Agent.

(d) Prior to a Notice of Exclusive Control, the Servicer shall, pursuant to written instruction (which may be in the form of standing instructions), and, if the Servicer fails to do so, the Administrative Agent may cause the investment of, funds on deposit in the Controlled Accounts in Permitted Investments. Absent any such written instruction, such funds shall not be invested. A Permitted Investment acquired with funds deposited in the Collection Account shall mature not later than the Business Day immediately preceding any Payment Date, and shall not be sold or disposed of prior to its maturity. A Permitted Investment acquired with funds deposited in the Unfunded Exposure Account shall mature not later than the next Business Day succeeding the day of investment, and shall not be sold or disposed of prior to its maturity. All such Permitted Investments shall be held by the Account Bank subject to the Lien of the Collateral Agent for the benefit of the Secured Parties, and otherwise comply with assumptions of the legal opinions of Dechert LLP dated the Closing Date and delivered in connection with this Agreement; *provided* that compliance shall be the responsibility of the Borrower and the Servicer and not the Collateral Agent and Account Bank. All income and gain realized from any such investment, as well as any interest earned on deposits in any Controlled Account shall be distributed in accordance with the provisions of Article II hereof. The Borrower shall deposit in the Collection Account or the Unfunded Exposure Account, as the case may be (with respect to investments made hereunder of funds held therein), an amount equal to the amount of any actual loss incurred, in respect of any such investment, immediately upon realization of such loss. None of the Account Bank, the Collateral Agent, the Administrative Agent or any Lender shall be



liable for the amount of any loss incurred, in respect of any investment, or lack of investment, of funds held in any Controlled Account, other than with respect to fraud or their own gross negligence or willful misconduct. The parties hereto acknowledge that the Collateral Agent, the Account Bank or any of its Affiliates may perform services and receive compensation with respect to the Permitted Investments.

(e) Until the Collection Date, neither the Borrower nor the Servicer shall have any rights of direction or withdrawal, with respect to amounts held in any Controlled Account, except to the extent explicitly set forth in this Agreement or the Control Agreement.

**SECTION 3.21 Reinvestment of Principal Collections.**

On the terms and conditions hereinafter set forth as certified in writing to the Collateral Agent and Administrative Agent, the Servicer may, to the extent of any Principal Collections on deposit in the Principal Collection Account:

(a) prior to the end of the Reinvestment Period, withdraw such funds for the purpose of reinvesting in additional Eligible Loan Assets to be acquired hereunder and to be included in the Collateral Portfolio; *provided* that the following conditions are satisfied:

(i) all conditions precedent set forth in Section 3.04 have been satisfied;

(ii) no Event of Default has occurred, or would result from such withdrawal and reinvestment, and no Unmatured Event of Default or Borrowing Base Deficiency exists or would result from such withdrawal and reinvestment;

(iii) the representations and warranties contained in Sections 4.01, 4.02 and 4.03 hereof shall continue to be correct in all material respects, except to the extent relating to an earlier date;

(iv) the Servicer provides same day written notice to the Administrative Agent and the Account Bank by facsimile or email (to be received no later than 1:00 p.m. on such day) of the request to withdraw Principal Collections and the amount of such request;

(v) the notice required in clause (iv) above shall be accompanied by a Disbursement Request and a Borrowing Base Certificate, each executed by the Borrower and a Responsible Officer of the Servicer;

(vi) the Account Bank provides to the Administrative Agent by facsimile or email (to be received no later than 1:30 p.m. on that same day) a statement reflecting the total amount on deposit as of the opening of business on such day in the Principal Collection Account;

(vii) such Loan Asset satisfies the Eligibility Criteria as set forth in Schedule II hereto; and (viii) if such funds are to be withdrawn within three Business Days prior to any Payment Date, the Principal Collections on deposit in the Principal Collection Account are sufficient to be applied in the amounts designated in the related Servicing Report on each Payment Date in accordance with Section 2.04; or

(b) prior to the Facility Maturity Date, withdraw such funds for the purpose of making payments in respect of the Advances Outstanding at such time in accordance with and subject to the terms of Section 2.18(a).

Upon the satisfaction of the applicable conditions set forth in this Section 2.21 (as certified by the Borrower to the Collateral Agent and the Administrative Agent), the Servicer or the Collateral Agent (after delivery of a Notice of Exclusive Control) will instruct the Account Bank to release funds from the Principal Collection Account to the Servicer in an amount not to exceed the lesser of (A) the amount requested by the Servicer and (B) the amount on deposit in the Principal Collection Account on such day.

#### SECTION 3.22 Additional Lenders.

The Borrower may, with the written consent of the Administrative Agent, add additional Persons as Lenders. Each additional Lender shall become a party hereto by executing and delivering to the Administrative Agent and the Borrower a Joinder Supplement and an Assignment and Acceptance.

### ARTICLE IV.

#### CONDITIONS PRECEDENT

##### SECTION 4.01 Conditions Precedent to Effectiveness.

(a) This Agreement shall be effective upon the first day on which all of the following conditions precedent are satisfied:

(i) all reasonable out-of-pocket up-front expenses and fees (including legal fees, any fees required under any Lender Fee Letter and the Collateral Custodian and Account Bank Fee Letter) that are invoiced at or prior to the Closing Date shall have been paid in full;

(ii) any and all information submitted to each Lender and the Administrative Agent by the Borrower, the Transferor, the Parent or the Servicer or any of their Affiliates is true, accurate, complete in all material respects and not misleading in any material respect;

(iii) the Administrative Agent shall have received all documentation and other information requested by the Administrative Agent in its sole discretion and/or required by regulatory authorities with respect to the Borrower, the Transferor, the Parent and the Servicer under applicable “know your customer” and anti-money laundering rules and regulations, including, without limitation, the USA PATRIOT Act, all in form and substance reasonably satisfactory to the Administrative Agent;

(iv) the Administrative Agent shall have received on or before the date of such effectiveness the items listed in Schedule I hereto, each in form and substance satisfactory to the Administrative Agent;

(v) no Material Adverse Effect on the business, assets, financial conditions or performance of the Parent and its Subsidiaries, including the Borrower, on a consolidated basis has occurred and is continuing as of such day;

(vi) the results of Administrative Agent's financial, legal, tax and accounting due diligence relating to the Transferor, the Parent, the Borrower, the Servicer, the Eligible Loan Assets and the transactions contemplated hereunder are satisfactory to Administrative Agent;

(vii) the Administrative Agent shall have received approval from its internal credit committee and all other necessary approvals, as required by the Administrative Agent, in its sole discretion; and

(viii) each applicable Lender that has requested a Variable Funding Note shall have received a duly executed Variable Funding Note, in a principal amount equal to the Commitment of such Lender.

(b) By its execution and delivery of this Agreement, each of the Borrower and the Servicer hereby certifies that each of the conditions precedent to the effectiveness of this Agreement set forth in this Section 3.01 have been satisfied; *provided* that with respect to conditions precedent that expressly require the consent or approval of the Administrative Agent or another party (other than the Borrower or the Servicer), the foregoing certification is only to the knowledge of the Borrower and the Servicer, as applicable, with respect to such consents or approvals.

SECTION 4.02 Conditions Precedent to All Advances. Each Advance (including the Initial Advance, except (x) with respect to any Advance required by Section 2.02(f) or (y) as explicitly set forth below) to the Borrower from the Lenders shall be subject to the further conditions precedent that:

(a) On the Advance Date of such Advance, the following statements shall be true and correct, and the Borrower by accepting any amount of such Advance shall be deemed to have certified that:

(i) the Servicer (on behalf of the Borrower) shall have delivered to the Administrative Agent and each Lender (with a copy to the Collateral Agent, the Collateral Custodian and the Account Bank), with respect to LIBOR Advances no later than 1:00 p.m. on the date that is three Business Days prior to the related Advance Date and with respect to Base Rate Advances no later than 1:00 p.m. one Business Day prior to the related Advance Date: (A) a Notice of Borrowing, (B) a Borrowing Base Certificate, (C) an updated Loan Asset Schedule (if applicable), (D) with respect to Loan Assets purchased from the Transferor, a Loan Assignment (including Schedule I thereto) and containing such additional information as may be reasonably requested by the Administrative Agent (if applicable) and (E) with respect to the purchase of any Loan

Assets (whether from the Transferor or any other Person), all documents (or copies thereof) evidencing each assignment or novation contemplated by each relevant Loan Agreement evidencing that the Borrower shall be the lender of record under such Eligible Loan Asset; in addition, the Notice of Borrowing for the Initial Advance shall not be delivered prior to the first Business Day after the Closing Date;

(ii) the Borrower shall have delivered to the Collateral Custodian (with a copy to the Administrative Agent), no later than 2:00 p.m. one Business Day prior to the related Advance Date, faxed or e-mailed copies of the duly executed original promissory notes of any Loan Assets to be Pledged in connection with such Advance, except in the case of a Noteless Loan Asset; *provided* that, notwithstanding the foregoing, the Borrower shall cause the Loan Asset Checklist and all other Required Loan Documents to be in the possession of the Collateral Custodian no later than 10 Business Days after the later of (x) any related Advance Date as to any Loan Assets and (y) the date such loan assets have settled;

(iii) the representations and warranties contained in Sections 4.01, 4.02 and 4.03 are true and correct in all respects on and as of such date as though made on and as of such date (other than any representation and warranty that is made as of a specific date), and there exists no breach of any covenant contained in Sections 5.01, 5.02, 5.03 and 5.04 before and after giving effect to the Advance to take place on such Advance Date and to the application of proceeds therefrom;

(iv) on and as of such Advance Date, after giving effect to such Advance and the addition to the Collateral Portfolio of any Eligible Loan Assets being acquired by the Borrower using the proceeds of such Advance (except with respect to an Advance made as contemplated by Section 2.02(f)), the Advances Outstanding does not exceed the Borrowing Base; *provided* that in the case of an Advance made as contemplated by Section 2.02(f), nothing set forth in this clause shall relieve the Borrower of its obligations elsewhere hereunder to cure any Borrowing Base Deficiency that exists prior to such Advance or results therefrom;

(v) except with respect to an Advance made as contemplated by Section 2.02(f), no Event of Default has occurred, or would result from such Advance, and no Unmatured Event of Default or Borrowing Base Deficiency exists or would result from such Advance; *provided* that in the case of an Advance made as contemplated by Section 2.02(f), nothing set forth in this clause shall relieve the Borrower of its obligations elsewhere hereunder to cure any Borrowing Base Deficiency that exists prior to such Advance or results therefrom;

(vi) no event has occurred and is continuing, or would result from such Advance, which constitutes a Servicer Termination Event or any event which, if it continues uncured, will, with notice or lapse of time, constitute a Servicer Termination Event;

(vii) since the Closing Date, no material adverse change has occurred in the ability of the Servicer, the Transferor or the Borrower to perform its obligations under any Transaction Document;

(viii) no Liens exist in respect of Taxes which are prior to the lien of the Collateral Agent on the Eligible Loan Assets to be Pledged on such Advance Date; and

(ix) all terms and conditions of the Purchase and Sale Agreement, if applicable, each assignment or novation contemplated by each relevant Loan Agreement and each Loan Assignment required to be satisfied in connection with the assignment of each Eligible Loan Asset being Pledged hereunder on such Advance Date (and the Portfolio Assets related thereto), including, without limitation, the perfection of the Borrower's interests therein, shall have been satisfied in full, and all filings (including, without limitation, UCC filings) required to be made by any Person and all actions required to be taken or performed by any Person in any jurisdiction to give the Collateral Agent, for the benefit of the Secured Parties, a first priority perfected security interest (subject only to Permitted Liens) in such Eligible Loan Assets and the Portfolio Assets related thereto and the proceeds thereof shall have been made, taken or performed.

(b) The Administrative Agent shall have approved as of the applicable Cut-Off Date in its sole and absolute discretion each of the Eligible Loan Assets identified to be added to the Loan Asset Schedule for inclusion in the Collateral Portfolio; provided that:

(i) the Administrative Agent may approve or reject a Loan Asset for any reason or for no reason;

(ii) the Administrative Agent shall have up to ten (10) Business Days to approve or reject a Loan Asset (such period, which may be extended by express mutual agreement of the Administrative Agent and the Servicer, the "Underwriting Period"), commencing on the date on which the Servicer has delivered to the Administrative Agent a written request proposing that such Loan Asset be so acquired, in substantially the form attached hereto as Exhibit Q (each, an "Underwriting Request"), which shall be accompanied by the information and other documentation referenced in the Underwriting Request (to the extent reasonably available to the Servicer) and any other information reasonably requested by the Administrative Agent (to the extent reasonably available to the Servicer) in respect of the Loan Asset proposed to be acquired by the Borrower (with such information and documentation to be in form and substance reasonably acceptable to the Administrative Agent); *provided that* (A) in the event that the Administrative Agent shall not have delivered an Approval Notice either approving or rejecting the acquisition of any such Loan Asset by the Borrower by the end of the Underwriting Period, such Loan Asset shall be deemed to have been rejected by the Administrative Agent in its sole discretion, without prejudice, and (B) any Business Day occurring during the period beginning on or after the date the Administrative Agent notifies the Servicer in writing of a reasonable request for additional information and/or documentation with respect to such Loan Asset and ending on the date the Administrative Agent notifies the Servicer in writing that such requested additional information and/or documentation has been received to its satisfaction shall be disregarded for purposes of calculating Business Days constituting the Underwriting Period. Any express mutual agreement extending the Underwriting Period and/or any notice from the Administrative Agent referenced in clause (B) of the proviso in the foregoing clause (ii) shall be effective if communicated via email.

(c) No Applicable Law shall prohibit, and no order, judgment or decree of any federal, state or local court or governmental body, agency or instrumentality shall prohibit or enjoin, the making of such Advances by any Lender or the proposed Pledge of Eligible Loan Assets in accordance with the provisions hereof.

(d) (i) Except with respect to an Advance required by Section 2.02(f), the proposed Advance Date shall take place during the Reinvestment Period and (ii) the Facility Maturity Date has not yet occurred.

(e) The Borrower shall have paid all fees then required to be paid, including all fees required hereunder and under the applicable Lender Fee Letters and the Collateral Custodian and Account Bank Fee Letter and shall have reimbursed the Lenders, the Administrative Agent, each Lender, the Collateral Custodian, the Account Bank and the Collateral Agent for all reasonable and reasonably documented fees, costs and expenses of closing the transactions contemplated hereunder and under the other Transaction Documents, including the reasonable and reasonably documented outside attorney fees and any other outside legal and document preparation costs incurred by the Lenders, the Administrative Agent and each Lender.

The failure of the Borrower to satisfy any of the foregoing conditions precedent in respect of any Advance shall give rise to a right of the Administrative Agent and the applicable Lender, which right may be exercised at any time on the demand of the applicable Lender, to rescind the related Advance and direct the Borrower to pay to the applicable Lender an amount equal to the Advances made during any such time that any of the foregoing conditions precedent were not satisfied.

**SECTION 4.03 Advances Do Not Constitute a Waiver.** No Advance made hereunder shall constitute a waiver of any condition to any Lender's obligation to make such an Advance unless such waiver is in writing and executed by such Lender.

**SECTION 4.04 Conditions to Pledges of Loan Assets.** Each Pledge of an additional Eligible Loan Asset acquired by the Borrower pursuant to Section 2.06, a Substitute Eligible Loan Asset acquired by the Borrower pursuant to Section 2.07(a) or (c) or any other Pledge of a Loan Asset hereunder shall be subject to the further conditions precedent that (as certified to the Collateral Agent by the Borrower):

(a) the Servicer (on behalf of the Borrower) shall have delivered to the Administrative Agent and each Lender (with a copy to the Collateral Agent, the Collateral Custodian and the Account Bank) no later than 5:00 p.m. on the date that is one Business Day prior to the related Cut-Off Date: (A) a Borrowing Base Certificate, (B) an updated Loan Asset Schedule; (C) a Loan Assignment (with respect to purchases of Loan Assets from the Transferor) and containing such additional information as may be reasonably requested by the Administrative Agent; and (D) all documents (or copies thereof) evidencing each assignment or novation contemplated by each such relevant Loan Agreement showing that the Borrower is the lender of record under the Eligible Loan Assets to be purchased;

(b) the Borrower shall have delivered to the Collateral Custodian (with a copy to the Administrative Agent), no later than 2:00 p.m. one Business Day prior to the related Cut-Off Date, faxed or e-mailed copies of (A) the duly executed original promissory notes of the Loan Assets, except in the case of a Noteless Loan Asset, and (B) the other applicable Required Loan Documents specified in clause (a) of the definition thereof; *provided that*, notwithstanding the foregoing, the Borrower shall cause the Loan Asset Checklist and all other Required Loan Documents to be in the possession of the Collateral Custodian no later than the 10 Business Days after the later of (x) any related Advance Date as to any Loan Assets and (y) the date such Loan Assets have settled;

(c) no Liens exist in respect of Taxes which are prior to the lien of the Collateral Agent on the Eligible Loan Assets to be Pledged on such Cut-Off Date;

(d) all terms and conditions of the Purchase and Sale Agreement, if applicable, each assignment or novation contemplated by each relevant Loan Agreement and each Loan Assignment required to be satisfied in connection with the assignment of each Eligible Loan Asset being Pledged hereunder on such Cut-Off Date (and the Portfolio Assets related thereto), including, without limitation, the perfection of the Borrower's interests therein, shall have been satisfied in full, and all filings (including, without limitation, UCC filings) required to be made by any Person and all actions required to be taken or performed by any Person in any jurisdiction to give the Collateral Agent, for the benefit of the Secured Parties, a first priority perfected security interest (subject only to Permitted Liens) in such Eligible Loan Assets and the Portfolio Assets related thereto and the proceeds thereof shall have been made, taken or performed;

(e) the Administrative Agent shall have approved in its sole and absolute discretion each of the Eligible Loan Assets identified to be added to the Loan Asset Schedule for inclusion in the Collateral Portfolio on the applicable Cut-Off Date;

(f) no Event of Default has occurred, or would result from such Pledge, and no Unmatured Event of Default exists, or would result from such Pledge (other than, with respect to any Pledge of an Eligible Loan Asset necessary to cure a Borrowing Base Deficiency in accordance with Section 2.06, an Unmatured Event of Default arising solely pursuant to such Borrowing Base Deficiency); and

(g) the representations and warranties contained in Sections 4.01, 4.02 and 4.03 are true and correct in all respects on and as of such date as though made on and as of such date (other than any representation and warranty that is made as of a specific date), and there exists no breach of any covenant contained in Sections 5.01, 5.02, 5.03 and 5.04 before and after giving effect to the Pledge to take place on such Cut-Off Date (other than any breaches that may have occurred before such Pledge solely (x) with respect to any Pledge of an Eligible Loan Asset necessary to cure a Borrowing Base Deficiency in accordance with Section 2.06, with respect to or as a result of, such Borrowing Base Deficiency or (y) with respect to any Pledge of any Substitute Eligible Loan Asset as a substitute for a Warranty Loan Asset in accordance with Section 2.07, with respect to or as a result of, such Warranty Loan Asset).

ARTICLE V.

REPRESENTATIONS AND WARRANTIES

SECTION 5.01 Representations and Warranties of the Borrower. The Borrower hereby represents and warrants, as of each Measurement Date and as of each other date provided under this Agreement or the other Transaction Documents on which such representations and warranties are required to be (or deemed to be) made (unless a specific date is specified below):

(a) Formation, Good Standing and Due Qualification. The Borrower is a limited liability company duly formed, validly existing and in good standing under the laws of the State of Delaware and has the power and all licenses necessary to own its assets and to transact the business in which it is engaged and is duly qualified and in good standing under the laws of each jurisdiction where the transaction of such business or its ownership of the Loan Assets and the Collateral Portfolio requires such qualification; except in each case, to the extent that failure to do so could not reasonably be expected to have a Material Adverse Effect.

(b) Power and Authority; Due Authorization; Execution and Delivery. The Borrower has the necessary power, authority and legal right to make, deliver and perform this Agreement and each other Transaction Document to which it is a party and all of the transactions contemplated hereby and thereby, and has taken all necessary action to authorize the execution, delivery and performance of this Agreement and each other Transaction Document to which it is a party, and to grant to the Collateral Agent, for the benefit of the Secured Parties, a first-priority perfected security interest in the Collateral Portfolio on the terms and conditions of this Agreement, subject only to Permitted Liens.

(c) Binding Obligation. This Agreement and each other Transaction Document to which the Borrower is a party constitutes the legal, valid and binding obligation of the Borrower, enforceable against it in accordance with their respective terms, except as the enforceability hereof and thereof may be limited by Bankruptcy Laws and by general principles of equity (whether such enforceability is considered in a proceeding in equity or at law).

(d) All Consents Required. No consent of any other party and no consent, license, approval or authorization of, or registration or declaration with, any Governmental Authority, bureau or agency is required in connection with the execution, delivery or performance by the Borrower of this Agreement or any other Transaction Document to which it is a party or the validity or enforceability of this Agreement or any such Transaction Document or the Loan Assets or the transfer of an ownership interest or security interest in such Loan Assets, other than such as have been met or obtained and are in full force and effect.

(e) No Violation. The execution, delivery and performance of this Agreement and the other Transaction Documents to which it is a party and all other agreements and instruments executed and delivered or to be executed and delivered pursuant hereto or thereto in connection with the Pledge of the Collateral Portfolio will not (i) create any Lien on the



Collateral Portfolio other than Permitted Liens or (ii) violate any Applicable Law or the certificate of formation or limited liability company agreement of the Borrower to the extent such violation would reasonably be expected to have a Material Adverse Effect or (iii) violate any contract or other agreement to which the Borrower is a party or by which the Borrower or any property or assets of the Borrower may be bound to the extent such violation would reasonably be expected to have a Material Adverse Effect.

(f) No Proceedings. There is no litigation or administrative proceeding or investigation pending or, to the knowledge of the Borrower, threatened against the Borrower or any properties of the Borrower, before any Governmental Authority (i) asserting the invalidity of this Agreement or any other Transaction Document to which the Borrower is a party, (ii) seeking to prevent the consummation of any of the transactions contemplated by this Agreement or any other Transaction Document to which the Borrower is a party or (iii) seeking any determination or ruling that could reasonably be expected to have a Material Adverse Effect.

(g) Origination of Loan Assets. Each Loan Asset was originated or acquired pursuant to and in accordance in all material respects with the Investment Policies in effect as of such date of origination or acquisition. In selecting the Loan Assets to be acquired by the Borrower, no selection procedures were employed which are intended to be adverse to the interests of the Lender.

(h) Bulk Sales. The grant of the security interest in the Collateral Portfolio by the Borrower to the Collateral Agent, for the benefit of the Secured Parties, pursuant to this Agreement, is in the ordinary course of business for the Borrower and is not subject to the bulk transfer or any similar statutory provisions in effect in any applicable jurisdiction.

(i) Pledge of Collateral Portfolio. Except as otherwise expressly permitted by the terms of this Agreement, no item of Collateral Portfolio has been sold, transferred, assigned or pledged by the Borrower to any Person, other than as contemplated by Article II and the Pledge of such Collateral Portfolio to the Collateral Agent, for the benefit of the Secured Parties, pursuant to the terms of this Agreement.

(j) Indebtedness. The Borrower has no Indebtedness or other indebtedness, secured or unsecured, direct or contingent (including guaranteeing any obligation), other than (i) Indebtedness incurred under the terms of the Transaction Documents and (ii) Indebtedness incurred pursuant to certain ordinary business expenses arising pursuant to the transactions contemplated by this Agreement and the other Transaction Documents.

(k) Sole Purpose. The Borrower has been formed solely for the purpose of engaging in transactions of the types contemplated by this Agreement, and has not engaged in any business activity other than the negotiation, execution and to the extent applicable, performance of this Agreement and the transactions contemplated by the Transaction Documents.

(l) No Injunctions. No injunction, writ, restraining order or other order of any nature adversely affects the Borrower's performance of its obligations under this Agreement or any Transaction Document to which the Borrower is a party.

(m) Taxes. The Borrower has filed or caused to be filed (on a consolidated basis or otherwise) on a timely basis all tax returns (including, without limitation, all foreign, federal, state, local and other tax returns) required to be filed by it (subject to any extensions to file properly obtained by the same) and, other than in accordance with the Transaction Documents or pursuant to a contract entered into by the Borrower in the ordinary course of business the primary purpose of which does not relate to Taxes, is not liable for Taxes payable by any other Person. The Borrower has paid or made adequate provisions for the payment of all Taxes made against it or any of its property except for those Taxes being contested in good faith by appropriate proceedings and in respect of which it has established proper reserves in accordance with GAAP on its books or which are not yet delinquent. No Tax lien or similar adverse claim has been filed, and no claim is being asserted, with respect to any such Tax. Any Taxes due and payable by the Borrower, as applicable, in connection with the execution and delivery of this Agreement and the other Transaction Documents and the transactions contemplated hereby or thereby have been paid or shall have been paid if and when due.

(n) Location. The Borrower's location (within the meaning of Article 9 of the UCC) is Delaware. The chief executive office of the Borrower (and the location of the Borrower's records regarding the Collateral Portfolio (other than those delivered to the Collateral Custodian)) is located at the address set forth in Section 11.02 of this Agreement (or at such other address as shall be designated by such party in a written notice to the other parties hereto).

(o) Tradenames. Except as permitted hereunder, the Borrower's legal name is as set forth in this Agreement. Except as permitted hereunder, the Borrower has not changed its name since its formation; does not have tradenames, fictitious names, assumed names or "doing business as" names; the Borrower's only jurisdiction of formation is Delaware, and, except as permitted hereunder, the Borrower has not changed its jurisdiction of formation.

(p) Solvency. The Borrower is not the subject of any Bankruptcy Proceedings or Bankruptcy Event. The Borrower is Solvent, and the transactions contemplated by this Agreement and any other Transaction Document to which the Borrower is a party do not and will not render the Borrower not Solvent.

(q) No Subsidiaries. The Borrower has no Subsidiaries.

(r) Value Given. The Borrower has given fair consideration and reasonably equivalent value to the Transferor or other applicable transferor in exchange for the purchase of the Loan Assets (or any number of them) from such transferor pursuant to the Purchase and Sale Agreement or other assignment or novation. No such transfer has been made for or on account of an antecedent debt owed by the Borrower to the relevant transferor and no such transfer is or may be voidable or subject to avoidance under any section of the Bankruptcy Code.

(s) Reports Accurate. All Servicer's Certificates, Servicing Reports, Notices of Borrowing, Borrowing Base Certificates and other written or electronic information, exhibits, financial statements, documents, books, records or reports furnished by the Borrower (or the Servicer on its behalf) to the Administrative Agent, the Collateral Agent, the Lenders, the Account Bank or the Collateral Custodian in connection with this Agreement are, as of their date, accurate, true and correct in all material respects and no such document or certificate omits

to state a material fact or any fact necessary to make the statements contained therein not misleading; *provided* that, solely with respect to written or electronic information furnished by the Servicer which was provided to the Servicer from an Obligor with respect to a Loan Asset, such information need only be accurate, true and correct in all material respects to the knowledge of the Borrower; *provided further* that the foregoing proviso shall not apply to any information presented in a Servicer's Certificate, Servicing Report, Notice of Borrowing or Borrowing Base Certificate.

(t) Exchange Act Compliance; Regulations T, U and X. None of the transactions contemplated herein or in the other Transaction Documents (including, without limitation, the use of proceeds from the sale of the Collateral Portfolio) will violate or result in a violation of Section 7 of the Exchange Act, or any regulations issued pursuant thereto, including, without limitation, Regulations T, U and X of the Board of Governors of the Federal Reserve System, 12 C.F.R., Chapter II. The Borrower does not own or intend to carry or purchase, and no proceeds from the Advances will be used to carry or purchase, any "margin stock" within the meaning of Regulation U or to extend "purpose credit" within the meaning of Regulation U.

(u) No Adverse Agreements. There are no agreements in effect adversely affecting the rights of the Borrower to make, or cause to be made, the grant of the security interest in the Collateral Portfolio contemplated by Section 2.13.

(v) Event of Default/Unmatured Event of Default. No event has occurred which constitutes an Event of Default, and no event has occurred and is continuing which constitutes an Unmatured Event of Default (other than any Event of Default or Unmatured Event of Default which has previously been disclosed to the Administrative Agent as such).

(w) Servicing Standard. Each of the Loan Assets is being serviced in conformance with the Servicing Standard.

(x) ERISA; Plan Assets. The present value of all benefits vested under each "employee pension benefit plan", as such term is defined in Section 3(2) of ERISA, other than a Multiemployer Plan, that is subject to Title IV of ERISA and is sponsored or maintained by the Borrower or any ERISA Affiliate of the Borrower, or to which the Borrower or any ERISA Affiliate of the Borrower contributes or has an obligation to contribute, or has any liability (each, a "Pension Plan"), does not exceed the value of the assets of the Pension Plan allocable to such vested benefits (based on the value of such assets as of the last annual valuation date) determined in accordance with the assumptions used for funding such Pension Plan pursuant to Sections 412 and 430 of the Code. No prohibited transactions, failure to meet the minimum funding standard set forth in Section 302(a) of ERISA and Section 412(a) of the Code (with respect to any Pension Plan other than a Multiemployer Plan), waiver of the minimum funding standard, withdrawals or reportable events have occurred with respect to any Pension Plan that, in the aggregate, could subject the Borrower to any material tax, penalty or other liability. No notice of intent to terminate a Pension Plan has been filed, nor has any Pension Plan been terminated under Section 4041(c) of ERISA, nor has the Pension Benefit Guaranty Corporation instituted proceedings to terminate, or appoint a trustee to administer a Pension Plan and no event has occurred or condition exists that might constitute grounds under Section 4042 of ERISA for the termination of, or the appointment of a trustee to administer, any Pension Plan. In addition, either (a) neither

Borrower nor any ERISA Affiliate of Borrower contributes to or has any obligation to contribute to any Multiemployer Plan and neither has any material liability (other than contributions that are paid when due) to any Multiemployer Plan, or (b) neither the Borrower nor any ERISA Affiliate of Borrower has incurred any material liability with respect to the withdrawal or partial withdrawal from any Multiemployer Plan and neither the Borrower nor any ERISA Affiliate of Borrower has received any notice concerning the imposition of withdrawal liability or a determination that a Multiemployer Plan is, or is expected to be, insolvent or in reorganization, within the meaning of Title IV of ERISA. Further, Borrower is not a “benefit plan investor” as defined in Department of Labor regulation 29 C.F.R. Section 2510.3-101, as modified by Section 3(42) of ERISA, a “governmental plan” within the meaning of Section 3(32) of ERISA, or any other entity the assets of which are subject to state statutes or regulations applicable to the Borrower that impose prohibitions materially similar to the prohibited transaction provisions contained in Section 406 of ERISA or Section 4975 of the Code (collectively, a “Benefit Plan Entity”).

(y) Allocation of Charges. ~~There~~ Other than in connection with, relating to or arising from a Permitted BDC Merger, there is not any agreement or understanding between the Servicer and the Borrower (other than as expressly set forth herein or as consented to by the Administrative Agent), providing for the allocation or sharing of obligations to make payments or otherwise in respect of any taxes, fees, assessments or other governmental charges.

(z) Broker-Dealer. The Borrower is not a broker-dealer or subject to the Securities Investor Protection Act of 1970, as amended.

(aa) Instructions to Obligors. The Collection Account is the only account to which Obligors have been instructed by the Borrower, or the Servicer on the Borrower’s behalf, to send Principal Collections and Interest Collections on the Collateral Portfolio. The Borrower has not granted any Person other than the Collateral Agent, on behalf of the Secured Parties, an interest in the Collection Account.

(bb) Purchase and Sale Agreement. The Purchase and Sale Agreement, the Loan Assignment contemplated therein and any Required Loan Document specified in clause (a) of the definition thereof are the only agreements pursuant to which the Borrower acquires that portion of the Collateral Portfolio acquired from the Transferor.

(cc) Investment Company Act. The Borrower is not required to register as an “investment company” under the provisions of the 1940 Act.

(dd) Compliance with Law. The Borrower has complied in all material respects with all Applicable Law to which it may be subject, and no item of the Collateral Portfolio contravenes any Applicable Law (including, without limitation, all applicable predatory and abusive lending laws, laws, rules and regulations relating to licensing, truth in lending, fair credit billing, fair credit reporting, equal credit opportunity, fair debt collection practices and privacy).

(ee) Collections. The Borrower acknowledges that all Available Collections received by it or its Affiliates with respect to the Collateral Portfolio Pledged hereunder are held and shall be held in trust for the benefit of the Collateral Agent, on behalf of the Secured Parties until deposited into the Collection Account within two Business Days after receipt as required herein.

(ff) Set-Off, etc. No Loan Asset has been compromised, adjusted, extended, satisfied, subordinated, rescinded, set-off or modified by the Borrower, the Transferor or the Obligor thereof, and no Loan Asset in the Collateral Portfolio is subject to compromise, adjustment, extension, satisfaction, subordination, rescission, set-off, counterclaim, defense, abatement, suspension, deferment, deduction, reduction, termination or modification, whether arising out of transactions concerning the Collateral Portfolio or otherwise, by the Borrower, the Transferor or the Obligor with respect thereto, except, in each case, for amendments, extensions and modifications, if any, to such Collateral Portfolio otherwise permitted pursuant to Section 6.04(a) of this Agreement and in accordance with the Servicing Standard.

(gg) Full Payment. As of the applicable Cut-Off Date with respect thereto, the Borrower has no knowledge of any fact which should lead it to expect that any Loan Asset will not be paid in full.

(hh) Environmental. With respect to each item of Underlying Collateral as of the applicable Cut-Off Date for the Loan Asset related to such Underlying Collateral, to the actual knowledge of a Responsible Officer of the Borrower: (a) the related Obligor's operations comply in all material respects with all applicable Environmental Laws; (b) none of the related Obligor's operations is the subject of a federal or state investigation evaluating whether any remedial action, involving expenditures, is needed to respond to a release of any Hazardous Materials into the environment; and (c) the related Obligor does not have any material contingent liability in connection with any release of any Hazardous Materials into the environment. As of the applicable Cut-Off Date for the Loan Asset related to such Underlying Collateral, none of the Borrower, the Transferor nor the Servicer has received any written or oral notice of, or inquiry from any Governmental Authority regarding, any violation, alleged violation, non-compliance, liability or potential liability regarding environmental matters or compliance with Environmental Laws with regard to any of the Underlying Collateral, nor does any such Person have knowledge or reason to believe that any such notice will be received or is being threatened.

(ii) USA PATRIOT Act. Neither the Borrower nor any Affiliate of the Borrower is (i) a country, territory, organization, person or entity named on an Office of Foreign Asset Control (OFAC) list; (ii) a Person that resides or has a place of business in a country or territory named on such lists or which is designated as a "Non-Cooperative Jurisdiction" by the Financial Action Task Force on Money Laundering, or whose subscription funds are transferred from or through such a jurisdiction; (iii) a "Foreign Shell Bank" within the meaning of the USA PATRIOT Act, *i.e.*, a foreign bank that does not have a physical presence in any country and that is not affiliated with a bank that has a physical presence and an acceptable level of regulation and supervision; or (iv) a person or entity that resides in or is organized under the laws of a jurisdiction designated by the United States Secretary of the Treasury under Sections 311 or 312 of the USA PATRIOT Act as warranting special measures due to money laundering concerns.

(jj) [Reserved].

(kk) Accuracy of Representations and Warranties. Each representation or warranty by the Borrower contained in any other Transaction Document or any certificate or other document furnished by the Borrower in writing pursuant hereto or in connection herewith is true and correct in all material respects.

(ll) Reaffirmation of Representations and Warranties. On each day that any Advance is made hereunder, the Borrower shall be deemed to have certified that all representations and warranties described in Section 4.01 and Section 4.02 are correct on and as of such day as though made on and as of such day, except for any such representations or warranties which are made as of a specific date.

(mm) Security Interest.

(i) This Agreement creates a valid and continuing security interest (as defined in the applicable UCC) in the Collateral Portfolio in favor of the Collateral Agent, on behalf of the Secured Parties, which security interest is prior to all other Liens (except for Permitted Liens), and is enforceable as such against creditors of and purchasers from the Borrower;

(ii) the Collateral Portfolio is comprised of “instruments”, “security entitlements”, “general intangibles” (including “payment intangibles”), “tangible chattel paper”, “accounts”, “certificated securities”, “uncertificated securities”, “securities accounts”, “deposit accounts”, “supporting obligations” or “insurance” (each as defined in the applicable UCC), real property and/or such other category of collateral under the applicable UCC as to which the Borrower has complied with its obligations under this Section 4.01(mm);

(iii) with respect to Collateral Portfolio that constitute “security entitlements”:

a. all of such security entitlements have been credited to one of the Controlled Accounts and the securities intermediary for each Controlled Account has agreed to treat all assets credited to such Controlled Account as “financial assets” within the meaning of the applicable UCC;

b. the Borrower has taken all steps necessary to cause the securities intermediary to identify in its records the Borrower, subject to the Lien of the Collateral Agent, for the benefit of the Secured Parties, as the Person having a security entitlement against the securities intermediary in each of the Controlled Accounts; and

c. the Controlled Accounts are not in the name of any Person other than the Borrower, subject to the Lien of the Collateral Agent, for the benefit of the Secured Parties. The securities intermediary of any Controlled Account which is a “securities account” under the UCC has agreed to comply with the entitlement orders and instructions of the Borrower, the Servicer and the Collateral Agent (acting at the direction of the Administrative Agent) in accordance with the Transaction Documents, including causing cash to be

invested in Permitted Investments; *provided* that, upon the delivery of a Notice of Exclusive Control by the Collateral Agent (acting at the direction of the Administrative Agent), the securities intermediary has agreed to only follow the entitlement orders and instructions of the Collateral Agent, on behalf of the Secured Parties, including with respect to the investment of cash in Permitted Investments.

(iv) all Controlled Accounts constitute “securities accounts” or “deposit accounts” as defined in the applicable UCC;

(v) with respect to any Controlled Account which constitutes a “deposit account” as defined in the applicable UCC, the Borrower, the Account Bank and the Collateral Agent, on behalf of the Secured Parties, have entered into an account control agreement which permits the Collateral Agent on behalf of the Secured Parties to direct disposition of the funds in such deposit account;

(vi) the Borrower owns and has good and marketable title to (or with respect to assets securing any Loan Assets, a valid security interest in) the Collateral Portfolio free and clear of any Lien (other than Permitted Liens) of any Person;

(vii) the Borrower has received all consents and approvals required by the terms of any Loan Asset to the granting of a security interest in the Loan Assets hereunder to the Collateral Agent, on behalf of the Secured Parties;

(viii) the Borrower has caused the filing of all appropriate financing statements in the proper filing office in the appropriate jurisdictions under Applicable Law in order to perfect the security interest granted to the Collateral Agent, on behalf of the Secured Parties, under this Agreement in the Collateral Portfolio and that portion of the Loan Assets in which a security interest may be perfected by filing; *provided* that filings in respect of real property shall not be required;

(ix) other than as expressly permitted by the terms of this Agreement and the security interest granted to the Collateral Agent, on behalf of the Secured Parties, pursuant to this Agreement, the Borrower has not pledged, assigned, sold, granted a security interest in or otherwise conveyed any of the Collateral Portfolio. The Borrower has not authorized the filing of and is not aware of any effective financing statements against the Borrower that include a description of collateral covering the Collateral Portfolio other than any financing statement (A) relating to the security interests granted to the Borrower under the Purchase and Sale Agreement, or (B) that has been terminated and/or fully and validly assigned to the Collateral Agent on or prior to the date hereof or names the Collateral Agent as secured party. The Borrower is not aware of the filing of any judgment or Tax lien (other than Permitted Liens in respect of Taxes) filings against the Borrower;

(x) all original executed copies of each underlying promissory note, if any, or copies of each Loan Asset Register, as applicable, that constitute or evidence each Loan Asset have been, or subject to the delivery requirements contained herein, will be delivered to the Collateral Custodian;

(xi) other than in the case of Noteless Loan Assets, the Borrower has received, or subject to the delivery requirements contained herein will receive, a written acknowledgment from the Collateral Custodian that the Collateral Custodian, as the bailee of the Collateral Agent, is holding the underlying promissory notes that constitute or evidence the Loan Assets solely on behalf of and for the Collateral Agent, for the benefit of the Secured Parties;

(xii) none of the underlying promissory notes, or Loan Asset Registers, as applicable, that constitute or evidence the Loan Assets has any marks or notations indicating that they have been pledged, assigned or otherwise conveyed to any Person other than the Collateral Agent, on behalf of the Secured Parties;

(xiii) with respect to any Collateral Portfolio that constitutes a “certificated security,” such certificated security has been delivered to the Collateral Custodian, on behalf of the Secured Parties and, if in registered form, has been specially Indorsed in blank by an effective Indorsement or has been registered in the name of the Collateral Agent, for the benefit of the Secured Parties, upon original issue or registration of transfer by the Borrower of such certificated security; and

(xiv) with respect to any Collateral Portfolio that constitutes an “uncertificated security”, that the Borrower shall cause the issuer of such uncertificated security to register the Collateral Agent, on behalf of the Secured Parties, as the registered owner of such uncertificated security.

