

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

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**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 15, 2014**

**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.)

**Cira Centre**  
**2929 Arch Street, Suite 675**  
**Philadelphia, Pennsylvania**  
(Address of principal executive offices)

**19104**  
(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))

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

On May 15, 2014, FS Investment Corporation (the “Company”) issued a press release providing an overview of its operating results for the fiscal quarter ended March 31, 2014.

A copy of the press release announcing the foregoing is attached hereto as Exhibit 99.1 and is incorporated herein by reference.

**Item 7.01. Regulation FD Disclosure**

A copy of a presentation (the “Presentation”) providing an overview of the Company’s operating results for the fiscal quarter ended March 31, 2014 is attached hereto as Exhibit 99.2 and is incorporated herein by reference. This presentation will be made available under the “Investor Relations” section of the Company’s website ([www.fsinvestmentcorp.com](http://www.fsinvestmentcorp.com)).

**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 publicly 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><u>EXHIBIT NUMBER</u></b>	<b><u>DESCRIPTION</u></b>
99.1	Press Release, dated May 15, 2014.
99.2	First Quarter 2014 Financial Information Presentation.

**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 15, 2014

By: /s/ Michael C. Forman

Michael C. Forman  
Chief Executive Officer

**EXHIBIT INDEX**

<b><u>EXHIBIT NUMBER</u></b>	<b><u>DESCRIPTION</u></b>
99.1	Press Release, dated May 15, 2014.
99.2	First Quarter 2014 Financial Information Presentation.



### FS Investment Corporation Reports First Quarter 2014 Financial Results

PHILADELPHIA, PA, May 15, 2014 – 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 on May 15, 2014 for the quarter ended March 31, 2014. As previously disclosed, FSIC will hold a conference call to discuss these results at 11:00 a.m., Eastern Time, on Friday, May 16, 2014. Information for those interested in participating in the call can be found below.

#### Financial Highlights for the Quarter Ended March 31, 2014<sup>1</sup>

- Net investment income increased to \$0.22 per share for the quarter ended March 31, 2014, compared to \$0.20 per share for the quarter ended March 31, 2013
- Adjusted net investment income increased to \$0.24 per share for the quarter ended March 31, 2014, compared to \$0.23 per share for the quarter ended March 31, 2013<sup>2</sup>
- Total net realized and unrealized gain on investments of \$0.10 per share for the quarter ended March 31, 2014, compared to \$0.13 per share for the quarter ended March 31, 2013
- Net earnings of \$0.32 per share for the quarter ended March 31, 2014, compared to \$0.33 per share for the quarter ended March 31, 2013
- Gross portfolio yield increased to 10.2% as of March 31, 2014, compared to 10.1% as of December 31, 2013
- Committed \$369.0 million to direct originations during the quarter ended March 31, 2014
- Net asset value per share increased to \$10.28 per share as of March 31, 2014, compared to \$10.18 per share as of December 31, 2013
- Paid regular cash distributions to stockholders totaling \$0.2160 per share during the quarter ended March 31, 2014<sup>3</sup>
- Intends to declare two special cash distributions, with one \$0.10 distribution per share to be paid on August 15, 2014 to stockholders of record as of July 31, 2014, and the second \$0.10 distribution per share to be paid on November 14, 2014 to stockholders of record as of October 31, 2014

“FSIC’s origination platform delivered strong investment opportunities during the first quarter, leading to 13 new directly originated investments,” said Michael C. Forman, Chairman and Chief Executive Officer of FSIC. “Second quarter originations are already off to a strong start, and we look forward to continuing to optimize the portfolio to create further value for our stockholders.” FSIC’s strong first quarter performance marks the first quarterly financial results since FSIC’s listing on the New York Stock Exchange on April 16, 2014. FSIC is now one of the largest BDCs in the market with \$4.5 billion in assets under management and a market capitalization of approximately \$2.7 billion.

#### Operating Results

(all per share amounts are basic and diluted) <sup>1</sup>	Three Months Ended		
	March 31, 2014	December 31, 2013	March 31, 2013
Net investment income per share	\$ 0.22	\$ 0.20	\$ 0.20
Adjusted net investment income per share <sup>2</sup>	\$ 0.24	\$ 0.24	\$ 0.23
Total net realized and unrealized gain (loss) on investments per share	\$ 0.10	\$ 0.10	\$ 0.13
Net increase (decrease) in net assets resulting from operations (Earnings per Share)	\$ 0.32	\$ 0.30	\$ 0.33
Stockholder distributions per share <sup>3</sup>	\$ 0.2160	\$ 0.2137	\$ 0.2025
Net asset value per share at period end	\$ 10.28	\$ 10.18	\$ 10.10

## Portfolio Highlights

- New investments totaled \$471.5 million for the three months ended March 31, 2014.
- Direct origination activity totaled \$369.0 million for the three months ended March 31, 2014.
- Gross portfolio yield prior to leverage of new direct originations (excluding non-income producing assets) during the quarter was 9.6% compared to the gross portfolio yield prior to leverage of investments exited during the quarter of 9.4%.
- As of March 31, 2014, the fair value of investments was \$4.1 billion. Core investment strategies, which include direct originations and opportunistic investments, represented 83% of the portfolio. Direct originations represented 57%, opportunistic investments represented 26% and broadly syndicated/other investments represented 17% of the portfolio.

