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

FORM 10-Q

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

FOR THE QUARTERLY PERIOD ENDED SEPTEMBER 30, 2018

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

COMMISSION FILE NUMBER: 814-00757

FS Investment Corporation

(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

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 every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). Yes ☐ No ☐.

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company" and "emerging growth 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 ☒.

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date.

There were 239,154,069 shares of the registrant's common stock outstanding as of November 7, 2018.

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PART I—FINANCIAL INFORMATION

Item 1. FinancialStatements.

FS Investment Corporation

Consolidated Balance Sheets
(in thousands, except share and per share amounts)

	September 30, 2018 (Unaudited)	December 31, 2017
Assets		
Investments, at fair value		
Non-controlled/unaffiliated investments (amortized cost—$3,352,266 and $3,532,517, respectively)	$ 3,217,432	$ 3,600,911
Non-controlled/affiliated investments (amortized cost—$200,981 and $197,468, respectively)	214,575	230,055
Controlled/affiliated investments (amortized cost—$108,778 and $86,861, respectively)	105,245	95,268
Total investments, at fair value (amortized cost—$3,662,025 and $3,816,846, respectively)	3,537,252	3,926,234
Cash	98,535	134,932
Foreign currency, at fair value (cost—$1,411 and $3,685, respectively)	1,430	3,810
Receivable for investments sold and repaid	27,681	3,477
Income receivable	23,380	30,668
Deferred financing costs	6,213	3,459
Deferred merger costs	3,422	—
Prepaid expenses and other assets	758	1,695
Total assets	$ 3,698,671	$ 4,104,275
Liabilities		
Payable for investments purchased	$ 1,447	$ 1,978
Credit facilities payable (net of deferred financing costs of $2,341 and $3,179, respectively)(1)	474,700	638,571
Unsecured notes payable (net of deferred financing costs of $925 and $1,402, respectively)(1)	1,075,615	1,073,445
Stockholder distributions payable	45,481	46,704
Management fees payable	14,259	15,450
Subordinated income incentive fees payable(2)	—	12,871
Administrative services expense payable	817	294
Interest payable	17,667	22,851
Directors' fees payable	268	276
Other accrued expenses and liabilities	1,556	7,112
Total liabilities	1,631,810	1,819,552
Commitments and contingencies(3)	—	—
Stockholders' equity		
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, 239,154,069 and 245,725,416 shares issued and outstanding, respectively	239	246
Capital in excess of par value	2,222,598	2,272,591
Accumulated earnings (loss)	(155,976)	11,886
Total stockholders' equity	2,066,861	2,284,723
Total liabilities and stockholders' equity	$ 3,698,671	$ 4,104,275
Net asset value per share of common stock at period end	$ 8.64	$ 9.30

(1) See Note 8 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 9 for a discussion of the Company's commitments and contingencies.

See notes to unaudited consolidated financial statements.

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FS Investment Corporation

Unaudited Consolidated Statements of Operations
(in thousands, except share and per share amounts)

	Three Months Ended September 30, 2018	Three Months Ended September 30, 2017	Nine Months Ended September 30, 2018	Nine Months Ended September 30, 2017
Investment income				
Interest income	$ 73,344	$ 82,349	$ 226,071	$ 230,115
Paid-in-kind interest income	9,940	8,430	27,092	22,899
Fee income	4,342	5,005	9,788	34,081
Dividend income	345	21	7,700	21
From non-controlled/affiliated investments:				
Interest income	898	3,448	4,549	10,485
Paid-in-kind interest income	1,353	550	5,226	1,855
Fee income	20	1,232	20	1,263
From controlled/affiliated investments:				
Interest income	1,273	966	3,797	3,407
Paid-in-kind interest income	3,004	1,690	6,869	4,324
Total investment income	94,519	103,691	291,112	308,450
Operating expenses				
Management fees(1)	14,259	18,038	47,426	54,772
Subordinated income incentive fees(2)	—	12,662	22,905	37,426
Administrative services expenses	1,125	750	2,601	2,226
Accounting and administrative fees	210	254	713	774
Interest expense(3)	20,671	19,885	61,506	58,941
Directors' fees	227	277	997	822
Other general and administrative expenses	1,945	1,177	5,156	3,791
Total operating expenses	38,437	53,043	141,304	158,752
Management fee waiver(1)	—	—	(2,776)	—
Net expenses	38,437	53,043	138,528	158,752
Net investment income	56,082	50,648	152,584	149,698
Realized and unrealized gain/loss				
Net realized gain (loss) on investments:				
Non-controlled/unaffiliated investments	23,888	(24,767)	60,273	(87,361)
Non-controlled/affiliated investments	7	6,551	(10,068)	6,856
Controlled/affiliated investments	—	—	12	(52,879)
Net realized gain (loss) on foreign currency	5,993	(19)	6,090	165
Net change in unrealized appreciation (depreciation) on investments:				
Non-controlled/unaffiliated investments	(104,254)	29,820	(203,228)	149,622
Non-controlled/affiliated investments	7,610	16,951	(18,993)	(979)
Controlled/affiliated investments	5,753	7,408	(11,940)	7,041
Net change in unrealized appreciation (depreciation) on secured borrowing(3)	—	3	—	(7)
Net change in unrealized gain (loss) on foreign currency	(6,419)	(1,197)	(4,483)	(4,923)
Total net realized and unrealized gain (loss)	(67,422)	34,750	(182,337)	17,535
Net increase (decrease) in net assets resulting from operations	$ (11,340)	$ 85,398	$ (29,753)	$ 167,233
Per share information—basic and diluted				
Net increase (decrease) in net assets resulting from operations (Earnings per Share)	$ (0.05)	$ 0.35	$ (0.12)	$ 0.68
Weighted average shares outstanding	239,495,341	245,678,745	242,647,216	245,117,823

(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 subordinated income incentive fee.
(3) See Note 8 for a discussion of the Company's financing arrangements.

See notes to unaudited consolidated financial statements.

FS Investment Corporation

Unaudited Consolidated Statements of Changes in Net Assets
(in thousands)

	Nine Months Ended September 30, 2018	Nine Months Ended September 30, 2017
Operations		
Net investment income (loss)	$ 152,584	$ 149,698
Net realized gain (loss) on investments and foreign currency	56,307	(133,219)
Net change in unrealized appreciation (depreciation) on investments and secured borrowing[1]	(234,161)	155,677
Net change in unrealized gain (loss) on foreign currency	(4,483)	(4,923)
Net increase (decrease) in net assets resulting from operations	(29,753)	167,233
Stockholder distributions[2]		
Distributions to stockholders	(138,109)	(163,825)
Net decrease in net assets resulting from stockholder distributions	(138,109)	(163,825)
Capital share transactions[3]		
Reinvestment of stockholder distributions	—	15,908
Repurchases of common stock	(50,000)	—
Net increase (decrease) in net assets resulting from capital share transactions	(50,000)	15,908
Total increase (decrease) in net assets	(217,862)	19,316
Net assets at beginning of period	2,284,723	2,297,377
Net assets at end of period	$ 2,066,861	$ 2,316,693

(1) See Note 8 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 unaudited consolidated financial statements.

FS Investment Corporation

Unaudited Consolidated Statements of Cash Flows
(in thousands)

	Nine Months Ended September 30,	
	2018	**2017**
Cash flows from operating activities		
Net increase (decrease) in net assets resulting from operations	$(29,753)	$ 167,233
Adjustments to reconcile net increase (decrease) in net assets resulting from operations to net cash provided by (used in) operating activities:		
Purchases of investments	(540,928)	(1,021,755)
Paid-in-kind interest	(39,187)	(29,078)
Proceeds from sales and repayments of investments	789,617	900,360
Net realized (gain) loss on investments and secured borrowing	(50,217)	133,384
Net change in unrealized (appreciation) depreciation on investments and secured borrowing(1)	234,161	(155,677)
Accretion of discount	(4,464)	(11,810)
Amortization of deferred financing costs and discount	4,897	3,911
Unrealized (gain)/loss on borrowings in foreign currency	(1,594)	4,798
(Increase) decrease in receivable for investments sold and repaid	(24,204)	74,025
(Increase) decrease in income receivable	7,288	(2,705)
(Increase) decrease in deferred merger costs	(3,422)	—
(Increase) decrease in prepaid expenses and other assets	937	148
Increase (decrease) in payable for investments purchased	(531)	(5,142)
Increase (decrease) in management fees payable	(1,191)	16
Increase (decrease) in subordinated income incentive fees payable	(12,871)	(223)
Increase (decrease) in administrative services expense payable	523	(21)
Increase (decrease) in interest payable	(5,184)	(2,681)
Increase (decrease) in directors' fees payable	(8)	(14)
Increase (decrease) in other accrued expenses and liabilities	(5,556)	(5,989)
Net cash provided by (used in) operating activities	318,313	48,780
Cash flows from financing activities		
Reinvestment of stockholder distributions	—	15,908
Repurchases of common stock	(50,000)	—
Stockholder distributions	(139,332)	(163,456)
Borrowings under credit facilities(1)	347,363	247,265
Repayments of credit facilities(1)	(510,478)	(230,865)
Deferred financing costs paid	(4,643)	(3,239)
Net cash provided by (used in) financing activities	(357,090)	(134,387)
Total increase (decrease) in cash	(38,777)	(85,607)
Cash and foreign currency at beginning of period	138,742	264,598
Cash and foreign currency at end of period	$ 99,965	$ 178,991
Supplemental disclosure		
Local and excise taxes paid	$ 5,533	$ 5,892

(1) See Note 8 for a discussion of the Company's financing arrangements. During the nine months ended September 30, 2017, the Company paid $121 in interest expense on its secured borrowing. During the nine months ended September 30, 2018 and 2017, the Company paid $61,793 and $57,590, respectively, in interest expense on the credit facilities and unsecured notes.

See notes to unaudited consolidated financial statements.

FS Investment Corporation

Unaudited Consolidated Schedule of Investments
As of September 30, 2018
(in thousands, except share amounts)