**SECTION 5.02 Representations and Warranties of the Borrower Relating to the Agreement and the Collateral Portfolio.**

The Borrower hereby represents and warrants, as of each Measurement Date and as of each other date provided under this Agreement or the other Transaction Documents on which such representations and warranties are required to be (or deemed to be) made:

(a) Valid Transfer and Security Interest. This Agreement constitutes a grant of a security interest in all of the Collateral Portfolio to the Collateral Agent, for the benefit of the Secured Parties, which upon the delivery of the Required Loan Documents to the Collateral Custodian, the crediting of Loan Assets to the Controlled Accounts and the filing of the financing statements, shall be a valid and first-priority perfected security interest in the Loan Assets forming a part of the Collateral Portfolio and in that portion of the Loan Assets in which a security interest may be perfected by filing subject only to Permitted Liens. Neither the Borrower nor any Person claiming through or under the Borrower shall have any claim to or interest in the Controlled Accounts and nothing in this Agreement constitutes the grant of a security interest in such property, except for the security interest referenced in this Section 4.02(a) and for the interest of the Borrower in such property as a debtor for purposes of the UCC.



(b) Eligibility of Collateral Portfolio. As of the Closing Date, each Cut-Off Date and each Advance Date, (i) the Loan Asset Schedule and the information contained in each Notice of Borrowing, is an accurate and complete listing of all the Loan Assets contained in the Collateral Portfolio as of the related Cut-Off Date and the information contained therein with respect to the identity of such item of Collateral Portfolio and the amounts owing thereunder is true and correct as of the related Cut-Off Date, (ii) each Loan Asset designated on any Borrowing Base Certificate as an Eligible Loan Asset and each Loan Asset included as an Eligible Loan Asset in any calculation of Borrowing Base or Borrowing Base Deficiency is an Eligible Loan Asset and (iii) with respect to each item of Collateral Portfolio, all consents, licenses, approvals or authorizations of or registrations or declarations of any Governmental Authority or any Person required to be obtained, effected or given by the Borrower in connection with the transfer of a security interest in each item of Collateral Portfolio to the Collateral Agent, for the benefit of the Secured Parties, have been duly obtained, effected or given and are in full force and effect. For the avoidance of doubt, any inaccurate representation that a Loan Asset is an Eligible Loan Asset hereunder or under the Purchase and Sale Agreement shall not constitute an Event of Default if the Borrower complies with Section 2.07(c) hereunder and the Transferor complies with Section 6.1 of the Purchase and Sale Agreement

(c) No Fraud. To the best of the Borrower's knowledge, each Loan Asset was originated or acquired without any fraud or material misrepresentation by the Transferor or the relevant seller or on the part of the Obligor.

SECTION 5.03 Representations and Warranties of the Servicer. The Servicer hereby represents and warrants, as of each Measurement Date and as of each other date provided under this Agreement or the other Transaction Documents on which such representations and warranties are required to be (or deemed to be) made (unless a specific date is specified below):

(a) Formation and Good Standing. The Servicer has been duly formed and is validly existing as a corporation in good standing under the laws of the State of Maryland (except as such jurisdiction is changed as permitted hereunder), with all requisite power and authority necessary to own or lease its properties and to conduct its business as such business is presently conducted and to enter into and perform its obligations pursuant to this Agreement.

(b) Due Qualification. The Servicer is duly qualified to do business as a corporation and is in good standing as a corporation, and has obtained all necessary licenses and approvals in all jurisdictions in which the ownership or lease of its property and or the conduct of its business requires such qualification, licenses or approvals, except where the failure to be so qualified could not reasonably be expected to result in a Material Adverse Effect.

(c) Power and Authority; Due Authorization; Execution and Delivery. The Servicer (i) has all necessary power, authority and legal right to (a) execute and deliver this Agreement and the other Transaction Documents to which it is a party, (b) carry out the terms of the Transaction Documents to which it is a party, and (ii) has duly authorized by all necessary corporate action the execution, delivery and performance of this Agreement and the other Transaction Documents to which it is a party. This Agreement and each other Transaction Document to which the Servicer is a party have been duly executed and delivered by the Servicer.

(d) Binding Obligation. This Agreement and each other Transaction Document to which the Servicer is a party constitutes a legal, valid and binding obligation of the Servicer enforceable against the Servicer in accordance with its respective terms, except as such enforceability may be limited by Bankruptcy Laws and general principles of equity (whether considered in a suit at law or in equity).

(e) No Violation. The consummation of the transactions contemplated by this Agreement and the other Transaction Documents to which it is a party and the fulfillment of the terms hereof and thereof will not (i) conflict with, result in any breach of any of the terms and provisions of, or constitute (with or without notice or lapse of time or both) a default under, the Servicer's articles of incorporation or bylaws, (ii) conflict with, result in any breach of any of the terms and provisions of, or constitute (with or without notice or lapse of time or both) a default under any contractual obligation of the Servicer except to the extent such conflict or breach of such contractual obligation would not reasonably be excepted to have a Material Adverse Effect, (iii) result in the creation or imposition of any Lien upon any of the Servicer's properties pursuant to the terms of any such contractual obligation, other than this Agreement, or (iv) violate any Applicable Law except to the extent such violation would not reasonably be excepted to have a Material Adverse Effect.

(f) No Proceedings. There is no litigation, proceeding or investigation pending or, to the knowledge of the Servicer, threatened against the Servicer, before any Governmental Authority (i) asserting the invalidity of this Agreement or any other Transaction Document to which the Servicer is a party, (ii) seeking to prevent the consummation of any of the transactions contemplated by this Agreement or any other Transaction Document to which the Servicer is a party or (iii) seeking any determination or ruling that could reasonably be expected to have a Material Adverse Effect.

(g) All Consents Required. All approvals, authorizations, consents, orders, licenses or other actions of any Person or of any Governmental Authority (if any) required for the due execution, delivery and performance by the Servicer of this Agreement and any other Transaction Document to which the Servicer is a party have been obtained.

(h) Reports Accurate. No Borrowing Base Certificate, information, exhibit, financial statement, document, book, record or report furnished by the Servicer to the Administrative Agent, the Collateral Agent, the Lenders, the Account Bank or the Collateral Custodian in connection with this Agreement is inaccurate in any material respect as of the date it is dated, and no such document contains any material misstatement of fact or omits to state a material fact or any fact necessary to make the statements contained therein not misleading; *provided* that, solely with respect to written or electronic information furnished by the Servicer which was provided to the Servicer from an Obligor with respect to a Loan Asset, such information need only be accurate, true and correct in all material respects to the knowledge of the Servicer; *provided further* that the foregoing proviso shall not apply to any information presented in a Servicer's Certificate, Servicing Reports, Notice of Borrowing or Borrowing Base Certificate.

(i) Servicing Standard. The Servicer has complied in all material respects with the Servicing Standard with regard to the servicing of the Loan Assets.

(j) Collections. The Servicer acknowledges that all Available Collections received by it or its Affiliates with respect to the Collateral Portfolio transferred or Pledged hereunder are held and shall be held in trust for the benefit of the Secured Parties until deposited into the Collection Account within two Business Days from receipt as required herein.

(k) Bulk Sales. The execution, delivery and performance of this Agreement do not require compliance with any “bulk sales” act or similar law by the Servicer.

(l) Solvency. The Servicer is not the subject of any Bankruptcy Proceedings or Bankruptcy Event. The transactions under this Agreement and any other Transaction Document to which the Servicer is a party do not and will not render the Servicer not Solvent.

(m) Taxes. The Servicer has filed or caused to be filed all tax returns that are required to be filed by it (subject to any extensions to file properly obtained by the same). The Servicer has paid or made adequate provisions for the payment of all material Taxes and assessments made against it or any of its property (other than any amount of Tax the validity of which is currently being contested in good faith by appropriate proceedings and with respect to which reserves in accordance with GAAP have been provided on the books of the Servicer or any Tax which is not yet delinquent), and no Tax lien has been filed and no claim is being asserted, with respect to any such Tax, assessment or other charge.

(n) Exchange Act Compliance; Regulations T, U and X. None of the transactions contemplated herein or in the other Transaction Documents (including, without limitation, the use of the Proceeds from the sale of the Collateral Portfolio) will violate or result in a violation of Section 7 of the Exchange Act, or any regulations issued pursuant thereto, including, without limitation, Regulations T, U and X of the Board of Governors of the Federal Reserve System, 12 C.F.R., Chapter II.

(o) Security Interest. The Servicer will take all steps necessary to ensure that the Borrower has granted a security interest (as defined in the UCC) to the Collateral Agent, for the benefit of the Secured Parties, in the Collateral Portfolio, which is enforceable in accordance with Applicable Law upon execution and delivery of this Agreement. Upon the filing of UCC-1 financing statements naming the Collateral Agent as secured party and the Borrower as debtor, the Collateral Agent, for the benefit of the Secured Parties, shall have a valid and first-priority perfected security interest in the Loan Assets and that portion of the Collateral Portfolio in which a security interest may be perfected by filing (except for any Permitted Liens). All filings (including, without limitation, such UCC filings) as are necessary for the perfection of the Secured Parties’ security interest in the Loan Assets and that portion of the Collateral Portfolio in which a security interest may be perfected by filing have been (or prior to the applicable Advance will be) made.

(p) ERISA. The present value of all benefits vested under each “employee pension benefit plan”, as such term is defined in Section 3(2) of ERISA, other than a Multiemployer Plan, that is subject to Title IV of ERISA and is sponsored or maintained by the Servicer or any ERISA Affiliate of the Servicer or to which the Servicer or any ERISA Affiliate of the Servicer contributes or has an obligation to contribute, or has any liability (each, a “Servicer Pension Plan”) does not exceed the value of the assets of the Servicer Pension Plan

allocable to such vested benefits (based on the value of such assets as of the last annual valuation date) determined in accordance with the assumptions used for funding such Servicer Pension Plan pursuant to Sections 412 and 430 of the Code. No prohibited transactions, failure to meet the minimum funding standard set forth in Section 302(a) of ERISA and Section 412(a) of the Code (with respect to any Servicer Pension Plan other than a Multiemployer Plan), waiver of the minimum funding standard, withdrawals or reportable events have occurred with respect to any Servicer Pension Plan that, in the aggregate, could subject the Servicer to any material tax, penalty or other liability. No notice of intent to terminate a Servicer Pension Plan has been filed, nor has any Servicer Pension Plan been terminated under Section 4041(c) of ERISA, nor has the Pension Benefit Guaranty Corporation instituted proceedings to terminate, or appoint a trustee to administer, a Servicer Pension Plan and no event has occurred or condition exists that might constitute grounds under Section 4042 of ERISA for the termination of, or the appointment of a trustee to administer, any Servicer Pension Plan. In addition, either (a) neither Servicer nor any ERISA Affiliate of Servicer contributes to or has any obligation to contribute to any Multiemployer Plan and neither has any material liability (other than contributions that are paid when due) to any Multiemployer Plan, or (b) neither the Servicer nor any ERISA Affiliate of Servicer has incurred any material liability with respect to the withdrawal or partial withdrawal from any Multiemployer Plan and neither the Servicer nor any ERISA Affiliate of Servicer has received any notice concerning the imposition of withdrawal liability or a determination that a Multiemployer Plan is, or is expected to be, insolvent or in reorganization, within the meaning of Title IV of ERISA.

(q) USA PATRIOT Act. Neither the Servicer nor any Affiliate of the Servicer is (i) a country, territory, organization, person or entity named on an OFAC list; (ii) a Person that resides or has a place of business in a country or territory named on such lists or which is designated as a “Non-Cooperative Jurisdiction” by the Financial Action Task Force on Money Laundering, or whose subscription funds are transferred from or through such a jurisdiction; (iii) a “Foreign Shell Bank” within the meaning of the USA PATRIOT Act, *i.e.*, a foreign bank that does not have a physical presence in any country and that is not affiliated with a bank that has a physical presence and an acceptable level of regulation and supervision; or (iv) a person or entity that resides in or is organized under the laws of a jurisdiction designated by the United States Secretary of the Treasury under Sections 311 or 312 of the USA PATRIOT Act as warranting special measures due to money laundering concerns.

(r) Environmental. With respect to each item of Underlying Collateral, to the actual knowledge of a Responsible Officer of the Servicer: (i) the related Obligor’s operations comply in all material respects with all applicable Environmental Laws; (ii) none of the related Obligor’s operations is the subject of a Federal or state investigation evaluating whether any remedial action, involving expenditures, is needed to respond to a release of any Hazardous Materials into the environment; and (iii) the related Obligor does not have any material contingent liability in connection with any release of any Hazardous Materials into the environment. The Servicer has not received any written or oral notice of, or inquiry from any Governmental Authority regarding, any material violation, alleged material violation, material non-compliance, liability or potential liability regarding environmental matters or compliance with Environmental Laws with regard to any of the Underlying Collateral, nor does the Servicer, have knowledge or reason to believe that any such notice will be received or is being threatened.

(s) No Injunctions. No injunction, writ, restraining order or other order of any nature adversely affects the Servicer's performance of its obligations under this Agreement or any Transaction Document to which the Servicer is a party.

(t) Instructions to Obligors. The Collection Account is the only account to which Obligors have been instructed by the Servicer on the Borrower's behalf to send Principal Collections and Interest Collections on the Collateral Portfolio.

(u) Allocation of Charges. ~~There~~Other than in connection with, relating to or arising from a Permitted BDC Merger, there is not any agreement or understanding between the Servicer and the Borrower (other than as expressly set forth herein or as consented to by the Administrative Agent), providing for the allocation or sharing of obligations to make payments or otherwise in respect of any taxes, fees, assessments or other governmental charges.

(v) Servicer Termination Event. No event has occurred which constitutes a Servicer Termination Event (other than any Servicer Termination Event which has previously been disclosed to the Administrative Agent as such).

(w) Broker-Dealer. The Servicer is not a broker-dealer or subject to the Securities Investor Protection Act of 1970, as amended.

(x) Compliance with Applicable Law. The Servicer has complied in all material respects with all Applicable Law to which it may be subject, except to the extent the failure to do so would not reasonably be expected to have a Material Adverse Effect and no item in the Collateral Portfolio contravenes, in any respect, Applicable Law.

## ARTICLE VI.

### GENERAL COVENANTS

#### SECTION 6.01 Affirmative Covenants of the Borrower.

From the Closing Date until the Collection Date:

(a) Organizational Procedures and Scope of Business. The Borrower will observe all organizational procedures required by its certificate of formation, limited liability company agreement and the laws of its jurisdiction of formation. Without limiting the foregoing, the Borrower will limit the scope of its business to: (i) the acquisition of Eligible Loan Assets and the ownership and management of the Portfolio Assets and the related assets in the Collateral Portfolio; (ii) the sale, transfer or other disposition of Portfolio Assets as and when permitted under the Transaction Documents; (iii) entering into and performing under the Transaction Documents; (iv) consenting or withholding consent as to proposed amendments, waivers and other modifications of the Loan Agreements to the extent not in conflict with the terms of this Agreement or any other Transaction Document; (v) exercising any rights (including but not limited to voting rights and rights arising in connection with a Bankruptcy Event with respect to an Obligor or the consensual or non-judicial restructuring of the debt or equity of an Obligor) or remedies in connection with the Loan Assets and participating in the committees (official or otherwise) or other groups formed by creditors of an Obligor to the extent not in

conflict with the terms of this Agreement or any other Transaction Document; and (vi) engaging in any activity and to exercise any powers permitted to limited liability companies under the laws of the State of Delaware that are related to the foregoing and necessary, convenient or advisable to accomplish the foregoing.

(b) Special Purpose Entity Requirements. The Borrower will at all times: (i) maintain at least one Independent Director; (ii) maintain its own separate books and records and bank accounts; (iii) hold itself out to the public and all other Persons as a legal entity separate from the Transferor and any other Person; (iv) have a board of directors separate from that of the Transferor and any other Person; (v) file its own tax returns, if any, as may be required under Applicable Law, to the extent it is (A) not part of a consolidated group filing a consolidated return or returns or (B) not treated as a disregarded entity or division for tax purposes of another taxpayer, and pay any Taxes so required to be paid under Applicable Law in accordance with the terms of this Agreement; (vi) except as contemplated by the Transaction Documents, not commingle its assets with assets of any other Person; (vii) conduct its business in its own name and strictly comply with all organizational formalities to maintain its separate existence; (viii) maintain separate financial statements, except to the extent that the Borrower's financial and operating results are consolidated with those of ~~CCT~~(A) prior to the consummation of a Permitted BDC Merger, CCT, and (B) on or after the consummation of each Permitted BDC Merger, the applicable Permitted BDC, in consolidated financial statements; (ix) pay its own liabilities only out of its own funds; (x) maintain an arm's-length relationship with the Transferor and the Borrower's other Affiliates; (xi) pay the salaries of its own employees, if any; (xii) not hold out its credit or assets as being available to satisfy the obligations of others; (xiii) allocate fairly and reasonably any overhead for shared office space; (xiv) use separate stationery, invoices and checks; (xv) except as expressly permitted by this Agreement, not pledge its assets as security for the obligations of any other Person; (xvi) correct any known misunderstanding regarding its separate identity; (xvii) maintain adequate capital in light of its contemplated business purpose, transactions and liabilities and pay its operating expenses and liabilities from its own assets; (xviii) cause its board of directors to meet at least annually or act pursuant to written consent and keep minutes of such meetings and actions and observe in all material respects all other Delaware limited liability company formalities; (xix) not acquire the obligations or any securities of its Affiliates; and (xx) cause the directors, officers, agents and other representatives of the Borrower to act at all times with respect to the Borrower consistently and in furtherance of the foregoing and in the best interests of the Borrower. Where necessary, the Borrower will obtain proper authorization from its members for limited liability company action.

(c) Preservation of Company Existence. The Borrower will maintain its limited liability company existence in good standing under the laws of its jurisdiction of formation and will promptly obtain and thereafter maintain qualifications to do business as a foreign limited liability company in any other state in which it does business and in which it is required to so qualify under Applicable Law.

(d) Compliance with Legal Opinions. The Borrower shall take all other actions necessary to maintain in all material respects the accuracy of the factual assumptions set forth in the legal opinions of Dechert LLP, as special counsel to the Borrower, issued in connection with the Transaction Documents and relating to the issues of substantive consolidation and true sale of the Loan Assets.

(e) Deposit of Collections. The Borrower shall promptly (but in no event later than two Business Days after receipt) deposit or cause to be deposited into the Collection Account any and all Available Collections received by the Borrower, the Servicer or any of their Affiliates.

(f) Disclosure of Purchase Price. The Borrower shall disclose to the Administrative Agent the purchase price for each Loan Asset proposed to be transferred to the Borrower.

(g) Obligor Defaults and Bankruptcy Events. The Borrower shall give, or shall cause the Servicer to give, notice to the Administrative Agent within two Business Days of the Borrower's, the Transferor's or the Servicer's actual knowledge of the occurrence of any default by an Obligor under any Loan Asset or any Bankruptcy Event with respect to any Obligor under any Loan Asset. Together with such notification, the Borrower or the Servicer shall inform the Administrative Agent whether, to the knowledge of the Borrower or Servicer, as applicable, such event constitutes a Value Adjustment Event.

(h) Required Loan Documents. Except as otherwise provided herein, the Borrower shall deliver to the Collateral Custodian a copy of the Required Loan Documents and a copy of the Loan Asset Checklist pertaining to each Loan Asset no later than 10 Business Days after the later of (x) any related Advance Date as to any Loan Assets and (y) the date such loan assets have settled.

(i) Taxes. The Borrower will file or cause to be filed its tax returns and pay any and all Taxes imposed on it or its property as required by the Transaction Documents (except as contemplated in Section 4.01(m)).

(j) Notice of Event of Default. The Borrower shall notify the Administrative Agent of the occurrence of any Event of Default under this Agreement promptly upon obtaining actual knowledge of such event. In addition, no later than two Business Days following the Borrower's knowledge or notice of the occurrence of any Event of Default or Unmatured Event of Default, the Borrower will provide to the Administrative Agent a written statement of a Responsible Officer of the Borrower setting forth the details of such event and the action that the Borrower proposes to take with respect thereto.

(k) Notice of Material Events. The Borrower shall promptly, upon becoming aware thereof, notify the Administrative Agent of any event or other circumstance that is reasonably likely to have a Material Adverse Effect.

(l) Notice of Income Tax Liability. The Borrower shall furnish to the Administrative Agent telephonic or facsimile notice, or notice by e-mail, within 10 Business Days (confirmed in writing within five Business Days thereafter) of the receipt of revenue agent reports or other written proposals, determinations or assessments of the Internal Revenue Service or any other taxing authority which propose, determine or otherwise set forth positive adjustments (i) to the Tax liability of ~~CCT~~(A) prior to the consummation of a Permitted BDC

Merger, CCT, and (B) on or after the consummation of each Permitted BDC Merger, the applicable Permitted BDC, or any “affiliated group” (within the meaning of Section 1504(a)(1) of the Code) of which ~~CCT~~such Person is a member in an amount equal to or greater than \$5,000,000 in the aggregate, or (ii) to the Tax liability of the Borrower itself in an amount equal to or greater than \$500,000 in the aggregate. Any such notice shall specify the nature of the items giving rise to such adjustments and the amounts thereof.

(m) Notice of Auditors’ Management Letters. The Borrower shall promptly notify the Administrative Agent after the receipt of any auditors’ management letters received by the Borrower or by its accountants.

(n) Notice of Breaches of Representations and Warranties under this Agreement. The Borrower shall promptly notify the Administrative Agent if any representation or warranty set forth in Section 4.01 or Section 4.02 was incorrect at the time it was given or deemed to have been given and at the same time deliver to the Collateral Agent and the Administrative Agent a written notice setting forth in reasonable detail the nature of such facts and circumstances. In particular, but without limiting the foregoing, the Borrower shall notify the Administrative Agent in the manner set forth in the preceding sentence before any Cut-Off Date of any facts or circumstances within the knowledge of the Borrower which would render any of the said representations and warranties untrue at the date when such representations and warranties were made or deemed to have been made.

(o) Notice of Breaches of Representations and Warranties under the Purchase and Sale Agreement. The Borrower confirms and agrees that the Borrower will, upon receipt of notice or discovery thereof, promptly send to the Administrative Agent and the Collateral Agent a notice of (i) any breach of any representation, warranty, agreement or covenant under the Purchase and Sale Agreement or (ii) any event or occurrence that, upon notice, or upon the passage of time or both, would constitute such a breach.

(p) Notice of Proceedings. The Borrower shall notify the Administrative Agent, as soon as possible and in any event within three Business Days, after the Borrower receives notice or obtains knowledge thereof, of any settlement of, material judgment (including a material judgment with respect to the liability phase of a bifurcated trial) in or commencement of any labor controversy, litigation, action, suit or proceeding before any court or governmental department, commission, board, bureau, agency or instrumentality, domestic or foreign, that could reasonably be expected to have a Material Adverse Effect on the Collateral Portfolio, the Transaction Documents, the Collateral Agent’s, for the benefit of the Secured Parties, interest in the Collateral Portfolio, or the Borrower, the Servicer or the Transferor or any of their respective Majority Owned Affiliates. For purposes of this Section 5.01(p), (i) any settlement, judgment, labor controversy, litigation, action, suit or proceeding affecting the Collateral Portfolio, the Transaction Documents, the Collateral Agent’s, for the benefit of the Secured Parties, interest in the Collateral Portfolio, or the Borrower that could reasonably be expected to result in liability to such Person or reduce the value of the Collateral Portfolio, in each case, in excess of \$1,000,000 (after any expected insurance proceeds) shall be deemed to be reasonably expected to have such a Material Adverse Effect and (ii) any settlement, judgment, labor controversy, litigation, action, suit or proceeding affecting the Servicer or the Transferor or any of their respective Majority Owned Affiliates (other than the Borrower) that could reasonably be expected to result in liability of such Person in excess of \$10,000,000 (after any expected insurance proceeds) shall be deemed to be reasonably expected to have such a Material Adverse Effect.



(q) Notice of ERISA Events. The Borrower shall promptly notify the Administrative Agent (i) after receiving notice of any “reportable event” (as defined in Title IV of ERISA, other than an event for which the reporting requirements have been waived by regulations) with respect to the Borrower (or any ERISA Affiliate thereof), and provide them with a copy of such notice, and (ii) if it becomes a Benefit Plan Entity.

(r) Notice of Accounting Changes. As soon as possible and in any event within three Business Days after the effective date thereof, the Borrower will provide to the Administrative Agent notice of any material change in the accounting policies of the Borrower.

(s) Additional Documents. The Borrower shall provide the Administrative Agent with copies of such documents as the Administrative Agent may reasonably request evidencing the truthfulness of the representations set forth in this Agreement.

(t) Protection of Security Interest. With respect to the Collateral Portfolio acquired by the Borrower, the Borrower will (i) with respect to any transfers from the Transferor, acquire such Collateral Portfolio pursuant to and in accordance with the terms of the Purchase and Sale Agreement, (ii) (at the expense of the Servicer, on behalf of the Borrower) take all action necessary or appropriate to perfect, protect and more fully evidence the Borrower’s ownership of such Collateral Portfolio free and clear of any Lien other than the Lien created hereunder and any other Permitted Liens, including, without limitation, taking all action necessary to cause a valid, subsisting and enforceable first-priority perfected security interest, subject only to Permitted Liens, to exist in favor of the Collateral Agent (for the benefit of the Secured Parties) in the Borrower’s interests in all of the Collateral Portfolio being Pledged hereunder including the filing of a UCC financing statement in the applicable jurisdiction adequately describing the Collateral Portfolio (which may include an “all asset” filing), and naming the Borrower as debtor and the Collateral Agent as the secured party, and filing continuation statements, amendments or assignments with respect thereto in such filing offices, (including any amendments thereto or assignments thereof), (iv) permit the Administrative Agent or any Lender or their respective agents or representatives to visit the offices of the Borrower during normal office hours and upon reasonable advance notice examine and make copies of all documents, books, records and other information concerning the Collateral Portfolio and discuss matters related thereto with any of the officers or employees of the Borrower having knowledge of such matters; *provided* that prior to the occurrence and continuance of an Event of Default, such visits (and any visits pursuant to Section 5.03(d)(ii), in the aggregate) will be limited to a maximum of two (2) per calendar year and (v) take all additional action that the Administrative Agent, any Lender or the Collateral Agent may reasonably request to perfect, protect and more fully evidence the respective first priority perfected security interests of the parties to this Agreement in the Collateral Portfolio, or to enable the Administrative Agent or the Collateral Agent to exercise or enforce any of their respective rights hereunder.

(u) Liens. The Borrower will promptly notify the Administrative Agent of the existence of any Lien on the Collateral Portfolio (other than Permitted Liens) and the Borrower shall defend the right, title and interest of the Collateral Agent, for the benefit of the Secured Parties, in, to and under the Collateral Portfolio against all claims of third parties.

(v) Other Documents. At any time from time to time upon prior written request of the Administrative Agent, at the sole expense of the Borrower, the Borrower will promptly and duly execute and deliver such further instruments and documents and take such further actions as the Administrative Agent may reasonably request for the purposes of obtaining or preserving the full benefits of this Agreement including the first priority security interest (subject only to Permitted Liens) granted hereunder and of the rights and powers herein granted (including, among other things, authorizing the filing of such UCC financing statements as the Administrative Agent may request).

(w) Compliance with Law. The Borrower shall at all times comply in all material respects with all Applicable Law applicable to the Borrower or any of its assets (including, without limitation, Environmental Laws and all federal securities laws), and the Borrower shall do or cause to be done all things necessary to preserve and maintain in full force and effect its legal existence, and all licenses material to its business.

(x) Proper Records. The Borrower shall at all times keep proper books of records and accounts in which full, true and correct entries shall be made of its transactions in accordance with GAAP.

(y) Satisfaction of Obligations. The Borrower shall pay, discharge or otherwise satisfy at or before maturity or before they become delinquent, as the case may be, all its obligations of whatever nature, except where the amount or validity thereof is currently being contested in good faith by appropriate proceedings and reserves with respect thereto have been provided on the books of the Borrower.

(z) Performance of Covenants. The Borrower shall observe, perform and satisfy all the material terms, provisions, covenants and conditions required to be observed, performed or satisfied by it, and shall pay when due all costs, fees and expenses required to be paid by it, under the Transaction Documents. The Borrower shall pay and discharge all Taxes, levies, liens and other charges on it or its assets and on the Collateral Portfolio that, in each case, in any manner would create any lien or charge upon the Collateral Portfolio, except for any such Taxes as are being appropriately contested in good faith by appropriate proceedings diligently conducted and with respect to which adequate reserves have been provided in accordance with GAAP.

(aa) Tax Treatment. The Borrower, the Transferor and the Lenders shall treat the Advances advanced hereunder as indebtedness of the Borrower (or, so long as the Borrower is treated as a disregarded entity for U.S. federal income tax purposes, as indebtedness of the entity of which it is considered to be a part) for U.S. federal income tax purposes and to file any and all tax forms in a manner consistent therewith.

(bb) Maintenance of Records. The Borrower will maintain records with respect to the Collateral Portfolio and the conduct and operation of its business with no less a degree of prudence than if the Collateral Portfolio were held by the Borrower for its own account and will furnish the Administrative Agent and each Lender, upon the reasonable request by the Administrative Agent and each Lender, information with respect to the Collateral Portfolio and the conduct and operation of its business.

(cc) Obligor Notification Forms. The Borrower shall furnish the Collateral Agent and the Administrative Agent with an appropriate power of attorney to send, after the occurrence or declaration of the Facility Maturity Date (at the Administrative Agent's discretion on the Collateral Agent's behalf) Obligor notification forms to give notice to the Obligors of the Collateral Agent's interest in the Collateral Portfolio and the obligation to make payments as directed by the Administrative Agent on the Collateral Agent's behalf.

(dd) Officer's Certificate. The Borrower will provide to the Administrative Agent and the Collateral Agent within 120 days following the end of each calendar year, commencing with the year ending on December 31, 2015, and within two Business Days (or such later time agreed to by the Administrative Agent) of any request by the Administrative Agent (provided that the Administrative Agent shall be allowed no more than two such requests in any calendar year) or (ii) upon the occurrence of, and within two Business Days (or such later time as agreed to by the Administrative Agent) of any request by the Administrative Agent, (x) any extension of the Reinvestment Period, (y) any material amendment of any Transaction Document or (z) any filing of any UCC financing statement or continuation statement with respect to the Borrower or the Collateral Portfolio (other than in connection with the execution of this Agreement as of the Closing Date) the Borrower shall deliver an Officer's Certificate, in form and substance acceptable to the Administrative Agent, providing (I) a certification, based upon a review and summary of UCC search results, that there is no other interest in the Collateral Portfolio perfected by filing of a UCC financing statement other than in favor of the Collateral Agent and (II) a certification, based upon a review and summary of Tax and judgment lien searches satisfactory to the Administrative Agent, that there is no other interest in the Collateral Portfolio based on any Tax or judgment lien.

(ee) Continuation Statements. The Borrower shall, not earlier than six months and not later than three months prior to the fifth anniversary of the date of filing of the financing statement referred to in Schedule I hereto or any other financing statement filed pursuant to this Agreement or in connection with any Advance hereunder, unless the Collection Date shall have occurred:

(i) authorize and deliver and file or cause to be filed an appropriate continuation statement with respect to such financing statement; and

(ii) deliver or cause to be delivered to the Collateral Agent and the Administrative Agent an Opinion of Counsel, in form and substance reasonably satisfactory to the Administrative Agent, confirming and updating the opinion delivered pursuant to Schedule I with respect to perfection and otherwise to the effect that the security interest hereunder continues to be an enforceable and perfected security interest, subject to no other Liens of record except as provided herein or otherwise permitted hereunder, which opinion may contain usual and customary assumptions, limitations and exceptions.

(ff) Disregarded Entity. The Borrower will be disregarded as an entity separate from its owner pursuant to Treasury Regulation Section 301.7701-3(b), and neither the Borrower nor any other Person on its behalf shall make an election to be treated as other than an entity disregarded from its owner under Treasury Regulation Section 301.7701-3(c).

SECTION 6.02 Negative Covenants of the Borrower.

From the Closing Date until the Collection Date:

(a) Special Purpose Entity Requirements. Except as otherwise permitted by this Agreement, the Borrower shall not (i) guarantee any obligation of any Person, including any Affiliate; (ii) engage, directly or indirectly, in any business, other than the actions required or permitted to be performed under the Transaction Documents; (iii) incur, create or assume any Indebtedness, other than Indebtedness incurred under the Transaction Documents and arising in connection with ordinary business expenses arising pursuant to the transactions contemplated by this Agreement and the other Transaction Documents; (iv) make or permit to remain outstanding any loan or advance to, or own or acquire any stock or securities of, any Person, except that the Borrower may invest in those Loan Assets and other investments permitted under the Transaction Documents and may make any advance required or expressly permitted to be made pursuant to any provisions of the Transaction Documents and permit the same to remain outstanding in accordance with such provisions; (v) fail to pay its debts and liabilities from its assets when due; (vi) create, form or otherwise acquire any Subsidiaries or (vii) release, sell, transfer, convey or assign any Loan Asset unless in accordance with the Transaction Documents.

(b) Requirements for Material Actions. The Borrower shall not fail to provide (and at all times the Borrower's organizational documents shall reflect) that the unanimous consent of all directors (including the consent of the Independent Director(s)) is required for the Borrower to (i) dissolve or liquidate, in whole or part, or institute proceedings to be adjudicated bankrupt or insolvent, (ii) institute or consent to the institution of bankruptcy or insolvency proceedings against it, (iii) file a petition seeking or consent to reorganization or relief under any applicable federal or state law relating to bankruptcy or insolvency, (iv) seek or consent to the appointment of a receiver, liquidator, assignee, trustee, sequestrator, custodian or any similar official for the Borrower, (v) make any assignment for the benefit of the Borrower's creditors, (vi) admit in writing its inability to pay its debts generally as they become due, or (vii) take any action in furtherance of any of the foregoing.

(c) Protection of Title. The Borrower shall not take any action which would directly or indirectly impair or adversely affect the Borrower's title to the Collateral Portfolio.

(d) Transfer Limitations. The Borrower shall not transfer, assign, convey, grant, bargain, sell, set over, deliver or otherwise dispose of, or pledge or hypothecate, directly or indirectly, any interest in the Collateral Portfolio to any person other than the Collateral Agent for the benefit of the Secured Parties, or engage in financing transactions or similar transactions with respect to the Collateral Portfolio with any person other than the Administrative Agent and the Lenders, in each case, except as otherwise expressly permitted by the terms of this Agreement.

(e) Liens. The Borrower shall not create, incur or permit to exist any Lien, encumbrance or security interest in or on any of the Collateral Portfolio subject to the security interest granted by the Borrower pursuant to this Agreement, other than Permitted Liens.

(f) Organizational Documents. The Borrower shall not amend, modify, waive or terminate any of the organizational or operational documents of the Borrower without the prior written consent of the Administrative Agent; provided that, in connection with a Permitted BDC Merger, the Borrower may effectuate any deemed or actual amendment, modification or waiver of the Borrower's organizational or operational documents solely as a result of or to evidence such Permitted BDC Merger (including, without limitation, any amendment, modification or waiver that may result from a deemed or actual transfer of membership units to, or admission of a new Member that is, the applicable Permitted BDC).

(g) Merger, Acquisitions, Sales, etc. The Borrower shall not change its organizational structure, enter into any transaction of merger or consolidation or amalgamation, or asset sale (other than pursuant to Section 2.07), or liquidate, wind up or dissolve itself (or suffer any liquidation, winding up or dissolution) without the prior written consent of the Administrative Agent.

(h) Use of Proceeds. The Borrower shall not use the proceeds of any Advance other than (i) to finance the purchase by the Borrower from the Transferor, on a "true sale" basis, of Collateral Portfolio pursuant to the terms of the Purchase and Sale Agreement, (ii) to finance the purchase by the Borrower from non-Affiliates of the Borrower, Servicer or Transferor, on a "true sale" basis, of Collateral Portfolio, (iii) to fund the Unfunded Exposure Account in order to establish reserves for unfunded commitments of Revolving Loan Assets and Delayed Draw Loan Assets included in the Collateral Portfolio, or (iv) to distribute such proceeds to the Transferor in connection with prior transfers of unleveraged Eligible Loan Assets to the Borrower as capital contributions to the Borrower, including with respect to any Borrowing Base capacity resulting from any repayment of Advances previously made to the Borrower (so long as such distribution is permitted pursuant to Section 5.02(m) of this Agreement).

(i) Limited Assets. The Borrower shall not hold or own any assets that are not part of the Collateral Portfolio or powers and rights incidental to the Transaction Documents other than any Warranty Loan Asset pursuant to Section 2.07(c).

(j) Tax Treatment. The Borrower shall not elect to be treated as a corporation for U.S. federal income tax purposes and shall take all reasonable steps necessary to avoid being treated as a corporation for U. S. federal income tax purposes.

(k) Extension or Amendment of Collateral Portfolio. The Borrower will not, except as otherwise permitted in Section 6.04(a) of this Agreement and in accordance with the Servicing Standard, extend, amend or otherwise modify the terms of any Loan Asset (including the Underlying Collateral).

(l) Purchase and Sale Agreement. The Borrower will not amend, modify, waive or terminate any provision of the Purchase and Sale Agreement without the prior written consent of the Administrative Agent.

(m) Restricted Junior Payments. The Borrower shall not make any Restricted Junior Payment, except that, so long as no Event of Default or Unmatured Event of Default has occurred and is continuing or would result therefrom, the Borrower may declare and make distributions to its member on its membership interests.

(n) ERISA Matters. The Borrower will not (a) seek or obtain a waiver of, or fail to meet, the minimum funding standard set forth in Section 302(a) of ERISA and Section 412(a) of the Code with respect to any Pension Plan other than a Multiemployer Plan, (b) fail to make any payments to a Multiemployer Plan that the Borrower or any ERISA Affiliate may be required to make under the agreement relating to such Multiemployer Plan or any law pertaining thereto, (c) terminate any Pension Plan so as to result, directly or indirectly in any liability to the Borrower, (d) permit to exist any occurrence of any reportable event described in Title IV of ERISA with respect to any Pension Plan, other than an event for which reporting requirements have been waived by regulations, (e) incur any material withdrawal liability with respect to any Multiemployer Plan, or (f) engage in any prohibited transaction (within the meaning of ERISA Section 406(a) or (b) or Code Section 4975) for which an exemption is not available or has not previously been obtained from the United States Department of Labor, assuming for this purpose that no portion of any Advance constitutes the assets of any Benefit Plan Entity, in each case, that could result in material liability to the Borrower.