## Total Portfolio Activity

(dollar amounts in thousands)	Three Months Ended March 31, 2014
Purchases	\$ 471,491
Sales and redemptions	(566,115)
<b>Net portfolio activity</b>	<b>\$ (94,624)</b>

	As of March 31, 2014
Total fair value of investments	\$ 4,077,627
Total assets	\$ 4,503,677

## Portfolio Data

	As of March 31, 2014
Number of Portfolio Companies	148
Average Annual EBITDA of Portfolio Companies	\$ 174,200
Weighted Average Purchase Price of Investments (as a % of par or stated value)	97.1%
Weighted Average Credit Rating of Investments that were Rated <sup>4</sup>	B3
% of Investments on Non-Accrual <sup>5</sup>	—

## Asset Class (based on fair value)

Senior Secured Loans — First Lien	50%
Senior Secured Loans — Second Lien	22%
Senior Secured Bonds	10%
Subordinated Debt	10%
Collateralized Securities	3%
Equity/Other	5%

## Portfolio Composition by Strategy (based on fair value)<sup>6</sup>

Direct Originations	57%
Opportunistic	26%
Broadly Syndicated/Other	17%

## Interest Rate Type (based on fair value)

% Variable Rate	71.3%
% Fixed Rate	22.9%
% Income Producing Equity or Other Investments	2.5%
% Non-Income Producing Equity or Other Investments	3.3%

## Yields

Gross Portfolio Yield Prior to Leverage (based on amortized cost)	10.2%
Gross Portfolio Yield Prior to Leverage (based on amortized cost) — Excluding Non-Income Producing Assets	10.3%

**Direct Origination Activity**

(dollar amounts in thousands)	<b>Three Months Ended March 31, 2014</b>
<b>New Direct Originations</b>	
Total Commitments (including Unfunded Commitments)	\$ 369,033
Exited Investments (including partial paydowns)	(126,964)
<b>Net Direct Originations</b>	<b>\$ 242,069</b>
<b>New Direct Originations by Asset Class</b>	
Senior Secured Loans — First Lien	24%
Senior Secured Loans — Second Lien	65%
Senior Secured Bonds	4%
Subordinated Debt	2%
Collateralized Securities	—
Equity/Other	5%
Average New Direct Origination Commitment Amount	\$ 28,387
Weighted Average Maturity for New Direct Originations	10/12/20
Gross Portfolio Yield Prior to Leverage (based on amortized cost) of New Direct Originations during Period	9.1%
Gross Portfolio Yield Prior to Leverage (based on amortized cost) of New Direct Originations during Period — Excluding Non-Income Producing Assets	9.6%
Gross Portfolio Yield Prior to Leverage (based on amortized cost) of Investments Exited during Period	9.4%
<b>Characteristics of All Direct Originations held in Portfolio</b>	
	<b>As of March 31, 2014</b>
Direct Originations, at fair value	\$ 2,306,225
Number of Portfolio Companies	40
Average Annual EBITDA of Portfolio Companies	\$ 38,700
Average Leverage Through Tranche of Portfolio Companies — Excluding Equity/Other and Collateralized Securities	4.0x
% of Investments on Non-Accrual	—
Gross Portfolio Yield Prior to Leverage (based on amortized cost) of Funded Direct Originations	9.8%
Gross Portfolio Yield Prior to Leverage (based on amortized cost) of Funded Direct Originations — Excluding Non-Income Producing Assets	10.0%

**Balance Sheet Summary**

<u>(in thousands, except per share amounts)</u>	<u>Quarter Ended March 31, 2014</u>	<u>Year Ended December 31, 2013</u>
<b>Assets</b>		
Investments, at fair value	\$ 4,077,627	\$ 4,137,581
Cash	297,685	227,328
Receivable for investments sold and repaid	67,779	26,722
Interest receivable	55,327	47,622
Deferred financing costs	4,845	5,168
Prepaid expenses and other assets	404	156
<b>Total assets</b>	<b>\$ 4,503,667</b>	<b>\$ 4,444,577</b>
<b>Liabilities</b>		
Payable for investments purchased	\$ 24,321	\$ 23,423
Credit facilities payable	738,482	723,682
Repurchase agreement payable	950,000	950,000
Stockholder distributions payable	18,814	18,671
Management fees payable	22,375	22,700
Accrued capital gains incentive fees	35,379	32,133
Subordinated income incentive fees payable	15,178	14,303
Administrative services expense payable	1,820	1,153
Interest payable	10,302	10,563
Directors' fees payable	254	254
Other accrued expenses and liabilities	1,573	6,703
<b>Total liabilities</b>	<b>\$ 1,818,498</b>	<b>\$ 1,803,585</b>
<b>Stockholders' Equity</b>		
Preferred stock, \$0.001 par value	—	—
Common stock, \$0.001 par value	\$ 261	\$ 259
Capital in excess of par value	2,487,105	2,466,753
Accumulated undistributed net realized gains on investments and gain/loss on foreign currency	69,147	55,344
Accumulated undistributed (distributions in excess of) net investment income	34,962	35,322
Net unrealized appreciation (depreciation) on investments and gain/loss on foreign currency	93,694	83,314
<b>Total stockholders' equity</b>	<b>\$ 2,685,169</b>	<b>\$ 2,640,992</b>
<b>Total liabilities and stockholders' equity</b>	<b>\$ 4,503,677</b>	<b>\$ 4,444,577</b>
<b>Net asset value per share of common stock at period end</b>	<b>\$ 10.28</b>	<b>\$ 10.18</b>



## Reconciliation of Non-GAAP Financial Measures

	Three Months Ended		
	March 31, 2014	December 31, 2013	March 31, 2013
GAAP net investment income per share	\$ 0.22	\$ 0.20	\$ 0.20
Plus capital gains incentive fees per share	\$ 0.02	\$ 0.02	\$ 0.03
Plus excise taxes per share	—	\$ 0.02	—
Adjusted net investment income per share	\$ 0.24	\$ 0.24	\$ 0.23

- 1) The per share data was derived by using the weighted average shares of FSIC's common stock outstanding during the applicable period.
- 2) Adjusted net investment income is a non-GAAP financial measure. In prior disclosure relating to previous periods, we presented adjusted net investment income as GAAP net investment income excluding the accrual for the capital gains incentive fee attributable to unrealized gains and excise taxes; however, for purposes of the information provided herein, we present adjusted net investment income for all periods as GAAP net investment income excluding the accrual for the capital gains incentive fee for realized and unrealized gains and excise taxes. We use this non-GAAP financial measure internally in analyzing financial results and believe that the use of this non-GAAP financial measure is useful to investors as an additional tool to evaluate ongoing results and trends and in comparing our financial results with other business development companies. The presentation of this additional information is not meant to be considered in isolation or as a substitute for financial results prepared in accordance with GAAP.
- 3) The per share data for distributions reflects the actual amount of distributions paid per share of FSIC's common stock during the applicable period.
- 4) The weighted average credit rating of investments is the weighted average credit rating of the investments in our portfolio that were rated, based upon the scale of Moody's Investors Service, Inc. As of March 31, 2014, approximately 32.5% of our portfolio (based on the fair value of our investments) was rated.
- 5) We record interest income on an accrual basis. Generally, investments are placed on non-accrual when the collection of future interest and principal payments is uncertain.
- 6) We have identified and intend to focus on the following investment categories, which we believe will allow us to generate an attractive total return with an acceptable level of risk.