Portfolio Company(a)	Footnotes	Industry	Rate(b)	Floor	Maturity	Principal Amount(c)	Amortized Cost	Fair Value(d)
Senior Secured Loans—First Lien—119.0%								
5 Arch Income Fund 2, LLC	(g)(j)(o)	Diversified Financials	9.0%		11/18/21	$ 46,310	$ 46,354	$ 46,310
5 Arch Income Fund 2, LLC	(g)(j)(o)(q)	Diversified Financials	9.0%		11/18/21	31,290	31,290	31,290
A.P. Plasman Inc.	(e)(f)(g)(h)(j)	Capital Goods	L+950	1.0%	12/29/19	192,142	191,340	177,732
Advanced Lighting Technologies, Inc.	(g)(t)	Materials	L+750	1.0%	10/4/22	20,230	17,466	20,230
AG Group Merger Sub, Inc.	(e)(g)	Commercial & Professional Services	L+750	1.0%	12/29/23	87,486	87,486	87,923
All Systems Holding LLC	(e)(f)(g)	Commercial & Professional Services	L+767	1.0%	10/31/23	52,811	52,811	53,339
Altus Power America, Inc.	(g)	Energy	L+750	1.5%	9/30/21	3,110	3,110	3,016
Altus Power America, Inc.	(g)(q)	Energy	L+750	1.5%	9/30/21	213	213	207
Aspect Software, Inc.	(g)(t)	Software & Services	L+400, 6.5% PIK (6.5% Max PIK)		5/25/20	3,628	3,628	3,216
Aspect Software, Inc.	(g)(t)	Software & Services	L+1050	1.0%	5/25/20	680	680	602
Atlas Aerospace LLC	(e)(g)	Capital Goods	L+725	1.0%	12/29/22	30,476	30,476	31,086
AVF Parent, LLC	(e)(g)	Retailing	L+725	1.3%	3/1/24	55,770	55,770	52,703
Borden Dairy Co.	(e)(g)	Food, Beverage & Tobacco	L+819	1.0%	7/6/23	70,000	70,000	68,180
ConnectiveRx, LLC	(e)(g)	Health Care Equipment & Services	L+827	1.0%	11/25/21	49,424	49,384	49,488
CSafe Acquisition Co., Inc.	(g)	Capital Goods	L+725	1.0%	11/1/21	587	587	587
CSafe Acquisition Co., Inc.	(g)(q)	Capital Goods	L+725	1.0%	11/1/21	5,283	5,283	5,283
CSafe Acquisition Co., Inc.	(g)	Capital Goods	L+725	1.0%	10/31/23	50,372	50,372	50,372
CSafe Acquisition Co., Inc.	(g)(q)	Capital Goods	L+725	1.0%	10/31/23	21,209	21,209	21,209
Dade Paper & Bag, LLC	(e)	Capital Goods	L+700	1.0%	6/10/24	10,583	10,583	10,358
Dade Paper & Bag, LLC	(e)(g)	Capital Goods	L+750	1.0%	6/10/24	82,975	82,975	82,975
Eagle Family Foods Group LLC	(g)(q)	Food, Beverage & Tobacco	L+650	1.0%	6/14/23	3,382	3,346	3,020
Eagle Family Foods Group LLC	(g)	Food, Beverage & Tobacco	L+650	1.0%	6/14/24	22,493	22,250	22,195
Empire Today, LLC	(e)(g)	Retailing	L+800	1.0%	11/17/22	80,565	80,565	80,968
Evergreen AcqCo 1 LP	(g)(s)	Retailing	L+375	1.3%	7/9/19	482	478	470
GC Agile Intermediate Holdings Ltd.	(g)(j)(q)	Commercial & Professional Services	L+650		6/15/23	1,887	1,831	1,689
GC Agile Intermediate Holdings Ltd.	(h)(j)	Commercial & Professional Services	L+650	1.0%	6/15/25	12,792	12,545	12,658
GC Agile Intermediate Holdings Ltd.	(g)(j)(q)	Commercial & Professional Services	L+650	1.0%	6/15/25	6,155	6,037	6,091
GC Agile Intermediate Holdings Ltd.	(g)(j)(q)	Commercial & Professional Services	L+650	1.0%	6/15/25	5,130	5,041	5,076
Greystone Equity Member Corp.	(g)(j)	Diversified Financials	L+725	3.8%	4/1/26	49,307	49,307	49,430
Greystone Equity Member Corp.	(g)(j)(q)	Diversified Financials	L+725	3.8%	4/1/26	11,443	11,443	11,472
H.M. Dunn Co., Inc.	(g)(l)(r)(t)	Capital Goods	L+875 PIK (L+875 Max PIK)		6/30/21	711	643	160
Harrison Gypsum, LLC	(e)(g)	Materials	L+700	1.0%	4/29/24	17,248	17,089	16,917
Harrison Gypsum, LLC	(g)(q)	Materials	L+700	1.0%	4/29/24	5,533	5,533	5,427
Hudson Technologies Co.	(g)(j)	Commercial & Professional Services	L+1025	1.0%	10/10/23	39,646	39,287	31,122
Icynene U.S. Acquisition Corp.	(e)(g)(j)	Materials	L+700	1.0%	11/30/24	29,775	29,775	29,998
Imagine Communications Corp.	(e)(g)(h)	Media	L+825	1.0%	4/29/20	47,196	47,196	47,196
Industrial Group Intermediate Holdings, LLC	(g)	Materials	L+800	1.3%	5/31/20	19,574	19,574	19,598

See notes to unaudited consolidated financial statements.

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FS Investment Corporation

Unaudited Consolidated Schedule of Investments (continued)
As of September 30, 2018
(in thousands, except share amounts)

Portfolio Company(a)	Footnotes	Industry	Rate(b)	Floor	Maturity	Principal Amount(c)	Amortized Cost	Fair Value(d)
Industry City TI Lessor, L.P.	(g)	Consumer Services	10.8%, 1.0% PIK (1.0% Max PIK)		6/30/26	$ 29,327	$ 29,327	$ 30,573
International Aerospace Coatings, Inc.	(e)(f)(h)	Capital Goods	L+750	1.0%	6/30/20	43,826	43,784	43,826
JAKKS Pacific, Inc.	(g)	Consumer Durables & Apparel	L+900	1.5%	6/14/21	2,289	2,274	2,271
JMC Acquisition Merger Corp.	(e)(g)(h)	Capital Goods	L+750	1.0%	1/29/24	54,885	54,885	54,885
JMC Acquisition Merger Corp.	(g)(q)	Capital Goods	L+750	1.0%	1/29/24	2,945	2,945	2,945
JSS Holdings, Inc.	(e)(g)	Capital Goods	L+800, 0.0% PIK (2.5% Max PIK)	1.0%	3/31/23	110,450	109,563	115,862
Kodiak BP, LLC	(g)(h)	Capital Goods	L+725	1.0%	12/1/24	27,869	27,588	27,555
Kodiak BP, LLC	(g)(q)	Capital Goods	L+725	1.0%	12/1/24	58,001	58,001	57,349
Latham Pool Products, Inc.	(e)(g)	Consumer Durables & Apparel	L+775	1.0%	6/29/21	56,183	56,183	56,183
LEAS Acquisition Co Ltd.	(g)(j)	Capital Goods	L+750	1.0%	6/30/20	€ 25,760	35,034	29,942
LEAS Acquisition Co Ltd.	(f)(j)	Capital Goods	L+750	1.0%	6/30/20	$ 9,037	9,037	9,037
Logan’s Roadhouse, Inc.	(g)(t)	Consumer Services	L+1300 PIK (L+1300 Max PIK)	1.0%	5/5/19	8,782	8,782	8,782
Logan’s Roadhouse, Inc.	(g)(t)	Consumer Services	L+1300 PIK (L+1300 Max PIK)	1.0%	5/5/19	1,974	1,974	1,974
Logan’s Roadhouse, Inc.	(g)(q)(t)	Consumer Services	L+1300 PIK (L+1300 Max PIK)	1.0%	5/5/19	1,218	1,218	1,218
MB Precision Holdings LLC	(g)(l)(r)	Capital Goods	L+725, 2.3% PIK (2.3% Max PIK)	1.3%	1/23/21	13,378	13,301	5,853
Micronics Filtration Holdings, Inc.	(e)(g)	Capital Goods	L+850	1.3%	12/11/20	62,327	62,282	62,171
Murray Energy Corp.	(g)	Energy	L+900	1.0%	2/12/21	8,929	8,867	8,857
North Haven Cadence Buyer, Inc.	(g)(q)	Consumer Services	L+500	1.0%	9/2/22	938	938	938
North Haven Cadence Buyer, Inc.	(e)(g)	Consumer Services	L+823	1.0%	9/2/22	22,102	22,102	22,074
Nova Wildcat Amerock, LLC	(g)	Consumer Durables & Apparel	L+750	1.3%	9/10/19	3,177	3,177	3,177
PHRC License, LLC	(f)(g)	Consumer Services	L+850	1.5%	4/28/22	50,390	50,390	51,901
Power Distribution, Inc.	(e)(g)	Capital Goods	L+725	1.3%	1/25/23	29,423	29,423	29,901
Reliant Acquisitions Holdings, Inc.	(e)	Health Care Equipment & Services	L+675	1.0%	8/30/24	45,214	44,769	45,033
Roadrunner Intermediate Acquisition Co., LLC	(e)(g)	Health Care Equipment & Services	L+675	1.0%	3/15/23	33,370	33,370	31,401
Rogue Wave Software, Inc.	(e)(g)	Software & Services	L+844	1.0%	9/25/21	40,688	40,687	40,687
Safariland, LLC	(e)(g)(h)	Capital Goods	L+778	1.1%	11/18/23	126,107	126,107	114,758
Sequel Youth and Family Services, LLC	(e)(g)	Health Care Equipment & Services	L+755	1.0%	9/1/22	94,012	94,012	95,234
Sequential Brands Group, Inc.	(e)(g)	Consumer Durables & Apparel	L+875		2/7/24	60,620	59,529	60,620
SGS Cayman, L.P.	(g)(j)(s)	Commercial & Professional Services	L+538	1.0%	4/23/21	156	151	150
Sorenson Communications, Inc.	(e)(g)(h)(s)	Telecommunication Services	L+575	2.3%	4/30/20	89,976	89,848	90,463
SSC (Lux) Limited S.Ã r.l.	(e)(g)(j)	Health Care Equipment & Services	L+750	1.0%	9/10/24	45,455	45,455	46,648
Staples Canada, ULC	(g)(j)	Retailing	CDOR+700	1.0%	9/12/24	C$ 25,911	21,114	20,290
SunGard Availability Services Capital, Inc.	(g)(s)	Software & Services	L+700	1.0%	9/30/21	$ 4,294	4,262	3,993
SunGard Availability Services Capital, Inc.	(g)(s)	Software & Services	L+1000	1.0%	10/1/22	1,960	1,874	1,931

See notes to unaudited consolidated financial statements.

FS Investment Corporation

Unaudited Consolidated Schedule of Investments (continued)
As of September 30, 2018
(in thousands, except share amounts)