(o) Instructions to Obligors. The Borrower will not make any change, or permit the Servicer to make any change, in its instructions to Obligors (or any agents with respect to the Loan Agreements) regarding payments to be made with respect to the Collateral Portfolio to the Collection Account, unless the Administrative Agent has consented to such change (such consent not to be unreasonably withheld or delayed, it being understood that any such account to which the Obligors may be instructed to make payments shall be subject to an account control agreement which provides the Collateral Agent with a first priority perfected security interest in such account, as evidenced by an Opinion of Counsel reasonably acceptable to the Administrative Agent).

(p) Taxable Mortgage Pool Matters. The sum of the Outstanding Balances of all Loan Assets owned by the Borrower and that are principally secured by an interest in real property (within the meaning of Treasury Regulation Section 301.7701(i)-1(d)(3)) shall not at any time exceed 35% of the aggregate Outstanding Balance of all Loan Assets.

(q) Change of Jurisdiction, Location, Names or Location of Loan Asset Files. The Borrower shall not change the jurisdiction of its formation, make any change to its legal name or use any tradenames, fictitious names, assumed names, "doing business as" names or other names unless, prior to the effective date of any such change in the jurisdiction of its formation, name change or use, the Borrower receives prior written consent from the Administrative Agent of such change and delivers to the Administrative Agent such financing statements as the Administrative Agent may request to reflect such name change or use, together with such Opinions of Counsel and other documents and instruments as the Administrative Agent may request in connection therewith. The Borrower will not change the location of its chief executive office unless prior to the effective date of any such change of location, the Borrower notifies the Administrative Agent of such change of location in writing. Subject to Section 2.16, the Borrower will not move, or consent to the Collateral Custodian or the Servicer

moving, the Loan Asset Files from the location thereof on the Initial Advance Date, unless the Servicer shall have provided the Administrative Agent with 30 days' written notice of such move and such Opinions of Counsel and other documents and instruments as the Administrative Agent may reasonably request in connection therewith and shall have taken all actions required under the UCC of each relevant jurisdiction in order to continue the first priority perfected security interest of the Collateral Agent, for the benefit of the Secured Parties, in the Collateral Portfolio.

(r) Allocation of Charges. ~~There~~Other than in connection with, relating to or arising from a Permitted BDC Merger, there will not be any agreement or understanding between the Servicer and the Borrower (other than as expressly set forth herein or as consented to by the Administrative Agent), providing for the allocation or sharing of obligations to make payments or otherwise in respect of any Taxes, fees, assessments or other governmental charges.

#### SECTION 6.03 Affirmative Covenants of the Servicer.

From the Closing Date until the Collection Date:

(a) Compliance with Law. The Servicer will comply in all material respects with all Applicable Law, including those with respect to servicing the Collateral Portfolio or any part thereof.

(b) Preservation of Company Existence. The Servicer will preserve and maintain its corporate existence, rights, franchises and privileges in the jurisdiction of its formation, and qualify and remain qualified in good standing as a corporation in each jurisdiction where the failure to preserve and maintain such existence, rights, franchises, privileges and qualification could reasonably be expected to have a Material Adverse Effect.

(c) Obligations and Compliance with Collateral Portfolio. The Servicer will duly fulfill and comply in all material respects with all obligations on the part of the Borrower to be fulfilled or complied with under or in connection with the administration of each item of Collateral Portfolio and will do nothing to impair the rights of the Collateral Agent, for the benefit of the Secured Parties, or of the Secured Parties in, to and under the Collateral Portfolio. It is understood and agreed that the Servicer does not hereby assume any obligations of the Borrower in respect of any Advances, or assume any responsibility for the performance by the Borrower of any of its obligations hereunder or under any other agreement executed in connection herewith that would be inconsistent with the limited recourse undertaking of the Servicer, in its capacity as seller, under Section 2.1(e) of the Purchase and Sale Agreement.

(d) Keeping of Records and Books of Account.

(i) The Servicer will maintain and implement administrative and operating procedures (including, without limitation, an ability to recreate records evidencing Collateral Portfolio in the event of the destruction of the originals thereof), and keep and maintain all documents, books, records and other information reasonably necessary or advisable for the collection of all Collateral Portfolio and the identification of the Collateral Portfolio.

(ii) The Servicer shall permit the Administrative Agent, each Lender or their respective agents or representatives, to visit the offices of the Servicer during normal office hours and upon reasonable advance notice and examine and make copies of all documents, books, records and other information concerning the Collateral Portfolio and the Servicer's servicing thereof and discuss matters related thereto with any of the officers or employees of the Servicer having knowledge of such matters; *provided* that such visits (and any visits pursuant to Section 5.01(t), in the aggregate) will be limited to a maximum of two (2) per calendar year.

(iii) The Servicer will on or prior to the date hereof, mark its master data processing records and other books and records relating to the Collateral Portfolio with a legend, acceptable to the Administrative Agent describing (i) the sale of the Collateral Portfolio from the Transferor to the Borrower and (ii) the Pledge from the Borrower to the Collateral Agent, for the benefit of the Secured Parties.

(e) Preservation of Security Interest. The Servicer (at its own expense, on behalf of the Borrower) will file such financing and continuation statements and any other documents that may be required by any law or regulation of any Governmental Authority to preserve and protect fully the first-priority perfected security interest of the Collateral Agent, for the benefit of the Secured Parties, in, to and under the Loan Assets and that portion of the Collateral Portfolio in which a security interest may be perfected by filing.

(f) Events of Default. The Servicer will provide the Administrative Agent (with a copy to the Collateral Agent) with prompt (and in no event later than two Business Days) written notice of the occurrence of each Event of Default and each Unmatured Event of Default of which the Servicer has knowledge or has received notice. In addition, no later than two Business Days following the Servicer's knowledge or notice of the occurrence of any Event of Default or Unmatured Event of Default, the Servicer will provide to the Collateral Agent, and the Administrative Agent a written statement of the chief financial officer or chief accounting officer of the Servicer setting forth the details of such event and the action that the Servicer proposes to take with respect thereto.

(g) Taxes. The Servicer will file its tax returns and pay any and all Taxes imposed on it or its property as required under the Transaction Documents (except as contemplated by Section 4.03(m)).

(h) Other. The Servicer will promptly furnish to the Collateral Agent and the Administrative Agent such other information, documents, records or reports respecting the Collateral Portfolio or the condition or operations, financial or otherwise, of the Borrower or the Servicer as the Collateral Agent or the Administrative Agent may from time to time reasonably request in order to protect the interests of the Secured Parties under or as contemplated by this Agreement.

(i) Proceedings Related to the Borrower, the Transferor and the Servicer and the Transaction Documents. The Servicer shall notify the Administrative Agent as soon as possible and in any event within three Business Days after any Responsible Officer of the Servicer receives notice or obtains actual knowledge thereof of any settlement of, judgment



(including a judgment with respect to the liability phase of a bifurcated trial) in or commencement of any labor controversy, litigation, action, suit or proceeding before any court or governmental department, commission, board, bureau, agency or instrumentality, domestic or foreign, that could reasonably be expected to have a Material Adverse Effect on the Borrower, the Transferor or the Servicer (or any of their respective Majority Owned Affiliates) or the Transaction Documents. Solely for purposes of this Section 5.03(i), (i) any settlement, judgment, labor controversy, litigation, action, suit or proceeding affecting the Transaction Documents or the Borrower that could reasonably be expected to result in liability to the Borrower or reduce the value of the Collateral Portfolio, in each case, in excess of \$1,000,000 (after any expected insurance proceeds) shall be deemed to be expected to have such a Material Adverse Effect and (ii) any settlement, judgment, labor controversy, litigation, action, suit or proceeding affecting the Servicer or the Transferor or any of their respective Majority Owned Affiliates (other than the Borrower) that could reasonably be expected to result in liability to such Person in excess of \$10,000,000 (after any expected insurance proceeds) shall be deemed to be reasonably expected to have such a Material Adverse Effect.

(j) Deposit of Collections. The Servicer shall promptly (but in no event later than two Business Days after receipt) deposit or cause to be deposited into the Collection Account any and all Available Collections received by the Borrower, the Servicer or any of their Affiliates.

(k) Loan Asset Register.

(i) The Servicer shall maintain, or cause to be maintained, with respect to each Noteless Loan Asset a register (which may be in physical or electronic form and readily identifiable as the loan asset register) (each, a "Loan Asset Register") in which it will record, or cause to be recorded, (v) the amount of such Noteless Loan Asset, (w) the amount of any principal or interest due and payable or to become due and payable from the Obligor thereunder, (x) the amount of any sum in respect of such Noteless Loan Asset received from the Obligor, (y) the date of origination of such Noteless Loan Asset and (z) the maturity date of such Noteless Loan Asset.

(ii) At any time a Noteless Loan Asset is included as part of the Collateral Portfolio pursuant to this Agreement, the Servicer shall deliver to the Administrative Agent, the Collateral Agent and the Collateral Custodian a copy of the related Loan Asset Register, together with a certificate of a Responsible Officer of the Servicer (in the form of Exhibit P) certifying to the accuracy of such Loan Asset Register as of the applicable Cut-Off Date.

(l) Special Purpose Entity Requirements. The Servicer shall take such actions as are necessary to cause the Borrower to be in compliance with the special purpose entity requirements set forth in Sections 5.01(a) and (b) and 5.02(a) and (b); *provided* that for the avoidance of doubt, the Servicer shall not be required to expend any of its own funds to cause the Borrower to be in compliance with subsection 5.02(a)(v) or subsection 5.01(b)(xvii) (it being understood that this proviso shall in no way affect the obligation of Servicer to manage the activities and liabilities of the Borrower such that the Borrower maintains compliance with either of the foregoing subsections).

(m) Accounting Changes. As soon as possible and in any event within three Business Days after the effective date thereof, the Servicer will provide to the Administrative Agent notice of any material change in the accounting policies of the Servicer.

(n) Proceedings Related to the Collateral Portfolio. The Servicer shall notify the Administrative Agent as soon as possible and in any event within three Business Days after any Responsible Officer of the Servicer receives notice or has actual knowledge of any settlement of, judgment (including a judgment with respect to the liability phase of a bifurcated trial) in or commencement of any labor controversy, litigation, action, suit or proceeding before any court or governmental department, commission, board, bureau, agency or instrumentality, domestic or foreign, that could reasonably be expected to have a Material Adverse Effect on the interests of the Collateral Agent or the Secured Parties in, to and under the Collateral Portfolio. Solely for purposes of this Section 5.03(n), any settlement, judgment, labor controversy, litigation, action, suit or proceeding affecting the Collateral Portfolio or the Collateral Agent's or the Secured Parties' interest in the Collateral Portfolio that could reasonably be expected to reduce the value of the Collateral Portfolio in excess of \$5,000,000 (after any expected insurance proceeds) or more shall be deemed to be expected to have such a Material Adverse Effect.

(o) Compliance with Legal Opinions. The Servicer shall take all other actions necessary to maintain the accuracy of the factual assumptions set forth in the legal opinions of Dechert LLP, as special counsel to the Servicer, issued in connection with the Transaction Documents and relating to the issues of substantive consolidation and true sale of the Loan Assets.

(p) Instructions to Agents and Obligors. The Servicer shall direct, or shall cause the Borrower to direct, any agent or administrative agent for each Loan Asset to remit all payments and collections with respect to such Loan Asset, and, if applicable, to direct the Obligor with respect to such Loan Asset to remit all such payments and collections with respect to such Loan Asset directly to the Collection Account. The Borrower and the Servicer shall take commercially reasonable steps to ensure that only funds constituting payments and collections relating to Loan Assets shall be deposited into the Collection Account.

(q) Capacity as Servicer. The Servicer will ensure that, at all times when it is dealing with or in connection with the Loan Assets in its capacity as Servicer, it holds itself out as Servicer, and not in any other capacity.

(r) Audits. Prior to the Closing Date and periodically thereafter at the discretion of the Administrative Agent and each Lender, the Servicer shall allow the Administrative Agent and each Lender (during normal office hours and upon advance notice) to review the Servicer's collection and administration of the Collateral Portfolio in order to assess compliance by the Servicer with the Servicing Standard, as well as with the Transaction Documents and to conduct an audit of the Collateral Portfolio and Required Loan Documents in conjunction with such a review. Such review shall be reasonable in scope and shall be completed in a reasonable period of time; *provided* that at the Servicer's expense, (i) prior to the occurrence of an Event of Default, the Administrative Agent shall be entitled to one (1) such audits per calendar year and, (ii) after the occurrence of an Event of Default, the Administrative Agent shall be entitled to such number of audits per calendar year and at such times as it shall require in its discretion.

(s) Notice of Breaches of Representations and Warranties under this Agreement. The Servicer shall promptly, upon receipt of notice or discovery thereof, notify the Administrative Agent if any representation or warranty set forth in Section 4.03 was incorrect at the time it was given or deemed to have been given and at the same time deliver to the Collateral Agent and the Administrative Agent a written notice setting forth in reasonable detail the nature of such facts and circumstances. In particular, but without limiting the foregoing, the Servicer shall notify the Administrative Agent in the manner set forth in the preceding sentence before any Cut-Off Date of any facts or circumstances within the knowledge of the Servicer which would render any of the said representations and warranties untrue at the date when such representations and warranties were made or deemed to have been made.

(t) Insurance Policies. The Servicer has caused, and will cause, to be performed any and all acts reasonably required to be performed to preserve the rights and remedies of the Collateral Agent and the Secured Parties in any Insurance Policies applicable to Loan Assets (to the extent the Servicer or an Affiliate of the Servicer is the agent or servicer under the applicable Loan Agreement) including, without limitation, in each case, any necessary notifications of insurers, assignments of policies or interests therein, and establishments of co-insured, joint loss payee and mortgagee rights in favor of the Collateral Agent and the Secured Parties; *provided* that, unless the Borrower is the sole lender under such Loan Agreement, the Servicer shall only take such actions that are customarily taken by or on behalf of a lender in a syndicated loan facility to preserve the rights of such lender.

(u) Disregarded Entity. The Servicer shall cause the Borrower to be disregarded as an entity separate from its owner pursuant to Treasury Regulation Section 301.7701-3(b) and shall cause that neither the Borrower nor any other Person on its behalf shall make an election to be treated as other than an entity disregarded from its owner under Treasury Regulation Section 301.7701-3(c).

(v) Obligor Notification Forms. The Servicer shall furnish the Collateral Agent and the Administrative Agent with an appropriate power of attorney to send, after the occurrence of an Event of Default (at the Administrative Agent's discretion on the Collateral Agent's behalf) Obligor notification forms to give notice to the Obligors of the Collateral Agent's interest in the Collateral Portfolio and the obligation to make payments as directed by the Administrative Agent on the Collateral Agent's behalf.

(w) Servicing Standard. The Servicer will comply in all material respects with the Servicing Standard in regard to the Collateral Portfolio.

#### SECTION 6.04 Negative Covenants of the Servicer.

From the Closing Date until the Collection Date:

(a) Mergers, Acquisition, Sales, etc. ~~The~~ Other than a Permitted BDC Merger, the Servicer will not consolidate with or merge into any other Person or convey or transfer its properties and assets substantially as an entirety to any Person, unless the Servicer is the surviving entity and unless:

(i) the Servicer has delivered to the Administrative Agent an Officer's Certificate and an Opinion of Counsel (which may rely on an Officer's Certificate as to factual matters such as whether or not such transaction would cause an Event of Default or Servicer Termination Event) each stating that any such consolidation, merger, conveyance or transfer and any supplemental agreement executed in connection therewith comply with this Section 5.04 and that all conditions precedent herein provided for relating to such transaction have been complied with and, in the case of the Opinion of Counsel, that such supplemental agreement is legal, valid and binding with respect to the Servicer and such other matters as the Administrative Agent may reasonably request;

(ii) the Servicer shall have delivered notice of such consolidation, merger, conveyance or transfer to the Administrative Agent; and

(iii) after giving effect thereto, no Event of Default or Servicer Termination Event or event that with notice or lapse of time would constitute either an Event of Default or a Servicer Termination Event shall have occurred.

(b) Change of Name or Location of Loan Asset Files. The Servicer shall not (x) change its name, change the offices where it keeps records concerning the Collateral Portfolio from the address set forth in Section 11.02 of this Agreement, or change the jurisdiction of its formation, or (y) subject to Section 2.16 move, or consent to the Collateral Custodian moving, the Required Loan Documents and Loan Asset Files from the location thereof on the initial Advance Date, unless the Servicer shall have provided the Administrative Agent with 30 days' (or substantially concurrent notice in the case of a Permitted BDC Merger) written notice of such change or move and such Opinions of Counsel and other documents and instruments as the Administrative Agent may reasonably request in connection therewith (which, in the case of a Permitted BDC Merger, are limited to those specified in the definition thereof) and shall have taken all actions required under the UCC of each relevant jurisdiction in order to continue the first priority perfected security interest of the Collateral Agent, for the benefit of the Secured Parties, in the Collateral Portfolio.

(c) Change in Payment Instructions to Obligors. The Servicer will not make any change in its instructions to Obligors regarding payments to be made with respect to the Collateral Portfolio to the Collection Account, unless the Administrative Agent has consented to such change (such consent not to be unreasonably withheld or delayed, it being understood that any such account to which the Obligors may be instructed to make payments shall be subject to an account control agreement which provides the Collateral Agent with a first priority perfected security interest in such account, as evidenced by an Opinion of Counsel reasonably acceptable to the Administrative Agent).

(d) Extension or Amendment of Loan Assets. The Servicer will not, except as otherwise permitted in Section 6.04(a), extend, amend or otherwise modify the terms of any Loan Asset (including the Underlying Collateral).

(e) Taxable Mortgage Pool Matters. The Servicer will manage the portfolio and advise the Borrower with respect to purchases from the Transferor so as to not at any time allow the sum of the Outstanding Balances of all Loan Assets owned by the Borrower and that are principally secured by an interest in real property (within the meaning of Treasury Regulation Section 301.7701(i)-1(d)(3)) to exceed 35% of the aggregate Outstanding Balance of all Loan Assets.

(f) Allocation of Charges. ~~There~~Other than in connection with, relating to or arising from a Permitted BDC Merger, there will not be any agreement or understanding between the Servicer and the Borrower (other than as expressly set forth herein or as consented to by the Administrative Agent), providing for the allocation or sharing of obligations to make payments or otherwise in respect of any Taxes, fees, assessments or other governmental charges.

## ARTICLE VII.

### ADMINISTRATION AND SERVICING OF CONTRACTS

#### SECTION 7.01 Appointment and Designation of the Servicer.

(a) Initial Servicer. The Borrower, each Lender and the Administrative Agent hereby appoint CCT, pursuant to the terms and conditions of this Agreement, as Servicer, with the authority to service, administer and exercise rights and remedies, on behalf of the Borrower, in respect of the Collateral Portfolio. Until the Administrative Agent gives CCT a Servicer Termination Notice pursuant to the terms of this Agreement or the consummation of a Permitted BDC Merger, CCT hereby accepts such appointment and agrees to perform the duties and responsibilities of the Servicer pursuant to the terms hereof. The Servicer and the Borrower hereby acknowledge that the Administrative Agent and the Secured Parties are third party beneficiaries of the obligations undertaken by the Servicer hereunder.

(b) Servicer Termination Notice. The Borrower, the Servicer, each Lender, and the Administrative Agent hereby agree that, upon the occurrence of a Servicer Termination Event, the Administrative Agent, by written notice to the Servicer (with a copy to the Collateral Agent) (a "Servicer Termination Notice"), may terminate all of the rights, obligations, power and authority of the Servicer under this Agreement. On and after the receipt by the Servicer of a Servicer Termination Notice pursuant to this Section 6.01(b), the Servicer shall continue to perform all servicing functions under this Agreement until the date specified in the Servicer Termination Notice or otherwise specified by the Administrative Agent in writing or, if no such date is specified in such Servicer Termination Notice or otherwise specified by the Administrative Agent, until a date mutually agreed upon by the Servicer and the Administrative Agent and shall be entitled to receive, to the extent of funds available therefor pursuant to Section 2.04, the Servicing Fees therefor accrued until such date. After such date, the Servicer agrees that it will terminate its activities as Servicer hereunder in a manner that the Administrative Agent believes will facilitate the transition of the performance of such activities to a successor Servicer, and the successor Servicer shall assume each and all of the Servicer's obligations to service and administer the Collateral Portfolio, on the terms and subject to the conditions herein set forth, and the Servicer shall use its best efforts to assist the successor Servicer in assuming such obligations.

(c) Appointment of Replacement Servicer. At any time following the delivery of a Servicer Termination Notice, the Administrative Agent may, at its discretion, (i) appoint SMBC (or an Affiliate thereof) as Servicer under this Agreement and, in such case, all authority, power, rights and obligations of the Servicer shall pass to and be vested in SMBC (or an Affiliate thereof) or (ii) with the prior written consent of the Borrower (such consent not to be unreasonably withheld, delayed or conditioned), appoint a new Servicer which shall be an Eligible Replacement (as defined below) as the replacement Servicer (the “Replacement Servicer”), which appointment shall take effect upon the Replacement Servicer accepting such appointment by a written assumption in a form satisfactory to the Administrative Agent in its sole discretion. In the event that SMBC (or an Affiliate thereof) or a Replacement Servicer has not accepted its appointment at the time when the Servicer ceases to act as Servicer, the Administrative Agent shall petition a court of competent jurisdiction to appoint any established financial institution, having a net worth of not less than United States \$50,000,000 and whose regular business includes the servicing of assets similar to the Collateral Portfolio (each, an “Eligible Replacement”), as the Replacement Servicer hereunder. The Servicer shall pay all costs associated with the transition of the obligations hereunder to an Approved Replacement Servicer if the Administrative Agent terminates the Servicer following a Servicer Termination Event.

(d) Liabilities and Obligations of Replacement Servicer. Upon its appointment, SMBC (or an Affiliate thereof) or the Replacement Servicer, as applicable, shall be the successor in all respects to the Servicer with respect to servicing functions under this Agreement and shall be subject to all the responsibilities, duties and liabilities relating thereto placed on the Servicer by the terms and provisions hereof, and all references in this Agreement to the Servicer shall be deemed to refer to SMBC (or an Affiliate thereof) or the Replacement Servicer, as applicable; *provided* that SMBC (or an Affiliate thereof) or the Replacement Servicer, as applicable, shall have (i) no liability with respect to any action performed by the terminated Servicer prior to the date that SMBC (or an Affiliate thereof) or the Replacement Servicer, as applicable, becomes the successor to the Servicer or any claim of a third party based on any alleged action or inaction of the terminated Servicer, (ii) no obligation to perform any advancing obligations, if any, of the Servicer unless it elects to in its sole discretion, (iii) no obligation to pay any Taxes required to be paid by the Servicer (*provided* that SMBC (or an Affiliate thereof) or the Replacement Servicer, as applicable, shall pay any income Taxes for which it is liable), (iv) no obligation to pay any of the fees and expenses of any other party to the transactions contemplated hereby, and (v) no liability or obligation with respect to any Servicer indemnification obligations of any prior Servicer, including the original Servicer. The indemnification obligations of SMBC (or an Affiliate thereof) or the Replacement Servicer, as applicable, upon becoming a Replacement Servicer, are expressly limited to those arising on account of its failure to act in good faith and with reasonable care under the circumstances. In addition, SMBC (or an Affiliate thereof) or the Replacement Servicer, as applicable, shall have no liability relating to the representations and warranties of the Servicer contained in Section 4.03.

(e) Authority and Power. All authority and power granted to the Servicer under this Agreement shall automatically cease and terminate upon termination of this Agreement and shall pass to and be vested in the Borrower and, without limitation, the Borrower is hereby authorized and empowered to execute and deliver, on behalf of the Servicer, as attorney-in-fact or otherwise, all documents and other instruments, and to do and accomplish all other acts or things necessary or appropriate to effect the purposes of such transfer of servicing rights. The Servicer agrees to cooperate with the Borrower in effecting the termination of the responsibilities and rights of the Servicer to conduct servicing of the Collateral Portfolio.

(f) Subcontracts. The Servicer may, with the prior written consent of the Administrative Agent, subcontract with any other Person for servicing, administering or collecting the Collateral Portfolio; *provided* that (i) the Servicer shall select any such Person with reasonable care and shall be solely responsible for the fees and expenses payable to any such Person, (ii) the Servicer shall not be relieved of, and shall remain liable for, the performance of the duties and obligations of the Servicer pursuant to the terms hereof without regard to any subcontracting arrangement and (iii) any such subcontract shall be terminable upon the occurrence of a Servicer Termination Event; *provided, further* that no Administrative Agent consent shall be required to enter into any subcontract with an Affiliate of the Servicer; *provided, further*, that in the event of any such subcontract, (A) the Servicer shall be and remain primarily liable to the Administrative Agent, the Collateral Agent and the Lender for the full and prompt performance of all duties and responsibilities of the Servicer hereunder and (ii) the Administrative Agent and the Collateral Agent shall be entitled to deal exclusively with the Servicer in matters relating to the discharge by the Servicer of its duties and responsibilities hereunder

(g) Servicing Programs. In the event that the Servicer uses any software program in servicing the Collateral Portfolio that it licenses from a third party, the Servicer shall use its best efforts to obtain, either before the Closing Date or as soon as possible thereafter, whatever licenses or approvals are necessary to allow the Administrative Agent or the Servicer to use such program and to allow the Servicer to assign such licenses to the Replacement Servicer appointed as provided in this Agreement.

(h) Waiver. The Borrower acknowledges that the Administrative Agent or any of its Affiliates may act as the Collateral Agent and/or the Servicer, and the Borrower waives any and all claims against the Administrative Agent, each Lender or any of their respective Affiliates, the Collateral Agent and the Servicer (other than claims relating to such party's gross negligence or willful misconduct) relating in any way to the custodial or collateral administration functions having been performed by the Administrative Agent or any of its Affiliates in accordance with the terms and provisions (including the standard of care) set forth in the Transaction Documents.

(i) Successor Servicer. Upon the consummation of a Permitted BDC Merger, the applicable Permitted BDC shall assume the rights and obligations of CCT under this Agreement as the Servicer (in such capacity, the "Successor Servicer"). The Successor Servicer shall be the successor in all respects to the Servicer with respect to servicing functions under this Agreement and shall be subject to all the responsibilities, duties and liabilities relating thereto placed on the Servicer by the terms and provisions hereof, and all references in this Agreement to the Servicer shall be deemed to refer to the Successor Servicer.

SECTION 7.02 Duties of the Servicer.

(a) Duties. The Servicer shall take or cause to be taken all such actions as may be necessary or advisable to service, administer and collect on the Collateral Portfolio from time to time, all in accordance with Applicable Law and the Servicing Standard. Prior to the occurrence of a Servicer Termination Event, subject to the terms of this Agreement (including, without limitation, Section 6.04), the Servicer has the sole and exclusive authority to make any and all decisions with respect to the Collateral Portfolio and take or refrain from taking any and all actions with respect to the Collateral Portfolio. Without limiting the foregoing, the duties of the Servicer shall include the following:

(i) supervising the Collateral Portfolio, including communicating with Obligors, executing amendments, providing consents and waivers, enforcing and collecting on the Collateral Portfolio and otherwise managing the Collateral Portfolio on behalf of the Borrower;

(ii) maintaining all necessary servicing records with respect to the Collateral Portfolio and providing such reports to the Administrative Agent in respect of the servicing of the Collateral Portfolio (including information relating to its performance under this Agreement) as may be required hereunder or as the Administrative Agent may reasonably request;

(iii) maintaining and implementing administrative and operating procedures (including, without limitation, an ability to recreate servicing records evidencing the Collateral Portfolio in the event of the destruction of the originals thereof) and keeping and maintaining all documents, books, records and other information reasonably necessary or advisable for the collection of the Collateral Portfolio;

(iv) promptly delivering to the Administrative Agent, from time to time, such information and servicing records (including information relating to its performance under this Agreement) as the Administrative Agent may from time to time reasonably request;

(v) identifying each Loan Asset clearly and unambiguously in its servicing records to reflect that such Loan Asset is owned by the Borrower and that the Borrower is Pledging a security interest therein to the Secured Parties pursuant to this Agreement;

(vi) notifying the Administrative Agent of any material action, suit, proceeding, dispute, offset, deduction, defense or counterclaim with respect to any Loan Asset (or portion thereof) of which it has knowledge or has received notice (A) that is or is threatened to be asserted by an Obligor; or (B) that could reasonably be expected to have a Material Adverse Effect;

(vii) using its best efforts to maintain the perfected security interest of the Collateral Agent, for the benefit of the Secured Parties, in the Collateral Portfolio;

(viii) maintaining the Loan Asset File with respect to Loan Assets included as part of the Collateral Portfolio; *provided* that, so long as the Servicer is in possession of any Required Loan Documents other than in electronic form, the Servicer will hold such Required Loan Documents in a reasonably safe place;



- (ix) directing the Collateral Agent and/or the Account Bank to make payments pursuant to the terms of the Servicing Report in accordance with Section 2.04;
- (x) directing the sale or substitution of Collateral Portfolio in accordance with Section 2.07;
- (xi) providing advice to the Borrower with respect to the purchase and sale of and payment for the Loan Assets;
- (xii) instructing the Obligors and the administrative agents on the Loan Assets to make payments directly into the Collection Account established and maintained with the Collateral Agent;
- (xiii) delivering the Loan Asset Files and the Loan Asset Schedule to the Collateral Custodian;
- (xiv) ensuring any third party consents required to transfer record ownership of any Eligible Loan Asset to the Borrower are obtained on or prior to the Cut-Off Date of such Eligible Loan Asset; and
- (xv) complying with such other duties and responsibilities as may be required of the Servicer by this Agreement.

For the avoidance of doubt, on each Measurement Date, the Servicer (on behalf of the Borrower) shall re-determine the status of each Eligible Loan Asset as of such calculation date and provide notice of any change in the status of any Eligible Loan Asset to the Collateral Agent and, as a consequence thereof, (i) Collateral Obligations that were previously Eligible Loan Assets on a prior Measurement Date may be excluded from the calculation of the Borrowing Base on such Measurement Date, and (ii) Collateral Obligations that were previously not Eligible Loan Assets on a prior Measurement Date may (with the consent of the Administrative Agent pursuant to an Approval Notice) be included in the calculation of the Borrowing Base on such Measurement Date.

It is acknowledged and agreed that in circumstances in which a Person other than the Borrower, the Transferor (so long as the Transferor is also the Servicer) or the Servicer acts as lead agent with respect to any Loan Asset, the Servicer shall perform its servicing duties hereunder only to the extent a lender under the related loan syndication Loan Agreements has the right to do so. Notwithstanding anything to the contrary contained herein, it is acknowledged and agreed that the performance by the Servicer of its duties hereunder shall be limited insofar as such performance would conflict with or result in a breach of any of the express terms of the related Loan Agreements; *provided* that the Servicer shall (a) provide prompt written notice to the Administrative Agent upon becoming aware of such conflict or breach, (b) have determined that there is no other commercially reasonable performance that it could render consistent with the express terms of the Loan Agreements which would result in all or a portion of the servicing duties being performed in accordance with this Agreement, and (c) undertake all commercially reasonable efforts to mitigate the effects of such non-performance including performing as much of the servicing duties as possible and performing such other commercially reasonable and/or similar duties consistent with the terms of the Loan Agreements.

(b) Notwithstanding anything to the contrary contained herein, the exercise by the Administrative Agent, the Collateral Agent, each Lender and the Secured Parties of their rights hereunder shall not release the Servicer, the Transferor or the Borrower from any of their duties or responsibilities with respect to the Collateral Portfolio. The Secured Parties, the Administrative Agent, each Lender and the Collateral Agent shall not have any obligation or liability with respect to any Collateral Portfolio, nor shall any of them be obligated to perform any of the obligations of the Servicer hereunder.

(c) Any payment by an Obligor in respect of any Indebtedness owed by it to the Borrower shall, except as otherwise specified by such Obligor or otherwise required by contract or law and unless otherwise instructed by the Administrative Agent, be applied as a collection of a payment by such Obligor (starting with the oldest such outstanding payment due) to the extent of any amounts then due and payable thereunder before being applied to any other receivable or other obligation of such Obligor.

#### SECTION 7.03 Authorization of the Servicer.

(a) Each of the Borrower, the Administrative Agent and each Lender hereby authorizes the Servicer (including any successor thereto) to take any and all reasonable steps in its name and on its behalf necessary or desirable in the determination of the Servicer and not inconsistent with the sale of the Collateral Portfolio to the Borrower and, thereafter, the Pledge by the Borrower to the Collateral Agent on behalf of the Secured Parties hereunder, to collect all amounts due under any and all Collateral Portfolio, including, without limitation, endorsing any of their names on checks and other instruments representing Interest Collections and Principal Collections, executing and delivering any and all instruments of satisfaction or cancellation, or of partial or full release or discharge, and all other comparable instruments, with respect to the Collateral Portfolio and, after the delinquency of any Collateral Portfolio and to the extent permitted under and in compliance with Applicable Law, to commence proceedings with respect to enforcing payment thereof, to the same extent as the Transferor could have done if it had continued to own such Collateral Portfolio. The Transferor, the Borrower and the Collateral Agent on behalf of the Secured Parties shall furnish the Servicer (and any successors thereto) with any powers of attorney and other documents necessary or appropriate to enable the Servicer to carry out its servicing and administrative duties hereunder, and shall cooperate with the Servicer to the fullest extent in order to ensure the collectability of the Collateral Portfolio. In no event shall the Servicer be entitled to make the Secured Parties, the Administrative Agent, the Collateral Agent or any Lender a party to any litigation without such party's express prior written consent, or to make the Borrower a party to any litigation (other than any routine foreclosure or similar collection procedure) without the Administrative Agent's consent.

(b) After the occurrence or declaration of the Facility Maturity Date, at the direction of the Administrative Agent, the Servicer shall take such action as the Administrative Agent may deem necessary or advisable to enforce collection of the Collateral Portfolio; *provided* that the Administrative Agent may, at any time after the occurrence or declaration of the Facility Maturity Date, notify any Obligor with respect to any Collateral Portfolio of the assignment of such Collateral Portfolio to the Collateral Agent on behalf of the Secured Parties and direct that payments of all amounts due or to become due be made directly to the Administrative Agent or any servicer, collection agent or account designated by the Administrative Agent and, upon such notification and at the expense of the Borrower, the Administrative Agent may enforce collection of any such Collateral Portfolio, and adjust, settle or compromise the amount or payment thereof.

SECTION 7.04 Collection of Payments; Accounts.

(a) Collection Efforts, Modification of Collateral Portfolio. The Servicer will use its commercially reasonable efforts and judgment to collect or cause to be collected, all payments called for under the terms and provisions of the Loan Assets included in the Collateral Portfolio as and when the same become due, all in accordance with the Servicing Standard. The Servicer may not waive, modify or otherwise vary any provision of an item of Collateral Portfolio in any manner contrary to the Servicing Standard; *provided* that, on and after the occurrence of an Event of Default, the prior written consent of the Administrative Agent shall be required for any waiver, modification or variance that would impair the collectability of the Collateral Portfolio. In addition, neither the Borrower nor the Servicer shall, without the prior written consent of the Administrative Agent, agree to waive, modify or otherwise vary any provision of a Loan Asset in the Collateral Portfolio if such waiver, modification or variation would increase the Borrower's commitment or outstanding loans thereunder or extend the maturity of any outstanding or committed loans of the Borrower thereunder so as to constitute a Material Modification pursuant to clause (b) of the definition of "Material Modification".

(b) Acceleration. If consistent with the Servicing Standard, the Servicer shall accelerate or vote to accelerate, as applicable, the maturity of all or any Scheduled Payments and other amounts due under any Loan Asset promptly after such Loan Asset becomes defaulted.

(c) Taxes and other Amounts. The Servicer will use its best efforts to collect all payments with respect to amounts due for Taxes, assessments and insurance premiums relating to each Loan Asset to the extent required to be paid to the Borrower for such application under the applicable Loan Agreement and remit such amounts to the appropriate Governmental Authority or insurer as required by the Loan Agreements.

(d) Payments to Collection Account. On or before the applicable Cut-Off Date, the Servicer shall have instructed all Obligor to make all payments in respect of the Collateral Portfolio directly to the Collection Account; *provided* that the Servicer is not required to so instruct any Obligor which is solely a guarantor or other surety (or an Obligor that is not designated as the "lead borrower" or another such similar term) unless and until the Servicer calls on the related guaranty or secondary obligation.

(e) Controlled Accounts. Each of the parties hereto hereby agrees that (i) each Controlled Account is intended to be a "securities account" or "deposit account" within the meaning of the UCC and (ii) except as otherwise expressly provided herein and in the Control Agreement, prior to the delivery of a Notice of Exclusive Control the Borrower, the Servicer and the Collateral Agent (acting at the direction of the Administrative Agent) shall be entitled to exercise the rights that comprise each Financial Asset held in each Controlled Account which is a securities account and have the right to direct the disposition of funds in any Controlled Account which is a deposit account; *provided* that after the delivery of a Notice of Exclusive Control, such rights shall be exclusively held by the Collateral Agent (acting at the direction of the

Administrative Agent). Each of the parties hereto hereby agrees to cause the securities intermediary that holds any money or other property for the Borrower in a Controlled Account that is a securities account to agree with the parties hereto that (A) the cash and other property (subject to Section 6.04(f) below with respect to any property other than investment property, as defined in Section 9-102(a)(49) of the UCC) is to be treated as a Financial Asset under Article 8 of the UCC and (B) regardless of any provision in any other agreement, for purposes of the UCC, with respect to the Controlled Accounts, New York shall be deemed to be the Account Bank's jurisdiction (within the meaning of Section 9-304 of the UCC) and the securities intermediary's jurisdiction (within the meaning of Section 8-110 of the UCC). All securities or other property underlying any Financial Assets credited to the Controlled Accounts in the form of securities or instruments shall be registered in the name of the Account Bank or if in the name of the Borrower or the Collateral Agent, Indorsed to the Account Bank, Indorsed in blank, or credited to another securities account maintained in the name of the Account Bank, and in no case will any Financial Asset credited to the Controlled Accounts be registered in the name of the Borrower, payable to the order of the Borrower or specially Indorsed to the Borrower, except to the extent the foregoing have been specially Indorsed to the Account Bank or Indorsed in blank.

(f) Loan Agreements. Notwithstanding any term hereof (or any term of the UCC that might otherwise be construed to be applicable to a "securities intermediary" as defined in the UCC) to the contrary, none of the Collateral Agent, the Collateral Custodian nor any securities intermediary shall be under any duty or obligation in connection with the acquisition by the Borrower, or the grant by the Borrower to the Collateral Agent, of any Loan Asset in the nature of a loan or a participation in a loan to examine or evaluate the sufficiency of the documents or instruments delivered to it by or on behalf of the Borrower under the related Loan Agreements, or otherwise to examine the Loan Agreements, in order to determine or compel compliance with any applicable requirements of or restrictions on transfer (including without limitation any necessary consents). The Collateral Custodian shall hold any Instrument delivered to it evidencing any Loan Asset granted to the Collateral Agent hereunder as custodial agent for the Collateral Agent in accordance with the terms of the Custody Agreement.

(g) Adjustments. If (i) the Servicer makes a deposit into the Collection Account in respect of an Interest Collection or a Principal Collection of a Loan Asset and such Interest Collection or Principal Collection was received by the Servicer in the form of a check that is not honored for any reason or (ii) the Servicer makes a mistake with respect to the amount of any Interest Collection or Principal Collection and deposits an amount that is less than or more than the actual amount of such Interest Collection or Principal Collection, the Servicer shall appropriately adjust the amount subsequently deposited into the Collection Account to reflect such dishonored check or mistake. Any Scheduled Payment in respect of which a dishonored check is received shall be deemed not to have been paid.