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

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

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

## Recent Developments

- Since the close of the first quarter through May 15<sup>th</sup>, FSIC had a net increase in core investments of approximately \$123 million.
- FSIC expects to close up to an additional \$150 million of core investments by the end of the second quarter.
- The pipeline of potential direct originations to which FSIC has access currently stands at approximately \$3 billion.
- FSIC expects fee income earned during the quarter ended June 30, 2014 to exceed fee income earned during the quarter ended March 31, 2014; however, FSIC does not expect to maintain this level of fee income as the Fund continues to transition its portfolio from broadly syndicated investments to core strategy investments.

## Conference Call Information

FSIC will hold its annual stockholder conference call on Friday, May 16, 2014, at 11:00 a.m. Eastern Time. Interested parties are invited to participate via telephone or webcast, which will be hosted on a webcast link located on the “Investor Relations” section of our website ([www.fsinvestmentcorp.com](http://www.fsinvestmentcorp.com)). For participants joining via telephone, please dial (800) 446-1671 at least 10 minutes prior to the beginning of the conference call and provide the confirmation code 37224010 when prompted. An audio archive of the call will be available for replay. The link to the audio archive can be found under the “Investor Relations” section of FSIC’s website and will be available for a period of 30 days following the call.

## Supplemental Information

FSIC will provide a financial information presentation with additional details on its first quarter financial results in advance of the May 16, 2014 conference call. This presentation will be made available under the “Reports and Presentations” page within the “Investor Relations” section of FSIC’s website ([www.fsinvestmentcorp.com](http://www.fsinvestmentcorp.com)). For inquiries, please contact Ben Holman at (215) 220-6266.

## 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. We seek 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 our investors. In connection with our debt investments, we may receive equity interests such as warrants or options.

FSIC is advised by FB Income Advisor, LLC, an affiliate of Franklin Square Capital Partners (“Franklin Square”), and is sub-advised by GSO / Blackstone Debt Funds Management LLC, an affiliate of GSO Capital Partners. GSO, with approximately \$66 billion in assets under management as of March 31, 2014, is the credit platform of Blackstone, one of the world’s leading managers of alternative investments. For more information, please visit [www.fsinvestmentcorp.com](http://www.fsinvestmentcorp.com).

## About Franklin Square

Franklin Square is a leading manager of alternative investment funds designed to enhance investors’ portfolios by providing access to asset classes, strategies and asset managers that typically have been available to only the largest institutional investors. The firm’s funds offer “endowment-style” investment strategies that help construct diversified portfolios and manage risk. Franklin Square strives not only to maximize investment returns but also to set the industry standard for best practices by focusing on transparency, investor protection and education for investment professionals and their clients.

Founded in Philadelphia in 2007, Franklin Square quickly established itself as a leader in the world of alternative investments by introducing innovative credit-based income funds, including the industry’s first non-traded BDC. The firm managed approximately \$10.3 billion in assets as of December 31, 2013. For more information, please visit [www.franklinsquare.com](http://www.franklinsquare.com).

## 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, 2014, which FSIC filed with the Securities and Exchange Commission (the “SEC”) on May 15, 2014, 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, 2014 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 payment of future distributions on FSIC's shares of common stock is subject to the discretion of its board of directors and applicable legal restrictions, and therefore, there can be no assurance as to the amount or timing of any such future distributions.

FSIC may fund its cash distributions to stockholders from any sources of funds available to it, including expense reimbursements from Franklin Square, as well as offering proceeds, 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.

## **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 due generally 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 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 publicly 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 publicly 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.

## **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 business development companies.

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



# FS Investment Corporation

FIRST QUARTER 2014 FINANCIAL INFORMATION

# Important Disclosure Notice

This presentation may contain certain forward-looking statements, including statements with regard to the future performance of FS Investment Corporation (FSIC, we or us). 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 due generally 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 common stock may trade on the New York Stock Exchange LLC (NYSE). Some of these factors are enumerated in the filings FSIC makes with the Securities and Exchange Commission (SEC). FSIC undertakes no obligation to publicly update or revise any forward-looking statements, whether as a result of new information, future events or otherwise.

This presentation contains summaries of certain financial and statistical information about FSIC. The information contained in this presentation 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 publicly update or revise the information contained in this presentation. 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.

This presentation contains certain financial measures that have not been prepared in accordance with U.S. generally accepted accounting principles (GAAP). FSIC uses these non-GAAP financial measures internally in analyzing financial results and believes that the 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 business development companies.

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

Certain figures in this presentation have been rounded.