Portfolio Company(a)	Footnotes	Industry	Rate(b)	Floor	Maturity	Principal Amount(c)	Amortized Cost	Fair Value(d)
Sutherland Global Services Inc.	(g)(s)	Commercial & Professional Services	L+538	1.0%	4/23/21	$ 670	$ 648	$ 643
ThermaSys Corp.	(g)(s)	Capital Goods	L+400	1.3%	5/3/19	14,768	14,211	14,021
Trace3, LLC	(e)(g)	Software & Services	L+675	1.0%	6/6/23	94,180	94,179	94,180
VP Parent Holdings, Inc.	(e)(g)	Software & Services	L+650	1.0%	5/22/25	52,884	52,376	52,353
VPG Metals Group LLC	(e)(g)(h)	Materials	L+1050	1.0%	12/30/20	108,359	108,248	108,088
Warren Resources, Inc.	(f)(g)	Energy	L+1000, 1.0% PIK (1.0% Max PIK)	1.0%	5/22/20	700	700	700
Westbridge Technologies, Inc.	(g)(s)	Technology Hardware & Equipment	L+850	1.0%	4/28/23	11,711	11,657	11,857
Zeta Interactive Holdings Corp.	(e)(g)	Software & Services	L+750	1.0%	7/29/22	12,909	12,909	13,167
Zeta Interactive Holdings Corp.	(g)(q)	Software & Services	L+750	1.0%	7/29/22	2,286	2,286	2,331
Total Senior Secured Loans—First Lien							2,652,424	2,615,415
Unfunded Loan Commitments							(156,614)	(156,614)
Net Senior Secured Loans—First Lien							2,495,810	2,458,801
Senior Secured Loans—Second Lien—6.7%								
Ammeraal Beltech Holding BV	(g)(j)	Capital Goods	L+800		9/28/26	10,721	10,506	10,506
Arena Energy, LP	(g)	Energy	L+900, 4.0% PIK (4.0% Max PIK)	1.0%	1/24/21	8,535	8,535	8,535
Bellatrix Exploration Ltd.	(g)(j)	Energy	8.5%		7/26/23	4,500	4,002	3,983
Bellatrix Exploration Ltd.	(g)(j)	Energy	8.5%		7/26/23	936	936	938
Bellatrix Exploration Ltd.	(g)(j)(q)	Energy	8.5%		7/26/23	1,560	1,560	1,564
Byrider Finance, LLC	(f)(g)	Automobiles & Components	L+1000, 0.5% PIK (4.0% Max PIK)	1.3%	8/22/20	17,794	17,794	17,416
Chisholm Oil and Gas Operating, LLC	(g)	Energy	L+800	1.0%	3/21/24	16,000	16,000	15,883
Gruden Acquisition, Inc.	(g)(s)	Transportation	L+850	1.0%	8/18/23	15,000	14,532	15,000
LBM Borrower, LLC	(g)(s)	Capital Goods	L+925	1.0%	8/20/23	19,128	19,036	19,271
Logan's Roadhouse, Inc.	(g)(l)(r)(t)	Consumer Services	L+850 PIK (L+850 Max PIK)	1.0%	11/23/20	23,711	22,092	6,117
One Call Corp.	(e)	Health Care Equipment & Services	L+375, 6.0% PIK (6.0% Max PIK)		4/11/24	4,094	4,056	4,038
Spencer Gifts LLC	(e)(h)(s)	Retailing	L+825	1.0%	6/29/22	30,000	29,919	22,575
Ultimate Baked Goods Midco LLC	(g)	Food & Staples Retailing	L+800	1.0%	8/9/26	14,748	14,604	14,575
Total Senior Secured Loans—Second Lien							163,572	140,401
Unfunded Loan Commitments							(1,560)	(1,560)
Net Senior Secured Loans—Second Lien							162,012	138,841
Senior Secured Bonds—8.9%								
Advanced Lighting Technologies, Inc.	(g)(l)(r)(t)	Materials	L+700, 10.0% PIK (10.0% Max PIK)	1.0%	10/4/23	25,081	23,580	11,224
Black Swan Energy Ltd.	(e)(j)	Energy	9.0%		1/20/24	6,000	6,000	6,000
FourPoint Energy, LLC	(e)(f)(g)	Energy	9.0%		12/31/21	74,813	72,765	75,561
JW Aluminum Co.	(e)(g)(s)(u)	Materials	10.3%		6/1/26	36,481	36,481	36,526
Mood Media Corp.	(f)(g)(j)(t)	Media	L+1400 PIK (L+1400 Max PIK)	1.0%	6/28/24	26,584	26,491	26,584

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Portfolio Company(a)	Footnotes	Industry	Rate(b)	Floor	Maturity	Principal Amount(c)	Amortized Cost	Fair Value(d)
Sorenson Communications, Inc.	(f)(s)	Telecommunication Services	9.0%, 0.0% PIK (9.0% Max PIK)		10/31/20	$ 19,898	$ 19,571	$ 19,699
Sunnova Energy Corp.	(g)	Energy	6.0%, 6.0% PIK (6.0% Max PIK)		1/24/19	830	830	829
Velvet Energy Ltd.	(g)(j)	Energy	9.0%		10/5/23	7,500	7,500	7,837
Total Senior Secured Bonds							193,218	184,260
Subordinated Debt—16.2%								
Aurora Diagnostics, LLC	(e)(f)(g)(s)	Health Care Equipment & Services	12.3%, 1.5% PIK (1.5% Max PIK)		1/15/20	15,191	14,341	13,805
Byrider Holding Corp.	(g)	Automobiles & Components	20.0% PIK (20.0% Max PIK)		4/1/22	875	875	875
CEC Entertainment, Inc.	(f)(s)	Consumer Services	8.0%		2/15/22	5,000	5,007	4,581
DEI Sales, Inc.	(e)(g)	Consumer Durables & Apparel	9.0%, 4.0% PIK (4.0% Max PIK)		2/28/23	69,639	68,950	69,030
Global Jet Capital Inc.	(g)	Commercial & Professional Services	15.0% PIK (15.0% Max PIK)		1/30/25	950	950	941
Global Jet Capital Inc.	(g)	Commercial & Professional Services	15.0% PIK (15.0% Max PIK)		4/30/25	6,035	6,035	5,983
Global Jet Capital Inc.	(g)	Commercial & Professional Services	15.0% PIK (15.0% Max PIK)		9/3/25	1,247	1,247	1,235
Global Jet Capital Inc.	(g)	Commercial & Professional Services	15.0% PIK (15.0% Max PIK)		9/29/25	1,174	1,174	1,162
Global Jet Capital Inc.	(f)(g)(j)	Commercial & Professional Services	15.0% PIK (15.0% Max PIK)		12/4/25	86,666	86,666	85,691
Global Jet Capital Inc.	(f)(g)(j)	Commercial & Professional Services	15.0% PIK (15.0% Max PIK)		12/9/25	14,174	14,174	14,015
Global Jet Capital Inc.	(f)(j)	Commercial & Professional Services	15.0% PIK (15.0% Max PIK)		1/29/26	7,422	7,422	7,339
Global Jet Capital Inc.	(g)	Commercial & Professional Services	15.0% PIK (15.0% Max PIK)		4/14/26	15,173	15,173	15,002
Global Jet Capital Inc.	(g)	Commercial & Professional Services	15.0% PIK (15.0% Max PIK)		12/2/26	14,893	14,893	14,707
Greystone Mezzanine Equity Member Corp.	(g)(j)(q)	Diversified Financials	L+650	4.5%	9/15/25	20,250	20,250	19,997
Imagine Communications Corp.	(g)	Media	12.5% PIK (12.5% Max PIK)		10/5/18	725	725	692
P.F. Chang's China Bistro, Inc.	(f)(s)	Consumer Services	10.3%		6/30/20	4,229	4,294	4,097
Quorum Health Corp.	(g)(s)	Health Care Equipment & Services	11.6%		4/15/23	423	422	424
S1 Blocker Buyer Inc.	(g)	Commercial & Professional Services	10.0% PIK (10.0% Max PIK)		10/31/22	113	114	114
Sorenson Communications, Inc.	(f)(s)	Telecommunication Services	13.9%, 0.0% PIK (13.9% Max PIK)		10/31/21	15,122	14,542	15,916
SunGard Availability Services Capital, Inc.	(f)(g)(s)	Software & Services	8.8%		4/1/22	10,750	8,969	5,196

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Portfolio Company(a)	Footnotes	Industry	Rate(b)	Floor	Maturity	Principal Amount(c)	Amortized Cost	Fair Value(d)
ThermaSys Corp.	(e)(f)(g)(l)(r)	Capital Goods	6.5%, 5.0% PIK (5.0% Max PIK)		5/3/20	$ 150,818	$ 150,818	$ 72,393
VPG Metals Group LLC	(e)(g)	Materials	13.0% PIK (13.0% Max PIK)		12/30/20	2,469	2,469	2,046
Total Subordinated Debt							439,510	355,241
Unfunded Debt Commitments							(20,250)	(20,250)
Net Subordinated Debt							419,260	334,991
Collateralized Securities—2.4%								
MP4 2013-2A Class Subord. B	(f)(g)(j)	Diversified Financials	21.3%		7/25/29	21,000	11,917	11,650
NewStar Clarendon 2014-1A Class D	(g)(j)	Diversified Financials	L+435		1/25/27	1,560	1,490	1,564
NewStar Clarendon 2014-1A Class Subord. B	(g)(j)	Diversified Financials	9.7%		1/25/27	17,900	11,572	12,190
Rampart CLO 2007 1A Class Subord.	(g)(j)(l)	Diversified Financials	0.0%		10/25/21	10,000	216	436
Wind River CLO Ltd. 2012 1A Class Subord. B	(g)(j)	Diversified Financials	18.4%		1/15/26	42,504	21,527	24,523
Total Collateralized Securities							46,722	50,363

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Portfolio Company(a)	Footnotes	Industry	Rate(b)	Floor	Maturity	Number of Shares	Amortized Cost	Fair Value(d)
Equity/Other—17.9%(k)								
5 Arches, LLC, Common Equity	(g)(j)(n)	Diversified Financials				16,000	$ 394	$ 800
Advanced Lighting Technologies, Inc., Common Equity	(g)(l)(t)	Materials				587,637	16,520	—
Advanced Lighting Technologies, Inc., Warrants	(g)(l)(t)	Materials			10/4/27	9,262	86	—
Altus Power America Holdings, LLC, Common Equity	(g)(l)	Energy				462,008	462	69
Altus Power America Holdings, LLC, Preferred Equity	(g)(p)	Energy	9.0%, 5.0% PIK		10/3/23	1,036,585	1,037	1,000
APP Holdings, LP, Warrants	(g)(j)(l)	Capital Goods			5/25/26	698,482	2,545	—
Ascent Resources Utica Holdings, LLC, Common Equity	(g)(l)(m)	Energy				96,800,082	29,100	30,976
ASG Everglades Holdings, Inc., Common Equity	(g)(l)(t)	Software & Services				1,689,767	36,422	88,290
ASG Everglades Holdings, Inc., Warrants	(g)(l)(t)	Software & Services			6/27/22	229,541	6,542	7,001
Aspect Software Parent, Inc., Common Equity	(g)(l)(t)	Software & Services				428,934	10,546	—
Aurora Diagnostics Holdings, LLC, Warrants	(e)(f)(g)(l)	Health Care Equipment & Services			5/25/27	229,489	1,671	2,377
Byrider Holding Corp., Common Equity	(g)(l)	Automobiles & Components				833	—	—
Chisholm Oil and Gas, LLC, Series A Units	(g)(l)(n)	Energy				75,000	75	70
CSF Group Holdings, Inc., Common Equity	(g)(l)	Capital Goods				391,300	391	430
Eastman Kodak Co., Common Equity	(g)(l)(s)	Consumer Durables & Apparel				61,859	1,203	192
Escape Velocity Holdings, Inc., Common Equity	(g)(l)	Software & Services				19,312	193	743
FourPoint Energy, LLC, Common Equity, Class C-II-A Units	(g)(l)(n)	Energy				21,000	21,000	5,933
FourPoint Energy, LLC, Common Equity, Class D Units	(g)(l)(n)	Energy				3,937	2,601	1,122
FourPoint Energy, LLC, Common Equity, Class E-II Units	(g)(l)(n)	Energy				48,025	12,006	13,507
FourPoint Energy, LLC, Common Equity, Class E-III Units	(g)(l)(n)	Energy				70,875	17,719	20,022
Fronton Investor Holdings, LLC, Class B Units	(g)(n)(t)	Consumer Services				14,943	6,793	22,713
Global Jet Capital Holdings, LP, Preferred Equity	(f)(g)(j)(l)	Commercial & Professional Services				42,281,308	42,281	15,433
H.I.G. Empire Holdco, Inc., Common Equity	(g)(l)	Retailing				375	1,118	1,155
Harvest Oil & Gas Corp., Common Equity	(f)(l)(s)	Energy				7,332	161	147
Harvey Holdings, LLC, Common Equity	(g)(l)	Capital Goods				2,333,333	2,333	6,008
HM Dunn Aerosystems, Inc., Preferred Equity, Series A	(g)(l)(t)	Capital Goods				214	—	—
HM Dunn Aerosystems, Inc., Preferred Equity, Series B	(g)(l)(t)	Capital Goods				214	—	—
Imagine Communications Corp., Common Equity, Class A Units	(g)(l)	Media				33,034	3,783	8
Industrial Group Intermediate Holdings, LLC, Common Equity	(g)(l)(n)	Materials				441,238	441	397
International Aerospace Coatings, Inc., Common Equity	(f)(l)	Capital Goods				4,401	464	—
International Aerospace Coatings, Inc., Preferred Equity	(f)(l)	Capital Goods				1,303	1,303	406
JMC Acquisition Holdings, LLC, Common Equity	(g)(l)	Capital Goods				483	483	560
JSS Holdco, LLC, Net Profits Interest	(g)(l)	Capital Goods				—	—	1,095
JW Aluminum Co., Common Equity	(f)(g)(l)(u)	Materials				1,474	—	6,591
JW Aluminum Co., Preferred Equity	(f)(g)(u)	Materials	12.5% PIK		11/17/25	8,404	72,297	62,128
MB Precision Investment Holdings LLC, Class A-2 Units	(g)(l)(n)	Capital Goods				490,213	490	—
Micronics Filtration Holdings, Inc., Common Equity	(g)(l)	Capital Goods				53,073	553	332
Micronics Filtration Holdings, Inc., Preferred Equity, Series A	(g)(l)	Capital Goods				55	553	972
Micronics Filtration Holdings, Inc., Preferred Equity, Series B	(g)(l)	Capital Goods				23	229	277
Mood Media Corp., Common Equity	(g)(j)(l)(t)	Media				16,243,967	11,804	17,682
North Haven Cadence TopCo, LLC, Common Equity	(g)(l)	Consumer Services				1,041,667	1,042	1,641