SECTION 7.05 Realization Upon Loan Assets. The Servicer will use reasonable efforts consistent with the Servicing Standard to foreclose upon or repossess, as applicable, or otherwise comparably convert the ownership of any Underlying Collateral relating to a Defaulted Loan Asset as to which no satisfactory arrangements can be made for collection of delinquent payments. In addition, the Servicer may, consistent with the Servicing Standard, sell or otherwise transfer, or if it deems advisable to maximize recoveries, hold or cause the Borrower to hold any

Defaulted Loan Asset, equity security or other security (so long as such equity security or other security was received in lieu of debt previously contracted with respect to a Loan Asset) received by the Borrower in connection with a default, workout, restructuring or plan of reorganization or similar event under a Loan Asset. The Servicer will comply with the Servicing Standard and Applicable Law in realizing upon such Underlying Collateral, and employ practices and procedures, including without limitation reasonable efforts consistent with the Servicing Standard, (x) to enforce all obligations of the Obligors under the Loan Agreements and other legal documentation related to such Defaulted Loan Asset and (y) to foreclose upon, repossess and cause the sale of such Underlying Collateral at public or private sales other than with respect to any Defaulted Loan Asset, equity or other securities that the Servicer may hold as described in the preceding sentence of this Section 6.05. Without limiting the generality of the foregoing, unless the Administrative Agent has specifically given instruction to the contrary, the Servicer may cause the sale of any such Underlying Collateral to the Servicer or its Affiliates for a purchase price equal to the then fair market value thereof, any such sale to be evidenced by a certificate of a Responsible Officer of the Servicer delivered to the Administrative Agent setting forth the Loan Asset, the Underlying Collateral, the sale price of the Underlying Collateral and certifying that such sale price is at least equal to the fair market value of such Underlying Collateral. In any case in which any such Underlying Collateral has suffered damage, the Servicer will not expend funds in connection with any repair or toward the foreclosure or repossession of such Underlying Collateral unless it reasonably determines that such repair and/or foreclosure or repossession will increase the Recoveries by an amount greater than the amount of such expenses. The Servicer will remit to the Principal Collection Account the Recoveries received in connection with the sale or disposition of Underlying Collateral relating to a Defaulted Loan Asset.

SECTION 7.06 Servicing Compensation. As compensation for its activities hereunder and reimbursement for its expenses, the Servicer shall be entitled to be paid the Servicing Fees and reimbursement its reasonable expenses as provided in Section 2.04.

SECTION 7.07 Payment of Certain Expenses by Servicer. The Servicer will be required to pay all expenses incurred by it in connection with its activities under this Agreement, including fees and disbursements of its independent accountants, Taxes imposed on the Servicer, expenses incurred by the Servicer in connection with payments and reports pursuant to this Agreement, and all other fees and expenses not expressly stated under this Agreement for the account of the Borrower. The Servicer will be required to pay all reasonable fees and expenses owing to any bank or trust company in connection with the maintenance of the Controlled Accounts. The Borrower will reimburse the Servicer for any reasonable expenses incurred hereunder or on behalf of the Borrower, subject to the availability of funds pursuant to Section 2.04; *provided* that, to the extent funds are not so available on any Payment Date to reimburse such expenses incurred during the immediately ended Remittance Period, such reimbursement amount shall be deferred and payable on the next Payment Date on which funds are available therefor pursuant to Section 2.04 and such deferred reimbursement amount shall bear interest beginning on the Payment Date immediately following the Remittance Period in which such expenses were incurred until paid at an annual rate equal to the LIBOR Yield Rate. For the avoidance of doubt, the Servicer shall remain liable for, and shall pay in accordance with the terms hereof, all expenses payable by it as set forth in this Section 6.07 or otherwise under this Agreement, notwithstanding any failure of the Servicer to be reimbursed on any Payment Date

due to the insufficiency of funds. Following realization of the Collateral Portfolio and distribution of proceeds in the manner provided in Section 2.04, any claims of the Servicer against the Borrower in respect of any deferred reimbursement amount or otherwise shall be extinguished and shall not thereafter revive.

SECTION 7.08 Reports to the Administrative Agent; Account Statements; Servicing Information.

(a) Notice of Borrowing or Conversion. Not later than 1:00 p.m. on the third Business Day before (i) the Advance Date or LIBOR Conversion Date, as applicable, for a LIBOR Advance, (ii) the Base Rate Conversion Date for a Base Rate Advance and (iii) each reduction of Advances Outstanding pursuant to Section 2.18 and not later than 1:00 p.m. on the first Business Day before the Advance Date for a Base Rate Advance, the Borrower (or the Servicer on its behalf) will provide a Notice of Borrowing, a Conversion Notice or a Notice of Reduction, as applicable, and a Borrowing Base Certificate, each updated as of such date, to the Administrative Agent (with a copy to the Collateral Agent). On each date that the Assigned Value of an Eligible Loan Asset is changed, the Borrower (or the Servicer on its behalf) will deliver an adjusted Borrowing Base Certificate to the Administrative Agent (with a copy to the Collateral Agent).

(b) Asset Report and Servicing Report. (i) On each Monthly Reporting Date, the Servicer will provide to the Borrower, each Lender, the Administrative Agent and the Collateral Agent a monthly statement including the following information, as of the last Business Day of the preceding calendar month, (A) the current list of Obligors and the Outstanding Balance of each Loan Asset with respect to each such Obligor, (B) the current rating(s) of the Loan Assets by Moody's or S&P, or both, if applicable, (C) a list of all Defaulted Loan Assets, (D) an accounting of collections with respect to the Loan Assets, (E) the aggregate Outstanding Balance of all Loan Assets as of such day, (F) the Advances Outstanding as of such day and (G) the difference between the aggregate Outstanding Balance and the Advances Outstanding as of such day (such monthly statement, a "Monthly Servicing Report"), such Monthly Servicing Report to be signed by a Responsible Officer of the Servicer and the Borrower and substantially in the form of Exhibit J-1.

(ii) On each Quarterly Reporting Date and each Advance Date, the Servicer will provide to the Borrower, each Lender, the Administrative Agent and the Collateral Agent, the Monthly Servicing Report due on such date and a quarterly statement including (A) a Borrowing Base Certificate calculated as of the most recent Payment Date Cut-Off, (B) a summary prepared with respect to each Obligor and with respect to each Loan Asset for such Obligor prepared as of the most recent Payment Date Cut-Off that will be required to certify (x) that each such Loan Asset is in compliance with all applicable covenants, (y) whether or not any such Loan Assets have become subject to a Material Modification and (z) the most recent Fair Market Value and (if applicable) the purchase price of each such Loan Asset and (C) amounts to be remitted pursuant to Section 2.04 to the applicable parties (which shall include any applicable wiring instructions of the parties receiving payment) (such quarterly statement, a "Quarterly Servicing Report" and, together with the Monthly Servicing Report, the "Servicing Reports"), such Quarterly Servicing Report to be signed by a Responsible Officer of the Servicer and the Borrower and substantially in the form of Exhibit J-2.

(c) Servicer's Certificate. Together with each Servicing Report, the Servicer shall submit to the Administrative Agent, each Lender and the Collateral Agent a certificate substantially in the form of Exhibit K (a "Servicer's Certificate"), signed by a Responsible Officer of the Servicer, which shall include, among other things, a certification by such Responsible Officer that no Event of Default or Unmatured Event of Default has occurred.

(d) Financial Statements. The Servicer will submit to the Administrative Agent, each Lender and the Collateral Agent, (i) within 60 days after the end of each of its first three fiscal quarters, commencing September 30, 2015, consolidated unaudited financial statements, quarterly equityholder letters and current capitalization levels and offering schedules of the Servicer for the most recent fiscal quarter, and (ii) within 120 days after the end of each fiscal year, commencing with the fiscal year ended December 31, 2015, consolidated audited financial statements of the Servicer, audited by a firm of nationally recognized independent public accountants, as of the end of such fiscal year; *provided* that to the extent any of the items required to be delivered under this Section 6.08(f) are available on the website of the Securities and Exchange Commission, such items will be deemed to have been delivered to the Administrative Agent.

(e) Tax Returns. The Servicer shall deliver to the Administrative Agent, each Lender, and the Collateral Agent copies of all federal, state and local tax returns and reports filed by the Borrower, the Transferor, the Parent and the Servicer, or in which the Borrower, the Transferor or the Servicer was included on a consolidated or combined basis (excluding sales, use and similar Taxes) within 15 days after the earlier of (i) the date such federal, state or local tax returns were filed or (ii) the date such federal, state or local tax returns are required to be filed under Applicable Law (subject to any extensions to file properly obtained).

(f) Obligor Financial Statements; Valuation Reports; Other Reports. The Servicer will deliver to the Administrative Agent, the Lenders and the Collateral Agent, with respect to each Obligor, (i) within 120 days after the end of the fiscal year of each Obligor, the audited financial statements for such Obligor and corresponding compliance certificate for such fiscal year received by the Borrower and/or the Servicer pursuant to the Loan Agreement with respect to such Obligor and with respect to each Loan Asset for such Obligor provided to the Borrower and/or the Servicer, (ii) upon request of the Administrative Agent, the complete financial reporting package (including, without limitation, any compliance certificates) with respect to any Obligor and with respect to each Loan Asset for such Obligor provided to the Borrower and/or the Servicer quarterly, monthly or otherwise by such Obligor and (iii) asset and portfolio level monitoring reports prepared by an Approved Valuation Firm with respect to the Loan Assets, which delivery shall be made on each Quarterly Reporting Date. The Servicer will promptly deliver to the Administrative Agent and any Lender, upon reasonable request (and subject to any confidentiality requirements in the applicable Loan Agreement), all other documents and information required to be delivered by the Obligors to the Borrower with respect to any Loan Asset included in the Collateral Portfolio.

(g) Amendments to Loan Assets.

(i) The Servicer will deliver to the Administrative Agent and the Collateral Custodian a copy of any material amendment, restatement, supplement, waiver or other material modification to the Loan Agreement of any Loan Asset (along with any internal documents prepared by the Servicer and provided to its investment committee in connection with such amendment, restatement, supplement, waiver or other modification) within 10 Business Days of the effectiveness of such amendment, restatement, supplement, waiver or other modification. Together with such delivery, the Servicer shall notify the Administrative Agent of the delivery of such document and shall make reasonable efforts to inform the Administrative Agent whether, to the actual knowledge of the Servicer, such event constitutes a Value Adjustment Event; provided that failure by the Servicer to make such delivery shall not constitute a breach, Unmatured Event of Default or Event of Default hereunder.

(ii) The Servicer will deliver to the Administrative Agent and the Collateral Custodian a copy of every other amendment, restatement, supplement, waiver or other modification to the Loan Agreement of any Loan Asset (along with any internal documents prepared by the Servicer and provided to its investment committee in connection with such amendment, restatement, supplement, waiver or other modification) no less frequently than once per calendar year.

(h) Obligor Defaults and Bankruptcy Events. The Servicer shall give notice to the Administrative Agent within two Business Days of the Borrower's, the Transferor's or the Servicer's actual knowledge of the occurrence of any default by an Obligor under any Loan Asset or any Bankruptcy Event with respect to any Obligor under any Loan Asset. Together with such notification, the Servicer shall inform the Administrative Agent whether, to the knowledge of the Borrower or Servicer, as applicable, such event constitutes a Value Adjustment Event.

(i) Website Access to Information. Notwithstanding anything to the contrary contained herein, information required to be delivered or submitted to any Secured Party pursuant to Section 5.03(h) and this Article VI shall be deemed to have been delivered on the date on which such information is posted on a Deal Interactive (or other replacement) website to which the Administrative Agent has access or upon receipt of such information through e-mail or another delivery method acceptable to the Administrative Agent. Any delivery or submission via a website, Deal Interactive or similar electronic transmission systems shall be accompanied by email or other written notification (or as otherwise provided herein) to the intended recipient of any such document.

SECTION 7.09 Annual Statement as to Compliance. The Servicer will provide to the Administrative Agent, each Lender and the Collateral Agent within 120 days following the end of each fiscal year of the Servicer, commencing with the fiscal year ending on December 31, 2015, a fiscal report signed by a Responsible Officer of the Servicer certifying that (a) a review of the activities of the Servicer, and the Servicer's performance pursuant to this Agreement, for the fiscal period ending on the last day of such fiscal year has been made under such Person's supervision and (b) the Servicer has performed or has caused to be performed in all material respects all of its obligations under this Agreement throughout such year and no Servicer Termination Event has occurred.



SECTION 7.10 Annual Independent Public Accountant's Servicing Reports. The Servicer will cause a firm of nationally recognized independent public accountants (who may also render other services to the Servicer) to furnish to the Administrative Agent, each Lender and the Collateral Agent within 120 days following the end of each fiscal year of the Servicer, commencing with the fiscal year ending on December 31, 2015, a report covering such fiscal year to the effect that such accountants have applied certain agreed-upon procedures (a copy of which procedures are attached hereto as Schedule III, it being understood that the Servicer and the Administrative Agent will provide an updated Schedule III reflecting any further amendments to such Schedule III prior to the issuance of the first such agreed-upon procedures report, a copy of which shall replace the then existing Schedule III) to certain documents and records relating to the Collateral Portfolio under any Transaction Document, compared the information contained in the Servicing Reports and the Servicer's Certificates delivered during the period covered by such report with such documents and records and that no matters came to the attention of such accountants that caused them to believe that such servicing was not conducted in compliance with this Article VI, except for such exceptions as such accountants shall believe to be immaterial and such other exceptions as shall be set forth in such statement.

SECTION 7.11 The Servicer Not to Resign. The Servicer shall not resign from the obligations and duties hereby imposed on it except upon the Servicer's determination that (i) the performance of its duties hereunder is or becomes impermissible under Applicable Law and (ii) there is no reasonable action that the Servicer could take to make the performance of its duties hereunder permissible under Applicable Law. Any such determination permitting the resignation of the Servicer shall be evidenced as to clause (i) above by an Opinion of Counsel to such effect delivered to the Administrative Agent. No such resignation shall become effective until a Replacement Servicer shall have assumed the responsibilities and obligations of the Servicer in accordance with Section 6.02.

## ARTICLE VIII.

### EVENTS OF DEFAULT

SECTION 8.01 Events of Default. If any of the following events (each, an "Event of Default") shall occur:

(a) (i) the Borrower shall enter into one or more agreements for borrowed money other than this Agreement without the consent of the Administrative Agent or (ii) the Servicer defaults in making any payment required to be made under one or more agreements for borrowed money to which it is a party in an aggregate principal amount in excess of \$10,000,000 and any such failure continues unremedied for two Business Days and such default is not cured within the applicable cure period, if any, provided for under such agreement; or

(b) (i) the rendering of one or more final judgments, decrees or orders by a court or arbitrator of competent jurisdiction for the payment of money in excess individually or in the aggregate of \$10,000,000 against the Transferor, or \$1,000,000 against the Borrower, and the Transferor or the Borrower, as applicable, shall not have either (A) discharged or provided for the discharge of any such judgment, decree or order in accordance with its terms or (B) perfected a timely appeal of such judgment, decree or order and caused the execution of same to be stayed during the pendency of the appeal or (ii) the Transferor or the Borrower shall have made payments of amounts in excess of \$10,000,000 (in the case of the Transferor) or \$1,000,000 (in the case of the Borrower), in the settlement of any litigation, claim or dispute (excluding payments made from Insurance Proceeds); or

(c) failure on the part of the Borrower or the Servicer to make any payment or deposit (including, without limitation, with respect to bifurcation and remittance of Interest Collections and Principal Collections or any other payment or deposit required to be made by the terms of the Transaction Documents, including, without limitation, to any Secured Party, Affected Party or Indemnified Party) required by the terms of any Transaction Document (other than Section 2.06) within three Business Days of the day such payment or deposit is required to be made; *provided* that in the case of a default in payment resulting solely from an administrative error or omission by the Collateral Agent, such default continues for a period of five or more Business Days after the Collateral Agent receives written notice or has actual knowledge of such administrative error or omission (irrespective of whether the cause of such administrative error or omission has been determined); or

(d) failure to pay, on the Facility Maturity Date, the outstanding principal of all Advances Outstanding and all Yield and all Fees accrued and unpaid thereon together with all other Obligations, including any Make-Whole Premium; or

(e) failure to remedy any Borrowing Base Deficiency within 12 Business Days in accordance with Section 2.06; or

(f) without limiting the generality of Section 7.01(c) above, failure of the Borrower to pay Yield within three Business Days of any Payment Date or within three Business Days of when otherwise due; *provided* that in the case of a default in payment resulting solely from an administrative error or omission by the Collateral Agent, such default continues for a period of five or more Business Days after the Collateral Agent receives written notice or has actual knowledge of such administrative error or omission (irrespective of whether the cause of such administrative error or omission has been determined); or

(g) any failure on the part of the Borrower, the Transferor or the Parent duly to observe or perform in any material respect any other covenants or agreements of the Borrower, the Transferor or the Parent set forth in this Agreement or the other Transaction Documents to which the Borrower, the Transferor or the Parent is a party (it being understood, without limiting the generality of the foregoing, that the failure of any Loan Asset to constitute an “Eligible Loan Asset” is not, in and of itself, an Event of Default and the existence of a Borrowing Base Deficiency is not, in and of itself, an Event of Default except to the extent provided in clause (e) immediately above) and the same continues unremedied for a period of 30 days (if such failure can be remedied) after the earlier to occur of (i) the date on which written notice of such failure requiring the same to be remedied shall have been given to the Borrower, the Transferor or the Parent by the Administrative Agent, any Lender or Collateral Agent and (ii) the date on which the Borrower, the Transferor or the Parent acquires knowledge thereof; or

(h) the occurrence of a Bankruptcy Event relating to the Transferor, the Parent or the Borrower; or

(i) the occurrence of a Servicer Termination Event (after giving effect to any applicable notice or cure period provided in the definition thereof); or

(j) the Borrower shall fail to qualify as a bankruptcy-remote entity based upon customary criteria such that reputable counsel could no longer render a substantive nonconsolidation opinion with respect to the Borrower and the Transferor; or

(k) (i) any Transaction Document, or any lien or security interest granted thereunder, shall (except in accordance with its terms), in whole or in part, terminate, cease to be effective or cease to be the legally valid, binding and enforceable obligation of the Borrower, the Transferor or the Servicer,

(ii) the Borrower, the Transferor or the Servicer or any other party shall, directly or indirectly, contest in any manner the effectiveness, validity, binding nature or enforceability of any Transaction Document or any lien or security interest thereunder, or

(iii) any security interest securing any obligation under any Transaction Document shall, in whole or in part, cease to be a first-priority perfected security interest except with respect to Permitted Liens and as otherwise expressly permitted to be released in accordance with the applicable Transaction Document; or

(l) the Borrower shall become required to register as an “investment company” within the meaning of the 1940 Act or the arrangements contemplated by the Transaction Documents shall require registration as an “investment company” within the meaning of the 1940 Act; or

(m) the Internal Revenue Service shall file notice of a lien pursuant to Section 6323 of the Code with regard to any assets of the Borrower or the Transferor and such lien shall not have been released within five Business Days, or the Pension Benefit Guaranty Corporation shall file notice of a lien pursuant to Section 4068 of ERISA with regard to any of the assets of the Borrower or the Transferor and such lien shall not have been released within five Business Days; or

(n) any Change of Control shall occur; or

(o) any representation, warranty or certification made by the Borrower, the Transferor or the Parent in any Transaction Document or in any document delivered pursuant to any Transaction Document shall prove to have been incorrect when made in any material respect, and continues to be unremedied for a period of 30 days after the earlier to occur of (i) the date on which written notice of such incorrectness requiring the same to be remedied shall have been given to the Borrower, the Transferor or the Parent by the Administrative Agent, any Lender or the Collateral Agent (which shall be given at the direction of the Administrative Agent) and (ii) the date on which a Responsible Officer of the Borrower, the Transferor or the Parent acquires knowledge thereof; *provided* that an Event of Default shall not be deemed to have occurred under this clause (o) based upon a Warranty Event if the Borrower shall have complied with the provisions of Section 2.07(c) in respect thereof; or

(p) the Borrower ceases to have a valid, perfected ownership interest in all of the Collateral Portfolio; or

(q) the Borrower makes any assignment of its respective rights or obligations under this Agreement or any other Transaction Document without first obtaining the specific written consent of each of the Lenders and the Administrative Agent, which consent may be withheld by any Lender or the Administrative Agent in the exercise of its sole and absolute discretion; or

(r) the Borrower, the Servicer, the Transferor or the Parent fails to observe or perform any covenant, agreement or obligation with respect to the management and distribution of funds received with respect to the Collateral Portfolio, and such failure is not cured within three Business Days; or

(s) (i) failure of the Borrower to maintain at least one Independent Director, (ii) the removal of any Independent Director of the Borrower without Cause or without giving prior written notice to the Administrative Agent and the Lenders, each as required in the organizational documents of the Borrower or (iii) an Independent Director of the Borrower shall be appointed without the consent of the Administrative Agent; provided that in the case of each of clauses (i) and (ii), the Borrower shall have five Business Days to replace any Independent Director upon the receipt by a Responsible Officer of the Borrower of notice of the death or incapacitation of the current Independent Director; or

(t) other than a Permitted BDC Merger, the dissolution, termination or liquidation in whole or in part, transfer or other disposition, in each case, of all or substantially all of the assets of, the Borrower, the Servicer, the Transferor or the Parent; or

(u) the Unfunded Exposure Amount exceeds \$20,000,000 for more than five Business Days; or

(v) other than in connection with, relating to or arising from a Permitted BDC Merger, the certificate of incorporation, by-laws or any other governing documents of the Parent shall be subject to an amendment that has not been consented to by the Administrative Agent which results in a Material Adverse Effect

then, by notice to the Borrower, (x) so long as the Administrative Agent is SMBC, the Administrative Agent may, and (y) whether or not the Administrative Agent is SMBC, the Administrative Agent at the direction of the Required Lenders shall, declare the Facility Maturity Date to have occurred; *provided* that, in the case of any event described in Section 7.01(h) above, the Commitments and the Reinvestment Period shall be deemed to have terminated automatically and the Facility Maturity Date shall be deemed to have occurred automatically upon the occurrence of such event. Upon any such declaration or automatic occurrence, (i) the Borrower shall cease purchasing Loan Assets, (ii) (x) so long as the Administrative Agent is SMBC, the Administrative Agent may, and (y) whether or not the Administrative Agent is SMBC, the Administrative Agent at the direction of the Required Lenders shall, declare the Advances to be

immediately due and payable in full (without presentment, demand, protest or notice of any kind all of which are hereby waived by the Borrower) and any other Obligations to be immediately due and payable, and (iii) all proceeds and distributions in respect of the Portfolio Assets shall be distributed by the Collateral Agent (at the direction of the Administrative Agent) as described in Section 2.04(b) (*provided* that the Borrower shall in any event remain liable to pay such Advances Outstanding and all such amounts and Obligations in accordance with Section 2.04(d) hereof). In addition, upon any such declaration or upon any such automatic occurrence, the Collateral Agent, on behalf of the Secured Parties and at the direction of the Administrative Agent, shall have, in addition to all other rights and remedies under this Agreement or otherwise, all other rights and remedies provided under the UCC of the applicable jurisdiction and other Applicable Law, which rights shall be cumulative. Without limiting any obligation of the Servicer hereunder, the Borrower confirms and agrees that the Collateral Agent, on behalf of the Secured Parties and at the direction of the Administrative Agent, (or any designee thereof, including, without limitation, the Servicer), following an Event of Default, shall, at its option, have the sole right to enforce the Borrower's rights and remedies under each Assigned Document, but without any obligation on the part of the Administrative Agent, the Lenders or any of their respective Affiliates to perform any of the obligations of the Borrower under any such Assigned Document. If any Event of Default shall have occurred, the LIBOR Yield Rate and Base Rate Yield Rate shall be increased as set forth in the definition of "Applicable Spread", effective as of the date of the occurrence of such Event of Default, and shall apply after the occurrence of such Event of Default.

**SECTION 8.02 Additional Remedies of the Administrative Agent.**

(a) If, (i) upon the Administrative Agent's or the Lenders' declaration that the Advances Outstanding hereunder are immediately due and payable pursuant to Section 7.01 upon the occurrence of an Event of Default, or (ii) on the Facility Maturity Date, the aggregate outstanding principal amount of the Advances Outstanding, all accrued and unpaid Fees and Yield and any other Obligations are not immediately paid in full, then the Collateral Agent (acting as directed by the Administrative Agent) or the Administrative Agent, in addition to all other rights specified hereunder, shall have the right, in its own name and as agent for the Lenders, to immediately sell (at the Servicer's expense) in a commercially reasonable manner, in a recognized market (if one exists) at such price or prices as the Administrative Agent may reasonably deem satisfactory, any or all of the Collateral Portfolio and apply the proceeds thereof to the Obligations.

(b) The parties recognize that it may not be possible to sell all of the Collateral Portfolio on a particular Business Day, or in a transaction with the same purchaser, or in the same manner because the market for the assets constituting the Collateral Portfolio may not be liquid. Accordingly, the Administrative Agent may elect, in its sole discretion, the time and manner of liquidating any of the Collateral Portfolio, and nothing contained herein shall obligate the Administrative Agent to liquidate any of the Collateral Portfolio on the date the Administrative Agent or all of the Lenders declares the Advances Outstanding hereunder to be immediately due and payable pursuant to Section 7.01 or to liquidate all of the Collateral Portfolio in the same manner or on the same Business Day.

(c) If the Collateral Agent (acting as directed by the Administrative Agent) or the Administrative Agent proposes to sell the Collateral Portfolio or any part thereof in one or more parcels at a public or private sale, at the request of the Collateral Agent or the Administrative Agent, as applicable, the Borrower and the Servicer shall make available to (i) the Administrative Agent, on a timely basis, all information (including any information that the Borrower and the Servicer is required by law or contract to be kept confidential to the extent such information can be provided without violation of such laws or contracts) relating to the Collateral Portfolio subject to sale, including, without limitation, copies of any disclosure documents, contracts, financial statements of the applicable Obligors, covenant certificates and any other materials requested by the Administrative Agent, and (ii) each prospective bidder, on a timely basis, all reasonable information relating to the Collateral Portfolio subject to sale, including, without limitation, copies of any disclosure documents, contracts, financial statements of the applicable Obligors, covenant certificates and any other materials reasonably requested by each such bidder; *provided* that with respect to this clause (ii), neither the Borrower nor the Servicer shall be required to disclose to each such bidder any information which it is required by law or contract to keep confidential.

(d) Each of the Borrower and the Servicer agrees, to the full extent that it may lawfully so agree, that neither it nor anyone claiming through or under it will set up, claim or seek to take advantage of any appraisal, valuation, stay, extension or redemption law now or hereafter in force in any locality where any Collateral Portfolio may be situated in order to prevent, hinder or delay the enforcement or foreclosure of this Agreement, or the absolute sale of any of the Collateral Portfolio or any part thereof, or the final and absolute putting into possession thereof, immediately after such sale, of the purchasers thereof, and each of the Borrower and the Servicer, for itself and all who may at any time claim through or under it, hereby waives, to the full extent that it may be lawful so to do, the benefit of all such laws, and any and all right to have any of the properties or assets constituting the Collateral Portfolio marshaled upon any such sale, and agrees that the Collateral Agent, or the Administrative Agent on its behalf, or any court having jurisdiction to foreclose the security interests granted in this Agreement may sell the Collateral Portfolio as an entirety or in such parcels as the Collateral Agent (acting at the direction of the Administrative Agent) or such court may determine.

(e) Any amounts received from any sale or liquidation of the Collateral Portfolio pursuant to this Section 7.02 in excess of the Obligations will be applied by the Collateral Agent (as directed by the Administrative Agent) in accordance with the provisions of Section 2.04(b), or as a court of competent jurisdiction may otherwise direct.

(f) The Administrative Agent and the Lenders shall have, in addition to all the rights and remedies provided herein and provided by applicable federal, state, foreign, and local laws (including, without limitation, the rights and remedies of a secured party under the UCC of any applicable state, to the extent that the UCC is applicable, and the right to offset any mutual debt and claim), all rights and remedies available to the Lenders at law, in equity or under any other agreement between any Lender and the Borrower.

(g) Except as otherwise expressly provided in this Agreement, no remedy provided for by this Agreement shall be exclusive of any other remedy, each and every remedy shall be cumulative and in addition to any other remedy, and no delay or omission to exercise any right or remedy shall impair any such right or remedy or shall be deemed to be a waiver of any Event of Default.

(h) Each of the Borrower and the Servicer hereby irrevocably appoints each of the Collateral Agent and the Administrative Agent its true and lawful attorney (with full power of substitution) in its name, place and stead and at its expense, in connection with the enforcement of the rights and remedies provided for in this Agreement, including without limitation the following powers: (a) to give any necessary receipts or acquittance for amounts collected or received hereunder, (b) to make all necessary transfers of the Collateral Portfolio in connection with any such sale or other disposition made pursuant hereto, (c) to execute and deliver for value all necessary or appropriate bills of sale, assignments and other instruments in connection with any such sale or other disposition, the Borrower and the Servicer hereby ratifying and confirming all that such attorney (or any substitute) shall lawfully do hereunder and pursuant hereto, and (d) to sign any agreements, orders or other documents in connection with or pursuant to any Transaction Document. Nevertheless, if so requested by the Collateral Agent or the Administrative Agent, the Borrower shall ratify and confirm any such sale or other disposition by executing and delivering to the Collateral Agent or the Administrative Agent all proper bills of sale, assignments, releases and other instruments as may be designated in any such request; *provided* that, for the avoidance of doubt, no right under any power of attorney furnished under this Section 7.02(h) may be exercised until after the occurrence of an Event of Default.

(i) (1) If the Collateral Agent (acting as directed by the Administrative Agent) or the Administrative Agent elects to sell the Collateral Portfolio in whole, but not in part, at a public or private sale, the Borrower may exercise its right of first refusal to repurchase the Collateral Portfolio, in whole but not in part, prior to such sale at a purchase price that is not less than the amount of the Obligations as of the date of such proposed sale. The Borrower's right of first refusal shall terminate not later than 4:00 p.m. on the second Business Day following the Business Day on which the Borrower receives notice of the Collateral Agent's or the Administrative Agent's election to sell such Collateral Portfolio, such notice to attach a copy of the winning Eligible Bid received by the Collateral Agent or the Administrative Agent in respect of such Collateral Portfolio (other than any such Eligible Bid that the Collateral Agent or the Administrative Agent is required by law to keep confidential).

(2) If the Collateral Agent (acting as directed by the Administrative Agent) or the Administrative Agent elects to sell less than all of the Collateral Portfolio in one or more parcels at a public or private sale, the Borrower may exercise its right of first refusal to repurchase such portion of the Collateral Portfolio prior to such sale at a purchase price of not less than the highest Eligible Bid received in respect of such portion of the Collateral Portfolio as of the date of such proposed sale, as notified by the Collateral Agent or the Administrative Agent to the Borrower; provided that the Administrative Agent may direct the Collateral Agent to cancel such sale and the Borrower shall not be permitted to acquire any such portion of the Collateral Portfolio in accordance with the foregoing to the extent SMBC (so long as SMBC is the Administrative Agent, Collateral Agent, the Lender or the Replacement Servicer), in its sole discretion, determines that such highest Eligible Bid is not satisfactory in any

respect; *provided further* that, in any subsequent sale of such portion of the Collateral Portfolio, the Borrower may exercise its right of first refusal to repurchase such portion of the Collateral Portfolio pursuant to this Section 7.02(i). The Borrower's right of first refusal shall terminate not later than 4:00 p.m. on the Business Day on which the Borrower receives notice of the Collateral Agent's or the Administrative Agent's election to sell such portion of the Collateral Portfolio, such notice to attach a copy of the winning Eligible Bid received by the Collateral Agent or the Administrative Agent in respect of such Collateral Portfolio (other than any such Eligible Bid that the Collateral Agent or the Administrative Agent is required by law to keep confidential); provided that, if such notice is delivered after 12:00 noon on the Business Day on which the Borrower receives such notice, or if the highest Eligible Bid received in respect of such portion of the Collateral Portfolio is greater than \$25,000,000, the Borrower's right of first refusal shall terminate not later than 12:00 noon on the following Business Day.

(3) If the Borrower elects not to exercise its right of first refusal as provided in clauses (1) or (2) above, the Collateral Agent (acting as directed by the Administrative Agent) or the Administrative Agent shall sell such Collateral Portfolio or portion thereof for a purchase price equal to the highest of the Eligible Bids then received *provided* that SMBC (so long as SMBC is the Administrative Agent, Collateral Agent, the Lender or the Replacement Servicer) may direct the Collateral Agent to cancel such sale to the extent SMBC (so long as SMBC is the Administrative Agent, Collateral Agent, the Lender or the Replacement Servicer), in its sole discretion, determines that such highest Eligible Bid is not satisfactory in any respect. For the avoidance of doubt, any determination of the highest Eligible Bid shall only consider bids for the same parcels of the Collateral Portfolio.

(4) It is understood that the Borrower may submit its bid for the Collateral Portfolio or any portion thereof as a combined bid with the bids of other members of a group of bidders, and shall have the right to find bidders to bid on the Collateral Portfolio or any portion thereof.

(5) It is understood that the Borrower's right of first refusal shall apply to each proposed sale of the same parcel of the Collateral Portfolio.

## ARTICLE IX.

### INDEMNIFICATION

#### SECTION 9.01 Indemnities by the Borrower.

(a) Without limiting any other rights which the Affected Parties, the Secured Parties, the Administrative Agent, the Lenders, the Collateral Agent or any of their respective Affiliates may have hereunder or under Applicable Law, the Borrower hereby agrees to indemnify the Affected Parties, the Secured Parties, Administrative Agent, the Lenders, the Collateral Agent and each of their respective Affiliates, assigns, officers, directors, employees and agents (each, an "Indemnified Party") from and against any and all damages, losses, claims, liabilities and related reasonably documented costs and expenses, including reasonable attorneys'



fees and disbursements (all of the foregoing being collectively referred to as “Indemnified Amounts”), awarded against or actually incurred by such Indemnified Party arising out of or as a result of this Agreement or in respect of any of the Collateral Portfolio, excluding, however, Indemnified Amounts to the extent resulting solely from (x) gross negligence, bad faith or willful misconduct on the part of an Indemnified Party or (y) Loan Assets which are uncollectible due to the Obligor’s financial inability to pay. Without limiting the foregoing, the Borrower shall indemnify each Indemnified Party for Indemnified Amounts relating to or resulting from any of the following (to the extent not resulting from the conditions set forth in (x) or (y) above):

(i) any Loan Asset treated as or represented by the Borrower to be an Eligible Loan Asset which is not at the applicable time an Eligible Loan Asset, or the purchase by any party or origination of any Loan Asset which violates Applicable Law;

(ii) reliance on any representation or warranty made or deemed made by the Borrower, the Servicer (if ~~CCT~~(A) prior to the consummation of a Permitted BDC Merger, CCT, and (B) on or after the consummation of each Permitted BDC Merger, the applicable Permitted BDC, or one of its Affiliates is the Servicer) or any of their respective officers under or in connection with this Agreement or any Transaction Document, which shall have been false or incorrect in any material respect when made or deemed made or delivered;

(iii) the failure by the Borrower or the Servicer (if ~~CCT~~(A) prior to the consummation of a Permitted BDC Merger, CCT, and (B) on or after the consummation of each Permitted BDC Merger, the applicable Permitted BDC, or one of its Affiliates is the Servicer) to comply with any material term, provision or covenant contained in this Agreement or any agreement executed in connection with this Agreement, or with any Applicable Law with respect to any item of Collateral Portfolio, or the nonconformity of any item of Collateral Portfolio with any such Applicable Law;

(iv) the failure to vest and maintain vested in the Collateral Agent, for the benefit of the Secured Parties, a first-priority perfected security interest in the Collateral Portfolio, free and clear of any Lien other than Permitted Liens, whether existing at the time of the related Advance or at any time thereafter;

(v) on each Business Day prior to the Collection Date, the occurrence of a Borrowing Base Deficiency and the same continues unremedied for 12 Business Days;

(vi) the failure to file, or any delay in filing, financing statements, continuation statements or other similar instruments or documents under the UCC of any applicable jurisdiction or other Applicable Law with respect to any Loan Assets included in the Collateral Portfolio or the other Portfolio Assets related thereto, whether at the time of any Advance or at any subsequent time;

(vii) any dispute, claim, offset or defense (other than the discharge in bankruptcy of an Obligor) to the payment of any Loan Asset included in the Collateral Portfolio (including, without limitation, a defense based on such Loan Asset (or the Loan Agreement evidencing such Loan Asset) not being a legal, valid and binding obligation of such Obligor enforceable against it in accordance with its terms), or any other claim resulting from the sale of the merchandise or services related to such Collateral Portfolio or the furnishing or failure to furnish such merchandise or services;

(viii) any failure of the Borrower or the Servicer (if ~~CCT~~(A) prior to the consummation of a Permitted BDC Merger, CCT, and (B) on or after the consummation of each Permitted BDC Merger, the applicable Permitted BDC, or one of its Affiliates is the Servicer) to perform its duties or obligations in accordance with the provisions of the Transaction Documents to which it is a party or any failure by the Borrower or any Affiliate thereof to perform its respective duties under any Collateral Portfolio;

(ix) any inability to obtain any judgment in, or utilize the court or other adjudication system of, any state in which an Obligor may be located as a result of the failure of the Borrower or the Transferor to qualify to do business or file any notice or business activity report or any similar report;

(x) any action taken by the Borrower or the Servicer in the enforcement or collection of the Collateral Portfolio which results in any claim, suit or action of any kind pertaining to the Collateral Portfolio or which reduces or impairs the rights of the Administrative Agent or Lender with respect to any Loan Asset or the value of any such Loan Asset;

(xi) any products liability claim or personal injury or property damage suit or other similar or related claim or action of whatever sort arising out of or in connection with the Underlying Collateral or services that are the subject of any Collateral Portfolio;

(xii) any claim, suit or action of any kind arising out of or in connection with Environmental Laws relating to the Borrower or the Collateral Portfolio, including any vicarious liability;

(xiii) the failure by the Borrower to pay when due any Taxes for which the Borrower is liable, including, without limitation, sales, excise or personal property Taxes payable in connection with the Collateral Portfolio;

(xiv) any repayment by the Administrative Agent, the Lenders or a Secured Party of any amount previously distributed in payment of Advances or payment of Yield or Fees or any other amount due hereunder, in each case which amount the Administrative Agent, the Lenders or a Secured Party believes in good faith is required to be repaid;

(xv) the commingling by the Borrower or the Servicer of payments and collections required to be remitted to the Collection Account or the Unfunded Exposure Account with other funds;

(xvi) any investigation, litigation or proceeding related to this Agreement (or the Transaction Documents), or the use of proceeds of Advances or the Collateral Portfolio, or the administration of the Loan Assets by the Borrower or the Servicer (unless such administration is carried out by SMBC or any of its Affiliates in the capacity of the Servicer, if applicable);

(xvii) any failure by the Borrower to give reasonably equivalent value to Transferor in consideration for the transfer by the Transferor to the Borrower of any item of Collateral Portfolio or any attempt by any Person to void or otherwise avoid any such transfer under any statutory provision or common law or equitable action, including, without limitation, any provision of the Bankruptcy Code;

(xviii) the use of the proceeds of any Advance in a manner other than as provided in this Agreement and the Transaction Documents; and/or

(xix) any failure of the Borrower, the Servicer or any of their respective agents or representatives to remit to the Collection Account within two Business Days of receipt, payments and collections with respect to the Collateral Portfolio remitted to the Borrower, the Servicer or any such agent or representative (other than such a failure on the part of SMBC or any of its Affiliates in the capacity of Servicer, if applicable).

