

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

FORM 8-K

CURRENT REPORT  
PURSUANT TO SECTION 13 OR 15(d) OF  
THE SECURITIES EXCHANGE ACT OF 1934

Date of Report (Date of earliest event reported): **May 10, 2018**

**FS Investment Corporation**

(Exact name of Registrant as specified in its charter)

**Maryland**  
(State or other jurisdiction  
of incorporation)

**814-00757**  
(Commission  
File Number)

**26-1630040**  
(I.R.S. Employer  
Identification No.)

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

**19112**  
(Zip Code)

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

**None**  
(Former name or former address, if changed since last report)

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions:

- Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)
- Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)
- Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))
- Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

Indicate by check mark whether the registrant is an emerging growth company as defined in Rule 405 of the Securities Act of 1933 (§230.405 of this chapter) or Rule 12b-2 of the Securities Exchange Act of 1934 (§240.12b-2 of this chapter).

- 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.

**Item 2.02 Results of Operations and Financial Condition.**

On May 10, 2018, FS Investment Corporation (the “Company”) issued a press release (the “Press Release”) providing an overview of its operating results for the quarter ended March 31, 2018.

A copy of the Press Release is attached hereto as Exhibit 99.1 and is incorporated herein by reference.

**Item 7.01. Regulation FD Disclosure.**

On May 10, 2018, in the Press Release, the Company announced a regular cash distribution of \$0.19 per share, which will be paid on or about July 3, 2018 to stockholders of record as of the close of business on June 20, 2018.

The Company will make available under the “Presentations and Reports” page within the “Investor Relations” section of the Company’s website ([www.fsinvestmentcorp.com](http://www.fsinvestmentcorp.com)) a presentation providing an overview of the Company’s operating results for the quarter ended March 31, 2018 in advance of its previously announced May 11, 2018 conference call.

**Forward-Looking Statements**

This Current Report on Form 8-K may contain certain forward-looking statements, including statements with regard to future events or the future performance or operation of the Company. Words such as “believes,” “expects,” “projects” and “future” or similar expressions are intended to identify forward-looking statements. These forward-looking statements are subject to the inherent uncertainties in predicting future results and conditions. Certain factors could cause actual results to differ materially from those projected in these forward-looking statements. Factors that could cause actual results to differ materially include changes in the economy, risks associated with possible disruption in the Company’s operations or the economy generally due to terrorism or natural disasters, future changes in laws or regulations and conditions in the Company’s operating area, and the price at which shares of common stock may trade on the New York Stock Exchange. Some of these factors are enumerated in the filings the Company makes with the Securities and Exchange Commission. The Company undertakes no obligation to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise.

**Item 9.01. Financial Statements and Exhibits.**

- (d) Exhibits.

<b>EXHIBIT NUMBER</b>	<b>DESCRIPTION</b>
99.1	Press Release, dated May 10, 2018.

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**SIGNATURE**

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

**FS Investment Corporation**

Date: May 10, 2018

By: /s/ Stephen S. Sypherd  
Stephen S. Sypherd  
Vice President

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**EXHIBIT INDEX**

<b>EXHIBIT NUMBER</b>	<b>DESCRIPTION</b>
<a href="#"><u>99.1</u></a>	<a href="#"><u>Press Release, dated May 10, 2018.</u></a>

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**FSIC Reports First Quarter 2018 Financial Results and  
Declares Regular Distribution for Second Quarter**

PHILADELPHIA, PA, May 10, 2018 – FS Investment Corporation (NYSE: FSIC), a publicly traded business development company focused on providing customized credit solutions to private middle market U.S. companies, announced its operating results for the quarter ended March 31, 2018, and that its board of directors has declared its second quarter 2018 regular distribution.

**Financial Highlights for the Quarter Ended March 31, 2018<sup>1</sup>**

- Net investment income of \$0.21 per share, compared to \$0.22 per share for the quarter ended March 31, 2017
- Adjusted net investment income of \$0.21 per share, compared to \$0.22 per share for the quarter ended March 31, 2017<sup>2</sup>
- Total net realized loss of \$0.02 per share and total net change in unrealized depreciation of \$0.13 per share, compared to a total net realized loss of \$0.41 per share and a total net change in unrealized appreciation of \$0.45 per share for the quarter ended March 31, 2017
- Paid cash distributions to stockholders totaling \$0.19 per share<sup>3</sup>
- Total purchases of \$116.0 million versus \$216.0 million of sales and repayments
- Net asset value of \$9.16 per share, compared to \$9.30 per share as of December 31, 2017

“We are pleased with the progress we made during the first quarter to transition the management of our franchise to the new joint adviser we’ve established with KKR,” said Michael Forman, Chairman and Chief Executive Officer of FSIC. “Now that the transition is complete, we are collectively focused on serving the needs of our existing borrowers, sourcing attractive new investment opportunities and delivering consistent and strong performance for our investors.”