# Financial and Portfolio Highlights

## Financial Highlights

(all per share amounts are basic and diluted) <sup>1</sup>	Q1-14	Q4-13	Q1-13
Net investment income per share	\$0.22	\$0.20	\$0.20
Adjusted net investment income per share <sup>2*</sup>	\$0.24	\$0.24	\$0.23
Total net realized and unrealized gain (loss) on investments per share	\$0.10	\$0.10	\$0.13
Net increase (decrease) in net assets resulting from operations (Earnings per Share)	\$0.32	\$0.30	\$0.33
Stockholder distributions per share <sup>3</sup>	\$0.2160	\$0.2137	\$0.2025
<b>Net asset value per share at period end</b>	<b>\$10.28</b>	<b>\$10.18</b>	<b>\$10.10</b>
Weighted average shares outstanding	260,185,661	258,262,842	252,606,873
Shares outstanding, end of period	261,301,955	259,320,161	253,646,574

## Portfolio Highlights

(in thousands)	Q1-14	Q4-13	Q1-13
Purchases	\$471,491	\$437,173	\$649,916
Sales and redemptions	(566,115)	(535,910)	(543,817)
<b>Net portfolio activity</b>	<b>(\$94,624)</b>	<b>(\$98,737)</b>	<b>\$106,099</b>
Total fair value of investments	\$4,077,627	\$4,137,581	\$4,084,029
Total assets	\$4,503,667	\$4,444,577	\$4,527,860

\*See page 15 hereof for reconciliations between net investment income per share and adjusted net investment income per share.  
Endnotes begin on page 16.

# Select Historical Information

	As of				
(dollar amounts in thousands)	3/31/2014	12/31/2013	9/30/2013	6/30/2013	3/31/2013
Investments, at fair value	\$4,077,627	\$4,137,581	\$4,200,801	\$3,988,992	\$4,084,029
<b>Portfolio Data</b>					
Number of Portfolio Companies	148	165	182	200	245
Average Annual EBITDA of Portfolio Companies	\$174,200	\$190,700	\$252,900	\$261,000	\$294,100
Weighted Average Purchase Price of Investments (as a % of par or stated value)	97.1%	97.3%	97.3%	97.1%	95.7%
Weighted Average Credit Rating of Investments that were Rated <sup>4</sup>	B3	B3	B3	B3	B3
% of Investments on Non-Accrual <sup>5</sup>	-	-	-	-	-
<b>Asset Class (based on fair value)</b>					
Senior Secured Loans — First Lien	50%	51%	51%	53%	49%
Senior Secured Loans — Second Lien	22%	22%	22%	21%	21%
Senior Secured Bonds	10%	9%	9%	10%	12%
Subordinated Debt	10%	10%	11%	11%	13%
Collateralized Securities	3%	4%	3%	2%	2%
Equity/Other	5%	4%	4%	3%	3%
<b>Portfolio Composition by Strategy (based on fair value)<sup>6</sup></b>					
Direct Originations	57%	51%	52%	42%	31%
Opportunistic	26%	28%	25%	30%	32%
Broadly Syndicated/Other	17%	21%	23%	28%	37%
<b>Interest Rate Type (based on fair value)</b>					
% Variable Rate	71.3%	72.2%	70.0%	73.0%	69.6%
% Fixed Rate	22.9%	23.5%	26.3%	23.8%	27.2%
% Income Producing Equity or Other Investments	2.5%	2.4%	2.2%	2.0%	1.6%
% Non-Income Producing Equity or Other Investments	3.3%	1.9%	1.5%	1.2%	1.6%
<b>Yields</b>					
Gross Portfolio Yield Prior to Leverage (based on amortized cost)	10.2%	10.1%	10.4%	10.4%	10.4%
Gross Portfolio Yield Prior to Leverage (based on amortized cost) — Excluding Non-Income Producing Assets	10.3%	10.2%	10.6%	10.6%	10.6%





# Quarterly Operating Results

	Three Months Ended				
(dollar amounts in thousands, except per share amounts)	3/31/2014	12/31/2013	9/30/2013	6/30/2013	3/31/2013
Total investment income	\$114,796	\$116,866	\$123,307	\$124,349	\$110,044
Total operating expenses	(58,919)	(59,446)	(54,793)	(50,294)	(59,315)
<b>Net investment income before taxes</b>	<b>\$55,877</b>	<b>\$57,420</b>	<b>\$68,514</b>	<b>\$74,055</b>	<b>\$50,729</b>
Excise taxes	-	(5,000)	(742)	-	-
<b>Net investment income</b>	<b>\$55,877</b>	<b>\$52,420</b>	<b>\$67,772</b>	<b>\$74,055</b>	<b>\$50,729</b>
Total net realized and unrealized gain (loss) on investments	24,183	24,388	(8,155)	(27,116)	31,747
<b>Net increase (decrease) in net assets resulting from operations</b>	<b>\$80,060</b>	<b>\$76,808</b>	<b>\$59,617</b>	<b>\$46,939</b>	<b>\$82,476</b>
<b>Per share<sup>1</sup></b>					
Net investment income	\$0.22	\$0.20	\$0.26	\$0.29	\$0.20
Adjusted net investment income <sup>2</sup>	\$0.24	\$0.24	\$0.25	\$0.27	\$0.23
Net increase (decrease) in net assets resulting from operations (Earnings per Share)	\$0.32	\$0.30	\$0.23	\$0.18	\$0.33
Stockholder distributions <sup>3</sup>	\$0.2160	\$0.2137	\$0.2093	\$0.2048	\$0.2025
Weighted average shares outstanding	260,185,661	258,262,842	256,108,444	254,213,036	252,606,873
Shares outstanding, end of period	261,301,955	259,320,161	257,190,300	255,214,659	253,646,574

# Quarterly Operating Results Detail

	Three Months Ended				
(in thousands)	3/31/2014	12/31/2013	9/30/2013	6/30/2013	3/31/2013
<b>Investment income</b>					
Interest income	\$104,711	\$109,907	\$109,886	\$105,503	\$102,214
Fee income	10,085	6,903	11,975	10,442	7,764
Dividend income	-	56	1,446	8,404	66
<b>Total investment income</b>	<b>\$114,796</b>	<b>\$116,866</b>	<b>\$123,307</b>	<b>\$124,349</b>	<b>\$110,044</b>
<b>Operating expenses</b>					
Management fees	\$22,371	\$22,706	\$22,720	\$22,615	\$22,206
Capital gains incentive fees <sup>7</sup>	4,836	4,794	(1,548)	(5,423)	6,350
Subordinated income incentive fees	15,178	14,303	16,555	17,167	14,228
Administrative services expenses	1,200	1,131	1,243	1,355	1,436
Stock transfer agent fees	451	420	610	900	890
Accounting and administrative fees	332	327	343	355	365
Interest expense	12,700	13,653	13,098	11,876	12,136
Directors' fees	265	254	241	223	225
Other general and administrative expenses	1,586	1,858	1,531	1,226	1,479
<b>Total operating expenses</b>	<b>\$58,919</b>	<b>\$59,446</b>	<b>\$54,793</b>	<b>\$50,294</b>	<b>\$59,315</b>
<b>Net investment income before taxes</b>	<b>\$55,877</b>	<b>\$57,420</b>	<b>\$68,514</b>	<b>\$74,055</b>	<b>\$50,729</b>
Excise taxes	-	(5,000)	(742)	-	-
<b>Net investment income</b>	<b>\$55,877</b>	<b>\$52,420</b>	<b>\$67,772</b>	<b>\$74,055</b>	<b>\$50,729</b>