(b) Any amounts subject to the indemnification provisions of this Section 8.01 shall be paid by the Borrower to the Administrative Agent (i) on or prior to the Facility Maturity Date, in accordance with the provisions of Section 2.04(a) or Section 2.04(b), as applicable, on the next Payment Date and each succeeding Payment Date until paid in full following receipt by the Borrower of the Administrative Agent's written demand therefor on behalf of the applicable Indemnified Party and (ii) after the Facility Maturity Date, within five Business Days following receipt by the Borrower of the Administrative Agent's written demand therefor on behalf of the applicable Indemnified Party, in which case the Servicer (on behalf of the Borrower) shall instruct the Account Bank to withdraw from the Collection Account an amount equal to such claim for payment to the Administrative Agent (and, in each case, the Administrative Agent shall pay such amounts to the applicable Indemnified Party promptly after the receipt by the Administrative Agent of such amounts). The Administrative Agent, on behalf of any Indemnified Party making a request for indemnification under this Section 8.01, shall submit to the Borrower a certificate setting forth in reasonable detail the basis for and the computations of the Indemnified Amounts with respect to which such indemnification is requested, which certificate shall be conclusive absent demonstrable error.

(c) If for any reason the indemnification provided above in this Section 8.01 is unavailable to the Indemnified Party or is insufficient to hold an Indemnified Party harmless in respect of any losses, claims, damages or liabilities, then the Borrower shall contribute to the amount paid or payable by such Indemnified Party as a result of such losses, claims, damages or liabilities in such proportion as is appropriate to reflect not only the relative benefits received by such Indemnified Party on the one hand and the Borrower on the other hand but also the relative fault of such Indemnified Party as well as any other relevant equitable considerations.

(d) If the Borrower has made any payments in respect of Indemnified Amounts to the Administrative Agent on behalf of an Indemnified Party pursuant to this Section 8.01 and such Indemnified Party thereafter collects any of such amounts from others, such Indemnified Party will promptly repay such amounts collected to the Borrower, without interest.

(e) The obligations of the Borrower under this Section 8.01 shall survive the resignation or removal of the Administrative Agent, the Lenders, the Servicer or the Collateral Agent and the termination of this Agreement.

SECTION 9.02 Indemnities by Servicer.

(a) Without limiting any other rights which any Indemnified Party may have hereunder or under Applicable Law, the Servicer hereby agrees to indemnify each Indemnified Party from and against any and all Indemnified Amounts, awarded against or incurred by any Indemnified Party as a consequence of any of the following, excluding, however, Indemnified Amounts to the extent resulting from gross negligence, bad faith or willful misconduct on the part of any Indemnified Party claiming indemnification hereunder:

(i) the inclusion, in any computations made by it in connection with any Borrowing Base Certificate or other report prepared by it hereunder, of any Loan Assets which were not Eligible Loan Assets as of the date of any such computation;

(ii) reliance on any representation or warranty made or deemed made by the Servicer or any of its officers under or in connection with this Agreement or any other Transaction Document, any Servicing Report, Servicer's Certificate or any other information or report delivered by or on behalf of the Servicer pursuant hereto, which shall have been false, incorrect or misleading in any material respect when made or deemed made or delivered;

(iii) the failure by the Servicer to (A) comply with any material term, provision or covenant contained in this Agreement or any other Transaction Document, or any other agreement executed in connection with this Agreement or (B) comply with any Applicable Law applicable to it with respect to any Portfolio Assets;

(iv) any litigation, proceedings or investigation against the Servicer;

(v) any action or inaction by the Servicer that causes the Collateral Agent, for the benefit of the Secured Parties, not to have a first-priority perfected security interest in the Collateral Portfolio, free and clear of any Lien other than Permitted Liens, whether existing at the time of the related Advance or any time thereafter;

(vi) except as permitted under this Agreement, the commingling by the Servicer of payments and collections required to be remitted to the Collection Account or the Unfunded Exposure Account with other funds;

(vii) any failure of the Servicer or any of its agents or representatives to remit to Collection Account, payments and collections with respect to Loan Assets remitted to the Servicer or any such agent or representative within two Business Days of receipt;

(viii) the failure by the Servicer to perform any of its duties or obligations in accordance with the provisions of this Agreement or any other Transaction Document or errors or omissions related to such duties;

(ix) any of the events or facts giving rise to a breach of any of the Servicer's representations, warranties, agreements and/or covenants set forth in Article IV, Article V or Article VI or this Agreement; and/or

(x) failure or delay in reasonably assisting a successor Servicer in assuming each and all of the Servicer's obligations to service and administer the Collateral Portfolio, or failure or delay in complying with reasonable instructions from the Administrative Agent with respect thereto.

(b) Any Indemnified Amounts shall be paid by the Servicer to the Administrative Agent, for the benefit of the applicable Indemnified Party, within five Business Days following receipt by the Servicer of the Administrative Agent's written demand therefor (and the Administrative Agent shall pay such amounts to the applicable Indemnified Party promptly after the receipt by the Administrative Agent of such amounts). The Administrative Agent, on behalf of any Indemnified Party making a request for indemnification under this Section 8.02, shall submit to the Servicer a certificate setting forth in reasonable detail the basis for and the computations of the Indemnified Amounts with respect to which such indemnification is requested, which certificate shall be conclusive absent demonstrable error.

(c) If the Servicer has made any indemnity payments to the Administrative Agent on behalf of an Indemnified Party pursuant to this Section 8.02 and such Indemnified Party thereafter collects any of such amounts from others, such Indemnified Party will promptly repay such amounts collected to the Servicer, without interest.

(d) The Servicer shall have no liability for making indemnification hereunder to the extent any such indemnification constitutes recourse for uncollectible or uncollected Loan Assets.

(e) The obligations of the Servicer under this Section 8.02 shall survive the resignation or removal of the Administrative Agent, the Lenders, the Collateral Agent, the Account Bank or the Collateral Custodian and the termination of this Agreement.

(f) Any indemnification pursuant to this Section 8.02 shall not be payable from the Collateral Portfolio.

Each applicable Indemnified Party shall deliver to the Indemnifying Party under Section 8.01 and Section 8.02, within a reasonable time after such Indemnified Party's receipt thereof, copies of all notices and documents (including court papers) received by such Indemnified Party relating to the claim giving rise to the Indemnified Amounts.

**SECTION 9.03 Legal Proceedings.** In the event an Indemnified Party becomes involved in any action, claim, or legal, governmental or administrative proceeding (an "Action") for which it seeks indemnification hereunder, the Indemnified Party shall promptly notify the other party or parties against whom it seeks indemnification (the "Indemnifying Party") in

writing of the nature and particulars of the Action; *provided* that its failure to do so shall not relieve the Indemnifying Party of its obligations hereunder except to the extent such failure has a material adverse effect on the Indemnifying Party. Upon written notice to the Indemnified Party acknowledging in writing that the indemnification provided hereunder applies to the Indemnified Party in connection with the Action (subject to the exclusion in the first sentence of Section 8.01, the first sentence of Section 8.02 or Section 8.02(d), as applicable), the Indemnifying Party may assume the defense of the Action at its expense with counsel reasonably acceptable to the Indemnified Party. The Indemnified Party shall have the right to retain separate counsel in connection with the Action, and the Indemnifying Party shall not be liable for the reasonable and reasonably documented out-of-pocket outside legal fees and expenses of the Indemnified Party after the Indemnifying Party has done so; *provided* that if the Indemnified Party determines in good faith that there may be a conflict between the positions of the Indemnified Party and the Indemnifying Party in connection with the Action, or that the Indemnifying Party is not conducting the defense of the Action in a manner reasonably protective of the interests of the Indemnified Party, the reasonable and reasonably documented out-of-pocket outside legal fees and expenses of the Indemnified Party shall be paid by the Indemnifying Party; *provided further* that the Indemnifying Party shall not, in connection with any one Action or separate but substantially similar or related Actions in the same jurisdiction arising out of the same general allegations or circumstances, be liable for the fees or expenses of more than one separate firm of attorneys (and any required local counsel) for such Indemnified Party, which firm (and local counsel, if any) shall be designated in writing to the Indemnifying Party by the Indemnified Party. If the Indemnifying Party elects to assume the defense of the Action, it shall have full control over the conduct of such defense; *provided* that the Indemnifying Party and its counsel shall, as reasonably requested by the Indemnified Party or its counsel, consult with and keep them informed with respect to the conduct of such defense. The Indemnifying Party shall not settle an Action without the prior written approval of the Indemnified Party unless such settlement provides for the full and unconditional release of the Indemnified Party from all liability in connection with the Action. The Indemnified Party shall reasonably cooperate with the Indemnifying Party in connection with the defense of the Action.

SECTION 9.04 After-Tax Basis. Indemnification under Section 8.01 and 8.02 shall be in an amount necessary to make the Indemnified Party whole after taking into account (i) any Tax consequences to the Indemnified Party of the receipt of the indemnity provided hereunder, including the effect of such Tax or refund on the amount of Tax measured by net income or profits that is or was payable by the Indemnified Party and (ii) all reductions in federal, state, local and foreign Taxes (including estimated Taxes) realized by the Indemnified Party as a result of the event(s) giving rise to such indemnity payment for all affected taxable years and periods.

ARTICLE X.

THE ADMINISTRATIVE AGENT

SECTION 10.01 The Administrative Agent.

(a) Appointment. Each Lender and each Secured Party hereby appoints and authorizes the Administrative Agent as its agent hereunder and hereby further authorizes the Administrative Agent to appoint additional agents to act on its behalf and for the benefit of each Lender and each Secured Party. Each Lender and each Secured Party further authorizes the Administrative Agent to take such action as agent on its behalf and to exercise such powers under this Agreement and the other Transaction Documents as are delegated to the Administrative Agent by the terms hereof and thereof, together with such powers as are reasonably incidental thereto. Notwithstanding any provision to the contrary contained elsewhere in this Agreement or in any other Transaction Document, the Administrative Agent shall not have any duties or responsibilities, except those expressly set forth in this Agreement, nor shall the Administrative Agent have or be deemed to have any fiduciary relationship with any Lender, and no implied covenants, functions, responsibilities, duties, obligations or liabilities shall be read into this Agreement or any other Transaction Document or otherwise exist against the Administrative Agent. Without limiting the generality of the foregoing sentence, the use of the term “agent” in this Agreement with reference to the Administrative Agent is not intended to connote any fiduciary or other implied (or express) obligations arising under agency doctrine of any Applicable Law. Instead, such term is used merely as a matter of market custom, and is intended to create or reflect only an administrative relationship between independent contracting parties.

(b) Delegation of Duties. The Administrative Agent may execute any of its duties under this Agreement or any other Transaction Document by or through agents, employees or attorneys in fact and shall be entitled to advice of counsel concerning all matters pertaining to such duties. The Administrative Agent shall not be responsible for the negligence or misconduct of any agent or attorney in fact that it selects with reasonable care

(c) Administrative Agent’s Reliance, Etc. Neither the Administrative Agent nor any of its directors, officers, agents or employees shall be liable for any action taken or omitted to be taken by it or them as Administrative Agent under or in connection with this Agreement or any of the other Transaction Documents, except for its or their own gross negligence or willful misconduct. Each Lender and each Secured Party hereby waives any and all claims against the Administrative Agent or any of its Affiliates for any action taken or omitted to be taken by the Administrative Agent or any of its Affiliates under or in connection with this Agreement or any of the other Transaction Documents, except for its or their own gross negligence or willful misconduct. Without limiting the foregoing, the Administrative Agent: (i) may consult with legal counsel (including counsel for the Borrower or the Transferor), independent public accountants and other experts selected by it and shall not be liable for any action taken or omitted to be taken in good faith by it in accordance with the advice of such counsel, accountants or experts; (ii) makes no warranty or representation and shall not be responsible for any statements, warranties or representations made in or in connection with this Agreement; (iii) shall not have any duty to ascertain or to inquire as to the performance or observance of any of the terms, covenants or conditions of this Agreement or any of the other Transaction Documents on the part of the Borrower, the Transferor, the Parent or the Servicer or to inspect the property (including the books and records) of the Borrower, the Transferor, the Parent or the Servicer; (iv) shall not be responsible for the due execution, legality, validity, enforceability, genuineness, sufficiency or value of this Agreement, any of the other Transaction Documents or any other instrument or document furnished pursuant hereto or thereto; and (v) shall incur no liability under or in respect of this Agreement or any of the other Transaction Documents by acting upon any notice (including notice by telephone), consent, certificate or other instrument or writing (which may be by facsimile) believed by it to be genuine and signed or sent by the proper party or parties.

(d) Actions by Administrative Agent. The Administrative Agent shall be fully justified in failing or refusing to take any action under this Agreement or any other Transaction Document unless it shall first receive such advice or concurrence of the Lenders as it deems appropriate and, if it so requests, it shall first be indemnified to its satisfaction by the Lenders against any and all liability and expense which may be incurred by it by reason of taking or continuing to take any such action. The Administrative Agent shall in all cases be fully protected in acting, or in refraining from acting, under this Agreement or any other Transaction Document in accordance with a request or consent of the Lenders; *provided* that, notwithstanding anything to the contrary herein, the Administrative Agent shall not be required to take any action hereunder if the taking of such action, in the reasonable determination of the Administrative Agent, shall be in violation of any Applicable Law or contrary to any provision of this Agreement or shall expose the Administrative Agent to liability hereunder or otherwise. In the event the Administrative Agent requests the consent of a Lender pursuant to the foregoing provisions and the Administrative Agent does not receive a consent (either positive or negative) from such Person within 10 Business Days of such Person's receipt of such request, then such Lender shall be deemed to have declined to consent to the relevant action.

(e) Notice of Event of Default, Unmatured Event of Default or Servicer Termination Event. The Administrative Agent shall not be deemed to have knowledge or notice of the occurrence of an Event of Default, Unmatured Event of Default or Servicer Termination Event, unless the Administrative Agent has received written notice from a Lender, the Borrower or the Servicer referring to this Agreement, describing such Event of Default, Unmatured Event of Default or Servicer Termination Event and stating that such notice is a "Notice of Event of Default," "Notice of Unmatured Event of Default" or "Notice of Servicer Termination Event," as applicable. The Administrative Agent shall (subject to Section 9.01(c)) take such action with respect to such Event of Default, Unmatured Event of Default or Servicer Termination Event as may be requested by the Lenders acting jointly or as the Administrative Agent shall deem advisable or in the best interest of the Lenders.

(f) Credit Decision with Respect to the Administrative Agent. Each Lender and each Secured Party acknowledges that none of the Administrative Agent or any of its Affiliates has made any representation or warranty to it, and that no act by the Administrative Agent hereinafter taken, including any consent to and acceptance of any assignment or review of the affairs of the Borrower, the Servicer, the Transferor, the Parent or any of their respective Affiliates or review or approval of any of the Collateral Portfolio, shall be deemed to constitute any representation or warranty by any of the Administrative Agent or its Affiliates to any Lender as to any matter, including whether the Administrative Agent has disclosed material information in its possession. Each Lender and each Secured Party acknowledges that it has, independently and without reliance upon the Administrative Agent, or any of the Administrative Agent's Affiliates, and based upon such documents and information as it has deemed appropriate, made its own evaluation and decision to enter into this Agreement and the other Transaction Documents to which it is a party. Each Lender and each Secured Party also acknowledges that it will, independently and without reliance upon the Administrative Agent, or any of the Administrative Agent's Affiliates, and based on such documents and information as it shall deem



appropriate at the time, continue to make its own decisions in taking or not taking action under this Agreement and the other Transaction Documents to which it is a party. Each Lender and each Secured Party hereby agrees that the Administrative Agent shall not have any duty or responsibility to provide any Lender with any credit or other information concerning the business, prospects, operations, property, financial and other condition or creditworthiness of the Borrower, the Servicer, the Transferor or their respective Affiliates which may come into the possession of the Administrative Agent or any of its Affiliates.

(g) Indemnification of the Administrative Agent. Each Lender agrees to indemnify the Administrative Agent (to the extent not reimbursed by the Borrower or the Servicer), ratably in accordance with such Lender's Pro Rata Share, from and against any and all liabilities, obligations, losses, damages, penalties, actions, judgments, suits, costs, expenses or disbursements of any kind or nature whatsoever which may be imposed on, incurred by, or asserted against the Administrative Agent in any way relating to or arising out of this Agreement or any of the other Transaction Documents, or any action taken or omitted by the Administrative Agent hereunder or thereunder; *provided* that the Lenders shall not be liable for any portion of such liabilities, obligations, losses, damages, penalties, actions, judgments, suits, costs, expenses or disbursements resulting from the Administrative Agent's gross negligence or willful misconduct; *provided further* that no action taken in accordance with the directions of the Lenders shall be deemed to constitute gross negligence or willful misconduct for purposes of this Article IX. Without limitation of the foregoing, each Lender agrees to reimburse the Administrative Agent, ratably in accordance with such Lender's respective Pro Rata Share, promptly upon demand for any reasonable out-of-pocket expenses (including counsel fees) incurred by the Administrative Agent in connection with the administration, modification, amendment or enforcement (whether through negotiations, legal proceedings or otherwise) of, or legal advice in respect of rights or responsibilities under, this Agreement and the other Transaction Documents, to the extent that such expenses are incurred in the interests of or otherwise in respect of the Lenders hereunder and/or thereunder and to the extent that the Administrative Agent is not reimbursed for such expenses by the Borrower or the Servicer.

(h) Successor Administrative Agent. The Administrative Agent may resign at any time, effective upon the appointment and acceptance of a successor Administrative Agent as provided below, by giving at least five days' written notice thereof to each Lender and may be removed at any time with cause by the Lenders. Upon any such resignation or removal, the Lenders acting jointly shall appoint a successor Administrative Agent which shall be an Eligible Successor Agent (as defined below); *provided* that (x) so long as no Event of Default has occurred and is continuing, the Borrower shall consent in its sole discretion to such successor Administrative Agent and (y) after an Event of Default has occurred and is continuing, the Lender may appoint any Person as a successor Administrative Agent. Each Lender agrees that it shall not unreasonably withhold or delay its approval of the appointment of a successor Administrative Agent. If no such successor Administrative Agent shall have been so appointed, and shall have accepted such appointment, within 30 days after the retiring Administrative Agent's giving of notice of resignation or the removal of the retiring Administrative Agent, then the retiring Administrative Agent may, on behalf of the Secured Parties, appoint a successor Administrative Agent which successor Administrative Agent shall be either (i) a commercial bank organized under the laws of the United States or of any state thereof and have a combined capital and surplus of at least \$50,000,000 or (ii) an Affiliate of such a bank (each, an "Eligible

Successor Agent”). Upon the acceptance of any appointment as Administrative Agent hereunder by a successor Administrative Agent, such successor Administrative Agent shall thereupon succeed to and become vested with all the rights, powers, privileges and duties of the retiring Administrative Agent, and the retiring Administrative Agent shall be discharged from its duties and obligations under this Agreement. After any retiring Administrative Agent’s resignation or removal hereunder as Administrative Agent, the provisions of this Article IX shall continue to inure to its benefit as to any actions taken or omitted to be taken by it while it was Administrative Agent under this Agreement.

(i) Payments by the Administrative Agent. Unless specifically allocated to a specific Lender pursuant to the terms of this Agreement, all amounts received by the Administrative Agent on behalf of the Lenders shall be paid by the Administrative Agent to the each Lender in accordance with such Lender’s respective Pro Rata Shares in the applicable Advances Outstanding, or if there are no Advances Outstanding in accordance with each Lender’s most recent Commitments, on the Business Day received by the Administrative Agent, unless such amounts are received after 12:00 noon on such Business Day, in which case the Administrative Agent shall use its reasonable efforts to pay such amounts to each Lender on such Business Day, but, in any event, shall pay such amounts to such Lender not later than the following Business Day.

## ARTICLE XI.

### COLLATERAL AGENT

#### SECTION 11.01 Designation of Collateral Agent.

(a) Initial Collateral Agent. Each of the Lenders and the Administrative Agent hereby designate and appoint SMBC as the Collateral Agent to act as its agent for the purposes of perfection of a security interest in the Collateral Portfolio and hereby authorizes the Collateral Agent to take such actions on its behalf and on behalf of each of the Secured Parties and to exercise such powers and perform such duties as are expressly granted to the Collateral Agent by this Agreement. The Collateral Agent hereby accepts such agency appointment to act as Collateral Agent pursuant to the terms of this Agreement, until its resignation or removal as Collateral Agent pursuant to the terms hereof.

(b) Successor Collateral Agent. Upon the Collateral Agent’s receipt of a Collateral Agent Termination Notice from the Administrative Agent of the designation of a successor Collateral Agent pursuant to the provisions of Section 10.05, the Collateral Agent agrees that it will terminate its activities as Collateral Agent hereunder.

#### SECTION 11.02 Duties of Collateral Agent.

(a) Appointment. The Borrower, the Lenders and the Administrative Agent each hereby appoints SMBC to act as Collateral Agent, for the benefit of the Secured Parties. The Collateral Agent hereby accepts such appointment and agrees to perform the duties and obligations with respect thereto set forth herein.

(b) Duties. On or before the initial Advance Date, and until its removal pursuant to Section 10.05, the Collateral Agent shall perform, on behalf of the Secured Parties, the following duties and obligations:

(i) The Collateral Agent shall calculate amounts to be remitted pursuant to Section 2.04 to the applicable parties and notify the Servicer and the Administrative Agent in the event of any discrepancy between the Collateral Agent's calculations and the Servicing Report (such dispute to be resolved in accordance with Section 2.05);

(ii) The Collateral Agent shall instruct the Account Bank to make payments pursuant to the terms of the Servicing Report or as otherwise directed in accordance with Sections 2.04 or 2.05 (the "Payment Duties").

(iii) In no instance shall the Collateral Agent be under any duty or obligation to take any action on behalf of the Servicer in respect of the exercise of any voting or consent rights, or similar actions, unless it receives specific written instructions from the Servicer, prior to the occurrence of an Event of Default or the Administrative Agent, after the occurrence of Event of Default, in which event the Collateral Agent shall vote, consent or take such other action in accordance with such instructions.

(c) (i) The Administrative Agent, each Lender and each Secured Party further authorizes the Collateral Agent to take such action as agent on its behalf and to exercise such powers under this Agreement and the other Transaction Documents as are expressly delegated to the Collateral Agent by the terms hereof and thereof, together with such powers as are reasonably incidental thereto. In furtherance, and without limiting the generality of the foregoing, each Secured Party hereby appoints the Collateral Agent (acting at the direction of the Administrative Agent) as its agent to execute and deliver all further instruments and documents, and take all further action that the Administrative Agent deems necessary or desirable in order to perfect, protect or more fully evidence the security interests granted by the Borrower hereunder, or to enable any of them to exercise or enforce any of their respective rights hereunder, including, without limitation, the execution by the Collateral Agent as secured party/assignee of such financing or continuation statements, or amendments thereto or assignments thereof, relative to all or any of the Loan Assets now existing or hereafter arising, and such other instruments or notices, as may be necessary or appropriate for the purposes stated hereinabove. Nothing in this Section 10.02(c) shall be deemed to relieve the Borrower or the Servicer of their respective obligations to protect the interest of the Collateral Agent (for the benefit of the Secured Parties) in the Collateral Portfolio, including to file financing and continuation statements in respect of the Collateral Portfolio in accordance with Section 5.01(t).

(ii) The Administrative Agent may direct the Collateral Agent to take any such incidental action hereunder. With respect to other actions which are incidental to the actions specifically delegated to the Collateral Agent hereunder, the Collateral Agent shall not be required to take any such incidental action hereunder, but shall be required to act or to refrain from acting (and shall be fully protected in acting or refraining from acting) upon the direction of the Administrative Agent; *provided* that the Collateral Agent shall not be required to take any action hereunder at the request of the

Administrative Agent, any Secured Party or otherwise if the taking of such action, in the reasonable determination of the Collateral Agent, (A) shall be in violation of any Applicable Law or contrary to any provisions of this Agreement or (B) shall expose the Collateral Agent to liability hereunder or otherwise (unless it has received indemnity which it reasonably deems to be satisfactory with respect thereto). In the event the Collateral Agent requests the consent of the Administrative Agent and the Collateral Agent does not receive a consent (either positive or negative) from the Administrative Agent within 10 Business Days of its receipt of such request, then the Administrative Agent shall be deemed to have declined to consent to the relevant action.

(iii) Except as expressly provided herein, the Collateral Agent shall not be under any duty or obligation to take any affirmative action to exercise or enforce any power, right or remedy available to it under this Agreement (x) unless and until (and to the extent) expressly so directed by the Administrative Agent or (y) prior to the Facility Maturity Date (and upon such occurrence, the Collateral Agent shall act in accordance with the written instructions of the Administrative Agent pursuant to clause (x)). The Collateral Agent shall not be liable for any action taken, suffered or omitted by it in accordance with the request or direction of any Secured Party, to the extent that this Agreement provides such Secured Party the right to so direct the Collateral Agent, or the Administrative Agent. The Collateral Agent shall not be deemed to have notice or knowledge of any matter hereunder, including an Event of Default, unless a Responsible Officer of the Collateral Agent has knowledge of such matter or written notice thereof is received by the Collateral Agent.

(d) If, in performing its duties under this Agreement, the Collateral Agent is required to decide between alternative courses of action, the Collateral Agent may request written instructions from the Administrative Agent as to the course of action desired by it. If the Collateral Agent does not receive such instructions within two Business Days after it has requested them, the Collateral Agent may, but shall be under no duty to, take or refrain from taking any such courses of action. The Collateral Agent shall act in accordance with instructions received after such two Business Day period except to the extent it has already, in good faith, taken or committed itself to take, action inconsistent with such instructions. The Collateral Agent shall be entitled to rely on the advice of legal counsel and independent accountants in performing its duties hereunder and shall be deemed to have acted in good faith if it acts in accordance with such advice.

(e) Concurrently herewith, the Administrative Agent directs the Collateral Agent and the Collateral Agent is authorized to enter into the Control Agreement. For the avoidance of doubt, all of the Collateral Agent's rights, protections and immunities provided herein shall apply to the Collateral Agent for any actions taken or omitted to be taken under the Control Agreement in such capacity.

#### SECTION 11.03 Merger or Consolidation.

Any Person (i) into which the Collateral Agent may be merged or consolidated, (ii) that may result from any merger or consolidation to which the Collateral Agent shall be a party, or (iii) that may succeed to the properties and assets of the Collateral Agent substantially as a whole, which Person in any of the foregoing cases executes an agreement of assumption to perform every obligation of the Collateral Agent hereunder, shall be the successor to the Collateral Agent under this Agreement without further act of any of the parties to this Agreement.

SECTION 11.04 Collateral Agent Compensation.

As compensation for its Collateral Agent activities hereunder, the Collateral Agent shall be entitled to the Collateral Agent Fees and Collateral Agent Expenses from the Borrower, payable to the extent of funds available therefor pursuant to the provisions of Section 2.04. Each respective Collateral Agent's entitlement to receive the Collateral Agent Fees shall cease on the earliest to occur of: (i) its removal as Collateral Agent pursuant to Section 10.05, (ii) its resignation pursuant to Section 10.07 and (iii) the termination of this Agreement.

SECTION 11.05 Collateral Agent Removal.

The Collateral Agent may be removed, with or without cause, by the Administrative Agent by notice given in writing to the Collateral Agent (the "Collateral Agent Termination Notice"); *provided* that, notwithstanding its receipt of a Collateral Agent Termination Notice, the Collateral Agent shall continue to act in such capacity until a successor Collateral Agent has been appointed and has agreed to act as Collateral Agent hereunder; *provided* that the Collateral Agent shall continue to receive compensation of its fees and expenses in accordance with Section 10.04 above while so serving as the Collateral Agent prior to a successor Collateral Agent being appointed.

SECTION 11.06 Limitation on Liability.

(a) The Collateral Agent may conclusively rely on and shall be fully protected in acting upon any certificate, instrument, opinion, notice, letter, telegram or other document delivered to it and that in good faith it reasonably believes to be genuine and that has been signed by the proper party or parties. The Collateral Agent may rely conclusively on and shall be fully protected in acting upon (i) the written instructions of any designated officer of the Administrative Agent or (ii) the verbal instructions of the Administrative Agent.

(b) The Collateral Agent may consult counsel satisfactory to it and the advice or opinion of such counsel shall be full and complete authorization and protection in respect of any action taken, suffered or omitted by it hereunder in good faith and in accordance with the advice or opinion of such counsel.

(c) The Collateral Agent shall not be liable for any error of judgment, or for any act done or step taken or omitted by it, in good faith, or for any mistakes of fact or law, or for anything that it may do or refrain from doing in connection herewith except in the case of its willful misconduct or grossly negligent performance or omission of its duties.

(d) The Collateral Agent makes no warranty or representation and shall have no responsibility (except as expressly set forth in this Agreement) as to the content, enforceability, completeness, validity, sufficiency, value, genuineness, ownership or transferability of the Collateral Portfolio, and will not be required to and will not make any

representations as to the validity or value (except as expressly set forth in this Agreement) of any of the Collateral Portfolio. The Collateral Agent shall not be obligated to take any legal action hereunder that might in its judgment involve any expense or liability unless it has been furnished with an indemnity reasonably satisfactory to it.

(e) The Collateral Agent shall have no duties or responsibilities except such duties and responsibilities as are specifically set forth in this Agreement and no covenants or obligations shall be implied in this Agreement against the Collateral Agent. Notwithstanding any provision to the contrary elsewhere in the Transaction Documents, the Collateral Agent shall not have any fiduciary relationship with any party hereto or any Secured Party in its capacity as such, and no implied covenants, functions, obligations or responsibilities shall be read into this Agreement, the other Transaction Documents or otherwise exist against the Collateral Agent. Without limiting the generality of the foregoing, it is hereby expressly agreed and stipulated by the other parties hereto that the Collateral Agent shall not be required to exercise any discretion hereunder and shall have no investment or management responsibility.

(f) The Collateral Agent shall not be required to expend or risk its own funds in the performance of its duties hereunder.

(g) It is expressly agreed and acknowledged that the Collateral Agent is not guaranteeing performance of or assuming any liability for the obligations of the other parties hereto or any parties to the Collateral Portfolio.

(h) Subject in all cases to the last sentence of Section 2.05, in case any reasonable question arises as to its duties hereunder, the Collateral Agent may, prior to the occurrence of an Event of Default or the Facility Maturity Date, request instructions from the Servicer and may, after the occurrence of an Event of Default or the Facility Maturity Date, request instructions from the Administrative Agent, and shall be entitled at all times to refrain from taking any action unless it has received instructions from the Servicer or the Administrative Agent, as applicable. The Collateral Agent shall in all events have no liability, risk or cost for any action taken pursuant to and in compliance with the instruction of the Administrative Agent. In no event shall the Collateral Agent be liable for special, indirect or consequential loss or damage of any kind whatsoever (including but not limited to lost profits), even if the Collateral Agent has been advised of the likelihood of such loss or damage and regardless of the form of action.

(i) The Collateral Agent shall not be liable for the acts or omissions of the Collateral Custodian under this Agreement and shall not be required to monitor the performance of the Collateral Custodian. Notwithstanding anything herein to the contrary, the Collateral Agent shall have no duty to perform any of the duties of the Collateral Custodian under this Agreement.

#### SECTION 11.07 Collateral Agent Resignation.

The Collateral Agent may resign at any time by giving not less than 90 days written notice thereof to the Administrative Agent and with the consent of the Administrative Agent, which consent shall not be unreasonably withheld. Upon receiving such notice of

resignation, the Administrative Agent shall promptly appoint a successor collateral agent or collateral agents by written instrument, in duplicate, executed by the Administrative Agent, one copy of which shall be delivered to the Collateral Agent so resigning and one copy to the successor collateral agent or collateral agents, together with a copy to the Borrower, Servicer and Collateral Custodian. If no successor collateral agent shall have been appointed and an instrument of acceptance by a successor Collateral Agent shall not have been delivered to the Collateral Agent within 45 days after the giving of such notice of resignation, the resigning Collateral Agent may petition any court of competent jurisdiction for the appointment of a successor Collateral Agent. Notwithstanding anything herein to the contrary, the Collateral Agent may not resign prior to a successor Collateral Agent being appointed.

ARTICLE XII.

MISCELLANEOUS

SECTION 12.01 Amendments and Waivers.

(a) (i) No amendment or modification of any provision of this Agreement shall be effective without the written agreement of the Borrower, the Servicer, the Required Lenders, the Administrative Agent and, solely if such amendment or modification would adversely affect the rights and obligations of the Collateral Agent, the written agreement of the Collateral Agent and (ii) no termination or waiver of any provision of this Agreement or consent to any departure therefrom by the Borrower or the Servicer shall be effective without the written concurrence of the Administrative Agent and the Required Lenders. Any waiver or consent shall be effective only in the specific instance and for the specific purpose for which given.

(b) Notwithstanding the provisions of Section 11.01(a), the written consent of all of the Lenders shall be required for any amendment, modification or waiver (i) reducing any Advances Outstanding, or the Yield thereon, (ii) postponing any date for any payment of any Advance or the Yield thereon, (iii) modifying the provisions of this Section 11.01, (iv) modifying the provisions of Section 2.04 or (v) extending the Stated Maturity Date or clause (i) of the definition of "Reinvestment Period"; *provided* that any amendment, modification or waiver to correct any inconsistency or cure any ambiguity or error in this Agreement may be entered into with the written consent of only the Borrower, the Servicer and the Administrative Agent.

SECTION 12.02 Notices, Etc. All notices and other communications hereunder shall, unless otherwise stated herein, be in writing (which shall include facsimile communication and communication by e-mail) and faxed, e-mailed or delivered, to each party hereto, as follows:

To the Borrower:

CCT Tokyo Funding LLC

~~450 S. Orange Avenue~~

~~Orlando, FL 32801~~

~~Attention: Jonathan Shafer~~

~~Facsimile: 407-650-1170~~

~~Phone: 407-540-2534~~

~~Email: jonathan.shafer@cnl.com~~ [\[201 Rouse Boulevard](#)

[Philadelphia, PA 19112\]](#)

[Attention: William Goebel](#)

[Facsimile: 215-339-1931](#)

[Email: credit.notices@fsinvestment.com; kkrcreditlegal@kk.com](#)

To the Servicer or the Transferor:

Corporate Capital Trust, Inc.

~~450 S. Orange Avenue~~

~~Orlando, FL 32801~~

~~Attention: Steven D. Shackelford~~

~~Facsimile: 407-650-1170~~

~~Phone: 407-650-1130~~

~~Email: steve.shackelford@cnl.com~~ [\(or, upon the consummation of a Permitted BDC Merger, the applicable Permitted BDC\)](#)

[201 Rouse Boulevard](#)

[Philadelphia, PA 19112](#)

[Attention: William Goebel](#)

[Facsimile: 215-339-1931](#)

[Email: credit.notices@fsinvestment.com; kkrcreditlegal@kk.com](#)



To the Administrative Agent and the Collateral Agent:

Sumitomo Mitsui Banking Corporation  
277 Park Avenue  
New York, NY 10172  
Attention: Christopher Keeshan  
Telephone: 212-224-4967  
Facsimile: 212-224-5198

To the Lender:

Sumitomo Mitsui Banking Corporation  
277 Park Avenue  
New York, NY 10172  
Attention: Christopher Keeshan  
Telephone: 212-224-4967  
Facsimile: 212-224-5198

or at such other address as shall be designated by such party in a written notice to the other parties hereto. Notices and communications by facsimile and e-mail shall be effective when sent (and shall be followed by hard copy sent by regular mail), and notices and communications sent by other means shall be effective when received.

SECTION 12.03 No Waiver; Remedies. No failure on the part of the Administrative Agent, the Collateral Agent or any Lender to exercise, and no delay in exercising, any right hereunder shall operate as a waiver thereof; nor shall any single or partial exercise of any right hereunder preclude any other or further exercise thereof or the exercise of any other right. The remedies herein provided are cumulative and not exclusive of any remedies provided by law.

SECTION 12.04 Binding Effect; Assignability; Multiple Lenders.

(a) This Agreement shall be binding upon and inure to the benefit of the Borrower, the Servicer, the Administrative Agent, each Lender, the Collateral Agent and their respective successors and permitted assigns. Each Lender and their respective successors and assigns may assign, syndicate, or grant a security interest or sell a participation interest in, (i) this Agreement and such Lender's rights and obligations hereunder and interest herein in whole or in part (including by way of the sale of participation interests therein) and/or (ii) any Advance (or portion thereof) or any Variable Funding Note (or any portion thereof) to any Person other than the Borrower or an Affiliate thereof; *provided* that (x) so long as no Event of Default has occurred, unless the Borrower shall otherwise consent, a Lender may only assign, syndicate, grant a security interest or sell a participation in, its rights and obligations hereunder to an Affiliate and (y) after an Event of Default has occurred, a Lender may assign its rights and obligations hereunder to any Person without restriction. Any such assignee shall execute and deliver to the Servicer, the Borrower and the Administrative Agent a fully-executed assignment and acceptance substantially in the form of Exhibit M hereto (an "Assignment and Acceptance") and a fully-executed Joinder Supplement. The parties to any such assignment, grant or sale of a participation interest shall execute and the Lender record in its books and records, such

agreement or document as may be satisfactory to such parties. To the fullest extent effective under Applicable Law (including Section 9-408 of the UCC), none of the Borrower, the Transferor, the Parent or the Servicer may assign, or permit any Lien (other than Permitted Liens) to exist upon, any of its rights or obligations hereunder or under any Transaction Document or any interest herein or in any Transaction Document without the prior written consent of each Lender and the Administrative Agent.

(b) Notwithstanding any other provision of this Section 11.04, any Lender may at any time pledge or grant a security interest in all or any portion of its rights (including, without limitation, rights to payment of principal and interest) under this Agreement to secure obligations of such Lender to a Federal Reserve Bank, without notice to or consent of the Borrower or the Administrative Agent; *provided* that no such pledge or grant of a security interest shall release such Lender from any of its obligations hereunder, or substitute any such pledgee or grantee for such Lender as a party hereto.

(c) Each Affected Party and each Indemnified Party shall be an express third party beneficiary of this Agreement.

SECTION 12.05 Term of This Agreement. This Agreement, including, without limitation, the Borrower's representations and covenants set forth in Articles IV and V and the Servicer's representations, covenants and duties set forth in Articles IV, V and VI, shall remain in full force and effect until the Collection Date; *provided* that the rights and remedies with respect to any breach of any representation and warranty made or deemed made by the Borrower or the Servicer pursuant to Articles III and IV and the indemnification and payment provisions of Article VIII, IX and Article XI and the provisions of Section 2.10, Section 2.11, Section 11.07, Section 11.08 and Section 11.09 shall be continuing and shall survive any termination of this Agreement.

SECTION 12.06 GOVERNING LAW; JURY WAIVER. THIS AGREEMENT SHALL BE GOVERNED BY, AND CONSTRUED IN ACCORDANCE WITH, THE LAWS OF THE STATE OF NEW YORK. EACH OF THE PARTIES HERETO WAIVES, TO THE FULLEST EXTENT PERMITTED BY LAW, ANY RIGHT IT MAY HAVE TO A TRIAL BY JURY IN RESPECT OF ANY LITIGATION ARISING DIRECTLY OR INDIRECTLY OUT OF, UNDER OR IN CONNECTION WITH THIS AGREEMENT OR ANY OF THE TRANSACTIONS CONTEMPLATED HEREUNDER.

SECTION 12.07 Costs, Expenses and Taxes.