**Declaration of Regular Distribution for Second Quarter 2018**

FSIC’s board of directors has declared a regular cash distribution for the second quarter of \$0.19 per share, which will be paid on or about July 3, 2018 to stockholders of record as of the close of business on June 20, 2018.

## Summary Consolidated Results

(dollars in thousands, except per share data) (all per share amounts are basic and diluted) <sup>1</sup>	Three Months Ended		
	March 31, 2018	December 31, 2017	March 31, 2017
Total investment income	\$ 101,018	\$ 110,861	\$ 106,064
Net investment income	50,547	54,061	52,590
Net increase (decrease) in net assets resulting from operations	12,925	14,754	63,393
Net investment income per share	\$ 0.21	\$ 0.22	\$ 0.22
Adjusted net investment income per share <sup>2</sup>	\$ 0.21	\$ 0.24	\$ 0.22
Total net realized and unrealized gain (loss) per share	\$ (0.15)	\$ (0.16)	\$ 0.04
Net increase (decrease) in net assets resulting from operations (Earnings per Share)	\$ 0.05	\$ 0.06	\$ 0.26
Stockholder distributions per share <sup>3</sup>	\$ 0.19000	\$ 0.19000	\$ 0.22275
Net asset value per share at period end	\$ 9.16	\$ 9.30	\$ 9.45
Weighted average shares outstanding	245,713,188	245,725,416	244,554,969
Shares outstanding, end of period	245,587,856	245,725,416	244,599,661

(dollar amounts in thousands)	As of March 31, 2018	As of March 31, 2017
Total fair value of investments	\$ 3,804,014	\$ 3,924,168
Total assets	4,057,505	4,286,351
Total stockholders' equity	2,249,962	2,311,635

### Portfolio Highlights as of March 31, 2018

- Total fair value of investments was \$3.8 billion.
- Core investment strategies<sup>4</sup> represented 100% of the portfolio by fair value as of March 31, 2018, including 92% from direct originations and 8% from opportunistic investments. Broadly syndicated/other investments represented less than 1% of the portfolio by fair value.
- Gross portfolio yield prior to leverage (based on amortized cost and excluding non-income producing assets)<sup>5</sup> was 10.9%, compared to 10.5% as of December 31, 2017.
- Total commitments to direct originations (including unfunded commitments) made during the first quarter of 2018 was \$79.6 million in 6 companies, all of which were existing portfolio companies.
- Approximately 0.0% of investments were on non-accrual based on fair value.<sup>6</sup>

**Total Portfolio Activity**

(dollar amounts in thousands)	Three Months Ended		
	March 31, 2018	December 31, 2017	March 31, 2017
Purchases	\$ 115,990	\$ 262,562	\$ 539,689
Sales and redemptions	(215,945)	(234,638)	(364,308)
<b>Net portfolio activity</b>	<b>\$ (99,955)</b>	<b>\$ 27,924</b>	<b>\$ 175,381</b>

Portfolio Data	As of March 31, 2018	As of March 31, 2017
Total fair value of investments	\$ 3,804,014	\$ 3,924,168
Number of Portfolio Companies	94	108
Average Annual EBITDA of Portfolio Companies	\$ 82,400	\$ 86,100
Weighted Average Purchase Price of Debt Investments (as a % of par)	99.6%	97.2%
% of Investments on Non-Accrual (based on fair value) <sup>6</sup>	0.0%	0.0%

Asset Class (based on fair value)	As of March 31, 2018	As of March 31, 2017
Senior Secured Loans — First Lien	65%	57%
Senior Secured Loans — Second Lien	4%	9%
Senior Secured Bonds	4%	4%
Subordinated Debt	13%	15%
Collateralized Securities	1%	2%
Equity/Other	13%	13%