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Portfolio Company(a)	Footnotes	Industry	Rate(b)	Floor	Maturity	Number of Shares	Amortized Cost	Fair Value(d)
PDI Parent LLC, Common Equity	(g)(l)	Capital Goods				1,384,615	$ 1,385	$ 1,142
Ridgeback Resources Inc., Common Equity	(f)(j)(l)	Energy				324,954	1,997	2,244
Roadhouse Holding Inc., Common Equity	(g)(l)(t)	Consumer Services				6,672,036	6,932	—
S1 Blocker Buyer Inc., Common Equity	(g)	Commercial & Professional Services				59	568	918
Safariland, LLC, Common Equity	(f)(l)	Capital Goods				25,000	2,500	3,256
Safariland, LLC, Warrants	(f)(l)	Capital Goods			7/27/18	2,263	246	258
Safariland, LLC, Warrants	(f)(l)	Capital Goods			9/20/19	2,273	227	333
Sequential Brands Group, Inc., Common Equity	(g)(l)(s)	Consumer Durables & Apparel				206,664	2,790	345
Sorenson Communications, Inc., Common Equity	(f)(l)	Telecommunication Services				46,163	—	38,052
SSC Holdco Limited, Common Equity	(g)(j)(l)	Health Care Equipment & Services				113,636	2,273	2,671
Sunnova Energy Corp., Common Equity	(g)(l)	Energy				192,389	722	—
Sunnova Energy Corp., Preferred Equity	(g)(l)	Energy				35,115	187	203
The Brock Group, Inc., Common Equity	(g)(l)	Energy				183,826	3,652	—
ThermaSys Corp., Common Equity	(f)(l)	Capital Goods				51,813	1	—
ThermaSys Corp., Preferred Equity	(f)(l)	Capital Goods				51,813	5,181	—
Viper Holdings, LLC, Series I Units	(g)(l)	Consumer Durables & Apparel				308,948	509	850
Viper Holdings, LLC, Series II Units	(g)(l)(n)	Consumer Durables & Apparel				316,770	522	871
Viper Parallel Holdings LLC, Class A Units	(g)(l)	Consumer Durables & Apparel				649,538	1,070	1,786
VPG Metals Group LLC, Class A-2 Units	(f)(l)	Materials				3,637,500	3,638	2,273
Warren Resources, Inc., Common Equity	(g)(l)	Energy				113,515	534	431
Zeta Interactive Holdings Corp., Preferred Equity, Series E-1	(g)(l)	Software & Services				215,662	1,714	2,222
Zeta Interactive Holdings Corp., Preferred Equity, Series F	(g)(l)	Software & Services				196,151	1,714	1,973
Zeta Interactive Holdings Corp., Warrants	(g)(l)	Software & Services			4/20/27	29,422	—	91
Total Equity/Other							345,003	369,996
TOTAL INVESTMENTS—171.1%							$3,662,025	3,537,252
LIABILITIES IN EXCESS OF OTHER ASSETS—(71.1%)								(1,470,391)
NET ASSETS—100%								$ 2,066,861

(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 September 30, 2018, the three-month London Interbank Offered Rate, or LIBOR or "L", was 2.40%, the Euro Interbank Offered Rate, or EURIBOR, was (0.32)%, Canadian Dollar Offer Rate, or CDOR, was 2.02% and the U.S. Prime Lending Rate, or Prime, was 5.25%. 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 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. Security is available as collateral to support the amounts outstanding under the Senior Secured Revolving Credit Facility (see Note 8).

(g) Security or portion thereof is pledged as collateral supporting the amounts outstanding under the Senior Secured Revolving Credit Facility (see Note 8).

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(h) Security or portion thereof held within Hamilton Street Funding LLC. Security is available as collateral to support the amounts outstanding under the Senior Secured Revolving Credit Facility (see Note 8).

(i) Position or portion thereof unsettled as of September 30, 2018.

(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 September 30, 2018, 80.9% 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. The stated rate reflects the spread disclosed at the time of commitment and may not indicate the actual rate received upon funding.

(r) Asset is on non-accrual status.

(s) Security is classified as Level 1 or Level 2 in the Company's fair value hierarchy (see Note 7).

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Unaudited Consolidated Schedule of Investments (continued)
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(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 September 30, 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 nine months ended September 30, 2018:

Portfolio Company	Fair Value at December 31, 2017	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 September 30, 2018	Interest Income(1)	PIK Income(1)	Fee Income(1)
Senior Secured Loans—First Lien											
Advanced Lighting Technologies, Inc.	$ 20,383	$ —	$ —	$ (154)	$ 374	$ 22	$ (395)	$ 20,230	$ 1,845	$ —	$ —
Aspect Software, Inc.	—	—	3,672	(44)	—	—	(412)	3,216	92	33	—
Aspect Software, Inc.	992	—	—	(992)	—	—	—	—	58	—	—
Aspect Software, Inc.	628	—	14	(13)	—	—	(27)	602	51	13	20
Aspect Software, Inc.	(361)	—	361	(361)	—	—	361	—	5	—	—
H.M. Dunn Co., Inc. (2)	—	1,071	—	—	—	(428)	(483)	160	31	—	
Logan's Roadhouse, Inc.	6,952	—	3,182	(1,352)	—	(11)	11	8,782	30	930	—
Logan's Roadhouse, Inc.(3)	—	—	1,974	—	—	—	—	1,974	6	756	
Senior Secured Loans—Second Lien											
Logan's Roadhouse, Inc.	10,079	—	289	—	9	—	(4,260)	6,117	(10)	289	—
Senior Secured Bonds											
Advanced Lighting Technologies, Inc.	22,728	—	1,430	(578)	—	—	(12,356)	11,224	1,185	1,430	—
Mood Media Corp.	21,675	—	4,923	—	—	—	(14)	26,584	1,256	1,775	—
Equity/Other											
Advanced Lighting Technologies, Inc., Common Equity	13,046	—	—	—	—	—	(13,046)	—	—	—	—
Advanced Lighting Technologies, Inc., Warrants	56	—	—	—	—	—	(56)	—	—	—	—
ASG Everglades Holdings, Inc., Common Equity	83,052	—	—	—	—	—	5,238	88,290	—	—	—
ASG Everglades Holdings, Inc., Warrants	6,289	—	—	—	—	—	712	7,001	—	—	—
Aspect Software, Inc.	—	—	2	(2)	—	(9,651)	9,651	—	—	—	—
Fronton Investor Holdings, LLC, Class B Units	17,782	—	—	(224)	—	—	5,155	22,713	—	—	—
HM Dunn Aerosystems, Inc., Preferred Equity, Series A	—	—	—	—	—	—	—	—	—	—	—
HM Dunn Aerosystems, Inc., Preferred Equity, Series B	—	—	—	—	—	—	—	—	—	—	—
Mood Media Corp.	26,754	—	—	—	—	—	(9,072)	17,682	—	—	—
Roadhouse Holding Inc., Common Equity	—	—	—	—	—	—	—	—	—	—	—
Total	$ 230,055	$ 1,071	$ 15,847	$ (3,720)	$ 383	$ (10,068)	$ (18,993)	$ 214,575	$ 4,549	$ 5,226	$ 20

(1) Interest, PIK and fee income presented for the full nine months ended September 30, 2018.

(2) 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.

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(3) Security includes a partially unfunded commitment with an amortized cost of $1,218 and a fair value of $1,218.

(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 September 30, 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 nine months ended September 30, 2018, the Company disposed of investments in one portfolio company 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 nine months ended September 30, 2018:

Portfolio Company	Fair Value at December 31, 2017	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 September 30, 2018	Interest Income(1)	PIK Income(1)
Senior Secured Loans—Second Lien									
JW Aluminum Co.	$ 38,008	$ —	$ (37,446)	$ 2	$ 12	$ (576)	$ —	$ 1,650	$ —
Senior Secured Bonds									
JW Aluminum Co.	—	36,481	—	—	—	45	36,526	1,246	—
Equity/Other									
JW Aluminum Co., Common Equity	—	—	—	—	—	6,591	6,591	—	—
JW Aluminum Co., Preferred Equity	57,260	22,669	—	199	—	(18,000)	62,128	901	6,869
Total	$ 95,268	$ 59,150	$ (37,446)	$ 201	$ 12	$ (11,940)	$ 105,245	$ 3,797	$ 6,869

(1) Interest and PIK income presented for the full nine months ended September 30, 2018.

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FS Investment Corporation

Consolidated Schedule of Investments
As of December 31, 2017
(in thousands, except share amounts)