# Quarterly Gain/Loss Information

	Three Months Ended				
(in thousands)	3/31/2014	12/31/2013	9/30/2013	6/30/2013	3/31/2013
<b>Realized gain/loss</b>					
Net realized gain (loss) on investments	\$13,822	\$9,794	\$6,602	\$16,447	\$14,171
Net realized gain (loss) on foreign currency	(19)	(79)	70	(39)	(63)
<b>Total net realized gain (loss)</b>	<b>\$13,803</b>	<b>\$9,715</b>	<b>\$6,672</b>	<b>\$16,408</b>	<b>\$14,108</b>
<b>Unrealized gain/loss</b>					
Net change in unrealized appreciation (depreciation) on investments	\$10,335	\$14,855	(\$14,857)	(\$43,498)	\$17,518
Net change in unrealized gain (loss) on foreign currency	45	(182)	30	(26)	121
<b>Total net unrealized gain (loss)</b>	<b>\$10,380</b>	<b>\$14,673</b>	<b>(\$14,827)</b>	<b>(\$43,524)</b>	<b>\$17,639</b>
<b>Total net realized and unrealized gain (loss) on investments</b>	<b>\$24,183</b>	<b>\$24,388</b>	<b>(\$8,155)</b>	<b>(\$27,116)</b>	<b>\$31,747</b>

# Quarterly Balance Sheets

	As of				
(in thousands, except per share amounts)	3/31/2014	12/31/2013	9/30/2013	6/30/2013	3/31/2013
<b>Assets</b>					
Investments, at fair value	\$4,077,627	\$4,137,581	\$4,200,801	\$3,988,992	\$4,084,029
Cash	297,685	227,328	290,439	380,252	362,896
Receivable for investments sold and repaid	67,779	26,722	85,341	73,897	21,134
Interest receivable	55,327	47,622	51,075	42,603	52,460
Deferred financing costs	4,845	5,168	5,757	6,347	6,930
Prepaid expenses and other assets	404	156	172	292	411
<b>Total assets</b>	<b>\$4,503,667</b>	<b>\$4,444,577</b>	<b>\$4,633,585</b>	<b>\$4,492,383</b>	<b>\$4,527,860</b>
<b>Liabilities</b>					
Payable for investments purchased	\$24,321	\$23,423	\$44,648	\$22,740	\$182,608
Credit facilities payable	738,482	723,682	986,421	986,421	978,646
Repurchase agreement payable	950,000	950,000	906,083	811,917	700,000
Stockholder distributions payable	18,814	18,671	17,939	17,801	17,121
Management fees payable	22,375	22,700	22,808	22,638	24,342
Accrued capital gains incentive fees	35,379	32,133	27,339	28,887	35,168
Subordinated income incentive fees payable	15,178	14,303	16,555	17,167	15,601
Administrative services expense payable	1,820	1,153	1,361	1,032	1,545
Interest payable	10,302	10,563	10,545	9,721	9,489
Directors' fees payable	254	254	229	218	-
Other accrued expenses and liabilities	1,573	6,703	1,967	2,293	2,664
<b>Total liabilities</b>	<b>\$1,818,498</b>	<b>\$1,803,585</b>	<b>\$2,035,895</b>	<b>\$1,920,835</b>	<b>\$1,967,184</b>
<b>Stockholders' Equity</b>					
Preferred stock, \$0.001 par value	-	-	-	-	-
Common stock, \$0.001 par value	\$261	\$259	\$257	\$255	\$254
Capital in excess of par value	2,487,105	2,466,753	2,451,662	2,431,513	2,415,470
Accumulated undistributed net realized gains on investments and gain/loss on foreign currency	69,147	55,344	5,014	2,467	2,467
Accumulated undistributed (distributions in excess of) net investment income	34,962	35,322	72,116	53,845	15,493
Net unrealized appreciation (depreciation) on investments and gain/loss on foreign currency	93,694	83,314	68,641	83,468	126,992
<b>Total stockholders' equity</b>	<b>\$2,685,169</b>	<b>\$2,640,992</b>	<b>\$2,597,690</b>	<b>\$2,571,548</b>	<b>\$2,560,676</b>
<b>Total liabilities and stockholders' equity</b>	<b>\$4,503,667</b>	<b>\$4,444,577</b>	<b>\$4,633,585</b>	<b>\$4,492,383</b>	<b>\$4,527,860</b>
<b>Net asset value per share of common stock at period end</b>	<b>\$10.28</b>	<b>\$10.18</b>	<b>\$10.10</b>	<b>\$10.08</b>	<b>\$10.10</b>