Portfolio Composition by Strategy (based on fair value) <sup>4</sup>	As of March 31, 2018	As of March 31, 2017
Direct Originations	92%	87%
Opportunistic	8%	10%
Broadly Syndicated/Other	0%	3%

Interest Rate Type (based on fair value)	As of March 31, 2018	As of March 31, 2017
% Variable Rate	69.2%	65.5%
% Fixed Rate	18.4%	21.8%
% Income Producing Equity/Other Investments	2.3%	2.7%
% Non-Income Producing Equity/Other Investments	10.1%	10.0%

Yields (based on amortized cost) <sup>5</sup>	As of March 31, 2018	As of March 31, 2017
Gross Portfolio Yield Prior to Leverage	10.0%	9.3%
Gross Portfolio Yield Prior to Leverage — Excluding Non-Income Producing Assets	10.9%	10.2%

## Direct Origination Activity

(dollar amounts in thousands)	Three Months Ended		
	March 31, 2018	December 31, 2017	March 31, 2017
Total Commitments (including unfunded commitments)	\$ 79,590	\$ 220,159	\$ 429,407
Exited Investments (including partial paydowns)	(186,236)	(159,678)	(322,068)
<b>Net Direct Originations</b>	<b>\$ (106,646)</b>	<b>\$ 60,481</b>	<b>\$ 107,339</b>

Direct Originations Portfolio Data	As of March 31, 2018	As of March 31, 2017
Total Fair Value of Direct Originations	\$ 3,495,945	\$ 3,430,320
Number of Portfolio Companies	72	73
Average Annual EBITDA of Portfolio Companies	\$ 70,200	\$ 64,700
Average Leverage Through Tranche of Portfolio Companies — Excluding Equity/Other and Collateralized Securities	5.1x	4.5x
% of Investments on Non-Accrual (based on fair value) <sup>6</sup>	0.0%	—

New Direct Originations by Asset Class (including unfunded commitments)	Three Months Ended		
	March 31, 2018	December 31, 2017	March 31, 2017
Senior Secured Loans — First Lien	90%	74%	81%
Senior Secured Loans — Second Lien	5%	7%	1%
Senior Secured Bonds	—	11%	2%
Subordinated Debt	1%	—	15%
Collateralized Securities	—	—	—
Equity/Other	4%	8%	1%
Average New Direct Origination Commitment Amount	\$ 13,265	\$ 16,935	\$ 35,784
Weighted Average Maturity for New Direct Originations	9/15/2023	10/8/2023	3/2/2023
Gross Portfolio Yield Prior to Leverage (based on amortized cost) of New Direct Originations Funded during Period <sup>5</sup>	10.9%	8.6%	9.8%
Gross Portfolio Yield Prior to Leverage (based on amortized cost) of New Direct Originations Funded during Period — Excluding Non-Income Producing Assets <sup>5</sup>	10.9%	9.3%	10.0%
Gross Portfolio Yield Prior to Leverage (based on amortized cost) of Direct Originations Exited during Period <sup>5</sup>	10.6%	8.9%	9.1%

### Leverage and Liquidity as of March 31, 2018

- Debt to equity ratio of 77%, based on \$1.72 billion in total debt outstanding and stockholders' equity of \$2.25 billion. FSIC's weighted average effective interest rate (including the effect of non-usage fees) was 4.31%
- Cash and foreign currency of approximately \$215.1 million and availability under its financing arrangements of \$260.4 million, subject to borrowing base and other limitations
- Nineteen unfunded debt investments with aggregate unfunded commitments of \$133.3 million and two unfunded equity commitments with aggregate unfunded commitments of \$299 thousand



## Conference Call Information

FSIC will host a conference call at 10:00 a.m. (Eastern Time) on Friday, May 11, 2018, to discuss its first quarter financial results. All interested parties are welcome to participate. You can access the conference call by dialing (877) 443-2408 and using the conference ID 6081268 approximately 10 minutes prior to the call. The conference call will also be webcast, which can be accessed from the Investor Relations section of FSIC's website at [www.fsinvestmentcorp.com](http://www.fsinvestmentcorp.com) under Presentations and Reports.

A replay of the call will be available for a period of 30 days following the call by visiting the Investor Relations section of FSIC's website at [www.fsinvestmentcorp.com](http://www.fsinvestmentcorp.com) under Presentations and Reports.

## Supplemental Information

An investor presentation of financial information will be made available prior to the call in the Investor Relations section of FSIC's website at [www.fsinvestmentcorp.com](http://www.fsinvestmentcorp.com) under Presentations and Reports.