Portfolio Company(a)	Footnotes	Industry	Rate(b)	Floor	Maturity	Principal Amount(c)	Amortized Cost	Fair Value(d)
Senior Secured Loans—First Lien—110.3%								
5 Arch Income Fund 2, LLC	(g)(j)(o)	Diversified Financials	10.5%		11/18/21	$ 29,824	$ 29,871	$ 29,824
5 Arch Income Fund 2, LLC	(g)(j)(o)(q)	Diversified Financials	10.5%		11/18/21	8,176	8,176	8,176
A.P. Plasman Inc.	(e)(f)(g)(h)(j)	Capital Goods	L+900	1.0%	12/29/19	196,468	195,233	191,802
Actian Corp.	(e)	Software & Services	L+806	1.0%	6/30/22	11,429	11,429	11,571
Advanced Lighting Technologies, Inc.	(g)(t)	Materials	L+750	1.0%	10/4/22	20,383	17,224	20,383
AG Group Merger Sub, Inc.	(e)(g)	Commercial & Professional Services	L+750	1.0%	12/29/23	89,169	89,169	90,729
All Systems Holding LLC	(e)(f)(g)(h)	Commercial & Professional Services	L+767	1.0%	10/31/23	48,995	48,995	49,730
Altus Power America, Inc.	(g)	Energy	L+750	1.5%	9/30/21	2,866	2,866	2,809
Altus Power America, Inc.	(g)(q)	Energy	L+750	1.5%	9/30/21	884	884	866
Aspect Software, Inc.	(g)(t)	Software & Services	L+1050	1.0%	5/25/18	992	992	992
Aspect Software, Inc.	(g)(q)(t)	Software & Services	L+1050	1.0%	5/25/18	25	25	25
Aspect Software, Inc.	(g)(t)	Software & Services	L+1050	1.0%	5/25/20	679	679	628
Aspect Software, Inc.	(g)(q)(t)	Software & Services	L+1200	1.0%	5/25/18	361	361	—
Atlas Aerospace LLC	(g)	Capital Goods	L+802	1.0%	12/29/22	30,476	30,476	30,476
AVF Parent, LLC	(e)(h)	Retailing	L+725	1.3%	3/1/24	56,843	56,843	58,019
Borden Dairy Co.	(e)(g)(h)	Food, Beverage & Tobacco	L+804	1.0%	7/6/23	70,000	70,000	69,979
ConnectiveRX, LLC	(e)(g)(h)	Health Care Equipment & Services	L+828	1.0%	11/25/21	45,019	45,019	45,037
Crestwood Holdings LLC	(g)	Energy	L+800	1.0%	6/19/19	4,185	4,181	4,205
CSafe Acquisition Co., Inc.	(g)	Capital Goods	L+725	1.0%	11/1/21	3,326	3,326	3,297
CSafe Acquisition Co., Inc.	(g)(q)	Capital Goods	L+725	1.0%	11/1/21	2,543	2,543	2,521
CSafe Acquisition Co., Inc.	(g)(h)	Capital Goods	L+725	1.0%	10/31/23	46,814	46,814	46,404
CSafe Acquisition Co., Inc.	(g)(q)	Capital Goods	L+725	1.0%	10/31/23	25,122	25,122	24,902
Dade Paper & Bag, LLC	(e)(g)(h)	Capital Goods	L+750	1.0%	6/10/24	83,605	83,605	86,531
Eastman Kodak Co.	(g)	Consumer Durables & Apparel	L+625	1.0%	9/3/19	10,255	10,185	8,896
Empire Today, LLC	(e)(g)	Retailing	L+800	1.0%	11/17/22	81,180	81,180	81,992
Greystone Equity Member Corp.	(g)(j)	Diversified Financials	L+1050		3/31/21	1,358	1,361	1,360
Greystone Equity Member Corp.	(g)(j)	Diversified Financials	L+1100		3/31/21	50,000	50,000	50,750
Greystone Equity Member Corp.	(g)(j)	Diversified Financials	L+1100		3/31/21	2,105	2,105	2,126
Greystone Equity Member Corp.	(g)(j)(q)	Diversified Financials	L+1100		3/31/21	537	537	542
H.M. Dunn Co., Inc.	(g)	Capital Goods	L+946	1.0%	3/26/21	1,071	1,071	1,023
Hudson Technologies Co.	(g)(h)(j)	Commercial & Professional Services	L+725	1.0%	10/10/23	39,946	39,946	40,495
Hudson Technologies Co.	(g)(j)(q)	Commercial & Professional Services	L+725	1.0%	10/10/23	9,511	9,511	9,642
Icynene U.S. Acquisition Corp.	(e)(g)	Materials	L+700	1.0%	11/30/24	30,000	30,000	30,006
Imagine Communications Corp.	(e)(g)(h)	Media	L+825	1.0%	4/29/20	75,725	75,725	76,672
Industrial Group Intermediate Holdings, LLC	(g)	Materials	L+800	1.3%	5/31/20	21,492	21,492	21,815
Industry City TI Lessor, L.P.	(g)	Consumer Services	10.8%, 1.0% PIK (1.0% Max PIK)		6/30/26	30,810	30,810	31,195
International Aerospace Coatings, Inc.	(e)(f)(h)	Capital Goods	L+750	1.0%	6/30/20	44,867	44,783	45,540
JMC Acquisition Merger Corp.	(g)	Capital Goods	L+854	1.0%	11/6/21	6,832	6,832	6,943

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JSS Holdings, Inc.	(e)(g)	Capital Goods	L+800, 0.0% PIK (2.5% Max PIK)	1.0%	3/31/23	$ 110,566	$ 109,565	$ 112,280
JSS Holdings, Inc.	(g)(q)	Capital Goods	L+800, 0.0% PIK (2.5% Max PIK)	1.0%	3/31/23	20,182	20,182	20,495
Kodiak BP, LLC	(h)	Capital Goods	L+725	1.0%	12/1/24	10,515	10,515	10,541
Kodiak BP, LLC	(h)(q)	Capital Goods	L+725	1.0%	12/1/24	3,030	3,030	3,038
Latham Pool Products, Inc.	(e)(h)	Commercial & Professional Services	L+775	1.0%	6/29/21	56,183	56,183	56,815
LEAS Acquisition Co Ltd.	(g)(j)	Capital Goods	L+750	1.0%	6/30/20	€ 26,372	35,872	32,181
LEAS Acquisition Co Ltd.	(f)(j)	Capital Goods	L+750	1.0%	6/30/20	$ 9,251	9,251	9,390
Logan’s Roadhouse, Inc.	(g)(t)	Consumer Services	L+1100	1.0%	5/5/19	6,963	6,963	6,963
Logan’s Roadhouse, Inc.	(g)(q)(t)	Consumer Services	L+1100	1.0%	5/5/19	1,120	1,131	1,120
MB Precision Holdings LLC	(g)	Capital Goods	L+725, 2.3% PIK (2.3% Max PIK)	1.3%	1/23/21	13,793	13,793	12,638
Micronics Filtration, LLC	(e)(g)(h)	Capital Goods	L+850	1.3%	12/11/19	62,813	62,704	62,420
MORSCO, Inc.	(g)	Capital Goods	L+700	1.0%	10/31/23	2,686	2,595	2,738
Nobel Learning Communities, Inc.	(g)	Consumer Services	L+450	1.0%	5/5/21	38	38	38
Nobel Learning Communities, Inc.	(g)(q)	Consumer Services	L+450	1.0%	5/5/21	101	101	101
Nobel Learning Communities, Inc.	(g)	Consumer Services	L+436	4.5%	5/5/23	1,056	1,056	1,051
Nobel Learning Communities, Inc.	(g)(q)	Consumer Services	L+375	4.5%	5/5/23	621	621	618
North Haven Cadence Buyer, Inc.	(g)(q)	Consumer Services	L+500	1.0%	9/2/21	938	938	938
North Haven Cadence Buyer, Inc.	(e)(g)	Consumer Services	L+810	1.0%	9/2/22	27,686	27,686	28,206
North Haven Cadence Buyer, Inc.	(g)(q)	Consumer Services	L+750	1.0%	9/2/22	3,542	3,542	3,608
Nova Wildcat Amerock, LLC	(g)	Consumer Durables & Apparel	L+800	1.3%	9/10/19	17,312	17,312	17,399
PHRC License, LLC	(f)(g)	Consumer Services	L+850	1.5%	4/28/22	50,625	50,625	51,891
Polymer Additives, Inc.	(g)	Materials	L+888	1.0%	12/19/22	10,511	10,511	10,879
Polymer Additives, Inc.	(g)	Materials	L+834	1.0%	12/19/22	11,019	11,019	11,239
Polymer Additives, Inc.	(g)	Materials	L+875	1.0%	12/19/22	€ 15,000	16,982	18,575
Power Distribution, Inc.	(e)(g)	Capital Goods	L+725	1.3%	1/25/23	$ 29,928	29,928	30,377
Roadrunner Intermediate Acquisition Co., LLC	(e)(g)(h)	Health Care Equipment & Services	L+725	1.0%	3/15/23	34,919	34,919	35,214
Rogue Wave Software, Inc.	(e)(g)(h)	Software & Services	L+858	1.0%	9/25/21	40,688	40,688	40,688
Safariland, LLC	(e)(g)(h)	Capital Goods	L+768	1.1%	11/18/23	126,107	126,107	127,841
Safariland, LLC	(g)(q)	Capital Goods	L+725	1.1%	11/18/23	33,282	33,282	33,740
Sequel Youth and Family Services, LLC	(e)(g)(h)	Health Care Equipment & Services	L+778	1.0%	9/1/22	94,118	94,118	94,984
Sequel Youth and Family Services, LLC	(g)(q)	Health Care Equipment & Services	L+700	1.0%	9/1/22	4,706	4,706	4,749
Sequential Brands Group, Inc.	(e)(g)(h)	Consumer Durables & Apparel	L+900		7/1/22	79,039	79,039	78,249
Sorenson Communications, Inc.	(e)(g)(h)	Telecommunication Services	L+575	2.3%	4/30/20	90,681	90,474	91,418
SSC (Lux) Limited S.à r.l.	(e)(g)(j)	Health Care Equipment & Services	L+750	1.0%	9/10/24	45,455	45,455	46,364
Staples Canada, ULC	(g)(j)	Retailing	L+700	1.0%	9/12/23	C$ 20,987	17,333	16,912
SunGard Availability Services Capital, Inc.	(g)	Software & Services	L+700	1.0%	9/30/21	$ 4,382	4,342	4,064
SunGard Availability Services Capital, Inc.	(g)(i)	Software & Services	L+1000	1.0%	10/1/22	2,000	1,900	1,924
Trace3, LLC	(e)(h)	Software & Services	L+775	1.0%	6/6/23	31,094	31,094	31,832

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Portfolio Company(a)	Footnotes	Industry	Rate(b)	Floor	Maturity	Principal Amount(c)	Amortized Cost	Fair Value(d)
U.S. Xpress Enterprises, Inc.	(e)(f)(h)	Transportation	L+1075, 0.0% PIK (1.8% Max PIK)	1.5%	5/30/20	$ 52,685	$ 52,685	$ 52,816
USI Senior Holdings, Inc.	(e)(g)	Capital Goods	L+779	1.0%	1/5/22	56,582	56,582	56,902
USI Senior Holdings, Inc.	(g)(q)	Capital Goods	L+725	1.0%	1/5/22	11,513	11,513	11,578
VPG Metals Group LLC	(e)(g)(h)	Materials	L+1050	1.0%	12/30/20	114,216	114,164	115,073
Warren Resources, Inc.	(f)(g)	Energy	L+900, 1.0% PIK (1.0% Max PIK)	1.0%	5/22/20	2,037	2,037	2,088
Waste Pro USA, Inc.	(e)(g)(h)	Commercial & Professional Services	L+750	1.0%	10/15/20	93,590	93,590	95,345
Zeta Interactive Holdings Corp.	(e)(g)(h)	Software & Services	L+750	1.0%	7/29/22	11,766	11,766	11,942
Zeta Interactive Holdings Corp.	(g)(q)	Software & Services	L+750	1.0%	7/29/22	2,234	2,234	2,268
Total Senior Secured Loans—First Lien							2,629,542	2,649,433
Unfunded Loan Commitments							(128,439)	(128,439)
Net Senior Secured Loans—First Lien							2,501,103	2,520,994
Senior Secured Loans—Second Lien—8.6%								
American Bath Group, LLC	(g)	Capital Goods	L+975	1.0%	9/30/24	18,000	17,581	18,045
Arena Energy, LP	(g)	Energy	L+900, 4.0% PIK (4.0% Max PIK)	1.0%	1/24/21	8,281	8,281	7,874
Byrider Finance, LLC	(f)(g)	Automobiles & Components	L+1000, 0.5% PIK (4.0% Max PIK)	1.3%	8/22/20	13,565	13,565	12,768
Chisholm Oil and Gas Operating, LLC	(g)	Energy	L+800	1.0%	3/21/24	16,000	16,000	15,998
Compuware Corp.	(g)	Software & Services	L+825	1.0%	12/15/22	1,206	1,162	1,212
Gruden Acquisition, Inc.	(g)	Transportation	L+850	1.0%	8/18/23	15,000	14,463	14,981
JW Aluminum Co.	(e)(f)(g)(h)(u)	Materials	L+850	0.8%	11/17/20	37,447	37,432	38,008
Logan's Roadhouse, Inc.	(g)(t)	Consumer Services	L+850 PIK (L+850 Max PIK)	1.0%	11/23/20	21,926	21,794	10,079
LTI Holdings, Inc.	(e)	Materials	L+875	1.0%	5/16/25	6,482	6,362	6,595
Spencer Gifts LLC	(e)(h)	Retailing	L+825	1.0%	6/29/22	30,000	29,903	16,200
Stadium Management Corp.	(e)(g)(h)	Consumer Services	Prime+725	0.3%	2/27/21	55,689	55,689	55,828
Total Senior Secured Loans—Second Lien							222,232	197,588
Senior Secured Bonds—7.1%								
Advanced Lighting Technologies, Inc.	(g)(t)	Materials	L+700, 10.0% PIK (10.0% Max PIK)		10/4/23	22,728	22,728	22,728
Black Swan Energy Ltd.	(e)(j)	Energy	9.0%		1/20/24	6,000	6,000	6,045
FourPoint Energy, LLC	(e)(f)(h)	Energy	9.0%		12/31/21	74,813	72,272	76,028
Global A&T Electronics Ltd.	(g)(j)(l)(r)	Semiconductors & Semiconductor Equipment	10.0%		2/1/19	7,000	6,967	6,490
Mood Media Corp.	(f)(g)(j)(t)	Media	L+600, 8.0% PIK (8.0% Max PIK)		6/28/24	21,568	21,568	21,675
Ridgeback Resources Inc.	(f)(j)	Energy	12.0%		12/29/20	132	130	132