(a) In addition to the rights of indemnification granted to the Collateral Agent, the Administrative Agent, the Lenders and their respective Affiliates under Section 8.01 and Section 8.02 hereof, each of the Borrower and the Servicer agrees to pay on demand all reasonable and reasonably documented out-of-pocket costs and expenses of the Administrative Agent, the Lenders and the Collateral Agent incurred in connection with the preparation, execution, delivery, administration (including periodic auditing), syndication (pursuant to any agreement or other arrangement with any additional lender), renewal, amendment or modification of, any waiver or consent issued in connection with, this Agreement, the Transaction Documents and the other documents to be delivered hereunder or in connection

herewith, including, without limitation, the reasonable and reasonably documented fees and out-of-pocket expenses of outside counsel for the Administrative Agent, the Lenders and the Collateral Agent with respect thereto and with respect to advising the Administrative Agent, the Lenders and the Collateral Agent as to their respective rights and remedies under this Agreement and the other documents to be delivered hereunder or in connection herewith, and all reasonable and reasonably documented out-of-pocket costs and expenses, if any (including reasonable and reasonably documented outside counsel fees and expenses), incurred by the Administrative Agent, the Lenders and the Collateral Agent in connection with the enforcement or potential enforcement of this Agreement or any Transaction Document by such Person and the other documents to be delivered hereunder or in connection herewith.

(b) (i) The Borrower shall pay on any Payment Date and (ii) the Servicer and the Transferor shall pay on demand, in each case, any and all stamp, sales, excise and other Taxes (excluding Taxes imposed on or measured by net income) and fees payable or determined to be payable to any Governmental Authority in connection with the execution, delivery, filing and recording of this Agreement, the other Transaction Documents or any other document providing liquidity support, credit enhancement or other similar support to the Lenders in connection with this Agreement or the funding or maintenance of Advances hereunder.

(c) The Servicer and the Transferor (on behalf of the Borrower) shall pay on demand all other reasonable out-of-pocket costs and expenses incurred by the Administrative Agent, the Lenders and the Collateral Agent in connection with the execution, delivery, filing and recording of this Agreement and the other Transaction Documents including, in connection with periodic audits of the Borrower's, the Transferor's or the Servicer's books and records in accordance with the terms of this Agreement.

(d) Any demand or request for payment of any amounts payable pursuant to this Section 11.07 will be made first to the Borrower; *provided* that the Servicer and the Transferor agree, jointly and severally, to pay such amounts on behalf of the Borrower if the Borrower does not pay such amounts (i) prior to the Facility Maturity Date, on the next Payment Date or (ii) after the Facility Maturity Date, within five Business Days of such demand or request.

**SECTION 12.08 No Proceedings.** Each of the parties hereto (other than the Administrative Agent with the consent of the Lender) agree that it will not institute against, or join any other Person in instituting against, the Borrower any proceedings of the type referred to in the definition of Bankruptcy Event so long as there shall not have elapsed one year and one day (or such longer preference period as shall then be in effect) since the Collection Date.

The provisions of this Section 11.08 are a material inducement for the Administrative Agent, the Collateral Agent and the Lenders to enter into this Agreement and the transactions contemplated hereby and are an essential term hereof. The Collateral Agent (acting as directed by the Administrative Agent) with the consent of the Lenders may seek and obtain specific performance of such provisions (including injunctive relief), including, without limitation, in any bankruptcy, reorganization, arrangement, winding-up, insolvency, moratorium or liquidation proceedings, or other proceedings under United States federal or state bankruptcy laws or any similar laws.

SECTION 12.09 Recourse Against Certain Parties.

(a) No recourse under or with respect to any obligation, covenant or agreement (including, without limitation, the payment of any fees or any other obligations) of the Administrative Agent, the Lenders or any Secured Party as contained in this Agreement or any other agreement, instrument or document entered into by the Administrative Agent, the Lenders or any Secured Party pursuant hereto or in connection herewith shall be had against any administrator of the Administrative Agent, the Lenders or any Secured Party or any incorporator, affiliate, stockholder, officer, employee or director of the Administrative Agent, the Lenders or any Secured Party or of any such administrator, as such, by the enforcement of any assessment or by any legal or equitable proceeding, by virtue of any statute or otherwise; it being expressly agreed and understood that the agreements of each party hereto contained in this Agreement and all of the other agreements, instruments and documents entered into by the Administrative Agent, the Lenders or any Secured Party pursuant hereto or in connection herewith are, in each case, solely the corporate obligations of such party (and nothing in this Section 11.09 shall be construed to diminish in any way such corporate obligations of such party), and that no personal liability whatsoever shall attach to or be incurred by any administrator of the Administrative Agent, the Lenders or any Secured Party or any incorporator, stockholder, affiliate, officer, employee or director of the Lenders or the Administrative Agent or of any such administrator, as such, or any of them, under or by reason of any of the obligations, covenants or agreements of the Administrative Agent, the Lenders or any Secured Party contained in this Agreement or in any other such instruments, documents or agreements, or are implied therefrom, and that any and all personal liability of every such administrator of the Administrative Agent, the Lenders or any Secured Party and each incorporator, stockholder, affiliate, officer, employee or director of the Administrative Agent, the Lenders or any Secured Party or of any such administrator, or any of them, for breaches by the Administrative Agent, the Lenders or any Secured Party of any such obligations, covenants or agreements, which liability may arise either at common law or in equity, by statute or constitution, or otherwise, is hereby expressly waived as a condition of and in consideration for the execution of this Agreement.

(b) Notwithstanding any contrary provision set forth herein, no claim may be made by the Borrower, the Transferor, the Parent or the Servicer or any other Person against the Administrative Agent, the Lenders or any Secured Party or their respective Affiliates, directors, officers, employees, attorneys or agents for any special, indirect, consequential or punitive damages in respect to any claim for breach of contract or any other theory of liability arising out of or related to the transactions contemplated by this Agreement, or any act, omission or event occurring in connection therewith; and the Borrower, the Transferor, the Parent and the Servicer each hereby waives, releases, and agrees not to sue upon any claim for any such damages, whether or not accrued and whether or not known or suspected.

(c) No obligation or liability to any Obligor under any of the Loan Assets is intended to be assumed by the Administrative Agent, the Lenders or any Secured Party under or as a result of this Agreement and the transactions contemplated hereby.

(d) The provisions of this Section 11.09 shall survive the termination of this Agreement.

SECTION 12.10 Execution in Counterparts; Severability; Integration. This Agreement may be executed in any number of counterparts and by different parties hereto in separate counterparts, each of which when so executed shall be deemed to be an original and all of which when taken together shall constitute one and the same agreement. Delivery of an executed counterpart of a signature page to this Agreement by e-mail in portable document format (.pdf) or facsimile shall be effective as delivery of a manually executed counterpart of this Agreement. In the event that any provision in or obligation under this Agreement shall be invalid, illegal or unenforceable in any jurisdiction, the validity, legality and enforceability of the remaining provisions or obligations, or of such provision or obligation in any other jurisdiction, shall not in any way be affected or impaired thereby. This Agreement and any agreements or letters (including fee letters) executed in connection herewith contains the final and complete integration of all prior expressions by the parties hereto with respect to the subject matter hereof and shall constitute the entire agreement among the parties hereto with respect to the subject matter hereof, superseding all prior oral or written understandings other than any fee letter delivered by the Servicer to the Administrative Agent and the Lenders.

SECTION 12.11 Consent to Jurisdiction; Service of Process.

(a) Each party hereto hereby irrevocably submits to the non-exclusive jurisdiction of any New York State or Federal court sitting in the Borough of Manhattan in New York City in any action or proceeding arising out of or relating to the Transaction Documents, and each party hereto hereby irrevocably agrees that all claims in respect of such action or proceeding may be heard and determined in such New York State court or, to the extent permitted by law, in such Federal court. The parties hereto hereby irrevocably waive, to the fullest extent they may effectively do so, the defense of an inconvenient forum to the maintenance of such action or proceeding. The parties hereto agree that a final judgment in any such action or proceeding shall be conclusive and may be enforced in other jurisdictions by suit on the judgment or in any other manner provided by law.

(b) Each of the Borrower and the Servicer agrees that service of process may be effected by mailing a copy thereof by registered or certified mail, postage prepaid, to the Borrower or the Servicer, as applicable, at its address specified in Section 11.02 or at such other address as the Administrative Agent shall have been notified in accordance herewith. Nothing in this Section 11.11 shall affect the right of the Lenders or the Administrative Agent to serve legal process in any other manner permitted by law.

SECTION 12.12 Characterization of Conveyances Pursuant to the Purchase and Sale Agreement.

(a) It is the express intent of the parties hereto that the conveyance of any Eligible Loan Assets by the Transferor to the Borrower as contemplated by the Purchase and Sale Agreement be, and be treated for all purposes (other than accounting purposes and subject to the tax characterization of the Borrower and the Advances described in Section 5.01(aa) and Section 5.02(j) hereof) as, a sale by the Transferor of such Eligible Loan Assets. It is, further, not the intention of the parties that such conveyance be deemed a pledge of the Eligible Loan Assets by the Transferor to the Borrower to secure a debt or other obligation of the Transferor. However, in the event that, notwithstanding the intent of the parties, the Eligible Loan Assets are

held to continue to be property of the Transferor, then the parties hereto agree that: (i) the Purchase and Sale Agreement shall also be deemed to be a security agreement under Applicable Law; (ii) as set forth in the Purchase and Sale Agreement, the transfer of the Eligible Loan Assets provided for in the Purchase and Sale Agreement shall be deemed to be a grant by the Transferor to the Borrower of a first-priority security interest (subject only to Permitted Liens) in all of the Transferor's right, title and interest in and to the Eligible Loan Assets and all amounts payable to the holders of the Eligible Loan Assets in accordance with the terms thereof and all proceeds of the conversion, voluntary or involuntary, of the foregoing into cash, instruments, securities or other property, including, without limitation, all amounts from time to time held or invested in the Controlled Accounts, whether in the form of cash, instruments, securities or other property; (iii) the possession by the Borrower (or the Collateral Custodian on its behalf) of Loan Assets and such other items of property as constitute instruments, money, negotiable documents or chattel paper shall be, subject to clause (iv), for purposes of perfecting the security interest pursuant to the UCC; and (iv) acknowledgements from Persons holding such property shall be deemed acknowledgements from custodians, bailees or agents (as applicable) of the Borrower for the purpose of perfecting such security interest under Applicable Law. The parties further agree that any assignment of the interest of the Borrower pursuant to any provision hereof shall also be deemed to be an assignment of any security interest created pursuant to the terms of the Purchase and Sale Agreement. The Borrower shall, to the extent consistent with this Agreement and the other Transaction Documents, take such actions as may be necessary to ensure that, if the Purchase and Sale Agreement were deemed to create a security interest in the Eligible Loan Assets, such security interest would be deemed to be a first-priority perfected security interest (subject only to Permitted Liens) under Applicable Law and will be maintained as such throughout the term of this Agreement.

(b) It is the intention of each of the parties hereto that any Eligible Loan Assets conveyed by the Transferor to the Borrower pursuant to the Purchase and Sale Agreement shall constitute assets owned by the Borrower and shall not be part of the Transferor's estate in the event of the filing of a bankruptcy petition by or against the Transferor under any bankruptcy or similar law.

(c) The Borrower agrees to treat, and shall cause the Transferor to treat, for all purposes (other than accounting purposes and subject to the tax characterization of the Borrower and the Advances described in [Section 5.01\(aa\)](#) and [Section 5.02\(j\)](#) hereof), the transactions effected by the Purchase and Sale Agreement as sales of assets to the Borrower. The Borrower and the Servicer each hereby agree to cause the Transferor to reflect in the Transferor's financial records and to include a note in the annual and quarterly financial statements of CCT (A) prior to the consummation of a Permitted BDC Merger, CCT, and (B) on or after the consummation of each Permitted BDC Merger, the applicable Permitted BDC, indicating that: (i) assets related to transactions (including transactions pursuant to the Transaction Documents) that do not meet SFAS 140 requirements for accounting sale treatment are reflected in the consolidated balance sheet of CCT, as finance receivables pledged and non-recourse, secured borrowings and (ii) those assets are owned by a special purpose entity that is consolidated in the financial statements of CCT, and the creditors of that special purpose entity have received security interests in such assets and such assets are not intended to be available to the creditors of sellers (or any affiliate of the sellers) of such assets to that special purpose entity.

SECTION 12.13 Confidentiality.

(a) Each of the Administrative Agent, the Lenders, the Servicer, the Collateral Agent, the Borrower and the Transferor shall maintain and shall cause each of its employees and officers to maintain the confidentiality of the Agreement and all information with respect to the other parties, including all information regarding the business of the Borrower and the Servicer hereto and their respective businesses, and all information in connection with or related to the Loan Agreements (including but not limited to any information provided pursuant to Section 6.08), obtained by it or them in connection with the structuring, negotiating and execution of the transactions contemplated herein, except that each such party and its officers and employees may (i) disclose such information to its external accountants, investigators, auditors, attorneys or other agents, including any Approved Valuation Firm engaged by such party in connection with any due diligence or comparable activities with respect to the transactions and Loan Assets contemplated herein and the agents of such Persons ("Excepted Persons"); *provided* that each Excepted Person shall, as a condition to any such disclosure, agree for the benefit of the Administrative Agent, the Lenders, the Servicer, the Collateral Agent, the Borrower and the Transferor that such information shall be used solely in connection with such Excepted Person's evaluation of, or relationship with, the Borrower and its affiliates, (ii) disclose the existence of the Agreement, but not the financial terms thereof, (iii) disclose such information as is required by Applicable Law and (iv) disclose the Agreement and such information in any suit, action, proceeding or investigation (whether in law or in equity or pursuant to arbitration) involving any of the Transaction Documents for the purpose of defending itself, reducing its liability, or protecting or exercising any of its claims, rights, remedies, or interests under or in connection with any of the Transaction Documents. Notwithstanding the foregoing provisions of this Section 11.13(a), the Servicer may, subject to Applicable Law and the terms of any Loan Agreements, make available copies of the documents in the Servicing Files and such other documents it holds in its capacity as Servicer pursuant to the terms of this Agreement, to any of its creditors. It is understood that the financial terms that may not be disclosed except in compliance with this Section 11.13(a) include, without limitation, all fees and other pricing terms, and all Events of Default, Servicer Termination Events, and priority of payment provisions.

(b) Anything herein to the contrary notwithstanding, the Borrower and the Servicer each hereby consents to the disclosure of any nonpublic information with respect to it (i) to the Administrative Agent, the Lenders, the Account Bank, the Collateral Agent or the Collateral Custodian by each other, (ii) by the Administrative Agent, the Lender, the Collateral Agent and the Collateral Custodian to any prospective or actual permitted assignee or participant of any of them, *provided* that, (A) so long as no Event of Default has occurred, such Person would be permitted to be an assignee or participant pursuant to the terms hereof and (B) such Person agrees to hold such information confidential by entering into a confidentiality agreement in a form containing standard non-disclosure language from the LSTA model documentation, or (iii) by the Administrative Agent, the Lenders, the Account Bank, the Collateral Agent and the Collateral Custodian to any provider of a surety, guaranty or credit or liquidity enhancement to any Lender, as applicable, and to any officers, directors, employees, outside accountants and attorneys of any of the foregoing, provided each such Person is informed of the confidential nature of such information. In addition, the Lenders, the Administrative Agent, the Collateral Agent, the Account Bank and the Collateral Custodian may disclose any such nonpublic information as required pursuant to any law, rule, regulation, direction, request or order of any judicial, administrative or regulatory authority or proceedings (whether or not having the force or effect of law).

(c) Notwithstanding anything herein to the contrary, the foregoing shall not be construed to prohibit (i) disclosure of any and all information that is or becomes publicly known; (ii) disclosure of any and all information (a) if required to do so by any applicable statute, law, rule or regulation, (b) to any government agency or regulatory body having or claiming authority to regulate or oversee any aspects of the Lenders', the Administrative Agent's, the Collateral Agent's, the Account Bank's or the Collateral Custodian's business or that of their affiliates, (c) pursuant to any subpoena, civil investigative demand or similar demand or request of any court, regulatory authority, arbitrator or arbitration to which the Administrative Agent, any Lender, the Collateral Agent, the Collateral Custodian or the Account Bank or an officer, director, employer, shareholder or affiliate of any of the foregoing is a party, (d) in any preliminary or final offering circular, registration statement or contract or other document approved in advance in writing by the Borrower, the Servicer or the Transferor or (e) to any affiliate, independent or internal auditor, agent, employee or attorney of the Collateral Agent or the Collateral Custodian having a need to know the same, *provided* that the disclosing party advises such recipient of the confidential nature of the information being disclosed; or (iii) any other disclosure authorized by the Borrower, Servicer or the Transferor, as applicable.

#### SECTION 12.14 Non-Confidentiality of Tax Treatment.

All parties hereto agree that each of them and each of their employees, representatives, and other agents may disclose to any and all Persons, without limitation of any kind, the tax treatment and tax structure of the transaction and all materials of any kind (including, without limitation, opinions or other tax analyses) that are provided to any of them relating to such tax treatment and tax structure. "Tax treatment" and "tax structure" shall have the same meaning as such terms have for purposes of Treasury Regulation Section 1.60114; *provided* that with respect to any document or similar item that in either case contains information concerning the tax treatment or tax structure of the transaction as well as other information, the provisions of this Section 11.14 shall only apply to such portions of the document or similar item that relate to the tax treatment or tax structure of the transactions contemplated hereby.

#### SECTION 12.15 Waiver of Set Off.

Each of the parties hereto hereby waives any right of setoff it may have or to which it may be entitled under this Agreement from time to time against the Administrative Agent, the Collateral Agent, the Lenders or their respective assets.

#### SECTION 12.16 Headings and Exhibits.

The headings herein are for purposes of references only and shall not otherwise affect the meaning or interpretation of any provision hereof. The schedules and exhibits attached hereto and referred to herein shall constitute a part of this Agreement and are incorporated into this Agreement for all purposes.



SECTION 12.17 Ratable Payments.

If any Lender, whether by setoff or otherwise, shall obtain any payment (whether voluntary, involuntary, through the exercise of any right of setoff, or otherwise) on account of Advances owing to it (other than pursuant to Breakage Fees, Section 2.10 or Section 2.11) in excess of its ratable share of payments on account of the Advances obtained by all the Lenders, such Lender shall forthwith purchase from the other Lenders such participations in the Advances Outstanding owing to them as shall be necessary to cause such purchasing Lender to share the excess payment ratably with each of them; *provided* that if all or any portion of such excess payment is thereafter recovered from such purchasing Lender, such purchase from each Lender shall be rescinded and such Lender shall repay to the purchasing Lender the purchase price to the extent of such recovery together with an amount equal to such Lender's ratable share (according to the proportion of (i) the amount of such Lender's required repayment to (ii) the total amount so recovered from the purchasing Lender) of any interest or other amount paid or payable by the purchasing Lender in respect of the total amount so recovered.

SECTION 12.18 Failure of Borrower or Servicer to Perform Certain Obligations.

If the Borrower or the Servicer, as applicable, fails to perform any of its agreements or obligations under Section 5.01(t), Section 5.02(q) or Section 5.03(e), the Administrative Agent may (but shall not be required to) itself perform, or cause performance of, such agreement or obligation, and the expenses of the Administrative Agent incurred in connection therewith shall be payable by the Borrower or the Servicer (on behalf of the Borrower), as applicable, upon the Administrative Agent's demand therefor.

SECTION 12.19 Power of Attorney. The Borrower irrevocably authorizes the Administrative Agent and appoints the Administrative Agent as its attorney-in-fact to act on behalf of the Borrower (i) to file financing statements necessary or desirable in the Administrative Agent's sole discretion to perfect and to maintain the perfection and priority of the interest of the Secured Parties in the Collateral Portfolio and (ii) to file a carbon, photographic or other reproduction of this Agreement or any financing statement with respect to the Collateral Portfolio as a financing statement in such offices as the Administrative Agent in its sole discretion deems necessary or desirable to perfect and to maintain the perfection and priority of the interests of the Secured Parties in the Collateral Portfolio. This appointment is coupled with an interest and is irrevocable.

SECTION 12.20 Delivery of Termination Statements, Releases, etc. Upon payment in full of all of the Obligations (other than unmatured contingent indemnification obligations) and the termination of this Agreement, the Administrative Agent and the Collateral Agent shall deliver to the Borrower termination statements, reconveyances, releases and other documents necessary or appropriate to evidence the termination of the Pledge and other Liens securing the Obligations, all at the expense of the Borrower.

SECTION 12.21 Permitted BDC Merger. Notwithstanding that the consummation of a Permitted BDC Merger may be undertaken in discrete steps, the order of such events shall not result in any Event of Default, Unmatured Event of Default or Servicer Termination Event so long as the Successor Servicer is otherwise in compliance with the terms of this Agreement and the other Transaction Documents immediately after the consummation of such Permitted BDC Merger. Upon the consummation of a Permitted BDC Merger,

(a) \_\_\_\_\_ the obligations of the non-surviving Servicer in respect of any Obligations, indemnities and fees and expenses owed by it shall be deemed assumed by the Successor Servicer in such Permitted BDC Merger, and

(b) \_\_\_\_\_ each non-surviving Servicer shall be released from all representations, warranties and covenants made by it hereunder or under any other Transaction Document and such non-surviving Servicer shall no longer be deemed a “Servicer” and/or “Parent”, as applicable, for any purpose hereunder or under the other Transaction Documents and, to the extent any provision of this Agreement or any other Transaction Document would be violated or breached by such non-surviving Servicer (or any non-compliance by such non-surviving Servicer with any such provision would result in an Event of Default, Unmatured Event of Default or Servicer Termination Event) as a result of the consummation of such Permitted BDC Merger, such provision shall be deemed modified with respect to such non-surviving Servicer to the extent necessary to give effect to such Permitted BDC Merger.

**[Signature pages to follow]**

IN WITNESS WHEREOF, the parties have caused this Agreement to be executed by their respective officers thereunto duly authorized, as of the date first above written,

## CONDITIONS PRECEDENT DOCUMENTS

As required by Section 3.01 of the Loan and Servicing Agreement, each of the following items must be delivered to the Administrative Agent and the Lenders prior to the effectiveness of the Loan and Servicing Agreement:

(a) A copy of the Loan and Servicing Agreement duly executed by each of the parties hereto;

(b) A certificate of the secretary or assistant secretary of each of the Borrower, the Transferor and the Servicer, dated the date of the Loan and Servicing Agreement, certifying (i) the names and true signatures of the incumbent officers of such Person authorized to sign on behalf of such Person the Transaction Documents to which it is a party (on which certificate the Administrative Agent and the Lenders may conclusively rely until such time as the Administrative Agent and the Lenders shall receive from the Borrower, the Transferor or the Servicer, as applicable, a revised certificate meeting the requirements of this paragraph (b)(i)), (ii) that the copy of the certificate of formation or articles of incorporation of such Person, as applicable, is a complete and correct copy and that such certificate of formation or articles of incorporation have not been amended, modified or supplemented and are in full force and effect, (iii) that the copy of the limited liability company agreement or by-laws, as applicable, of such Person are a complete and correct copy, and that such limited liability company agreement or by-laws have not been amended, modified or supplemented and are in full force and effect, and (iv) the resolutions of the board of directors or managers of such Person approving and authorizing the execution, delivery and performance by such Person of the Transaction Documents to which it is a party;

(c) A good standing certificate, dated as of a recent date prior to the Closing Date for each of the Borrower, the Transferor and the Servicer, issued by the Secretary of State of such Person's State of formation or organization, as applicable;

(d) Duly executed Powers of Attorney from each of the Borrower and CCT to the Administrative Agent and to the Collateral Agent;

(e) Duly executed Variable Funding Note(s), if requested by any Lender;

(f) Financing statements (the "Facility Financing Statements") describing the Collateral Portfolio, and (i) naming the Borrower as debtor and the Collateral Agent, on behalf of the Secured Parties, as secured party, (ii) naming the Transferor as debtor, the Borrower as assignor and the Collateral Agent, on behalf of the Secured Parties, as secured party/total assignee and (iii) other, similar instruments or documents, as may be necessary or, in the opinion of the Administrative Agent, desirable under the UCC of all appropriate jurisdictions or any comparable law to perfect the Collateral Agent's, on behalf of the Secured Parties, interests in all Collateral Portfolio;

(g) Financing statements, if any, necessary to release all security interests and other rights of any Person in the Collateral Portfolio previously granted by the Transferor;

(h) Copies of tax and judgment lien searches in all jurisdictions reasonably requested by the Administrative Agent and requests for information (or a similar UCC search report certified by a party acceptable to the Administrative Agent), dated a date reasonably near to the Closing Date, and with respect to such requests for information or UCC searches, listing all effective financing statements which name the Borrower (under its present name and any previous name) and the Transferor (under its present name and any previous name) as debtor(s) and which are filed in the jurisdiction of Delaware or Maryland, as applicable, together with copies of such financing statements (none of which shall cover any Collateral Portfolio);

(i) One or more favorable Opinions of Counsel of counsel to the Borrower, acceptable to the Administrative Agent and addressed to the Administrative Agent, the Lenders and the Collateral Agent, with respect to such matters as the Administrative Agent may reasonably request (including an opinion, with respect to the perfected security interest of the Collateral Agent, for the benefit of the Secured Parties, in the Collateral Portfolio under the UCC laws of the State of New York);

(j) One or more favorable Opinions of Counsel of counsel to the Borrower, acceptable to the Administrative Agent and addressed to the Administrative Agent, the Lenders, the Collateral Agent and the Collateral Custodian (as applicable), with respect to the perfection of the security interest of the Collateral Agent, for the benefit of the Secured Parties, in the Collateral Portfolio under the UCC laws of the States of Delaware;

(k) One or more favorable Opinions of Counsel of counsel to the Borrower, acceptable to the Administrative Agent and addressed to the Administrative Agent, the Lenders and the Collateral Agent, with respect to the true sale of the Collateral Portfolio under the Purchase and Sale Agreement and that the Borrower would not be substantively consolidated with the Transferor in a proceeding under the Bankruptcy Code;

(l) One or more favorable Opinions of Counsel of counsel to the Borrower, acceptable to the Administrative Agent and addressed to the Administrative Agent, the Lenders and the Collateral Agent, with respect to, among other things, the due authorization, execution and delivery of, and enforceability of, and no conflicts with the Loan and Servicing Agreement and the other Transaction Documents;

(m) One or more favorable Opinions of Counsel of counsel to CCT, acceptable to the Administrative Agent and addressed to the Administrative Agent, the Lenders and the Collateral Agent, with respect to, among other things, the due authorization, execution and delivery of, and enforceability of, the Loan and Servicing Agreement and the other Transaction Documents to which CCT is a party;

(n) A certificate of the secretary or assistant secretary of each of the Collateral Custodian and the Account Bank, dated the date of the Loan and Servicing Agreement, certifying the names and true signatures of the incumbent officers of such Person authorized to sign on behalf of such Person the Transaction Documents to which it is a party (on which certificate the Administrative Agent and the Lenders may conclusively rely until such time as the Administrative Agent and the Lenders shall receive from the Collateral Custodian or the Account Bank, as applicable, a revised certificate meeting the requirements of this paragraph (n));

(o) One or more favorable Opinions of Counsel of counsel to each of the Collateral Custodian and the Account Bank, acceptable to the Administrative Agent and addressed to the Administrative Agent, the Lenders and the Collateral Agent, with respect to, among other things, the due authorization, execution and delivery of, and enforceability of, the Transaction Documents to which the Collateral Custodian or the Account Bank, as applicable, is a party;

(p) Duly completed copies of IRS Form W-9 (or any successor forms or other certificates or statements that may be required from time to time by the relevant United States taxing authorities or Applicable Law) for the Borrower; and

(q) A copy of each of the other Transaction Documents duly executed by the parties thereto.

## ELIGIBILITY CRITERIA

The representations and warranties set forth in this Schedule II are made by the Borrower and the Servicer under the Loan and Servicing Agreement and the Transferor under the Purchase and Sale Agreement, with respect to all Loan Assets which are designated as being Eligible Loan Assets on any Borrowing Base Certificate or are otherwise represented to the Administrative Agent or the Lenders as being Eligible Loan Assets, or are included as Eligible Loan Assets in any calculation set forth in the Loan and Servicing Agreement to which this Schedule II is attached. For the avoidance of doubt, if such Loan Asset does not satisfy the representations and warranties set forth in this Schedule II then the Administrative Agent must expressly consent to the acquisition by the Borrower of such Loan Asset; it being understood that the Administrative Agent will not be deemed to have consented to the acquisition of a Loan Asset by the Borrower that does not satisfy the representations and warranties set forth in this Schedule II by merely approving the acquisition of such Loan Asset by the Borrower unless there is an express acknowledgement by the Borrower and the Servicer under the Loan and Servicing Agreement and the Transferor under the Purchase and Sale Agreement of non-satisfaction of the representations and warranties set forth in this Schedule II.

1. Each such Loan Asset is a First Lien Loan Asset or a Second Lien Loan Asset evidenced by a note or a credit document and an assignment document in the form specified in the applicable credit agreement or, if no such specification, on the LSTA assignment form. Each such Loan Asset and the Portfolio Assets related thereto is subject to a valid, subsisting and enforceable first-priority (or, in the case of Second Lien Loan Assets, second priority) perfected security interest (subject only to Permitted Liens) in favor of the Collateral Agent, on behalf of the Secured Parties, and the Borrower has good and marketable title to such Loan Asset, free and clear of all Liens other than any Permitted Liens.

2. As of the related Cut-Off Date, the acquisition of each such Loan Asset by the Borrower, and the Pledge of each such Loan Asset, has been approved by the Administrative Agent, in its sole discretion, by delivery of an Approval Notice.

3. Each such Loan Asset is not a participation interest in all or a portion of a loan (for the avoidance of doubt, a syndication or co-lending interest which is not documented as a participation interest shall not be deemed a participation interest).

4. The Obligor with respect to each such Loan Asset is organized under the laws of the United States or any state thereof and domiciled in the United States, as reasonably determined by the Administrative Agent.

5. Each such Loan Asset is denominated in Dollars.

6. No such Loan Asset is Margin Stock.

7. The acquisition of such Loan Asset does not cause the Borrower or the assets constituting the Collateral Portfolio to be required to be registered as an investment company under the 1940 Act, as amended.

8. No such Loan Asset is a financing by a debtor-in-possession in any Bankruptcy Proceeding.

9. No such Loan Asset is principally secured by real estate.

10. Each such Loan Asset constitutes a legal, valid, binding and enforceable obligation of the Obligor thereunder and each guarantor thereof, enforceable against each such Person in accordance with its terms, subject to the usual and customary bankruptcy, insolvency and equity limitations.

11. Each such Loan Asset is in the form of, and is treated as, indebtedness for federal income tax purposes.

12. As of the related Cut-Off Date and at any time prior to the related Cut-Off Date, except as permitted under Section 37 set forth below, (i) such Loan Asset is and has been current on all interest and principal payments, subject to any applicable grace period, under the terms of the related Loan Agreement and (ii) there has been no (a) “event of default” (as defined in the related Loan Agreement) or (b) any other default, breach, violation or event permitting acceleration (*provided* that the existence of any financial default shall be determined as of the most recent financial report provided by the applicable Obligor) under the terms of any such Loan Asset of which the Servicer has actual knowledge, and that, in each of the foregoing cases, has not been cured or waived, unless otherwise approved by the Administrative Agent in writing.

13. The Obligor with respect to each such Loan Asset is not an Affiliate of the Servicer, the Transferor or the Parent.

14. (x) The acquisition of any such Loan Asset by the Borrower or the Pledge thereof would not violate any Applicable Law and (y) the Lender or the Administrative Agent, as applicable, has not provided written notice to the Borrower prior to the related trade date that the acquisition of such Loan Asset will cause the Lender or the Administrative Agent to fail to comply with any request or directive (whether or not having the force of law) from any banking or other Governmental Authority having jurisdiction over the Administrative Agent or the Lender.

15. To the actual knowledge of the Borrower or the Servicer, no such Loan Asset contravenes any Applicable Law and no part thereof is in violation of any Applicable Law; *provided* that for purposes of determining whether a Loan Asset is a Warranty Loan Asset, as of the Cut-Off Date for such Loan Asset, such Loan Asset shall not contravene Applicable Law and no part thereof shall be in violation of any Applicable Law, without regard to whether the Borrower or the Servicer has any knowledge of such contravention or violation.

16. Pursuant to the Loan Agreement with respect to such Loan, either (i) such Loan Asset is freely assignable to the Borrower and able to be Pledged to the Collateral Agent, for the benefit of the Secured Parties, without the consent of the Obligor, subject to reasonable and customary qualifications for instruments similar to such Loan Asset (such as Obligor and/or administrative agent consent, minimum assignment amounts, execution of a joinder, questionnaire, assignment and assumption agreement and/or similar instrument, and assignee qualifications) or (ii) (a) all consents necessary for the assignment of such Loan Asset to the



Borrower and the Pledge to the Collateral Agent, for the benefit of the Secured Parties, have been obtained and (b) the Loan Agreement provides that any consents necessary for future assignments shall not be unreasonably withheld by the applicable Obligor and/or agent, and the rights to enforce rights and remedies in respect of the same under the applicable Loan Agreement inure to the benefit of the holder of such Loan Asset (subject to the rights of any applicable agent or other lenders).

17. No such Loan Asset is the subject of any assertions in respect of, any litigation, right of rescission, set-off, counterclaim or defense, including the defense of usury, by the related Obligor, nor will the operation of any of the terms of the Loan Agreements, or the exercise of any right thereunder, render the Loan Agreements unenforceable in whole or in part, or subject to any right of rescission, set-off, counterclaim or defense, including the defense of usury, and no such right of rescission, set-off, counterclaim or defense has been asserted with respect thereto, and the Loan Agreements with respect to the Loan Asset provide for an affirmative waiver by the related Obligor of all rights of rescission, set-off and counterclaim against the Transferor, the Borrower and their respective assignees.

18. As of the related Cut-Off Date, with respect to each such Loan Asset acquired by the Borrower (whether or not from the Transferor), and Pledged to the Collateral Agent, for the benefit of the Secured Parties, under the Agreement, the Transferor (if applicable) and Borrower will have caused its master computer records relating to such Loan Asset to be clearly and unambiguously marked to show that such Loan Asset has been sold to the Borrower.

19. No such Loan Asset has been repaid, prepaid, satisfied or rescinded, in each case, in full.

20. No such Loan Asset has been sold, transferred, assigned or pledged by the Borrower to any Person other than the Collateral Agent for the benefit of the Secured Parties.

21. Such Loan Asset is not subject to withholding tax unless the Obligor thereon is required under the terms of the related Loan Agreement to make "gross-up" payments that cover the full amount of such withholding tax on an after-tax basis in the event of a change of tax law. The transfer, assignment and conveyance of such Loan Asset (and the other Portfolio Assets related thereto) to the Borrower (whether or not from the Transferor) is not subject to and will not result in any fee or governmental charge (other than income taxes) payable by the Borrower or any other Person to any federal, state or local government.

22. The Obligor with respect to such Loan Asset (and any guarantor of such Obligor's obligations thereunder), had full legal capacity to execute and deliver the Loan Agreement which creates such Loan Asset and any other documents related thereto.

23. The Obligor of each such Loan Asset is not a Governmental Authority.

24. Each such Loan Asset was originated or acquired by the Borrower (or the Transferor, if applicable) in the ordinary course of the Borrower's business (or that of the Transferor, if applicable) and, to the extent required by Applicable Law, the Borrower (or Transferor, if applicable) has all necessary licenses and permits to purchase and own such Loans and enter into Loan Agreements pursuant to which such Loan was created, in the jurisdiction

where the Obligor is located (to the extent required by Applicable Law); *provided* that any failure by the Borrower (or Transferor, as applicable), to have the necessary licenses and permits in the applicable jurisdiction shall not preclude such Loan Asset from being deemed an Eligible Loan if, upon discovery or knowledge of such failure, the Borrower (or Transferor, as applicable) promptly commences and is thereafter diligently taking the appropriate measures to obtain the necessary licenses and permits in such jurisdiction and such necessary licenses and permits can be obtained in a reasonable time, all as determined by the Administrative Agent in its reasonable and sole discretion.

25. There are no proceedings pending or, to the Borrower's knowledge, threatened (i) asserting insolvency of the Obligor of such Loan Asset, or (ii) wherein the Obligor of such Loan Asset, any other obligated party or any governmental agency has alleged that such Loan Asset or the Loan Agreement which creates such Loan Asset is illegal or unenforceable.

26. Each such Loan Asset requires the related Obligor to pay all maintenance, repair, insurance and taxes, together with all other ancillary costs and expenses, with respect to the related Underlying Collateral.

27. The Underlying Collateral related to each such Loan Asset has not, and will not, be used by the related Obligor in any manner or for any purpose which would result in any material risk of liability being imposed upon the Borrower or the Lender under any federal, state, local or foreign laws, common laws, statutes, codes, ordinances, rules, regulations, permits, judgments, agreements or order related to addressing the environment, health or safety.

28. Each such Loan Asset constituting a First Lien Loan Asset, upon its acquisition by the Borrower, has a remaining term to maturity not greater than seven years from such Cut-Off Date. Each such Loan Asset constituting a Second Lien Loan Asset, upon its acquisition by the Borrower, has a remaining term to maturity not greater than eight years from such Cut-Off Date.

29. Each such Loan Asset does not contain confidentiality restrictions that would prohibit the Lender or the Administrative Agent from accessing all necessary information (as required to be provided pursuant to the Transaction Documents) with regards to such Loan Asset.

30. Each such Loan Asset (i) was underwritten, by the Servicer including, without limitation, the completion of a due diligence and, if applicable, a collateral assessment and (ii) is being serviced by the Servicer in accordance in all material respects with the Servicing Standard.

31. Within five Business Days of the applicable Cut-Off Date, all of the Required Loan Documents and the Loan Checklist acceptable to the Administrative Agent with respect to such Loan Asset have been, or will be, delivered to the Collateral Custodian and all Servicing Files are being or shall be maintained at the principal place of business of the Servicer in accordance with documented safety procedures reasonably acceptable to the Administrative Agent.

32. Underwriting materials prepared by the Servicer with respect to each such Loan Asset reasonably requested by the Administrative Agent have been provided to the Administrative Agent.

33. As of the related Cut-Off Date, each such Loan Asset is not subject to any Material Modification.

34. Each such Loan Asset is not an extension of credit by the Borrower to the Obligor for the purpose of (i) making any past due principal, interest or other payments due on such Loan Asset, (ii) preventing such Loan Asset or any other loan to the related Obligor from becoming past due or (iii) preventing such Loan Asset from becoming defaulted.

35. The Obligor with respect to such Loan Asset, on the applicable date of determination, (i) is a business organization (and not a natural person) duly organized and validly existing under the laws of its jurisdiction of organization; (ii) is a legal operating entity or holding company; (iii) has not entered into the Loan Asset primarily for personal, family or household purposes; and (iv) is not the subject of a Bankruptcy Event, and, as of the related Cut-Off Date, such Obligor is not in financial distress and has not experienced a material adverse change in its condition, financial or otherwise, in each case, as determined by the Servicer in its reasonable discretion unless approved in writing by the Administrative Agent.

36. All information provided by the Borrower or the Servicer to the Administrative Agent in writing with respect to such Loan Asset is true, complete and correct in all material respects as of the date such information is provided.

37. Each such Loan Asset is not an Equity Security and does not provide for the conversion into an Equity Security at any time on or after the date it is included as part of the Collateral Portfolio. For the purposes of this Section 37, "Equity Security" shall mean (i) any equity security or any other security that is not eligible for purchase by the Borrower as a Loan and (ii) any security that trades "stapled" to a Loan Asset and that itself is not eligible for purchase by the Borrower as a Loan Asset.

38. Each such Loan Asset was originated or purchased pursuant to and in accordance in all material respects with the Investment Policies.

39. Each such Loan Asset is not a Loan Asset with respect to which interest required by the Loan Agreement to be paid in cash has previously been deferred or capitalized as principal and not subsequently paid in full; unless the Obligor has commenced paying in cash current interest required to be paid in cash.