# Financing Arrangements

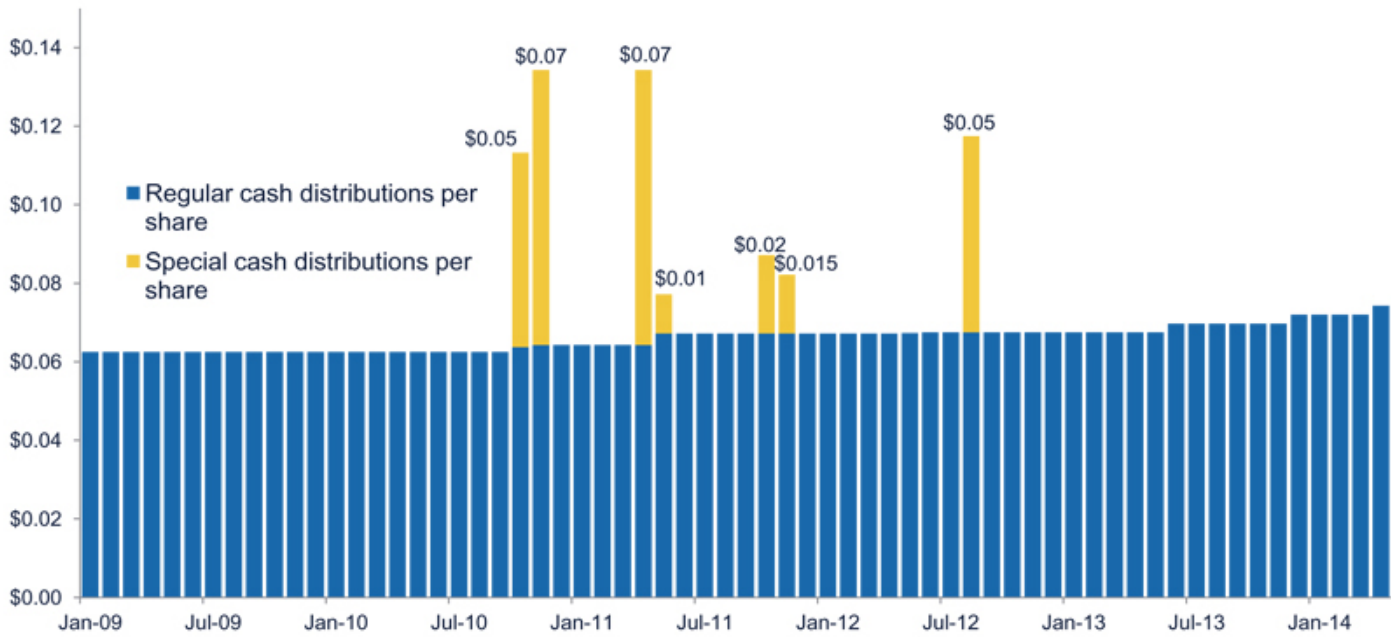
Facilities as of March 31, 2014 <sup>8</sup>	Type of Facility	Rate	Amount Outstanding	Amount Available	Maturity Date
<i>(in thousands)</i>					
Arch Street Credit Facility <sup>9</sup>	Revolving	L + 2.05%	\$373,682	-	August 29, 2016
Broad Street Credit Facility	Revolving	L + 1.50%	\$125,000	-	December 20, 2014
JPM Facility	Repurchase	3.25%	\$950,000	-	April 15, 2017
Walnut Street Credit Facility	Revolving	L+ 1.50% to 2.50%	\$239,800	\$60,200	May 17, 2017

Total debt outstanding under debt facilities	\$1,688,482
Debt/equity ratio <sup>10</sup>	62.9%
Weighted average effective interest rate on borrowings	2.8%
% of debt outstanding at fixed interest rates	56.3%
% of debt outstanding at variable interest rates	43.7%

Facilities as of December 31, 2013	Type of Facility	Rate	Amount Outstanding	Amount Available	Maturity Date
<i>(in thousands)</i>					
Arch Street Credit Facility	Revolving	L + 1.75%	\$373,682	\$176,318	August 29, 2015
Broad Street Credit Facility	Revolving	L + 1.50%	\$125,000	—	December 20, 2014
JPM Facility	Repurchase	3.25%	\$950,000	—	April 15, 2017
Walnut Street Credit Facility	Revolving	L + 1.50% to 2.75%	\$225,000	\$25,000	May 17, 2017

Total debt outstanding under debt facilities	\$1,673,682
Debt/equity ratio <sup>10</sup>	63.4%
Weighted average effective interest rate on borrowings	2.8%
% of debt outstanding at fixed interest rates	56.8%
% of debt outstanding at variable interest rates	43.2%