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Sorenson Communications, Inc.	(f)	Telecommunication Services	9.0%, 0.0% PIK (9.0% Max PIK)		10/31/20	$ 19,898	$ 19,476	$ 19,898
Sunnova Energy Corp.	(g)	Energy	6.0%, 6.0% PIK (6.0% Max PIK)		10/24/18	1,058	1,058	1,058
Velvet Energy Ltd.	(g)(j)	Energy	9.0%		10/5/23	7,500	7,500	7,596
Total Senior Secured Bonds							157,699	161,650
Subordinated Debt—21.4%								
Ascent Resources Utica Holdings, LLC	(g)	Energy	10.0%		4/1/22	40,000	40,000	43,226
Aurora Diagnostics, LLC	(e)(f)(h)	Health Care Equipment & Services	10.8%, 1.5% PIK (1.5% Max PIK)		1/15/20	14,966	13,712	13,918
Bellatrix Exploration Ltd.	(g)(j)	Energy	8.5%		5/15/20	5,000	4,947	4,775
Brooklyn Basketball Holdings, LLC	(f)(g)	Consumer Services	L+725		10/25/19	19,873	19,873	20,171
CEC Entertainment, Inc.	(f)	Consumer Services	8.0%		2/15/22	5,000	5,008	4,731
Ceridian HCM Holding, Inc.	(f)(g)	Commercial & Professional Services	11.0%		3/15/21	17,393	17,829	18,196
DEI Sales, Inc.	(e)(g)	Consumer Durables & Apparel	9.0%, 4.0% PIK (4.0% Max PIK)		2/28/23	67,532	66,763	66,519
EV Energy Partners, L.P.	(f)(r)	Energy	8.0%		4/15/19	265	251	135
Global Jet Capital Inc.	(g)	Commercial & Professional Services	15.0% PIK (15.0% Max PIK)		1/30/25	849	849	864
Global Jet Capital Inc.	(g)	Commercial & Professional Services	15.0% PIK (15.0% Max PIK)		4/30/25	5,398	5,398	5,492
Global Jet Capital Inc.	(g)	Commercial & Professional Services	15.0% PIK (15.0% Max PIK)		9/3/25	1,115	1,115	1,135
Global Jet Capital Inc.	(g)	Commercial & Professional Services	15.0% PIK (15.0% Max PIK)		9/29/25	1,050	1,050	1,068
Global Jet Capital Inc.	(f)(g)(j)	Commercial & Professional Services	15.0% PIK (15.0% Max PIK)		12/4/25	77,511	77,511	78,867
Global Jet Capital Inc.	(f)(g)(j)	Commercial & Professional Services	15.0% PIK (15.0% Max PIK)		12/9/25	12,677	12,677	12,899
Global Jet Capital Inc.	(f)(j)	Commercial & Professional Services	15.0% PIK (15.0% Max PIK)		1/29/26	6,638	6,638	6,755
Global Jet Capital Inc.	(g)	Commercial & Professional Services	15.0% PIK (15.0% Max PIK)		4/14/26	13,570	13,570	13,807
Global Jet Capital Inc.	(g)	Commercial & Professional Services	15.0% PIK (15.0% Max PIK)		12/2/26	13,320	13,320	13,553
Greystone Mezzanine Equity Member Corp.	(g)(j)	Diversified Financials	L+650		9/15/25	1,365	1,365	1,365
Greystone Mezzanine Equity Member Corp.	(g)(j)(q)	Diversified Financials	L+650		9/15/25	25,635	25,635	25,635
Imagine Communications Corp.	(g)	Media	12.5% PIK (12.5% Max PIK)		8/4/18	661	661	661

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Jupiter Resources Inc.	(f)(g)(j)	Energy	8.5%		10/1/22	$ 6,425	$ 5,623	$ 3,967
P.F. Chang's China Bistro, Inc.	(f)(g)	Consumer Services	10.3%		6/30/20	11,433	11,664	10,478
PriSo Acquisition Corp.	(g)	Capital Goods	9.0%		5/15/23	10,155	10,057	10,771
S1 Blocker Buyer Inc.	(g)	Commercial & Professional Services	10.0% PIK (10.0% Max PIK)		10/31/22	139	139	156
Sorenson Communications, Inc.	(f)	Telecommunication Services	13.9%, 0.0% PIK (13.9% Max PIK)		10/31/21	15,122	14,438	15,690
SunGard Availability Services Capital, Inc.	(f)(g)	Software & Services	8.8%		4/1/22	10,750	8,689	6,705
ThermaSys Corp.	(e)(f)(g)	Capital Goods	6.5%, 5.0% PIK (5.0% Max PIK)		5/3/20	145,241	145,241	131,625
VPG Metals Group LLC	(e)(g)	Materials	11.0%, 2.0% PIK (2.0% Max PIK)		6/30/18	2,238	2,238	2,232
Total Subordinated Debt							526,261	515,396
Unfunded Debt Commitments							(25,635)	(25,635)
Net Subordinated Debt							500,626	489,761
Collateralized Securities—2.4%								
MP4 2013-2A Class Subord. B	(f)(g)(j)	Diversified Financials	14.9%		10/25/25	21,000	11,305	11,993
NewStar Clarendon 2014-1A Class D	(g)(j)	Diversified Financials	L+435		1/25/27	1,560	1,484	1,562
NewStar Clarendon 2014-1A Class Subord. B	(g)(j)	Diversified Financials	15.8%		1/25/27	17,900	12,928	14,714
Rampart CLO 2007 1A Class Subord.	(g)(j)	Diversified Financials	4.5%		10/25/21	10,000	775	661
Wind River CLO Ltd. 2012 1A Class Subord. B	(g)(j)	Diversified Financials	9.9%		1/15/26	42,504	20,979	25,389
Total Collateralized Securities							47,471	54,319

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Equity/Other—22.0%(k)								
5 Arches, LLC, Common Equity	(g)(j)(n)	Diversified Financials				20,000	$ 500	$ 500
Advanced Lighting Technologies, Inc., Common Equity	(g)(l)(t)	Materials				587,637	16,520	13,046
Advanced Lighting Technologies, Inc., Warrants, 10/4/2027	(g)(l)(t)	Materials				9,262	86	56
Altus Power America Holdings, LLC, Common Equity	(g)(l)	Energy				462,008	462	69
Altus Power America Holdings, LLC, Preferred Equity	(g)(p)	Energy	9.0%, 5.0% PIK		10/3/23	955,284	955	955
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	895	811
APP Holdings, LP, Warrants, 5/25/2026	(g)(j)(l)	Capital Goods				698,482	2,545	1,903
Ascent Resources Utica Holdings, LLC, Common Equity	(g)(l)(m)	Energy				96,800,082	29,100	24,200
ASG Everglades Holdings, Inc., Common Equity	(g)(l)(t)	Software & Services				1,689,767	36,422	83,052
ASG Everglades Holdings, Inc., Warrants, 6/27/2022	(g)(l)(t)	Software & Services				229,541	6,542	6,289
Aspect Software Parent, Inc., Common Equity	(g)(l)(t)	Software & Services				428,935	20,197	—
Aurora Diagnostics Holdings, LLC, Warrants, 5/25/2027	(e)(f)(g)(l)	Health Care Equipment & Services				229,489	1,671	1,640
Burleigh Point, Ltd., Warrants, 7/16/2020	(g)(j)(l)	Retailing				3,451,216	1,898	49
Chisholm Oil and Gas, LLC, Series A Units	(g)(l)(n)	Energy				70,947	71	70
CSF Group Holdings, Inc., Common Equity	(g)(l)	Capital Goods				391,300	391	274
Eastman Kodak Co., Common Equity	(g)(l)(s)	Consumer Durables & Apparel				61,859	1,203	192
Escape Velocity Holdings, Inc., Common Equity	(g)(l)	Software & Services				19,312	193	456
FourPoint Energy, LLC, Common Equity, Class C-II-A Units	(g)(l)(n)	Energy				21,000	21,000	6,090
FourPoint Energy, LLC, Common Equity, Class D Units	(g)(l)(n)	Energy				3,937	2,601	1,152
FourPoint Energy, LLC, Common Equity, Class E-II Units	(g)(l)(n)	Energy				48,025	12,006	13,807
FourPoint Energy, LLC, Common Equity, Class E-III Units	(g)(l)(n)	Energy				70,875	17,719	20,554
Fronton Investor Holdings, LLC, Class B Units	(g)(n)(t)	Consumer Services				14,943	7,017	17,782
Global Jet Capital Holdings, LP, Preferred Equity	(f)(g)(j)(l)	Commercial & Professional Services				42,281,308	42,281	38,053
H.I.G. Empire Holdco, Inc., Common Equity	(g)(l)	Retailing				375	1,118	1,117
Harvey Holdings, LLC, Common Equity	(g)(l)	Capital Goods				2,333,333	2,333	5,950
Imagine Communications Corp., Common Equity, Class A Units	(g)(l)	Media				33,034	3,783	2,573
Industrial Group Intermediate Holdings, LLC, Common Equity	(g)(l)(n)	Materials				441,238	441	662
International Aerospace Coatings, Inc., Common Equity	(f)(l)	Capital Goods				4,401	464	26
International Aerospace Coatings, Inc., Preferred Equity	(f)(l)	Capital Goods				1,303	1,303	1,303
JMC Acquisition Holdings, LLC, Common Equity	(g)(l)	Capital Goods				483	483	655
JSS Holdco, LLC, Net Profits Interest	(g)(l)	Capital Goods				—	—	761
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	49,429	57,260
MB Precision Investment Holdings LLC, Class A-2 Units	(g)(l)(n)	Capital Goods				490,213	490	—
Micronics Filtration Holdings, Inc., Common Equity	(g)(l)	Capital Goods				53,073	553	—
Micronics Filtration Holdings, Inc., Preferred Equity, Series A	(g)(l)	Capital Goods				55	553	901
Micronics Filtration Holdings, Inc., Preferred Equity, Series B	(g)(l)	Capital Goods				23	229	254
Mood Media Corp., Common Equity	(g)(j)(l)(t)	Media				16,243,967	11,804	26,754
North Haven Cadence TopCo, LLC, Common Equity	(g)(l)	Consumer Services				1,041,667	1,042	1,615

See notes to unaudited consolidated financial statements.