## About FS Investment Corporation

FS Investment Corporation (NYSE: FSIC) is a publicly traded business development company ("BDC") focused on providing customized credit solutions to private middle market U.S. companies. FSIC seeks to invest primarily in the senior secured debt and, to a lesser extent, the subordinated debt of private middle market companies to achieve the best risk-adjusted returns for its investors. FSIC is advised by FS/KKR Advisor, LLC. For more information, please visit [www.fsinvestmentcorp.com](http://www.fsinvestmentcorp.com).

## About FS/KKR Advisor, LLC

FS/KKR Advisor, LLC ("FS/KKR") is a partnership between FS Investments and KKR Credit that serves as the investment adviser to six BDCs with approximately \$18 billion in assets under management as of December 31, 2017. The BDCs managed by FS/KKR include FS Investment Corporation, FS Investment Corporation II, FS Investment Corporation III, FS Investment Corporation IV, Corporate Capital Trust, Inc. and Corporate Capital Trust II.

FS/KKR seeks to leverage the size of its platform, differentiated origination capabilities and expertise in capital markets to maximize returns and preserve capital for investors.

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 industry standards for investor protection, education and transparency. FS Investments is headquartered in Philadelphia, PA with offices in New York, NY, Orlando, FL and Washington, DC. Visit [www.fsinvestments.com](http://www.fsinvestments.com) to learn more.

KKR Credit is a subsidiary of KKR & Co. LP, a leading global investment firm that manages multiple alternative asset classes, including private equity, energy, infrastructure, real estate and credit, with strategic manager partnerships that manage hedge funds. KKR 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 portfolio companies. KKR invests its own capital alongside the capital it manages for fund investors and provides financing solutions and investment opportunities through its capital markets business. References to KKR's investments may include the activities of its sponsored funds. For additional information about KKR & Co. L.P. (NYSE: KKR), please visit KKR's website at [www.kkr.com](http://www.kkr.com) and on Twitter @KKR\_Co.

## Forward-Looking Statements and Important Disclosure Notice

This announcement may contain certain forward-looking statements, including statements with regard to future events or the future performance or operations of FSIC. Words such as "believes," "expects," "projects," and "future" or similar expressions are intended to identify forward-looking statements. These forward-looking statements are subject to the inherent uncertainties in predicting future results and conditions. Certain factors could cause actual results to differ materially from those projected in these forward-looking statements. Factors that could cause actual results to differ materially include changes in the economy, risks associated with possible disruption in FSIC's operations or the economy generally due to terrorism or natural disasters, future changes in laws or regulations and conditions in FSIC's operating area, and the price at which shares of FSIC's common stock trade on the New York Stock Exchange. Some of these factors are enumerated in the filings FSIC makes with the SEC. FSIC undertakes no obligation to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise.

The press release above contains summaries of certain financial and statistical information about FSIC. The information contained in this press release is summary information that is intended to be considered in the context of FSIC's SEC filings and other public announcements that FSIC may make, by press release or otherwise, from time to time. FSIC undertakes no duty or obligation to update or revise the information contained in this press release. In addition, information related to past performance, while helpful as an evaluative tool, is not necessarily indicative of future results, the achievement of which cannot be assured. Investors should not view the past performance of FSIC, or information about the market, as indicative of FSIC's future results.

#### **Other Information**

The information in this press release is summary information only and should be read in conjunction with FSIC's quarterly report on Form 10-Q for the quarterly period ended March 31, 2018, which FSIC filed with the U.S. Securities and Exchange Commission (the "SEC") on May 10, 2018, as well as FSIC's other reports filed with the SEC. A copy of FSIC's quarterly report on Form 10-Q for the quarterly period ended March 31, 2018 and FSIC's other reports filed with the SEC can be found on FSIC's website at [www.fsinvestmentcorp.com](http://www.fsinvestmentcorp.com) and the SEC's website at [www.sec.gov](http://www.sec.gov).

#### **Certain Information About Distributions**

The determination of the tax attributes of FSIC's distributions is made annually as of the end of its fiscal year based upon its taxable income and distributions paid, in each case, for the full year. Therefore, a determination as to the tax attributes of the distributions made on a quarterly basis may not be representative of the actual tax attributes for a full year. FSIC intends to update stockholders quarterly with an estimated percentage of its distributions that resulted from taxable ordinary income. The actual tax characteristics of distributions to stockholders will be reported to stockholders annually on Form 1099-DIV.