40. The funding obligations for each such Loan Asset and the Loan Agreement under which such Loan Asset was created have been fully satisfied and all sums available thereunder have been fully advanced, or if such Loan Asset is a Revolving Loan Asset or Delayed Draw Loan Asset, then (a) the sum of (i) the aggregate commitments under the Revolving Loan Assets and (ii) the aggregate unfunded commitments under the Delayed Draw Loan Assets do not exceed \$20,000,000 and (b) either (i) the Borrower shall have or have caused to be, at the time of the sale of such Loan Asset to the Borrower, deposited into the Unfunded Exposure Account an amount in United States dollars equal to the Unfunded Exposure Equity Amount or (ii) the Unfunded Exposure Equity Amount with respect to such Loan Asset shall not create a Borrowing Base Deficiency.

41. No such Loan Asset would disqualify the Borrower from using the “loan securitization exemption” under the Volcker Rule (as determined by the Administrative Agent in its reasonable discretion).

## AGREED-UPON PROCEDURES FOR INDEPENDENT PUBLIC ACCOUNTANTS

In accordance with Section 6.10 of the Loan and Servicing Agreement, the Servicer will cause a firm of nationally recognized independent public accountants to furnish in accordance with attestation standards established by the American Institute of Certified Public Accountants a report to the effect that such accountants have either verified, compared, or recalculated each of the following accounts in the Servicing Report to applicable system or records of the Servicer:

- Loan Asset List:
  - Obligor classification
  - Current principal amount
  - Fixed/Floating
  - Index, spread, PIK
  - Loan Asset Maturity Date
  - Loan Asset Origination Date
  - Loan Asset Purchase Date
  - Industry Classification
  - Loan Asset Type
  - Moody's and S&P ratings (if applicable)
  - Days Delinquent
  - Risk Rating
  - Cut-Off Date (the date that the Loan Asset is added to the facility)
- Borrowing Base
- Advances Outstanding
- Cash Reconciliation report
- Discretionary Sales Calculations, Substitution Calculations, Lien Release Dividend Calculations

At the discretion of the nationally recognized independent public accountant, three random Servicing Reports from the fiscal year will be chosen and reviewed.

The report provided by the accountants may be in a format such as is typically utilized for a report of this nature, however (i) the report will contain a list of deviations from the Servicing Report and (ii) such accountants will discuss with the Servicer the reason for such deviations, and set forth the findings in such report.

## LOAN ASSET SCHEDULE

For each Loan Asset, the Borrower shall provide, as applicable, the following information and the applicable Loan Asset Checklist:

- (a) Loan Asset Number
- (b) Obligor Name
- (c) Loan Asset Type (Note or Noteless)
- (d) Original Outstanding Balance
- (e) Secured by Mortgage (Yes or No)

Sch.IV-1

WIRING INSTRUCTIONS  
ADVANCE FUNDING ACCOUNT

□

Sch.V-1

Institutional Lender

Commitment

Sumitomo Mitsui Banking Corporation

\$300,000,000

Annex A-1



**EXHIBITS**  
**TO**  
**LOAN AND SERVICING AGREEMENT**  
**Dated as of December 2, 2015**  
**(CCT TOKYO FUNDING LLC) EXHIBITS**

EXHIBIT A	Form of Approval Notice
EXHIBIT B	Form of Borrowing Base Certificate
EXHIBIT C	Form of Conversion Notice
EXHIBIT D	Form of Disbursement Request
EXHIBIT E	Form of Joinder Supplement
EXHIBIT F	Form of Notice of Borrowing
EXHIBIT G	Form of Notice of Reduction (Reduction of Advances Outstanding/Maximum Facility Amount)
EXHIBIT H	Form of Variable Funding Note
EXHIBIT I	Form of Notice and Request for Consent
EXHIBIT J-1	Form of Monthly Servicing Report
EXHIBIT J-2	Form of Quarterly Servicing Report
EXHIBIT K	Form of Servicer's Certificate (Servicing Report)
EXHIBIT L	Form of Release of Required Loan Documents
EXHIBIT M	Form of Assignment and Acceptance
EXHIBIT N	Form of Power of Attorney for Servicer
EXHIBIT O	Form of Power of Attorney for Borrower
EXHIBIT P	Form of Servicer's Certificate (Loan Asset Register)
EXHIBIT Q	Form of Underwriting Request

**FORM OF APPROVAL NOTICE**

**LOAN ASSET**  
**APPROVAL NOTICE**

**DATE**

**ELIGIBLE LOAN ASSET INFORMATION**

Obligor Name

Tranche Description

Par Amount

Purchase Price (specify any discount)

---

Fair Market Value

Unfunded Exposure Amount

Pricing

Maturity Date of Loan Asset

Approved Exceptions to Eligibility Criteria for Loan Asset \_\_\_\_\_ See attached Schedule 1.

**ASSIGNED VALUE**

Assigned Value

Applicable Percentage

**SUMITOMO MITSUI BANKING CORPORATION APPROVAL**

Approval Good

Until Approval Conditioned Upon

---

Schedule 1 to Exhibit A

Approved Exceptions to Eligibility Criteria for Loan Asset

Ex. A-2

## FORM OF BORROWING BASE CERTIFICATE

[ ] [ ], 20[ ]

This Borrowing Base Certificate is delivered in connection with that certain Loan and Servicing Agreement, dated as of December 2, 2015 (as amended, modified, waived, supplemented or restated from time to time, the "Loan and Servicing Agreement"), by and among CCT Tokyo Funding LLC, as the borrower (in such capacity, the "Borrower"), Corporate Capital Trust, Inc., as the transferor (in such capacity, the "Transferor") and as the servicer (in such capacity, the "Servicer"), Sumitomo Mitsui Banking Corporation, as the administrative agent (in such capacity, the "Administrative Agent") and as the collateral agent (in such capacity, the "Collateral Agent"), and each of the Lenders from time to time party thereto (the "Lenders"). Capitalized terms used but not defined herein shall have the meanings provided in the Loan and Servicing Agreement.

As of the date hereof, the undersigned each certify that (i) all of the information set forth in Annex I attached hereto is true, correct and complete, (ii) no Event of Default has occurred and no Unmatured Event of Default exists under the Loan and Servicing Agreement; *provided* that (A) a Borrowing Base Deficiency (and any Unmatured Event of Default arising therefrom) shall not impair the right of the Borrower to effect an otherwise permitted substitution under Section 2.07(a) as necessary to facilitate a cure of such Borrowing Base Deficiency (and any Unmatured Event of Default arising therefrom) so long as immediately after giving effect to such substitution and any other sale or transfer substantially contemporaneous therewith, such Borrowing Base Deficiency shall be cured or if not cured, reduced and (B) a repayment may be made pursuant to Section 2.18(a) to cure a Borrowing Base Deficiency; and (iii) solely with respect to itself, each of the representations and warranties contained in the Loan and Servicing Agreement is true, correct and complete in all material respects.

[Remainder of Page Intentionally Left Blank]

Ex. B-1

Certified as of the date first written above.

**CCT TOKYO FUNDING LLC,**  
as the Borrower

By: \_\_\_\_\_  
Name:  
Title:

**CORPORATE CAPITAL TRUST, INC.,**  
as the Servicer

By: \_\_\_\_\_  
Name:  
Title:

**BORROWING BASE REPORT**

SEE ATTACHED

Ex. B-3

## FORM OF CONVERSION NOTICE

CONVERSION NOTICE<sup>1</sup>

[Date]

(CCT TOKYO FUNDING LLC)

To: Sumitomo Mitsui Banking Corporation  
as the Administrative Agent  
277 Park Avenue  
New York, NY 10172  
Attention: Christopher Keeshan  
Telephone: 212-224-4967  
Facsimile: 212-224-5198

With a copy to:

Sumitomo Mitsui Banking Corporation  
as the Collateral Agent  
277 Park Avenue  
New York, NY 10172  
Attention: Christopher Keeshan  
Telephone: 212-224-4967  
Facsimile: 212-224-5198

Re: Loan and Servicing Agreement dated as of December 2, 2015

Ladies and Gentlemen:

This Conversion Notice is delivered to you pursuant to Section 2.02(c) of that certain Loan and Servicing Agreement, dated as of December 2, 2015 (as amended, modified, waived, supplemented or restated from time to time, the "Loan and Servicing Agreement"), by and among CCT Tokyo Funding LLC, as the borrower (in such capacity, the "Borrower"), Corporate Capital Trust, Inc., as the transferor (in such capacity, the "Transferor") and as the servicer (in such capacity, the "Servicer"), Sumitomo Mitsui Banking Corporation, as the administrative agent (in such capacity, the "Administrative Agent") and as the collateral agent (in such capacity, the "Collateral Agent"), and each of the Lenders from time to time party thereto (the "Lenders"). Capitalized terms used but not defined herein shall have the meanings provided in the Loan and Servicing Agreement.

<sup>1</sup> To be delivered no later than 1:00 P.M. at least three Business Days before the requested Conversion Date.

Each of the undersigned, being a duly elected Responsible Officer of the Borrower and of the Servicer, respectively, and holding the office set forth below such officer's name, hereby certifies as follows:

1. [The Borrower hereby requests that the Administrative Agent convert the Base Rate Advance, advanced by the Lenders on [\_\_\_\_\_] [\_\_\_\_], 20[\_\_\_\_] in the principal amount of \$\_\_\_\_\_, into a LIBOR Advance.

(i) SMBC's Pro Rata Share of such Base Rate Advance is \$\_\_\_\_\_.

(ii) [Lender's] Pro Rata Share of such Base Rate Advance is \$\_\_\_\_\_.

(iii) [Lender's] Pro Rata Share of such Base Rate Advance is \$\_\_\_\_\_.]

2. The Borrower hereby requests that the Conversion Date be the following date: \_\_\_\_\_.

3. With respect to such conversion of the foregoing Base Rate Advance into a LIBOR Advance:

(i) No Event of Default has occurred, or would result from such conversion and no Unmatured Event of Default or Borrowing Base Deficiency exists or would result from such conversion; and

(ii) No event has occurred and is continuing, or would result from such conversion, which constitutes a Servicer Termination Event or any event which, if it continues uncured, will, with notice or lapse of time, constitute a Servicer Termination Event.

4. Each of the undersigned certify that all information contained herein is true, correct and complete as of the date hereof.



IN WITNESS WHEREOF, the undersigned have executed this Conversion Notice as of the date first written above.

**CCT TOKYO FUNDING LLC,**  
as the Borrower

By: \_\_\_\_\_

Name:

Title:

**CORPORATE CAPITAL TRUST, INC.,**  
as the Servicer

By: \_\_\_\_\_

Name:

Title:

**FORM OF DISBURSEMENT REQUEST**

(Disbursements from Unfunded Exposure Account)

[Date]

**(CCT TOKYO FUNDING LLC)**

Wells Fargo Bank, National Association,  
as the Account Bank  
Corporate Trust Services Division  
9062 Old Annapolis Rd.  
Columbia, Maryland 21045  
Attn: CDO Trust Services—CCT Tokyo Funding LLC  
Fax: (443) 367 3986  
Phone: (410) 884-2000

With a copy to:

Sumitomo Mitsui Banking Corporation  
as the Administrative Agent and as the Collateral Agent  
277 Park Avenue  
New York, NY 10172  
Attention: Christopher Keeshan  
Telephone: 212-224-4967  
Facsimile: 212-224-5198

Re: Loan and Servicing Agreement dated as of December 2, 2015

Ladies and Gentlemen:

This Disbursement Request is delivered to you pursuant to [Section 2.04(c)]-[Section 2.21(a)] of that certain Loan and Servicing Agreement, dated as of December 2, 2015 (as amended, modified, waived, supplemented or restated from time to time, the "Loan and Servicing Agreement"), by and among CCT Tokyo Funding LLC, as the borrower (in such capacity, the "Borrower"), Corporate Capital Trust, Inc., as the transferor (in such capacity, the "Transferor") and as the servicer (in such capacity, the "Servicer"), Sumitomo Mitsui Banking Corporation, as the administrative agent (in such capacity, the "Administrative Agent") and as the collateral agent (in such capacity, the "Collateral Agent"), and each of the Lenders from time to time party thereto (the "Lenders") and in accordance with the Securities Accounts Control Agreement, dated as of [ ], 2015, by and among the Borrower, the Servicer, the Collateral Agent and Wells Fargo Bank, National Association, as Account Bank. Capitalized terms used but not defined herein shall have the meanings provided in the Loan and Servicing Agreement. Capitalized terms used but not defined herein shall have the meanings provided in the Loan and Servicing Agreement.

Each of the undersigned, being a duly elected Responsible Officer of the Borrower and of the Servicer, respectively, and holding the office set forth below such officer's name, hereby certifies as follows:

1. Pursuant to [Section 2.04(c)].[Section 2.21(a)] of the Loan and Servicing Agreement, the Servicer on behalf of the Borrower hereby requests a disbursement (a "Disbursement") from the Unfunded Exposure Account in the amount of \$\_\_\_\_\_ to [Applicable Obligor], such Disbursement to be paid as follows:

Bank Name:

ABA No.:

Account Name:

Account No.:

Reference:

2. The Servicer on behalf of the Borrower hereby requests that such Disbursement be made on the following date:

\_\_\_\_\_.

3. n satisfied as of the date hereof and will remain satisfied to the date of such Disbursement, including, without limitation, that other than any Disbursement from the Unfunded Exposure Account after the occurrence of an Event of Default, no Event of Default has occurred, or would result from such Disbursement or from the application of the proceeds therefrom, no Unmatured Event of Default or Borrowing Base Deficiency exists or would result from such Disbursement or from the application of the proceeds therefrom and, to the extent applicable, all of the conditions in Section 2.21 have been satisfied.

4. The Servicer on behalf of the Borrower hereby represents that such Disbursement shall be used solely for the purpose of [funding the Unfunded Exposure Amount(s) of one or more Delayed Draw Loan Assets or Revolving Loan Assets included in the Collateral Portfolio] or [reinvesting in additional Eligible Loan Assets to be acquired in accordance with Section 2.21 and to be included in the Collateral Portfolio].

Each of the undersigned certify that all information contained herein and in the attached Borrowing Base Certificate, as applicable, is true and correct as of the date hereof.

[Remainder of Page Intentionally Left Blank]

IN WITNESS WHEREOF, the undersigned have executed this Disbursement Request as of the date first written above.

**CCT TOKYO FUNDING LLC,**  
as the Borrower

By: \_\_\_\_\_  
Name:  
Title:

**CORPORATE CAPITAL TRUST, INC.,**  
as the Servicer

By: \_\_\_\_\_  
Name:  
Title:

**FORM OF  
JOINDER SUPPLEMENT**

THIS JOINDER SUPPLEMENT, dated as of the date set forth in Item 1 of Schedule I hereto, among the financial institution identified in Item 2 of Schedule I hereto (the “Proposed Lender”), CCT Tokyo Funding LLC, as the borrower (the “Borrower”) and Sumitomo Mitsui Banking Corporation, as the administrative agent (the “Administrative Agent”).

**W I T N E S S E T H:**

WHEREAS, this Joinder Supplement is being executed and delivered under Section 2.22 or Section 11.04, as applicable, of the Loan and Servicing Agreement, dated as of December 2, 2015 (as amended, modified, waived, supplemented or restated from time to time, the “Loan and Servicing Agreement”), by and among CCT Tokyo Funding LLC, as the borrower (in such capacity, the “Borrower”), Corporate Capital Trust, Inc., as the transferor (in such capacity, the “Transferor”) and as the servicer (in such capacity, the “Servicer”), Sumitomo Mitsui Banking Corporation, as the administrative agent (in such capacity, the “Administrative Agent”) and as the collateral agent (in such capacity, the “Collateral Agent”), and each of the Lenders from time to time party thereto (the “Lenders”). Capitalized terms used but not defined herein shall have the meanings provided in the Loan and Servicing Agreement; and WHEREAS, the Proposed Lender wishes to become a Lender party to the Loan and Servicing Agreement;

NOW, THEREFORE, the parties hereto hereby agree as follows:

(a) Upon receipt by the Administrative Agent of an executed counterpart of this Joinder Supplement (including a fully completed Schedule I and Schedule II), which has been executed by the Proposed Lender, the Borrower and the Administrative Agent, the Administrative Agent will transmit to the Proposed Lender, the Borrower and the Collateral Agent, a Joinder Effective Notice, substantially in the form of Schedule III to this Joinder Supplement (a “Joinder Effective Notice”). Such Joinder Effective Notice shall be executed by the Administrative Agent and shall set forth, *inter alia*, the date on which the joinder effected by this Joinder Supplement shall become effective (the “Joinder Effective Date”). From and after the Joinder Effective Date, the Proposed Lender shall be a Lender party to the Loan and Servicing Agreement for all purposes thereof.

(b) Each of the parties to this Joinder Supplement agrees and acknowledges that at any time and from time to time upon the written request of any other party, it will execute and deliver such further documents and do such further acts and things as such other party may reasonably request in order to effect the purposes of this Joinder Supplement.

(c) By executing and delivering this Joinder Supplement, the Proposed Lender confirms to and agrees with the Administrative Agent, the Collateral Agent and the other Lender(s) as follows: (i) none of the Administrative Agent, the Collateral Agent and the other Lender(s) makes any representation or warranty or assumes any responsibility with respect to any statements, warranties or representations made in or in connection with the Loan and Servicing Agreement or the execution, legality, validity, enforceability, genuineness, sufficiency or value of the Loan and

Servicing Agreement or any other instrument or document furnished pursuant thereto, or with respect to any Variable Funding Notes issued under the Loan and Servicing Agreement, or the Collateral Portfolio or the financial condition of the Transferor, the Servicer or the Borrower, or the performance or observance by the Transferor, the Servicer or the Borrower of any of their respective obligations under the Loan and Servicing Agreement, any other Transaction Document or any other instrument or document furnished pursuant thereto; (ii) the Proposed Lender confirms that it has received a copy of such documents and information as it has deemed appropriate to make its own credit analysis and decision to enter into this Joinder Supplement; (iii) the Proposed Lender will, independently and without reliance upon the Administrative Agent, the Collateral Agent or any other Lender and based on such documents and information as it shall deem appropriate at the time, continue to make its own credit decisions in taking or not taking action under the Loan and Servicing Agreement; (iv) the Proposed Lender appoints and authorizes the Administrative Agent, the Collateral Custodian and the Collateral Agent, as applicable, to take such action as agent on its behalf and to exercise such powers under the Loan and Servicing Agreement as are delegated to the Administrative Agent, the Collateral Custodian and Collateral Agent, as applicable, by the terms thereof, together with such powers as are reasonably incidental thereto, all in accordance with the Loan and Servicing Agreement; and (v) the Proposed Lender agrees (for the benefit of the parties hereto and the other Lender(s)) that it will perform in accordance with their terms all of the obligations which by the terms of the Loan and Servicing Agreement are required to be performed by it as a Lender.

(d) Schedule II hereto sets forth certain administrative information with respect to the Proposed Lender.

(e) This Joinder Supplement shall be governed by, and construed in accordance with, the laws of the State of New York.

IN WITNESS WHEREOF, the parties hereto have caused this Joinder Supplement to be executed by their respective duly authorized officers on Schedule I hereto as of the date set forth in Item 1 of Schedule I hereto.

**COMPLETION OF INFORMATION AND  
SIGNATURES FOR JOINDER SUPPLEMENT**

Re: Loan and Servicing Agreement, dated as of December 2, 2015, among CCT Tokyo Funding LLC, as Borrower, the other parties thereto and Sumitomo Mitsui Banking Corporation, as Administrative Agent.

Item 1: Date of Joinder Supplement: \_\_\_\_\_

Item 2: Proposed Lender: \_\_\_\_\_

Item 3: Commitment: \_\_\_\_\_

Item 4: Signatures of Parties to Agreement:

\_\_\_\_\_,  
as Proposed Lender

By: \_\_\_\_\_  
Name:  
Title:

**CCT TOKYO FUNDING LLC,**  
as Borrower

By: \_\_\_\_\_  
Name:  
Title:

**SUMITOMO MITSUI BANKING  
CORPORATION,** as Administrative Agent

By: \_\_\_\_\_  
Name:  
Title:

ADDRESS FOR NOTICES  
AND  
WIRE INSTRUCTIONS

Address for Notices:

\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

Telephone: \_\_\_\_\_  
Facsimile: \_\_\_\_\_  
email: \_\_\_\_\_

With a copy to:

\_\_\_\_\_  
\_\_\_\_\_

Telephone: \_\_\_\_\_  
Facsimile: \_\_\_\_\_  
email: \_\_\_\_\_

Wire Instructions:

Name of Bank: \_\_\_\_\_  
A/C No.: \_\_\_\_\_  
ABA No. \_\_\_\_\_  
Reference: \_\_\_\_\_



FORM OF  
JOINDER EFFECTIVE NOTICE

To: [Name and address of the Borrower, Collateral Agent and Proposed Lender]

The undersigned, as Administrative Agent under the Loan and Servicing Agreement, dated as of December 2, 2015 (as amended, modified, waived, supplemented or restated from time to time, the "Loan and Servicing Agreement"), by and among CCT Tokyo Funding LLC, as the borrower (in such capacity, the "Borrower"), Corporate Capital Trust, Inc., as the transferor (in such capacity, the "Transferor") and as the servicer (in such capacity, the "Servicer"), Sumitomo Mitsui Banking Corporation, as the administrative agent (in such capacity, the "Administrative Agent") and as the collateral agent (in such capacity, the "Collateral Agent"), and each of the Lenders from time to time party thereto (the "Lenders") acknowledges receipt of an executed counterpart of a completed Joinder Supplement. [Note: attach copies of Schedules I and II from such Joinder Supplement.] Terms defined in such Joinder Supplement are used herein as therein defined.

Pursuant to such Joinder Supplement, you are advised that the Joinder Effective Date for [Name of Proposed Lender] will be \_\_\_\_\_ and, from the Joinder Effective Date, such Proposed Lender will be a Lender with a Commitment of \_\_\_\_\_.

Very truly yours,

**SUMITOMO MITSUI BANKING  
CORPORATION**, as Administrative Agent

By: \_\_\_\_\_  
Name:  
Title:

FORM OF NOTICE OF BORROWING ~~NOTICE OF BORROWING~~

[Date]

(CCT TOKYO FUNDING LLC)

To: Sumitomo Mitsui Banking Corporation as the Administrative Agent  
 277 Park Avenue  
 New York, NY 10172  
 Attention: Christopher Keeshan  
 Telephone: 212-224-4967  
 Facsimile: 212-224-5198

With a copy to:

Wells Fargo Bank, National Association,  
 as the Collateral Custodian and the  
 Account Bank  
 Corporate Trust Services Division  
 9062 Old Annapolis Rd.  
 Columbia, Maryland 21045  
 Attn: CDO Trust Services—CCT Tokyo  
 Funding LLC  
 Fax: (443) 367 3986  
 Phone: (410) 884-2000

With a copy to:

Sumitomo Mitsui Banking Corporation  
 as the Collateral Agent  
 277 Park Avenue  
 New York, NY 10172  
 Attention: Christopher Keeshan  
 Telephone: 212-224-4967  
 Facsimile: 212-224-5198

Re: Loan and Servicing Agreement dated as of December 2, 2015

Ladies and Gentlemen:

This Notice of Borrowing is delivered to you pursuant to Sections 2.02(b), 2.02(f) and/or 3.02(a) of that certain Loan and Servicing Agreement, dated as of December 2, 2015 (as amended, modified, waived, supplemented or restated from time to time, the "Loan and Servicing Agreement"), by and among CCT Tokyo Funding LLC, as the borrower (in such capacity, the "Borrower"), Corporate Capital Trust, Inc., as the transferor (in such capacity, the "Transferor") and as the servicer (in such capacity, the "Servicer"), Sumitomo Mitsui Banking Corporation, as the administrative agent (in such capacity, the "Administrative Agent") and as the collateral agent (in such capacity, the "Collateral Agent"), and each of the Lenders from time to time party thereto (the "Lenders"). Capitalized terms used but not defined herein shall have the meanings provided in the Loan and Servicing Agreement.

Each of the undersigned, being a duly elected Responsible Officer of the Borrower and of the Servicer, respectively, and holding the office set forth below such officer's name, hereby certifies as follows:<sup>2</sup>

1. [The Borrower hereby requests an Advance in the principal amount of \$\_\_\_\_\_ to purchase Eligible Loan Assets or to distribute proceeds to the Transferor (so long as such distribution is permitted pursuant to Section 5.02(m) of the Loan and Servicing Agreement). Such Advance shall be deposited in the Borrower's account as follows:

Bank Name:

ABA No.:

Account Name:

Account No.:

Reference:

(i) SMBC's Pro Rata Share of such requested Advance is \$\_\_\_\_\_.

(ii) [Lender's] Pro Rata Share of such requested Advance is \$\_\_\_\_\_.

(iii) [Lender's] Pro Rata Share of such requested Advance is \$\_\_\_\_\_.]

2. [The Borrower hereby requests an Advance in the principal amount of \$\_\_\_\_\_ (such amount not to exceed the Unfunded Exposure Amount) to deposit in the Unfunded Exposure Account. Such Advance shall be deposited in the Unfunded Exposure Account as follows:

Bank Name:

ABA No.:

Account Name:

Account No.:

Reference:

(i) SMBC's Pro Rata Share of such requested Advance is \$\_\_\_\_\_.

(ii) [Lender's] Pro Rata Share of such requested Advance is \$\_\_\_\_\_.

(iii) [Lender's] Pro Rata Share of such requested Advance is \$\_\_\_\_\_.]

<sup>2</sup> Select Item 1, 2 or 3 as appropriate.

3. [Pursuant to Section 2.02(f) of the Loan and Servicing Agreement, the Borrower hereby requests an Advance in the principal amount of \$\_\_\_\_\_ (such amount, the “Unfunded Exposure Amount Shortfall”). To the extent the Unfunded Exposure Amount Shortfall is required to be funded pursuant to Section 2.02(f) of the Loan and Servicing Agreement, such Unfunded Exposure Amount Shortfall will be deposited in the Unfunded Exposure Account as follows:

Bank Name: ABA No.:

Account Name:

Account No.: Reference:

(i) SMBC’s Pro Rata Share of such requested Advance is \$\_\_\_\_\_.

(ii) [Lender’s] Pro Rata Share of such requested Advance is \$\_\_\_\_\_.

(iii) [Lender’s] Pro Rata Share of such requested Advance is \$\_\_\_\_\_.

4. The Borrower hereby requests that such Advance be made as a [Base Rate Advance / LIBOR Advance] on the following date: \_\_\_\_\_ into the [Advance Funding Account][the Unfunded Exposure Account](*indicate, as applicable*).

5. Attached to this Notice of Borrowing is a true, correct and complete calculation of the Borrowing Base and all components thereof.

[6 Attached to this Notice of Borrowing is a true, correct and complete list of all Loan Assets which will become part of the Collateral Portfolio on the date hereof, each Loan Asset reflected thereon being an Eligible Loan Asset; which list shall include the purchase price of each such Loan Asset, if purchased or acquired by the Transferor, and the Fair Market Value of each such Loan Asset.]

[7 In connection with such Advance, the Borrower or the Transferor shall deposit \$\_\_\_\_\_ into the Unfunded Exposure Account in connection with any Revolving Loan Asset or Delayed Draw Loan Asset funded by such Advance.]

8. The Spread Modifier for such Advance is \_\_\_\_\_ %.

9. With respect to Advances other than those contemplated by Section 2.02(f) of the Loan and Servicing Agreement, all of the conditions applicable to the Advance requested herein as set forth in the Loan and Servicing Agreement have been satisfied as of the date hereof and will remain satisfied to the date of such Advance, including those set forth in Article III of the Loan and Servicing Agreement, and the following:

(i) The representations and warranties of each of the Servicer and the Borrower, respectively, set forth in the Loan and Servicing Agreement are true and correct in all respects on and as of such date, before and after giving effect to such Advance and to the application of the proceeds therefrom, as though made on and as of such date (other than any representation or warranty that is made as of a specific date);

(ii) No Event of Default has occurred, or would result from such Advance and no Unmatured Event of Default or Borrowing Base Deficiency exists or would result from such Advance;

(iii) No event has occurred and is continuing, or would result from such Advance, which constitutes a Servicer Termination Event or any event which, if it continues uncured, will, with notice or lapse of time, constitute a Servicer Termination Event; and

(iv) Each of the Servicer and the Borrower, respectively, is in compliance with each of its covenants set forth in the Transaction Documents.

~~9-10~~ Each of the undersigned certify that all information contained herein and in the attached Borrowing Base Certificate is true, correct and complete in all material respects as of the date hereof.

[ATTACH BORROWING BASE CERTIFICATE AND LOAN ASSET SCHEDULE]

IN WITNESS WHEREOF, the undersigned have executed this Notice of Borrowing as of the date first written above.

**CCT TOKYO FUNDING LLC,**  
as the Borrower

By: \_\_\_\_\_  
Name:  
Title:

**CORPORATE CAPITAL TRUST, INC.,**  
as the Servicer

By: \_\_\_\_\_  
Name:  
Title:

## FORM OF NOTICE OF REDUCTION

(Reduction of Advances Outstanding)<sup>3</sup>

[Date]

(CCT TOKYO FUNDING LLC)

Sumitomo Mitsui Banking Corporation,  
as the Administrative Agent and as the Collateral Agent  
277 Park Avenue  
New York, NY 10172  
Attention: Christopher Keeshan  
Telephone: 212-224-4967  
Facsimile: 212-224-5198

With a copy to:

Wells Fargo Bank, National Association,  
as the Collateral Custodian and the Account Bank  
Corporate Trust Services Division  
9062 Old Annapolis Rd.  
Columbia, Maryland 21045  
Attn: CDO Trust Services—CCT Tokyo Funding LLC  
Fax: (443) 367 3986  
Phone: (410) 884-2000

Re: Loan and Servicing Agreement dated as of December 2, 2015

Ladies and Gentlemen:

This Notice of Reduction is delivered to you pursuant to [Section 2.18(a)][Section 2.18(b)] of that certain Loan and Servicing Agreement, dated as of December 2, 2015 (as amended, modified, waived, supplemented or restated from time to time, the "Loan and Servicing Agreement"), by and among CCT Tokyo Funding LLC, as the borrower (in such capacity, the "Borrower"), Corporate Capital Trust, Inc., as the transferor (in such capacity, the "Transferor") and as the servicer (in such capacity, the "Servicer"), Sumitomo Mitsui Banking Corporation, as the administrative agent (in such capacity, the "Administrative Agent") and as the collateral agent (in such capacity, the "Collateral Agent"), and each of the Lenders from time to time party thereto (the "Lenders"). Capitalized terms used but not defined herein shall have the meanings provided in the Loan and Servicing Agreement.

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<sup>3</sup> Notice to be delivered at least three (3) Business Days prior to such reduction.

Each of the undersigned, being a duly elected Responsible Officer of the Borrower and of the Servicer, respectively, and holding the office set forth below such officer's name, hereby certifies as follows:

1[(a)]. [Pursuant to Section 2.18(a) of the Loan and Servicing Agreement, the Servicer on behalf of the Borrower desires to reduce the Advances Outstanding (an "Advance Reduction") by the amount of \$\_\_\_\_\_ as follows:

- (i) SMBC's portion (reduction is pro rata based on Advances Outstanding) of such requested Advance Reduction is \$\_\_\_\_\_.
- (ii) [Lender's] portion (reduction is pro rata based on Advances Outstanding) of such requested Advance Reduction is \$\_\_\_\_\_.
- (iii) [Lender's] portion (reduction is pro rata based on Advances Outstanding) of such requested Advance Reduction is \$\_\_\_\_\_.]

1[(b)]. [Pursuant to Section 2.18(b) of the Loan and Servicing Agreement, the Servicer on behalf of the Borrower desires to reduce the Maximum Facility Amount (a "Facility Reduction") by the amount of \$\_\_\_\_\_ as follows:

- (i) SMBC's portion (reduction is pro rata based on Maximum Facility Amount) of such requested Facility Reduction is \$\_\_\_\_\_.
- (ii) [Lender's] portion (reduction is pro rata based on Maximum Facility Amount) of such requested Facility Reduction is \$\_\_\_\_\_.
- (iii) [Lender's] portion (reduction is pro rata based on Maximum Facility Amount) of such requested Facility Reduction is \$\_\_\_\_\_.]

2. The Servicer on behalf of the Borrower hereby requests that such [Advance Reduction] [and] [Facility Reduction] be made on the following date: \_\_\_\_\_.

3. Attached to this Notice of Reduction is a true, correct and complete calculation of the Borrowing Base and all components thereof.

4. The Servicer, on behalf of the Borrower, hereby represents that no event would result from such [Advance Reduction] [and] [Facility Reduction], which constitutes an Event of Default or Unmatured Event of Default.

Each of the undersigned certify that all information contained herein and in the attached Borrowing Base Certificate is true and correct in all material respects as of the date hereof.

[ATTACH BORROWING BASE CERTIFICATE]

[Remainder of Page Intentionally Left Blank]



IN WITNESS WHEREOF, the undersigned have executed this Notice of Reduction as of the date first written above.

**CCT TOKYO FUNDING LLC,**  
as the Borrower

By: \_\_\_\_\_  
Name:  
Title:

**CORPORATE CAPITAL TRUST, INC.,**  
as the Servicer

By: \_\_\_\_\_  
Name:  
Title:

## FORM OF VARIABLE FUNDING NOTE

\$ \_\_\_\_\_

[ \_\_\_\_\_ ] [ \_\_\_\_ ], 20 \_\_\_\_

THIS VARIABLE FUNDING NOTE HAS NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED (THE "SECURITIES ACT"). NEITHER THIS VARIABLE FUNDING NOTE NOR ANY PORTION HEREOF MAY BE OFFERED OR SOLD EXCEPT IN COMPLIANCE WITH THE REGISTRATION PROVISIONS OF THE SECURITIES ACT OR PURSUANT TO AN AVAILABLE EXEMPTION FROM SUCH REGISTRATION PROVISIONS.

THIS VARIABLE FUNDING NOTE IS NOT PERMITTED TO BE TRANSFERRED, ASSIGNED, EXCHANGED OR OTHERWISE PLEDGED OR CONVEYED EXCEPT TO A (A) QUALIFIED INSTITUTIONAL BUYER UNDER RULE 144A OF THE SECURITIES ACT OR AN INSTITUTIONAL "ACCREDITED INVESTOR" AS DEFINED IN RULE 501(A)(1)-(3) OR (7) UNDER THE SECURITIES ACT, IN EACH CASE, WHO IS ALSO A (B) QUALIFIED PURCHASER FOR PURPOSES OF SECTION 3(c)(7) OF THE 1940 ACT, AND IN COMPLIANCE WITH THE TERMS OF THE LOAN AND SERVICING AGREEMENT REFERRED TO HEREIN.

FOR VALUE RECEIVED, CCT TOKYO FUNDING LLC, a Delaware limited liability company (the "Borrower"), promises to pay to [Name of Lender] (the "Lender"), or its successors or assigns, the principal sum of [ ] DOLLARS (\$[ ]), or, if less, the unpaid principal amount of the aggregate advances ("Advances") made by the Lender to the Borrower pursuant to the Loan and Servicing Agreement (as defined below), as set forth on the attached Schedule, on the dates specified in the Loan and Servicing Agreement, and to pay interest on the unpaid principal amount of each Advance on each day that such unpaid principal amount is outstanding, at the LIBOR Yield Rate or Base Rate Yield Rate, as applicable, related to such Advance as provided in the Loan and Servicing Agreement, on each Payment Date and each other date specified in the Loan and Servicing Agreement.

This Variable Funding Note (the "Note") is issued pursuant to the Loan and Servicing Agreement, dated as of December 2, 2015 (as amended, modified, waived, supplemented or restated from time to time, the "Loan and Servicing Agreement"), by and among CCT Tokyo Funding LLC, as the borrower (in such capacity, the "Borrower"), Corporate Capital Trust, Inc., as the transferor (in such capacity, the "Transferor") and as the servicer (in such capacity, the "Servicer"), Sumitomo Mitsui Banking Corporation, as the administrative agent (in such capacity, the "Administrative Agent") and as the collateral agent (in such capacity, the "Collateral Agent"), and each of the Lenders from time to time party thereto (the "Lenders"). Capitalized terms used but not defined herein shall have the meanings provided in the Loan and Servicing Agreement.

Notwithstanding any other provisions contained in this Note, if at any time the rate of interest payable by the Borrower under this Note, when combined with any and all other charges provided for in this Note, in the Loan and Servicing Agreement or in any other document (to the

extent such other charges would constitute interest for the purpose of any applicable law limiting interest that may be charged on this Note), exceeds the highest rate of interest permissible under applicable law (the "Maximum Lawful Rate"), then so long as the Maximum Lawful Rate would be exceeded, the rate of interest under this Note shall be equal to the Maximum Lawful Rate. If at any time thereafter the rate of interest payable under this Note is less than the Maximum Lawful Rate, the Borrower shall continue to pay interest under this Note at the Maximum Lawful Rate until such time as the total interest paid by the Borrower is equal to the total interest that would have been paid had applicable law not limited the interest rate payable under this Note. In no event shall the total interest received by the Lender under this Note exceed the amount which the Lender could lawfully have received had the interest due under this Note been calculated since the date of this Note at the Maximum Lawful Rate.

Payments of the principal of, and interest on, Advances represented by this Note shall be made by or on behalf of the Borrower to the holder hereof by wire transfer of immediately available funds in the manner and at the address specified for such purpose as provided in the Loan and Servicing Agreement, without the presentation or surrender of this Note or the making of any notation on this Note.

If any payment under this Note falls due on a day that is not a Business Day, then such due date shall be extended to the next succeeding Business Day and interest shall be payable on any principal so extended at the LIBOR Yield Rate or Base Rate Yield Rate, as applicable.

If all or a portion of (i) any interest payable hereunder or (ii) any other amounts payable hereunder shall not be paid when due other than the principal amount hereof (whether at maturity, by acceleration or otherwise), such overdue amount shall bear interest at a rate per annum that is equal to the Base Rate plus 2.0% (unless otherwise specified in the Loan and Servicing Agreement), in each case from the date of such non-payment to (but excluding) the date such amount is paid in full.

For the avoidance of doubt, if any Event of Default shall have occurred, with respect to the principal amount hereof, the LIBOR Yield Rate or Base Rate Yield Rate, as applicable, shall be increased pursuant to the increase set forth in the definition of "Applicable Spread" set forth in the Loan and Servicing Agreement, effective as of the date of the occurrence of such Event of Default, and shall apply after the occurrence of such Event of Default.

Portions or all of the principal amount of the Note shall become due and payable at the time or times set forth in the Loan and Servicing Agreement. Any portion or all of the principal amount of this Note may be prepaid, together with interest thereon (and, as set forth in the Loan and Servicing Agreement, certain costs and expenses of the Lender) at the time and in the manner set forth in, but subject to the provisions of, the Loan and Servicing Agreement.

Except as provided in the Loan and Servicing Agreement, the Borrower expressly waives presentment, demand, diligence, protest and all notices of any kind whatsoever with respect to this Note.

All amounts evidenced by this Note, the Lender's Advances and all payments and prepayments of the principal hereof and the respective dates and maturity dates thereof shall be endorsed by the Lender, on the Schedule attached hereto and made a part hereof or on a continuation thereof, which shall be attached hereto and made a part hereof; *provided* that the failure of the Lender to make such a notation shall not in any way limit or otherwise affect the obligations of the Borrower under this Note as provided in the Loan and Servicing Agreement.

The holder hereof may sell, assign, transfer, negotiate, grant participations in or otherwise dispose of all or any portion of any Advances made by the Lender and represented by this Note and the indebtedness evidenced by this Note, subject to the applicable provisions of the Loan and Servicing Agreement.