FS Investment Corporation

Consolidated Schedule of Investments (continued)
As of December 31, 2017
(in thousands, except share amounts)

Portfolio Company(a)	Footnotes	Industry	Rate(b)	Floor	Maturity	Number of Shares	Amortized Cost	Fair Value(d)
PDI Parent LLC, Common Equity	(g)(l)	Capital Goods				1,384,615	$ 1,385	$ 1,454
PSAV Holdings LLC, Common Equity	(f)(l)	Technology Hardware & Equipment				10,000	10,000	34,000
Ridgeback Resources Inc., Common Equity	(f)(j)(l)	Energy				324,954	1,997	1,973
Roadhouse Holding Inc., Common Equity	(g)(l)(t)	Consumer Services				6,672,036	6,932	—
S1 Blocker Buyer Inc., Common Equity	(g)	Commercial & Professional Services				59	587	893
Safariland, LLC, Common Equity	(f)(l)	Capital Goods				25,000	2,500	8,200
Safariland, LLC, Warrants, 7/27/2018	(f)(l)	Capital Goods				2,263	246	742
Safariland, LLC, Warrants, 9/20/2019	(f)(l)	Capital Goods				2,273	227	746
SandRidge Energy, Inc., Common Equity	(g)(j)(l)(s)	Energy				421,682	9,413	8,885
Sequel Industrial Products Holdings, LLC, Common Equity	(f)(g)(l)	Commercial & Professional Services				33,306	3,400	14,898
Sequel Industrial Products Holdings, LLC, Preferred Equity	(f)(g)	Commercial & Professional Services	9.5% PIK		11/10/18	8,000	13,376	13,378
Sequel Industrial Products Holdings, LLC, Warrants, 9/28/2022	(g)(l)	Commercial & Professional Services				1,293	1	422
Sequel Industrial Products Holdings, LLC, Warrants, 5/10/2022	(f)(l)	Commercial & Professional Services				19,388	12	6,733
Sequential Brands Group, Inc., Common Equity	(g)(l)(s)	Consumer Durables & Apparel				206,664	2,790	368
Sorenson Communications, Inc., Common Equity	(f)(l)	Telecommunication Services				46,163	—	37,858
SSC Holdco Limited, Common Equity	(g)(j)(l)	Health Care Equipment & Services				113,636	2,273	2,716
Sunnova Energy Corp., Common Equity	(g)(l)	Energy				192,389	722	—
Sunnova Energy Corp., Preferred Equity	(g)(l)	Energy				35,115	187	142
The Brock Group, Inc., Common Equity	(g)(l)	Energy				183,826	3,652	3,833
The Stars Group Inc., Warrants, 5/15/2024	(g)(j)(l)	Consumer Services				2,000,000	16,832	25,140
ThermaSys Corp., Common Equity	(f)(l)	Capital Goods				51,813	1	—
ThermaSys Corp., Preferred Equity	(f)(l)	Capital Goods				51,813	5,181	78
Viper Holdings, LLC, Series I Units	(g)(l)	Consumer Durables & Apparel				308,948	509	541
Viper Holdings, LLC, Series II Units	(g)(l)(n)	Consumer Durables & Apparel				316,770	522	554
Viper Parallel Holdings LLC, Class A Units	(g)(l)	Consumer Durables & Apparel				649,538	1,070	1,137
VPG Metals Group LLC, Class A-2 Units	(f)(l)	Materials				3,637,500	3,638	2,183
Warren Resources, Inc., Common Equity	(f)(g)(l)	Energy				113,515	534	193
Zeta Interactive Holdings Corp., Preferred Equity, Series E-1	(g)(l)	Software & Services				215,662	1,714	2,092
Zeta Interactive Holdings Corp., Preferred Equity, Series F	(g)(l)	Software & Services				196,151	1,714	1,830
Zeta Interactive Holdings Corp., Warrants, 4/20/2027	(g)(l)	Software & Services				29,422	—	102
Total Equity/Other							387,715	501,922
TOTAL INVESTMENTS—171.8%							$3,816,846	3,926,234
LIABILITIES IN EXCESS OF OTHER ASSETS—(71.8%)								(1,641,511)
NET ASSETS—100%								$ 2,284,723

(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.

See notes to unaudited consolidated financial statements.

FS Investment Corporation

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As of December 31, 2017
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(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.

(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).

See notes to unaudited consolidated financial statements.

FS Investment Corporation

Consolidated Schedule of Investments (continued)
As of December 31, 2017
(in thousands, except share amounts)

(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(5)	PIK Income(5)	Fee Income(5)
Senior Secured Loans—First Lien											
Advanced Lighting Technologies, Inc.	$ —	$ —	$ 20,026	$ (2,948)	$ 138	$ 8	$ 3,159	$ 20,383	$ 584	$ —	$ 891
ASG Technologies Group, Inc.	54,766	—	11,832	(65,789)	49	295	(1,153)	—	3,203	356	—
Aspect Software, Inc.(1)(2)	—	634	536	(178)	—	—	—	992	93	—	14
Aspect Software, Inc.(2)	—	697	—	(18)	—	—	(51)	628	79	—	3
Aspect Software, Inc.(3)	—	—	—	—	—	—	(361)	(361)	6	—	12
Logan's Roadhouse, Inc.(4)	—	—	6,963	—	—	—	(11)	6,952	32	81	729
Senior Secured Loans—Second Lien											
ASG Technologies Group, Inc.	23,872	—	—	(24,611)	549	5,529	(5,339)	—	2,286	—	1,231
Logan's Roadhouse, Inc.	15,415	—	5,648	—	32	—	(11,016)	10,079	12	2,032	—
Senior Secured Bonds											
Advanced Lighting Technologies, Inc.	—	32,222	—	(34,048)	—	1,826	—	—	2,169	—	—
Advanced Lighting Technologies, Inc.	—	—	22,728	—	—	—	—	22,728	337	—	—
Mood Media Corp.	—	21,568	—	—	—	—	107	21,675	1,535	—	—
Subordinated Debt											
Mood Media Corp.(2)	—	5,689	—	(6,460)	44	727	—	—	432	—	—
Equity/Other											
Advanced Lighting Technologies, Inc., Common Equity	—	—	16,520	—	—	—	(3,474)	13,046	—	—	—
Advanced Lighting Technologies, Inc., Warrants	—	—	86	—	—	—	(30)	56	—	—	—
Advanced Lighting Technologies, Inc., Preferred Equity	—	—	—	—	—	—	—	—	—	—	—
ASG Everglades Holdings, Inc., Common Equity	79,673	—	—	—	—	—	3,379	83,052	—	—	—
ASG Everglades Holdings, Inc., Warrants, 6/27/2022	5,830	—	—	—	—	—	459	6,289	—	—	—
Aspect Software, Inc.(2)	—	19,792	100	—	—	305	(20,197)	—	—	—	—
Fronton Investor Holdings, LLC, Class B Units	15,092	—	—	(7,994)	—	—	10,684	17,782	—	—	—
Mood Media Corp.	—	6,662	5,142	—	—	—	14,950	26,754	—	—	—
Roadhouse Holding Inc., Common Equity	8,147	—	—	—	—	—	(8,147)	—	—	—	—
Total	$ 202,795	$ 87,264	$ 89,581	$ (142,046)	$ 812	$ 8,690	$ (17,041)	$ 230,055	$ 10,768	$ 2,469	$ 2,880

(1) Security includes a partially unfunded commitment with an amortized cost of $25 and a fair value of $25.

(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.

See notes to unaudited consolidated financial statements.

FS Investment Corporation

Consolidated Schedule of Investments (continued)
As of December 31, 2017
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(3) Security is an unfunded commitment with an amortized cost of $361 and a fair value of $0.

(4) Security includes a partially unfunded commitment with an amortized cost of $1,131 and a fair value of $1,120.

(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(2)	PIK Income(2)
Senior Secured Loans—First Lien										
Swiss Watch International, Inc.(1)	$ —	$ 12,185	$ —	$ (1,615)	$ —	$ (10,570)	$ —	$ —	$ —	$ —
Swiss Watch International, Inc.(1)	—	42,301	—	—	—	(42,301)	—	—	(7)	—
Senior Secured Loans—Second Lien										
JW Aluminum Co.	38,039	—	146	(85)	4	—	(96)	38,008	3,536	146
Equity/Other										
JW Aluminum Co., Common Equity	—	—	—	—	—	—	—	—	—	—
JW Aluminum Co., Preferred Equity	45,031	—	5,922	—	—	—	6,307	57,260	844	5,923
SWI Holdco LLC, Common Equity(1)	—	—	8	—	—	(8)	—	—	—	—
Total	$ 83,070	$ 54,486	$ 6,076	$ (1,700)	$ 4	$ (52,879)	$ 6,211	$ 95,268	$ 4,373	$ 6,069

(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 unaudited consolidated financial statements.

Note 1. Principal Business and Organization

FS Investment Corporation (NYSE: FSIC), 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 September 30, 2018, the Company had two wholly-owned financing subsidiaries and five wholly-owned subsidiaries through which it holds interests in portfolio companies. The unaudited consolidated financial statements include both the Company's accounts and the accounts of its wholly-owned subsidiaries as of September 30, 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 by investing primarily in senior secured loans and second lien secured loans of private U.S. companies. The Company seeks to generate superior risk-adjusted returns by focusing on debt investments in a broad array of private U.S. companies, including middle market companies, which the Company defines as companies with annual revenues of $50 million to $2.5 billion at the time of investment. The Company 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" market or directly from the Company's target companies as primary market or directly originated investments. In connection with the Company's debt investments, the Company may on occasion receive equity interests such as warrants or options as additional consideration. The Company 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 the Company's target companies, generally in conjunction with one of the Company's 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 the Company's portfolio may be comprised of corporate bonds, collateralized loan obligations, or CLOs, other debt securities and derivatives, including total return swaps and credit default swaps. The Company's investment adviser will seek to tailor the Company's investment focus as market conditions evolve. Depending on market conditions, the Company may increase or decrease its exposure to less senior portions of the capital structure or otherwise make opportunistic investments.

As the Company previously announced on April 9, 2018, GSO / Blackstone Debt Funds Management LLC, or GDFM, resigned as the investment sub-adviser 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-adviser to the Company, on April 9, 2018, the Company entered into an investment advisory agreement, or the FS/KKR Advisor investment advisory agreement, with FS/KKR Advisor, LLC, or FS/KKR Advisor, a newly-formed investment adviser jointly operated by an affiliate of Franklin Square Holdings, L.P. (which does business as FS Investments) and by KKR Credit Advisors (US), LLC, or KKR Credit, pursuant to which FS/KKR Advisor acts as investment adviser to the Company. The FS/KKR Advisor 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 July 22, 2018, the Company entered into an Agreement and Plan of Merger, or the Merger Agreement, with Corporate Capital Trust, Inc., a Maryland corporation, or CCT, IC Acquisition, Inc., a Maryland corporation and wholly-owned subsidiary of the Company, or the Merger Sub, and FS/KKR Advisor. The Merger Agreement provides that, subject to the conditions set forth in the Merger Agreement, Merger Sub will merge with and into CCT, with CCT continuing as the surviving company and as a wholly-owned subsidiary of the Company, or the Merger, and, immediately thereafter, CCT will merge with and into the Company, with the Company continuing as the surviving company, or together with the Merger, the Transaction. See Note 11 for additional information.