# Distribution History<sup>11</sup>

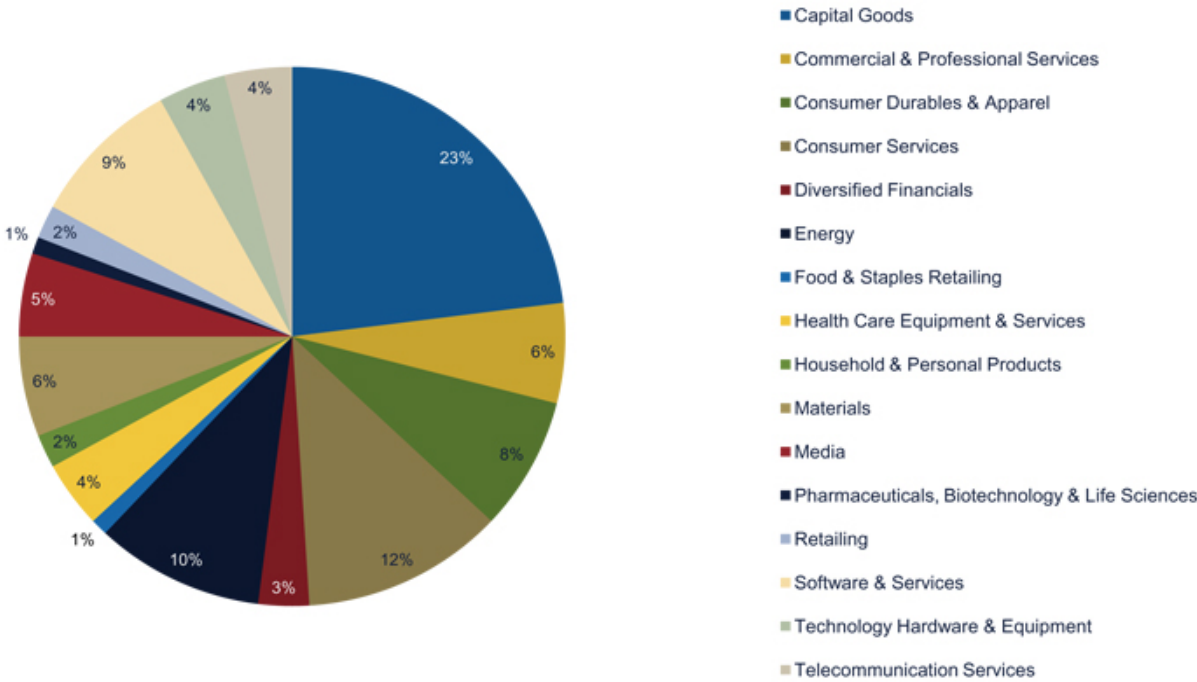


- On March 31, 2014, FSIC's board of directors determined to increase the amount of the regular monthly cash distribution payable to stockholders of record from \$0.0720 per share to \$0.07425 per share. The increase in the regular monthly cash distribution to \$0.07425 per share commenced with the regular monthly cash distribution payable on April 30, 2014 to stockholders of record as of April 29, 2014.
- On May 5, 2014, FSIC's board of directors declared a regular monthly cash distribution of \$0.07425 per share. The regular monthly distribution will be paid on or about May 30, 2014 to stockholders of record on May 29, 2014.
- As of March 31, 2014, FSIC had approximately \$151.3 million (\$0.58 per share based on shares outstanding) of undistributed net investment income and realized gains on a tax basis.
- FSIC's board of directors intends to declare two special cash distributions, each in the amount of \$0.10 per share, that will be paid on or about August 15, 2014 and November 14, 2014 to stockholders of record as of July 31, 2014 and October 31, 2014, respectively.

# Investment Portfolio

## Industry Diversification

As of March 31, 2014, based on fair value.

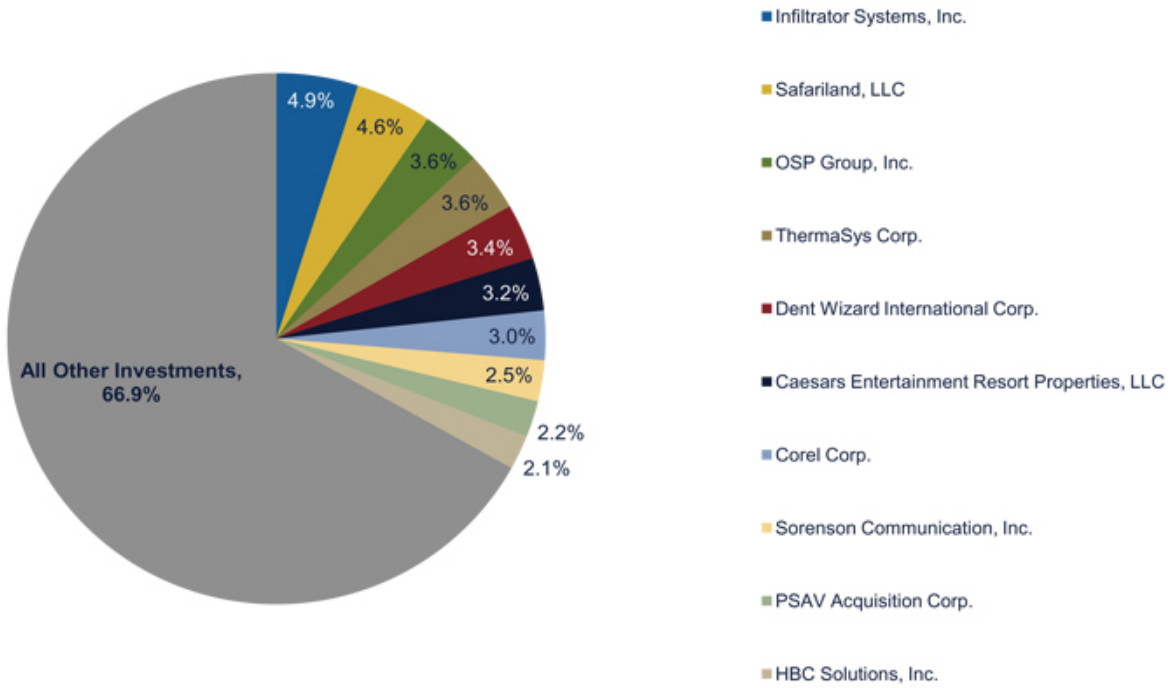


- As of March 31, 2014, FSIC's three largest industry concentrations based on fair value were Capital Goods (23%); Consumer Services (12%); and Energy (10%).
- As of March 31, 2014, FSIC had portfolio assets that, for each industry, amounted to less than 1% based on fair value in Automobiles & Components; Food, Beverage & Tobacco; Insurance; and Transportation.

# Issuer Concentration

## Issuer Concentration

Top ten portfolio companies as of March 31, 2014, based on fair value and excluding unfunded commitment amounts.



• FSIC's top ten portfolio companies by fair value represent 33.1% of the company's total portfolio.



# Portfolio Asset Quality

As of

Investment Rating <sup>12</sup>	March 31, 2014		December 31, 2013		March 31, 2013	
	Fair Value	% of Portfolio	Fair Value	% of Portfolio	Fair Value	% of Portfolio
1	\$423,296	11%	\$510,687	12%	\$175,741	4%
2	3,276,702	80%	3,244,518	79%	3,538,700	87%
3	329,600	8%	340,238	8%	242,746	6%
4	41,093	1%	40,034	1%	123,608	3%
5	6,936	0%	2,104	0%	3,234	0%
<b>Total</b>	<b>\$4,077,627</b>	<b>100%</b>	<b>\$4,137,581</b>	<b>100%</b>	<b>\$4,084,029</b>	<b>100%</b>