This Note is secured by the security interests granted pursuant to Section 2.13 of the Loan and Servicing Agreement. The holder of this Note is entitled to the benefits of the Loan and Servicing Agreement and may enforce the agreements of the Borrower contained in the Loan and Servicing Agreement and exercise the remedies provided for by, or otherwise available in respect of, the Loan and Servicing Agreement, all in accordance with, and subject to the restrictions contained in, the terms of the Loan and Servicing Agreement. If an Event of Default shall occur, the unpaid balance of the principal of all Advances, together with accrued interest thereon, may be declared, and may become, due and payable in the manner and with the effect provided in the Loan and Servicing Agreement.

The Borrower, the Transferor and the Servicer, the Lenders, the Administrative Agent and the Collateral Agent each intend, for federal, state and local income and franchise tax purposes only, that this Note be evidence of indebtedness of the Borrower secured by the Collateral Portfolio and the Lender under the Loan and Servicing Agreement, by the acceptance hereof, agrees to treat the Note for federal, state and local income and franchise tax purposes as indebtedness of the Borrower.

The legends set forth above shall be without prejudice to the characterization of the obligations of the Borrower hereunder in respect of the Advances as a commercial loan and not a security.

This Note is one of the "Variable Funding Notes" referred to in Section 2.01 of the Loan and Servicing Agreement. This Note shall be construed in accordance with and governed by the laws of the State of New York.

[Remainder of Page Intentionally Left Blank]

IN WITNESS WHEREOF, the undersigned has executed this Note as on the date first written above.

**CCT TOKYO FUNDING LLC,**

By: \_\_\_\_\_

Name:

Title:

Ex. H-4



FORM OF NOTICE AND REQUEST FOR CONSENT<sup>4</sup>

[ ] [ ], 20[ ]

CCT TOKYO FUNDING LLC

To: Administrative Agent, with a copy to the Collateral Agent and the Collateral Custodian

Re: Loan and Servicing Agreement dated as of December 2, 2015

Ladies and Gentlemen:

This Notice and Request for Consent to Lien Release Dividend (this “Notice”) is delivered to you under Section 2.07(g) of that certain Loan and Servicing Agreement, dated as of December 2, 2015 (as amended, modified, waived, supplemented or restated from time to time, the “Loan and Servicing Agreement”), by and among CCT Tokyo Funding LLC, as the borrower (in such capacity, the “Borrower”), Corporate Capital Trust, Inc., as the transferor (in such capacity, the “Transferor”) and as the servicer (in such capacity, the “Servicer”), Sumitomo Mitsui Banking Corporation, as the administrative agent (in such capacity, the “Administrative Agent”) and as the collateral agent (in such capacity, the “Collateral Agent”), and each of the Lenders from time to time party thereto (the “Lenders”). Capitalized terms used but not defined herein shall have the meanings provided in the Loan and Servicing Agreement.

Each of the undersigned, each being a duly elected officer of the Borrower and the Transferor, respectively, holding the office set forth below such officer’s name, hereby certifies as follows:

1. Pursuant to Section 2.07(g) of the Loan and Servicing Agreement, the Borrower and the Transferor request that the (i) Administrative Agent consents to a release of the Collateral Agent’s, on behalf of the Secured Parties, lien on the Loan Assets or portions thereof set forth on Annex 1 (together with, in the case of a transfer of the Loan Assets but not portions thereof, any related Portfolio Assets) and to the distribution of such Loan Assets or portions thereof as a dividend from the Borrower to the Transferor and (ii) Collateral Custodian releases the Required Loan Documents related thereto.

2. The Borrower and the Transferor hereby request that such Lien Release Dividend be made on the following date: \_\_\_\_\_ (the “Lien Release Dividend Date”) which date is at least five Business Days after this Notice is received by the Administrative Agent, the Collateral Agent and the Collateral Custodian.

3. The Borrower and the Transferor represent and warrant, as of the date hereof and as of the requested Lien Release Dividend Date, as follows:

a) No Event of Default has occurred and no Unmatured Event of Default exists.

<sup>4</sup> To be delivered at least five (5) Business Days prior to the requested Lien Release Dividend Date.

b) No more than four Lien Release Dividends shall have been made during the 12-month period immediately preceding the proposed Lien Release Dividend Date.

c) After giving effect to the Lien Release Dividend on the Lien Release Dividend Date, (1) no Borrowing Base Deficiency, Event of Default or Unmatured Event of Default shall exist, (2) the representations and warranties contained in Sections 4.01, 4.02 and 4.03 of the Loan and Servicing Agreement shall continue to be correct in all material respects, except to the extent relating to an earlier date, (3) the eligibility of any Loan Asset remaining as part of the Collateral Portfolio after the Lien Release Dividend will be redetermined as of the Lien Release Dividend Date, (4) no claim shall have been asserted or proceeding commenced challenging the enforceability or validity of any of the Required Loan Documents, and (5) there shall have been no Material Adverse Effect with respect to the Servicer or the Borrower.

d) (i) The Outstanding Balance of all Loan Assets (other than Warranty Loan Assets) substituted with Eligible Loan Assets from the Transferor or any Affiliate pursuant to Section 2.07(a), sold pursuant to Sections 2.07(e) or released pursuant to a Lien Release Dividend during the term of this Agreement shall not exceed 20% of the highest aggregate Outstanding Balance of all Loan Assets at any time during the previous 12-month period, and (ii) the Outstanding Balance of all Defaulted Loan Assets (other than Warranty Loan Assets) substituted with Eligible Loan Assets from the Transferor or any Affiliate pursuant to Section 2.07(a), sold pursuant to Section 2.07(e) or released pursuant to a Lien Release Dividend during the term of this Agreement shall not exceed 10% of the highest aggregate Outstanding Balance of all Loan Assets at any time during the previous 12-month period.

4. Attached to this Notice is a Borrowing Base Certificate, including a calculation of the Borrowing Base after giving effect to such Lien Release Dividend.

This Notice shall not be effective unless all of the conditions applicable to the Lien Release Dividend requested herein set forth in the Loan and Servicing Agreement have been satisfied within the time periods set forth in Section 2.07(g) of the Loan and Servicing Agreement.

[ATTACH BORROWING BASE CERTIFICATE]

[The Remainder Of This Page Is Intentionally Left Blank]



**IN WITNESS WHEREOF**, the undersigned has executed the Notice and Request for Consent to Lien Release Dividend as of the date first written above.

**CCT TOKYO FUNDING LLC,**  
as the Borrower

By: \_\_\_\_\_  
Name:  
Title:

**CORPORATE CAPITAL TRUST, INC.,**  
as the Servicer

By: \_\_\_\_\_  
Name:  
Title:

Please indicate your consent by signing and returning this signature page to the Notice and Request for Consent to Lien Release Dividend for receipt no later than 11:00 A.M. on the day that is one Business Day prior to the requested Lien Release Dividend Date.

THE UNDERSIGNED ADMINISTRATIVE AGENT CONSENTS  
TO THE LIEN RELEASE DIVIDEND  
TO BE MADE ON [\_\_\_\_\_] [\_\_\_\_], 20[\_\_\_]

**SUMITOMO MITSUI BANKING CORPORATION,**  
as the Administrative Agent

By: \_\_\_\_\_

Name:

Title:

Dated: \_\_\_\_\_

Loan Assets to be Released by Collateral Agent (at the direction of the Administrative Agent)  
and Transferred by Borrower to Transferor

Ex. I-5

**FORM OF MONTHLY SERVICING REPORT**

(See attached)

Ex. J-1

**FORM OF QUARTERLY SERVICING REPORT**

(See attached)

Ex. J-2

**FORM OF SERVICER'S CERTIFICATE  
(SERVICING REPORT)**

SERVICER'S CERTIFICATE  
(SERVICING REPORT)

[] [], 20[]

This Servicer's Certificate is delivered pursuant to the provisions of Section 6.08(c) of the Loan and Servicing Agreement, dated as of December 2, 2015 (as amended, modified, waived, supplemented or restated from time to time, the "Loan and Servicing Agreement"), by and among CCT Tokyo Funding LLC, as the borrower (in such capacity, the "Borrower"), Corporate Capital Trust, Inc., as the transferor (in such capacity, the "Transferor") and as the servicer (in such capacity, the "Servicer"), Sumitomo Mitsui Banking Corporation, as the administrative agent (in such capacity, the "Administrative Agent") and as the collateral agent (in such capacity, the "Collateral Agent"), and each of the Lenders from time to time party thereto (the "Lenders"). Capitalized terms used and not otherwise defined herein shall have the meanings provided in the Loan and Servicing Agreement. This Servicer's Certificate relates to the Servicing Report set forth on the attached Schedule A.

- A. Corporate Capital Trust, Inc. is the Servicer under the Loan and Servicing Agreement.
- B. The undersigned hereby certifies to the Administrative Agent, the Collateral Agent, the Lenders and the other Secured Parties that, as of the date hereof, no Event of Default has occurred and no Unmatured Event of Default exists (other than any Event of Default or Unmatured Event of Default which has been previously disclosed to the Administrative Agent as such).
- C. The undersigned hereby certifies to the Administrative Agent, the Collateral Agent, the Lenders and the other Secured Parties that all of the foregoing information and all of the information set forth on the attached Schedule A is true, complete and accurate in all material respects as of the date hereof.

[Remainder of Page Left Intentionally Blank]

IN WITNESS WHEREOF, the undersigned has caused this Servicer's Certificate to be duly executed as of the date first written above.

**CORPORATE CAPITAL TRUST, INC.,**  
as the Servicer

By: \_\_\_\_\_  
Name:  
Title:

SERVICING REPORT

(See attached)

Ex. K-3



## FORM OF RELEASE OF REQUIRED LOAN DOCUMENTS

[Delivery Date]

Wells Fargo Bank, National Association,  
as the Collateral Custodian  
Corporate Trust Services Division  
9062 Old Annapolis Rd.  
Columbia, Maryland 21045  
Attn: CDO Trust Services—CCT Tokyo Funding LLC  
Fax: (443) 367 3986  
Phone: (410) 884-2000

With a copy to:

Sumitomo Mitsui Banking Corporation  
as Collateral Agent  
277 Park Avenue  
New York, NY 10172  
Attention: Christopher Keeshan  
Telephone: 212-224-4967  
Facsimile: 212-224-5198

Re: Loan and Servicing Agreement, dated as of December 2, 2015 (as amended, modified, waived, supplemented or restated from time to time, the “Loan and Servicing Agreement”), by and among CCT Tokyo Funding LLC, as the borrower (in such capacity, the “Borrower”), Corporate Capital Trust, Inc., as the transferor (in such capacity, the “Transferor”) and as the servicer (in such capacity, the “Servicer”), Sumitomo Mitsui Banking Corporation, as the administrative agent (in such capacity, the “Administrative Agent”) and as the collateral agent (in such capacity, the “Collateral Agent”), and each of the Lenders from time to time party thereto (the “Lenders”) and that certain Custody Agreement, dated as of December 2, 2015 (as amended, modified, waived, supplemented or restated from time to time, the “Custody Agreement”), by and among the Borrower, as the company, the Servicer, as transferor and servicer, the Administrative Agent, as administrative agent and collateral agent, and Wells Fargo Bank, National Association, as Custodian.

Ladies and Gentlemen:

In connection with the administration of the Required Loan Documents held by Wells Fargo Bank, National Association as the Collateral Custodian, for the benefit of the Secured Parties, under the Loan and Servicing Agreement, we request the release of the Required Loan Documents (or such documents as specified below) for the Loan Assets described below, for the reason indicated. All capitalized terms used but not defined herein shall have the meaning provided in the Loan and Servicing Agreement.

Obligor's Name, Address & Zip Code:

Loan Asset Number:

Loan Asset File:

Ex. L-2

Reason for Requested Documents (check one)

- 1. Loan Asset paid in full. (The Servicer hereby certifies that all amounts received in connection with such Loan Asset have been credited to the Collection Account).
- 2. Loan Asset liquidated by \_\_\_\_\_. (The Servicer hereby certifies that all proceeds of foreclosure, insurance, condemnation or other liquidation have been finally received and credited to the Collection Account).
- 3. Loan Asset in foreclosure.
- 4. Loan Asset released pursuant to a Lien Release Dividend or sold or substituted in accordance with the applicable provisions of Section 2.07.
- 5. Loan Asset returned due to a failure to satisfy the Review Criteria pursuant to Section 3.3 of the Custody Agreement.
- 6. Other (explain).

If box 1 or 2 above is checked, and if all or part of the Required Loan Documents were previously released to us, please release to us the Required Loan Documents, requested in our previous request and receipt on file with you, as well as any additional documents in your possession relating to the specified Loan Asset.

[Remainder of Page Left Intentionally Blank]

**CORPORATE CAPITAL TRUST, INC.,**  
as the Servicer

By: \_\_\_\_\_

Name:

Title:

Date:

[Signatures Continue]

Consent of Administrative Agent:

**SUMITOMO MITSUI BANKING  
CORPORATION, as the Administrative Agent**

By: \_\_\_\_\_

Name:

Title:

Date:

Ex. L-5

## FORM OF ASSIGNMENT AND ACCEPTANCE

Dated: [\_\_\_\_] [\_\_\_], 20\_\_

Reference is made to the Loan and Servicing Agreement, dated as of December 2, 2015 (as amended, modified, waived, supplemented or restated from time to time, the “Loan and Servicing Agreement”), by and among CCT Tokyo Funding LLC, as the borrower (in such capacity, the “Borrower”), Corporate Capital Trust, Inc., as the transferor (in such capacity, the “Transferor”) and as the servicer (in such capacity, the “Servicer”), Sumitomo Mitsui Banking Corporation, as the administrative agent (in such capacity, the “Administrative Agent”) and as the collateral agent (in such capacity, the “Collateral Agent”), and each of the Lenders from time to time party thereto (the “Lenders”). Terms defined in the Loan and Servicing Agreement are used herein with the same meaning. This Assignment and Acceptance is delivered pursuant to Section 11.04(a) of the Loan and Servicing Agreement.

\_\_\_\_\_ (the “Assignor”) and \_\_\_\_\_ (the “Assignee”) agree as follows:

1. The Assignor hereby sells and assigns to the Assignee, and the Assignee hereby purchases and assumes from the Assignor, that interest in and to all of the Assignor’s rights and obligations under the Loan and Servicing Agreement as of the date hereof which represents the percentage interest specified in Section 1 of Schedule 1 of all outstanding rights and obligations of the Assignor under the Loan and Servicing Agreement, including, without limitation, such interest in the Assignor’s Commitment and the Advances made by the Assignor. After giving effect to such sale and assignment, the Assignee’s Commitment and the amount of Advances made by the Assignee will be as set forth in Section 2 of Schedule 1.

2. The Assignor (i) represents and warrants that it is the legal and beneficial owner of the interest being assigned by it hereunder and that such interest is free and clear of any adverse claim; and (ii) makes no representation or warranty and assumes no responsibility with respect to any statements, warranties or representations made in or in connection with the Loan and Servicing Agreement or the execution, legality, validity, enforceability, genuineness, sufficiency or value of the Loan and Servicing Agreement or any other instrument or document furnished pursuant thereto.

3. The Assignee (i) confirms that it has received a copy of the Loan and Servicing Agreement, together with copies of such financial statements and such other documents and information as it has deemed appropriate to make its own credit analysis and decision to enter into this Assignment and Acceptance; (ii) agrees that it will, independently and without reliance upon the Administrative Agent or the Assignor and based on such documents and information as it shall deem appropriate at the time, continue to make its own credit decisions in taking or not taking action under the Loan and Servicing Agreement; (iii) appoints and authorizes the Administrative Agent to take such action as agent on its behalf and to exercise such powers under the Loan and Servicing Agreement as are delegated to the Administrative Agent by the terms thereof, together with such powers as are reasonably incidental thereto; and (iv) agrees that it will perform in accordance with their terms all of the obligations which by the terms of the Loan and Servicing Agreement are required to be performed by it as a Lender.

4. Assignee hereby represents and warrants that it is (a) either a “qualified institutional buyer” under Rule 144A of the Securities Act or an institutional “accredited investor” as defined in Rule 501(a)(1)-(3) or (7) under the Securities Act and (b) a “qualified purchaser” under the 1940 Act. Such representation shall be without prejudice to the characterization of the obligations of the Borrower set forth in the Loan and Servicing Agreement in respect of the Advances as commercial loans and not as securities.

5. Following the execution of this Assignment and Acceptance by the Assignor and the Assignee, it will be delivered to the Administrative Agent for acceptance and recording. The effective date of this Assignment and Acceptance (the “Transfer Date”) shall be the date of acceptance thereof by the Administrative Agent, unless a later date is specified in Section 3 of Schedule 1.

6. Upon such acceptance and recording by the Administrative Agent, as of the Transfer Date, (i) the Assignee shall be a party to the Loan and Servicing Agreement and, to the extent provided in this Assignment and Acceptance, have the rights and obligations of a Lender thereunder and (ii) the Assignor shall, to the extent provided in this Assignment and Acceptance, relinquish its rights and be released from its obligations under the Loan and Servicing Agreement.

7. Upon such acceptance and recording by the Administrative Agent, from and after the Transfer Date, the Administrative Agent shall make, or cause to be made, all payments under the Loan and Servicing Agreement in respect of the interest assigned hereby (including, without limitation, all payments of principal, interest, and Non-Usage Fee with respect thereto) to the Assignee. The Assignor and Assignee shall make all appropriate adjustments in payments under the Loan and Servicing Agreement for periods prior to the Transfer Date directly between themselves.

8. The Assignee agrees that it may not, prior to the date that is one year (or, if longer, the then applicable preference period) plus one day after the Collection Date, institute against, or join any other individual or entity in instituting against the Borrower any bankruptcy, reorganization, arrangement, winding-up, insolvency, moratorium or liquidation proceedings, or other proceedings under United States federal or state bankruptcy laws, or any similar laws. This paragraph 8 is a material inducement for the Assignor to enter into this Assignment and Acceptance and the transactions contemplated hereby and are an essential term hereof. The Collateral Agent (acting as directed by the Administrative Agent) with the consent of the Lenders may seek and obtain specific performance of this provision (including injunctive relief), including, without limitation, in any bankruptcy, reorganization, arrangement, winding-up, insolvency, moratorium or liquidation proceedings under United States federal or state bankruptcy laws, or any similar laws.

9. This Assignment and Acceptance shall be governed by, and construed in accordance with, the laws of the State of New York.

[Remainder of Page Intentionally Left Blank]

IN WITNESS WHEREOF, the parties hereto have caused this Assignment and Acceptance to be executed by their respective officers thereunto duly authorized, as of the date first above written.

**[ASSIGNOR]**

By: \_\_\_\_\_  
Name:  
Title:

Address for notices  
[Address]

**[ASSIGNEE]**

By: \_\_\_\_\_  
Name:  
Title:

Address for notices  
[Address]

[Consented to:]<sup>55</sup>

**CCT TOKYO FUNDING LLC**

By: \_\_\_\_\_  
Name:  
Title:

\_\_\_\_\_

<sup>5</sup> To be added if consent of the Borrower is required by Section 11.04(a) of the Loan and Servicing Agreement.



Schedule 1

to

Assignment and Acceptance  
Dated \_\_\_\_\_, 20\_\_

Section 1.

Percentage Interest: \_\_\_\_\_%

Section 2.

Assignee's Commitment: \$\_\_\_\_\_

Aggregate Outstanding  
Advances Owing to the Assignee: \$\_\_\_\_\_

Section 3.

Transfer Date: \_\_\_\_\_, 20\_\_

**FORM OF POWER OF ATTORNEY CORPORATE CAPITAL TRUST, INC.**

December 2, 2015

This Power of Attorney is executed and delivered by Corporate Capital Trust, Inc., as the Transferor and as the Servicer under the Loan and Servicing Agreement (each as defined below), to Sumitomo Mitsui Banking Corporation, as the [Collateral Agent]/[Administrative Agent] under the Loan and Servicing Agreement (in such capacity, the "Attorney"), pursuant to that certain Loan and Servicing Agreement, dated as of December 2, 2015 (as amended, modified, waived, supplemented or restated from time to time, the "Loan and Servicing Agreement"), by and among CCT Tokyo Funding LLC, as the borrower (in such capacity, the "Borrower"), Corporate Capital Trust, Inc., as the transferor (in such capacity, the "Transferor") and as the servicer (in such capacity, the "Servicer"), Sumitomo Mitsui Banking Corporation, as the administrative agent (in such capacity, the "Administrative Agent") and as the collateral agent (in such capacity, the "Collateral Agent"), and each of the Lenders from time to time party thereto (the "Lenders"). Capitalized terms used but not defined herein shall have the meanings provided in the Loan and Servicing Agreement.

No person to whom this Power of Attorney is presented, as authority for Attorney to take any action or actions contemplated hereby, shall be required to inquire into or seek confirmation from Servicer as to the authority of Attorney to take any action described below, or as to the existence of or fulfillment of any condition to this Power of Attorney, which is intended to grant to Attorney unconditionally the authority to take and perform the actions contemplated herein, and Servicer irrevocably waives any right to commence any suit or action, in law or equity, against any person or entity that acts in reliance upon or acknowledges the authority granted under this Power of Attorney. The power of attorney granted hereby is coupled with an interest and may not be revoked or canceled by Servicer until all obligations of the Borrower under the Transaction Documents have been indefeasibly paid in full and Attorney has provided its written consent thereto (which consent shall not be unreasonably withheld or delayed).

Corporate Capital Trust, Inc., as the Servicer, hereby irrevocably constitutes and appoints Attorney (and all officers, employees or agents designated by Attorney), solely in connection with the enforcement of the rights and remedies of the Administrative Agent, the Collateral Agent, the Lenders and the other Secured Parties under the Loan and Servicing Agreement and in connection with notifying Obligors of the Collateral Agent's interest in the Collateral Portfolio pursuant to Section 5.01(cc) of the Loan and Servicing Agreement, with full power of substitution, as its true and lawful attorney-in-fact with full irrevocable power and authority in the Servicer's place and stead and at the Servicer's expense and in the Servicer's name or in Attorney's own name, from time to time in Attorney's discretion, to take any and all appropriate action and to execute and deliver any and all documents and instruments that may be necessary or desirable to exercise the rights of the Servicer under the Loan and Servicing Agreement and the other Transaction Documents, and, without limiting the generality of the foregoing, hereby grants to Attorney the power and right, on its behalf, without notice to or assent by it, to do the following in connection with exercising the rights of the Servicer under the Loan and Servicing Agreement: (a) open mail

for Servicer, and ask, demand, collect, give acquittances and receipts for, take possession of, or endorse and receive payment of, any checks, drafts, notes, acceptances, or other instruments for the payment of moneys due, and sign and endorse any invoices, freight or express bills, bills of lading, storage or warehouse receipts, drafts against debtors, assignments, verifications, and notices, in each case in connection with the Collateral Portfolio; (b) effect any repairs to any of the Collateral Portfolio, or continue or obtain any insurance with respect to the Collateral Portfolio and pay all or any part of the premiums therefor and costs thereof, and make, settle and adjust all claims under such policies of insurance, and make all determinations and decisions with respect to such policies; (c) pay or discharge any taxes, Liens, or other encumbrances levied or placed on or threatened against the Collateral Portfolio; (d) to the extent related to the Collateral Portfolio and the transactions contemplated by the Transaction Documents, defend any suit, action or proceeding brought against Servicer with respect to the Collateral Portfolio if Servicer does not defend such suit, action or proceeding or if Attorney reasonably believes that it is not pursuing such defense in a manner that will maximize the recovery to Attorney with respect to the Collateral Portfolio, and settle, compromise or adjust any suit, action, or proceeding described above and, in connection therewith, give such discharges or releases as Attorney may deem appropriate; (e) file or prosecute any claim, litigation, suit or proceeding in any court of competent jurisdiction or before any arbitrator, or take any other action otherwise deemed appropriate by Attorney for the purpose of collecting any and all such moneys due to Servicer with respect to the Collateral Portfolio whenever payable and to enforce any other right in respect of the Collateral Portfolio; (f) sell, transfer, pledge, make any agreement with respect to, or otherwise deal with the Collateral Portfolio, and execute, in connection with such sale or action, any endorsements, assignments or other instruments of conveyance or transfer in connection therewith; (g) to give any necessary receipts or acquittance for amounts collected or received under the Loan and Servicing Agreement; (h) to make all necessary transfers of the Collateral Portfolio in connection with any such sale or other disposition made pursuant to the Loan and Servicing Agreement; (i) to execute and deliver for value all necessary or appropriate bills of sale, assignments and other instruments in connection with any such sale or other disposition of the Collateral Portfolio, the Servicer hereby ratifying and confirming all that such Attorney (or any substitute) shall lawfully do or cause to be done hereunder and pursuant hereto; (j) to send such notification forms as the Attorney deems appropriate to give notice to Obligor of the Secured Parties' interest in the Collateral Portfolio; (k) to sign any agreements, orders or other documents in connection with or pursuant to any Transaction Document; and (l) to cause the certified public accountants then engaged by the Servicer to prepare and deliver to the Attorney at any time and from time to time, promptly upon Attorney's request, any reports required to be prepared by or on behalf of the Servicer or Borrower under the Transaction Documents, all as though Attorney were the absolute owner of the Collateral Portfolio for all purposes, and to do, at Attorney's option and Servicer's expense, at any time or from time to time, all acts and other things that Attorney reasonably deems necessary to perfect, preserve or realize upon the Collateral Portfolio and the Liens of the Collateral Agent, for benefit of the Secured Parties, thereon (including without limitation the execution and filing of UCC financing statements and continuation statements), all as fully and effectively as Servicer might do. Servicer hereby ratifies, to the extent permitted by law, all that said attorneys shall lawfully do or cause to be done by virtue hereof.

[Remainder of Page Left Intentionally Blank]

IN WITNESS WHEREOF, this Power of Attorney is executed by the Servicer, and the Servicer has caused its seal to be affixed pursuant to the authority of its managers and/or members as of the date first written above.

**CORPORATE CAPITAL TRUST, INC.,**  
as the Servicer

By: \_\_\_\_\_  
Name:  
Title:

Sworn to and subscribed before  
me this December 2, 2015:

Notary Public

**FORM OF POWER OF ATTORNEY  
CCT TOKYO FUNDING LLC**

December 2, 2015

This Power of Attorney is executed and delivered by CCT Tokyo Funding LLC, as the Borrower under the Loan and Servicing Agreement (each as defined below), to Sumitomo Mitsui Banking Corporation, as the [Collateral Agent]/[Administrative Agent] under the Loan and Servicing Agreement (in such capacity, the "Attorney"), pursuant to that certain Loan and Servicing Agreement, dated as of December 2, 2015 (as amended, modified, waived, supplemented or restated from time to time, the "Loan and Servicing Agreement"), by and among CCT Tokyo Funding LLC, as the borrower (in such capacity, the "Borrower"), Corporate Capital Trust, Inc., as the transferor (in such capacity, the "Transferor") and as the servicer (in such capacity, the "Servicer"), Sumitomo Mitsui Banking Corporation, as the administrative agent (in such capacity, the "Administrative Agent") and as the collateral agent (in such capacity, the "Collateral Agent"), and each of the Lenders from time to time party thereto (the "Lenders"). Capitalized terms used but not defined herein shall have the meanings provided in the Loan and Servicing Agreement.

No person to whom this Power of Attorney is presented, as authority for Attorney to take any action or actions contemplated hereby, shall be required to inquire into or seek confirmation from Borrower as to the authority of Attorney to take any action described below, or as to the existence of or fulfillment of any condition to this Power of Attorney, which is intended to grant to Attorney unconditionally the authority to take and perform the actions contemplated herein, and Borrower irrevocably waives any right to commence any suit or action, in law or equity, against any person or entity that acts in reliance upon or acknowledges the authority granted under this Power of Attorney. The power of attorney granted hereby is coupled with an interest and may not be revoked or canceled by Borrower until all obligations of the Borrower under the Transaction Documents have been indefeasibly paid in full and Attorney has provided its written consent thereto (which consent shall not be unreasonably withheld or delayed).

CCT Tokyo Funding LLC hereby irrevocably constitutes and appoints Attorney (and all officers, employees or agents designated by Attorney), solely in connection with the enforcement of the rights and remedies of the Administrative Agent, the Collateral Agent, the Lenders and the other Secured Parties under the Loan and Servicing Agreement and in connection with notifying Obligors of the Collateral Agent's interest in the Collateral Portfolio pursuant to Section 5.01(cc) of the Loan and Servicing Agreement, with full power of substitution, as its true and lawful attorney-in-fact with full irrevocable power and authority in the Borrower's place and stead and at the Borrower's expense and in the Borrower's name or in Attorney's own name, from time to time in Attorney's discretion, to take any and all appropriate action and to execute and deliver any and all documents and instruments that may be necessary or desirable to accomplish the purposes of the Loan and Servicing Agreement and the other Transaction Documents, and, without limiting the generality of the foregoing, hereby grants to Attorney the power and right, on its behalf, without notice to or assent by it, to do the following: (a) open mail for Borrower, and ask, demand, collect, give acquittances and receipts for, take possession of, or endorse and

receive payment of, any checks, drafts, notes, acceptances, or other instruments for the payment of moneys due, and sign and endorse any invoices, freight or express bills, bills of lading, storage or warehouse receipts, drafts against debtors, assignments, verifications, and notices; (b) effect any repairs to any of the Borrower's assets, or continue or obtain any insurance and pay all or any part of the premiums therefor and costs thereof, and make, settle and adjust all claims under such policies of insurance, and make all determinations and decisions with respect to such policies; (c) pay or discharge any taxes, Liens, or other encumbrances levied or placed on or threatened against the Borrower or the Borrower's property; (d) to the extent related to the Collateral Portfolio and the transactions contemplated by the Transaction Documents, defend any suit, action or proceeding brought against Borrower if Borrower does not defend such suit, action or proceeding or if Attorney reasonably believes that it is not pursuing such defense in a manner that will maximize the recovery to Attorney, and settle, compromise or adjust any suit, action, or proceeding described above and, in connection therewith, give such discharges or releases as Attorney may deem appropriate; (e) file or prosecute any claim, litigation, suit or proceeding in any court of competent jurisdiction or before any arbitrator, or take any other action otherwise deemed appropriate by Attorney for the purpose of collecting any and all such moneys due to Borrower whenever payable and to enforce any other right in respect of the Borrower's property; (f) sell, transfer, pledge, make any agreement with respect to, or otherwise deal with, any of the Borrower's property, and execute, in connection with such sale or action, any endorsements, assignments or other instruments of conveyance or transfer in connection therewith; (g) to give any necessary receipts or acquittance for amounts collected or received under the Loan and Servicing Agreement; (h) to make all necessary transfers of the Collateral Portfolio in connection with any such sale or other disposition made pursuant to the Loan and Servicing Agreement; (i) to execute and deliver for value all necessary or appropriate bills of sale, assignments and other instruments in connection with any such sale or other disposition of the Collateral Portfolio, the Borrower hereby ratifying and confirming all that such Attorney (or any substitute) shall lawfully do or cause to be done hereunder and pursuant hereto; (j) to send such notification forms as the Attorney deems appropriate to give notice to Obligors of the Secured Parties' interest in the Collateral Portfolio; (k) to sign any agreements, orders or other documents in connection with or pursuant to any Transaction Document; and (l) to cause the certified public accountants then engaged by the Borrower to prepare and deliver to the Attorney at any time and from time to time, promptly upon Attorney's request, any reports required to be prepared by or on behalf of the Borrower under the Transaction Documents, all as though Attorney were the absolute owner of the Borrower's property for all purposes, and to do, at Attorney's option and Borrower's expense, at any time or from time to time, all acts and other things that Attorney reasonably deems necessary to perfect, preserve or realize upon the Collateral Portfolio and the Liens of the Collateral Agent, for the benefit of the Secured Parties, thereon (including without limitation the execution and filing of UCC financing statements and continuation statements), all as fully and effectively as Borrower might do. Borrower hereby ratifies, to the extent permitted by law, all that said attorneys shall lawfully do or cause to be done by virtue hereof.

[Remainder of Page Left Intentionally Blank]

IN WITNESS WHEREOF, this Power of Attorney is executed by the Borrower, and the Borrower has caused its seal to be affixed pursuant to the authority of its managers and/or members as of the date first written above.

**CCT TOKYO FUNDING LLC**

By: \_\_\_\_\_  
Name:  
Title:

Sworn to and subscribed before  
me this December 2, 2015:

\_\_\_\_\_  
Notary Public

**FORM OF SERVICER'S CERTIFICATE (LOAN ASSET REGISTER)**

## SERVICER'S CERTIFICATE (LOAN ASSET REGISTER)

[ ] [ ], 20[ ]

This Servicer's Certificate is delivered pursuant to the provisions of Section 5.03(k) of the Loan and Servicing Agreement, dated as of December 2, 2015 (as amended, modified, waived, supplemented or restated from time to time, the "Loan and Servicing Agreement"), by and among CCT Tokyo Funding LLC, as the borrower (in such capacity, the "Borrower"), Corporate Capital Trust, Inc., as the transferor (in such capacity, the "Transferor") and as the servicer (in such capacity, the "Servicer"), Sumitomo Mitsui Banking Corporation, as the administrative agent (in such capacity, the "Administrative Agent") and as the collateral agent (in such capacity, the "Collateral Agent"), and each of the Lenders from time to time party thereto (the "Lenders"). Capitalized terms used and not otherwise defined herein shall have the meanings provided in the Loan and Servicing Agreement. This Servicer's Certificate relates to the Loan Asset Register set forth on the attached Schedule A.

- A. Corporate Capital Trust, Inc. is the Servicer under the Loan and Servicing Agreement.
- B. The undersigned hereby certifies to the Administrative Agent, the Collateral Agent, the Collateral Custodian, the Lenders and the other Secured Parties that all of the foregoing information and all of the information set forth on the attached Schedule A is true, complete and accurate in all material respects as of the date hereof.

[Remainder of Page Left Intentionally Blank]



IN WITNESS WHEREOF, the undersigned has caused this Servicer's Certificate to be duly executed as of the date first written above.

**CORPORATE CAPITAL TRUST, INC.,**  
as the Servicer

By: \_\_\_\_\_  
Name:  
Title:

LOAN ASSET REGISTER

(See attached)

Ex. P-3

FORM OF UNDERWRITING REQUEST

**LOAN ASSET**  
**UNDERWRITING REQUEST**

**DATE OF REQUEST** \_\_\_\_\_

**PROPOSED LOAN ASSET INFORMATION<sup>66</sup>**

Obligor Name \_\_\_\_\_

Tranche Description \_\_\_\_\_

Par Amount \_\_\_\_\_

Purchase Price (specify any discount) \_\_\_\_\_

Fair Market Value \_\_\_\_\_

Unfunded Exposure Amount \_\_\_\_\_

Pricing \_\_\_\_\_

Maturity Date of Loan Asset \_\_\_\_\_

Requested Exceptions to Eligibility Criteria for Loan Asset      See attached Schedule 1

**THE UNDERSIGNED HEREBY ACKNOWLEDGES AND AGREES THAT THE UNDERWRITING PERIOD SHALL NOT COMMENCE UNLESS THIS REQUEST IS ACCOMPANIED BY ALL DOCUMENTS AND INFORMATION LISTED ON SCHEDULE 2 (TO THE EXTENT REASONABLY AVAILABLE TO THE SERVICER) WITH RESPECT TO THE ABOVE REFERENCED LOAN ASSET TO THE SATISFACTION OF, AND AS REASONABLY DETERMINED BY, THE ADMINISTRATIVE AGENT.**

*[Signature Page Follows]*

<sup>66</sup>To be completed to the extent such information is reasonably available to the Servicer as of the date of the request; *provided* that, the Servicer shall promptly provide any such incomplete information to the Administrative Agent as soon as such information becomes reasonably available.

Certified as of the date first written above.

**CORPORATE CAPITAL TRUST, INC.,**  
as the Servicer

By: \_\_\_\_\_  
Name:  
Title:

Ex. Q-2

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Schedule 1 to Exhibit Q

Requested Exceptions to Eligibility Criteria for Loan Asset

Ex. Q-3

Schedule 2 to Exhibit Q

Loan Asset Documentation and Information

- Final, executed copies of the following (with all exhibits, schedules and other attachments):
- Loan Agreement
- security agreement(s) and mortgage(s), as applicable
- intercreditor or subordination agreement, as applicable
- subordinated Loan Agreement, as applicable
- Audited financial statements with respect to each of the most recent three fiscal years of the Obligor(s) (if no audited financial information available, equivalent reporting information shall be attached, such as unaudited financial statements for such periods and/or any quality of earnings analyses, etc.)
- Interim financial statements since last audit (if request is made at any time other than the end of the fiscal year of the Obligor(s))
- Financial projections and assumptions
- Final sources and uses
- Corporate organizational chart
- Servicer investment memorandum (including post-closing memorandum, if available)
- \_\_\_\_\_
- \_\_\_\_\_
- \_\_\_\_\_
- \_\_\_\_\_
- \_\_\_\_\_<sup>7</sup>

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<sup>7</sup> Insert any additional information that Administrative Agent has reasonably requested to be provided with respect to such Loan Asset.

## Subsidiaries of FS KKR Capital Corp.

<u>Name of Subsidiary</u>	<u>State of Incorporation or Organization</u>
CCT Dublin Funding Designated Activity Company	Ireland
CCT Funding LLC	Delaware
CCT Holdings LLC	Delaware
CCT Holdings II LLC	Delaware
CCT New York Funding LLC	Delaware
CCT SE III LLC	Delaware
CCT SE IV LLC	Delaware
CCT SE V LLC	Delaware
CCT SE VI LLC	Delaware
CCT SE VII LLC	Delaware
CCT Tokyo Funding LLC	Delaware
FCF LLC	Delaware
FSIC Investments, Inc.	Delaware
Hamilton Street Funding LLC	Delaware
Halifax Funding LLC	Delaware
IC American Energy Investments, Inc.	Delaware
IC Altus Investments, LLC	Delaware
IC Arches Investments, LLC	Delaware
IC Northern Investments, LLC	Delaware
Locust Street Funding LLC	Delaware
Paris Funding LLC	Delaware
Race Street Funding LLC	Delaware

**Certification of Chief Executive Officer**

I, Michael C. Forman, Chief Executive Officer of FS KKR Capital Corp., certify that:

1. I have reviewed this annual report on Form 10-K of FS KKR Capital Corp.;
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 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.
5. The registrant's other certifying officer 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.

Dated this 27th day of February 2019.

/s/ Michael C. Forman

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Michael C. Forman  
Chief Executive Officer



**Certification of Chief Financial Officer**

I, William Goebel, Chief Financial Officer of FS KKR Capital Corp., certify that:

1. I have reviewed this annual report on Form 10-K of FS KKR Capital Corp.;
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 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.
5. The registrant's other certifying officer 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.

Dated this 27th day of February 2019.

/s/ William Goebel

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William Goebel  
Chief Financial Officer

**CERTIFICATION of CEO PURSUANT TO**  
**Pursuant to**  
**Section 906 of the Sarbanes-Oxley Act of 2002 (18 U.S.C. 1350)**

In connection with the Annual Report on Form 10-K for the year ended December 31, 2018 (the "Report") of FS KKR Capital Corp. (the "Registrant"), as filed with the Securities and Exchange Commission on the date hereof, I, Michael C. Forman, the Chief Executive Officer of the Registrant, hereby certify, to the best of my knowledge, that:

- (1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended; and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Registrant.

Dated: February 27, 2019

/s/ Michael C. Forman

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Michael C. Forman  
Chief Executive Officer

**CERTIFICATION of CFO PURSUANT TO**  
**Pursuant to**  
**Section 906 of the Sarbanes-Oxley Act of 2002 (18 U.S.C. 1350)**

In connection with the Annual Report on Form 10-K for the year ended December 31, 2018 (the "Report") of FS KKR Capital Corp. (the "Registrant"), as filed with the Securities and Exchange Commission on the date hereof, I, William Goebel, the Chief Financial Officer of the Registrant, hereby certify, to the best of my knowledge, that:

- (1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended; and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Registrant.

Dated: February 27, 2019

/s/ William Goebel

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William Goebel  
Chief Financial Officer