The timing and amount of any future distributions on FSIC's shares of common stock are subject to applicable legal restrictions and the sole discretion of its board of directors. There can be no assurance as to the amount or timing of any such future distributions, including the special distribution referenced herein.

FSIC may fund its cash distributions to stockholders from any sources of funds legally available to it, including proceeds from the sale of shares of FSIC'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 it on account of preferred and common equity investments in portfolio companies. FSIC has not established limits on the amount of funds it may use from available sources to make distributions. There can be no assurance that FSIC will be able to pay distributions at a specific rate or at all.

Contact Information:

#### **Investors**

Marc Yaklofsky  
[marc.yaklofsky@fsinvestments.com](mailto:marc.yaklofsky@fsinvestments.com)  
215-309-6763

#### **Media**

Kate Beers  
[media@fsinvestments.com](mailto:media@fsinvestments.com)  
215-495-1174

**Income Statement**
**Three Months Ended  
March 31,**

	<b>2018</b>	<b>2017</b>
<b>Investment income</b>		
From non-controlled/unaffiliated investments:		
Interest income	\$ 75,269	\$ 72,838
Paid-in-kind interest income	8,448	6,881
Fee income	2,453	19,530
Dividend income	7,355	—
From non-controlled/affiliated investments:		
Interest income	1,428	3,684
Paid-in-kind interest income	3,147	606
Fee income	—	29
From controlled/affiliated investments:		
Interest income	1,120	1,502
Paid-in-kind interest income	1,798	994
Total investment income	<u>101,018</u>	<u>106,064</u>
<b>Operating expenses</b>		
Management fees	17,854	18,367
Subordinated income incentive fees	11,999	13,147
Administrative services expenses	734	734
Accounting and administrative fees	254	265
Interest expense	20,053	19,439
Directors' fees	496	271
Other general and administrative expenses	1,632	1,251
Total operating expenses	53,022	53,474
Management fee waiver	(2,551)	—
Net expenses	<u>50,471</u>	<u>53,474</u>
Net investment income	<u>50,547</u>	<u>52,590</u>
<b>Realized and unrealized gain/loss</b>		
Net realized gain (loss) on investments:		
Non-controlled/unaffiliated investments	(4,351)	(48,447)
Non-controlled/affiliated investments	8	305
Controlled/affiliated investments	—	(52,879)
Net realized gain (loss) on foreign currency	61	123
Net change in unrealized appreciation (depreciation) on investments:		
Non-controlled/unaffiliated investments	(17,501)	129,260
Non-controlled/affiliated investments	(5,530)	(12,328)
Controlled/affiliated investments	(9,707)	(4,499)
Net change in unrealized appreciation (depreciation) on secured borrowing	—	(10)
Net change in unrealized gain (loss) on foreign currency	(602)	(722)
Total net realized and unrealized gain (loss)	<u>\$ (37,622)</u>	<u>\$ 10,803</u>
<b>Net increase (decrease) in net assets resulting from operations</b>	<u>\$ 12,925</u>	<u>\$ 63,393</u>
<b>Per share information—basic and diluted</b>		
Net increase (decrease) in net assets resulting from operations (Earnings per Share)	<u>\$ 0.05</u>	<u>\$ 0.26</u>
Weighted average shares outstanding	<u>245,713,188</u>	<u>244,554,969</u>