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

# Reconciliation of Non-GAAP Financial Measures

	3-Months Ended				
	3/31/2014	12/31/2013	9/30/2013	6/30/2013	3/31/2013
GAAP net investment income per share	\$0.22	\$0.20	\$0.26	\$0.29	\$0.20
Plus capital gains incentive fees per share	\$0.02	\$0.02	(\$0.01)	(\$0.02)	\$0.03
Plus excise taxes per share	-	\$0.02	-	-	-
<b>Adjusted net investment income per share</b>	<b>\$0.24</b>	<b>\$0.24</b>	<b>\$0.25</b>	<b>\$0.27</b>	<b>\$0.23</b>

# End Notes

- 1) The per share data was derived by using the weighted average shares of our common stock outstanding during the applicable period.
- 2) Adjusted net investment income is a non-GAAP financial measure. In prior disclosure relating to previous periods, we presented adjusted net investment income as GAAP net investment income excluding the accrual for the capital gains incentive fee attributable to unrealized gains and excise taxes; however, for purposes of this presentation, we present adjusted net investment income for all periods as GAAP net investment income excluding the accrual for the capital gains incentive fee for realized and unrealized gains and excise taxes. We use this non-GAAP financial measure internally in analyzing financial results and believe that the use of this non-GAAP financial measure is useful to investors as an additional tool to evaluate ongoing results and trends and in comparing our financial results with other business development companies. The presentation of this additional information is not meant to be considered in isolation or as a substitute for financial results prepared in accordance with GAAP. Reconciliations of GAAP net investment income to adjusted net investment income can be found on page 15 of this presentation.
- 3) The per share data for distributions reflects the actual amount of distributions paid per share of our common stock during the applicable period.
- 4) The weighted average credit rating of investments is the weighted average credit rating of the investments in our portfolio that were rated, based upon the scale of Moody's Investors Service, Inc. As of March 31, 2014, approximately 32.5% of our portfolio (based on the fair value of our investments) was rated.
- 5) We record interest income on an accrual basis. Generally, investments are placed on non-accrual when the collection of future interest and principal payments is uncertain.
- 6) We have identified and intend to focus on the following investment categories, which we believe will allow us to generate an attractive total return with an acceptable level of risk.

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

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

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

## End Notes (Cont'd)

- 7) During the three months ended March 31, 2014, we accrued capital gains incentive fees of \$4,836 based on the performance of our portfolio, of which \$5,035 was based on realized gains and (\$199) was based on unrealized gains. No such fee is actually payable by us with respect to unrealized gains unless and until those gains are actually realized. We paid FB Advisor \$1,590 in capital gains incentive fees during the three months ended March 31, 2014.
- 8) On April 3, 2014, we entered into a revolving credit facility with ING Capital LLC, as administrative agent, and other lenders, or the ING credit facility. The credit facility provides for borrowings of up to \$300 million, with an option for us to request up to \$100 million of additional commitments. Obligations under the credit facility are guaranteed by all of the company's subsidiaries, other than its special-purpose financing subsidiaries. Obligations under the credit facility are secured by a first priority security interest in substantially all of the assets of the company and the subsidiary guarantors thereunder. Interest on used portions of the credit facility is payable at a rate of LIBOR plus 2.50% or, at our election, base rate plus 1.50%. For additional information regarding the ING credit facility, see Note 11 to our unaudited consolidated financial statements for the quarterly period ended March 31, 2014.
- 9) On March 31, 2014, Arch Street Funding LLC and Citibank N.A. amended the Arch Street credit facility to, among other things, reduce the maximum commitments thereunder to \$350,000. On April 2, 2014, Arch Street repaid \$23,682 on the Arch Street credit facility.
- 10) The debt/equity ratio is the ratio of total debt outstanding to stockholder's equity as of the applicable date.
- 11) To date, no portion of any distributions paid to stockholders have been paid from offering proceeds or borrowings. A portion of our future distributions to stockholders may be deemed to constitute a return of capital for tax purposes due to the character of the amounts received by us from our portfolio companies. Any such return of capital will not reduce the amounts available to us for investments. The payment of future distributions on our common stock is not guaranteed and is subject to the discretion of our board of directors and applicable legal restrictions, and therefore there can be no assurance as to the amount or timing of any such future distributions.
- 12) Based on the investment rating system as described in our quarterly report on Form 10-Q for the period ended March 31, 2014, under the heading "Management's Discussion and Analysis of Financial Condition and Results of Operations — Portfolio Asset Quality."

# Corporate Information

Board of Directors	Executive Officers	Investor Relations Contact
<b>Michael C. Forman</b> Chairman of the Board Chief Executive Officer	<b>Michael C. Forman</b> Chairman of the Board Chief Executive Officer	<b>Ben Holman</b> Phone: (215)-220-6266 Email: ben.holman@franklinsquare.com
<b>David J. Adelman</b> Vice Chairman President and Chief Executive Officer of Campus Apartments, Inc.	<b>Gerald F. Stahlecker</b> President	
<b>Michael J. Hagan</b> Lead Independent Director Chairman, President and Chief Executive of LifeShield Security, Inc.	<b>Brad Marshall</b> Senior Portfolio Manager Managing Director, GSO / Blackstone	
<b>Gregory P. Chandler</b> Chief Financial Officer of Emtec, Inc.	<b>Zachary Klehr</b> Executive Vice President	
<b>Barry H. Frank</b> Partner with law firm of Archer & Greiner, P.C.	<b>Sean Coleman</b> Managing Director	
<b>Thomas J. Gravina</b> Executive Chairman of GPX Enterprises, L.P.	<b>William Goebel</b> Chief Financial Officer	
<b>Jeffrey K. Harrow</b> Chairman of Sparks Marketing Group, Inc.	<b>Salvatore Faia</b> Chief Compliance Officer	
<b>Michael Heller</b> President and Chief Executive Officer of Cozen O'Conner	<b>Stephen S. Sypherd</b> Vice President, Treasurer and Secretary	
<b>Paul Mendelson</b> Senior Advisor for Business Development for Lincoln Investment Planning, Inc		
<b>Pedro A. Ramos</b> Partner with law firm of Schnader Harrison Segal & Lewis, LLP		