**Balance Sheet**

	<b>March 31, 2018</b>	<b>December 31, 2017</b>
	<b>(Unaudited)</b>	
<b>Assets</b>		
Investments, at fair value		
Non-controlled/unaffiliated investments (amortized cost—\$3,434,363 and \$3,532,517, respectively)	\$ 3,485,256	\$ 3,600,911
Non-controlled/affiliated investments (amortized cost—\$201,717 and \$197,468, respectively)	228,774	230,055
Controlled/affiliated investments (amortized cost—\$91,284 and \$86,861, respectively)	89,984	95,268
Total investments, at fair value (amortized cost—\$3,727,364 and \$3,816,846, respectively)	3,804,014	3,926,234
Cash	209,609	134,932
Foreign currency, at fair value (cost—\$5,291 and \$3,685, respectively)	5,448	3,810
Receivable for investments sold and repaid	1,195	3,477
Income receivable	32,352	30,668
Deferred financing costs	3,212	3,459
Prepaid expenses and other assets	1,675	1,695
<b>Total assets</b>	<b>\$ 4,057,505</b>	<b>\$ 4,104,275</b>
<b>Liabilities</b>		
Payable for investments purchased	\$ 101	\$ 1,978
Credit facilities payable (net of deferred financing costs of \$2,903 and \$3,179, respectively)	639,205	638,571
Unsecured notes payable (net of deferred financing costs of \$1,245 and \$1,402, respectively)	1,074,160	1,073,445
Stockholder distributions payable	46,683	46,704
Management fees payable	15,303	15,450
Subordinated income incentive fees payable	11,999	12,871
Administrative services expense payable	542	294
Interest payable	18,190	22,851
Directors' fees payable	490	276
Other accrued expenses and liabilities	870	7,112
<b>Total liabilities</b>	<b>1,807,543</b>	<b>1,819,552</b>
Commitments and contingencies	—	—
<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, 450,000,000 shares authorized, 245,587,856 and 245,725,416 shares issued and outstanding, respectively	246	246
Capital in excess of par value	2,271,588	2,272,591
Accumulated undistributed net realized gain/loss on investments and gain/loss on foreign currency	(249,570)	(245,288)
Accumulated undistributed (distributions in excess of) net investment income	147,926	144,062
Net unrealized appreciation (depreciation) on investments and secured borrowing and unrealized gain/loss on foreign currency	79,772	113,112
<b>Total stockholders' equity</b>	<b>2,249,962</b>	<b>2,284,723</b>
<b>Total liabilities and stockholders' equity</b>	<b>\$ 4,057,505</b>	<b>\$ 4,104,275</b>
Net asset value per share of common stock at period end	\$ 9.16	\$ 9.30

## Non-GAAP Financial Measures

This press release contains certain financial measures that have not been prepared in accordance with generally accepted accounting principles in the United States (“GAAP”). FSIC uses these non-GAAP financial measures internally in analyzing financial results and believes that the use of these non-GAAP financial measures is useful to investors as an additional tool to evaluate ongoing results and trends and in comparing FSIC’s financial results with other BDCs.

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

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

	Three Months Ended		
	March 31, 2018	December 31, 2017	March 31, 2017
GAAP net investment income per share	\$ 0.21	\$ 0.22	\$ 0.22
Plus capital gains incentive fees per share	—	—	—
Plus excise taxes per share	—	0.02	—
Plus one-time expenses per share	—	—	—
Adjusted net investment income per share <sup>2</sup>	\$ 0.21	\$ 0.24	\$ 0.22

- 1) Per share data was derived by using the weighted average shares of FSIC’s common stock outstanding during the applicable period. Per share numbers may not sum due to rounding.
- 2) Adjusted net investment income is a non-GAAP financial measure. Adjusted net investment income is presented for all periods as GAAP net investment income excluding (i) the accrual for the capital gains incentive fee for realized and unrealized gains; (ii) excise taxes; and (iii) certain non-recurring operating expenses that are one-time in nature and are not representative of ongoing operating expenses incurred during FSIC’s normal course of business (referred to herein as one-time expenses). FSIC uses this non-GAAP financial measure internally in analyzing financial results and believes that the use of this non-GAAP financial measure is useful to investors as an additional tool to evaluate ongoing results and trends and in comparing its financial results with other business development companies. The presentation of this additional information is not meant to be considered in isolation or as a substitute for financial results prepared in accordance with GAAP. A reconciliation of GAAP net investment income to adjusted net investment income can be found above.
- 3) The per share data for distributions reflects the amount of distributions paid per share of our common stock to stockholders of record during each applicable period.
- 4) See FSIC’s quarterly report on Form 10-Q for the three months ended March 31, 2018 for a description of FSIC’s investment strategies.
- 5) Gross portfolio yield represents the expected annualized yield of FSIC’s investment portfolio based on the composition of the portfolio as of the applicable date. FSIC’s estimated gross portfolio yield may be higher than an investor’s yield on an investment in shares of FSIC’s 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 FSIC. FSIC’s estimated gross portfolio 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.
- 6) Interest income is recorded on an accrual basis. See FSIC’s quarterly report on Form 10-Q for the three months ended March 31, 2018 for a description of FSIC’s revenue recognition policy.