Note 2. Summary of Significant Accounting Policies

Basis of Presentation: The accompanying unaudited consolidated financial statements of the Company have been prepared in accordance with U.S. generally accepted accounting principles, or GAAP, for interim financial information and with the instructions for Form 10-Q and Article 10 of Regulation S-X. Accordingly, they do not include all of the information and footnotes required by GAAP for complete financial statements. In the opinion of management, all adjustments (consisting of normal recurring accruals) considered necessary for a fair presentation have been included. For a more complete discussion of significant accounting policies and certain other information, the Company's interim unaudited consolidated financial statements should be read in conjunction with its audited consolidated financial statements as of and for the year ended December 31, 2017 included in the Company's annual report on Form 10-K for the year ended December 31, 2017. Operating results for the three and nine months ended September 30, 2018 are not necessarily indicative of the results that may be expected for the year ending December 31, 2018. The December 31, 2017 consolidated balance sheet and consolidated schedule of investments are derived from the Company's audited consolidated financial statements as of and for the year ended December 31, 2017. 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 unaudited 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 thousands, except share and per share amounts.

Capital Gains Incentive Fee: Pursuant to the terms of the FS/KKR Advisor 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 FS/KKR Advisor investment advisory agreement). This fee equals 20.0% of the Company's incentive fee capital gains, which equals the Company's realized capital gains on a cumulative basis from inception, calculated as of the end of the applicable period, computed net of all realized capital losses and unrealized capital depreciation on a cumulative basis, less the aggregate amount of any previously paid capital gains incentive fees. The Company accrues for the capital gains incentive fee, which, if earned, is paid annually. The Company accrues the incentive fee on capital gains based on net realized and unrealized gains; however, the fee payable to FS/KKR Advisor is based on realized gains and no such fee is payable with respect to unrealized gains unless and until such gains are actually realized. The terms of the incentive fee on capital gains were substantially similar under the FB Advisor investment advisory agreement.

Subordinated Income Incentive Fee: Pursuant to the terms of the FS/KKR Advisor investment advisory agreement, FS/KKR Advisor may also be entitled to receive a subordinated incentive fee on income. The subordinated incentive fee on income under the FS/KKR Advisor investment advisory agreement is calculated and payable quarterly in arrears, and equals 20.0% of the Company's "pre-incentive fee net investment income" for the immediately preceding quarter 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 (1.875% under the FB Advisor investment advisory agreement), or an annualized hurdle rate of 7.0% (7.5% under the FB Advisor investment advisory agreement). As a result, FS/KKR 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% (1.875% under the FB Advisor investment advisory agreement). Once the Company's pre-incentive fee net investment income in any quarter exceeds the hurdle rate, FS/KKR Advisor will be entitled to a "catch-up" fee equal to the amount of the Company's 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 (2.34375%, or 9.375% annually under the FB Advisor investment advisory agreement), of the value of the Company's net assets. Thereafter, FS/KKR Advisor will be entitled to receive 20.0% of the Company's 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 for which the subordinated incentive fee on income is being calculated. For the foregoing purpose, the "per share

Note 2. Summary of Significant Accounting Policies (continued)

pre-incentive fee return" for any calendar quarter is equal to (i) the sum of the Company's pre-incentive fee net investment income for the calendar quarter, realized gains and losses for the calendar quarter and unrealized appreciation and depreciation of the Company's investments for the calendar quarter and, for any calendar quarter ending prior to January 1, 2018, base management fees for the calendar quarter, *divided by* (ii) the weighted average number of shares outstanding during such calendar quarter. In addition, the "per share incentive fee" for any calendar quarter is equal to (i) the incentive fee accrued and/or payable for such calendar quarter divided by (ii) the weighted average number of shares outstanding during such calendar quarter.

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 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 8 for additional information.

Reclassifications: Certain amounts in the unaudited consolidated financial statements as of and for the three and nine months ended September 30, 2017 and the audited consolidated financial statements as of and for the year ended December 31, 2017 may have been reclassified to conform to the classifications used to prepare the unaudited consolidated financial statements as of and for the three and nine months ended September 30, 2018. These reclassifications had no material impact on the Company's consolidated financial position, results of operations or cash flows as previously reported.

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. 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 loan origination fees and original issue discount are recorded as interest income. The Company records prepayment premiums on loans and securities as fee income when it receives such amounts.

Effective January 1, 2018, the Company 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. 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

(in thousands, except share and per share amounts)

Note 2. Summary of Significant Accounting Policies (continued)

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 nine months ended September 30, 2018, the Company recognized $4,352 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 nine months ended September 30, 2018.

Note 3. Share Transactions

Below is a summary of transactions with respect to shares of the Company's common stock during the nine months ended September 30, 2018 and 2017:

	Nine Months Ended September 30,			
	2018		2017	
	Shares	Amount	Shares	Amount
Reinvestment of Distributions	—	$ —	1,662,059	$15,908
Share Repurchase Program	(6,571,347)	(50,000)	—	—
Net Proceeds from Share Transactions	(6,571,347)	$(50,000)	1,662,059	$15,908

During the nine months ended September 30, 2018, the administrator for the Company's distribution reinvestment plan, or DRP, purchased 1,550,162 shares of common stock in the open market at an average price per share of $7.64 (totaling $11,850) pursuant to the DRP, and distributed such shares to participants in the DRP. During the period from October 1, 2018 to November 7, 2018, the administrator for the DRP purchased 421,423 shares of common stock in the open market at an average price per share of $7.02 (totaling $2,957) 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.

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 million 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 nine months ended September 30, 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 $50,000).

The program has terminated since the aggregate repurchase amount that was approved by the Company's board of directors has been expended.

Note 4. Related Party Transactions

Compensation of the Investment Adviser

Pursuant to the FS/KKR Advisor investment advisory agreement, FS/KKR Advisor is entitled to an annual base management fee based on the average weekly 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. The base management fee is payable quarterly in arrears, and is calculated at an annual rate of 1.50% of the average weekly value of the Company's gross assets. See Note 2 for a discussion of the capital gains and subordinated income incentive fees that FS/KKR Advisor may be entitled to under the FS/KKR Advisor investment advisory agreement.

Note 4. Related Party Transactions (continued)

Pursuant to the FB Advisor investment advisory agreement, 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 a new administration agreement with FS/KKR Advisor, or the FS/KKR Advisor administration agreement, which replaced an administration agreement with FB Advisor, or the FB Advisor administration agreement. Pursuant to the FS/KKR Advisor administration agreement, FS/KKR 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. FS/KKR Advisor also performs, or oversees the performance of, the Company’s corporate operations 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, FS/KKR 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 FS/KKR Advisor administration agreement, the Company reimburses FS/KKR Advisor for expenses necessary to perform services related to its administration and operations, including FS/KKR Advisor’s allocable portion of the compensation and related expenses of certain personnel of FS Investments and KKR Credit providing administrative services to the Company on behalf of FS/KKR Advisor. The Company reimburses FS/KKR Advisor no less than quarterly for all costs and expenses incurred by FS/KKR Advisor in performing its obligations and providing personnel and facilities under the FS/KKR Advisor administration agreement. FS/KKR 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 FS/KKR 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 FS/KKR 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 FS/KKR Advisor administration agreement.

FS Investment Corporation

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

Note 4. Related Party Transactions (continued)

The following table describes the fees and expenses accrued under the FB Advisor investment advisory agreement, the FB Advisor administration agreement, the FS/KKR Advisor investment advisory agreement, and the FS/KKR Advisor administration agreement, as applicable, during the three and nine months ended September 30, 2018 and 2017:

Related Party	Source Agreement	Description	Three Months Ended September 30, 2018	Three Months Ended September 30, 2017	Nine Months Ended September 30, 2018	Nine Months Ended September 30, 2017
FB Advisor and FS/KKR Advisor	FB Advisor Investment Advisory Agreement and FS/KKR Advisor Investment Advisory Agreement	Base Management Fee(1)	$ 14,259	$ 18,038	$ 44,650	$ 54,772
FB Advisor and FS/KKR Advisor	FB Advisor Investment Advisory Agreement and FS/KKR Advisor Investment Advisory Agreement	Subordinated Incentive Fee on Income(2)	$ —	$ 12,662	$ 22,905	$ 37,426
FB Advisor and FS/KKR Advisor	FB Advisor Administration Agreement and FS/KKR Advisor Administration Agreement	Administrative Services Expenses(3)	$ 1,125	$ 750	$ 2,601	$ 2,226

(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 nine months ended September 30, 2018, the amount shown is net of waivers of $2,776. During the nine months ended September 30, 2018 and 2017, $45,841 and $54,756, respectively, in base management fees were paid to FS/KKR Advisory and/or FB Advisor. As of September 30, 2018, $14,259 in base management fees were payable to FS/KKR Advisor.

(2) During the nine months ended September 30, 2018 and 2017, $35,776 and $37,649, respectively, of subordinated incentive fees on income were paid to FS/KKR Advisor and/or FB Advisor.

(3) During the nine months ended September 30, 2018 and 2017, $2,235 and $2,017, respectively, of administrative services expenses related to the allocation of costs of administrative personnel for services rendered to the Company by FB Advisor and FS/KKR Advisor and the remainder related to other reimbursable expenses. The Company paid $2,078 and $2,247, respectively, in administrative services expenses to FB Advisor and FS/KKR Advisor during the nine months ended September 30, 2018 and 2017.

Potential Conflicts of Interest

The members of the senior management and investment teams of FS/KKR 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, FS/KKR Advisor is the investment adviser to FS Investment Corporation II, FS Investment Corporation III, FS Investment Corporation IV, Corporate Capital Trust, Inc. and Corporate Capital Trust II, and the officers, managers and other personnel of FS/KKR 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. For additional information regarding potential conflicts of interest, see the Company's annual report on Form 10-K for the year ended December 31, 2017.

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

(in thousands, except share and per share amounts)

Note 4. Related Party Transactions (continued)

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 FS/KKR 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 FS/KKR Advisor or KKR Credit, with certain affiliates of FS/KKR Advisor.

Note 5. Distributions

The following table reflects the cash distributions per share that the Company has declared on its common stock during the nine months ended September 30, 2018 and 2017:

	Distribution	
For the Three Months Ended	**Per Share**	**Amount**
Fiscal 2017		
March 31, 2017	$ 0.22275	$ 54,485
June 30, 2017	0.22275	54,607
September 30, 2017	0.22275	54,733
Total	$ 0.66825	$ 163,825
Fiscal 2018		
March 31, 2018	$ 0.19000	$ 46,683
June 30, 2018	0.19000	45,945
September 30, 2018	0.19000	45,481
Total	$ 0.57000	$ 138,109

On November 1, 2018, the Company's board of directors declared a regular quarterly cash distribution of $0.19 per share, which will be paid on or about January 2, 2019 to stockholders of record as of the close of business on December 12, 2018. On October 12, 2018, the Company's board of directors declared a special distribution of $0.09 per share, which will be paid on or about December 3, 2018 to stockholders of record as of the close of business on November 19, 2018. This special distribution equates to the cumulative amount of net investment income earned during the twelve months following October 1, 2017 that was in excess of $0.76 per share. 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 Company's 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.

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

(in thousands, except share and per share amounts)

Note 5. Distributions (continued)

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.

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 nine months ended September 30, 2018 and 2017:

	Nine Months Ended September 30,			
	2018		2017	
Source of Distribution	Distribution Amount	Percentage	Distribution Amount	Percentage
Offering proceeds	$ —	—	$ —	—
Borrowings	—	—	—	—
Net investment income(1)	138,109	100%	163,825	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	—	—	—	—
Total	$ 138,109	100%	$ 163,825	100%

(1) During the nine months ended September 30, 2018 and 2017, 85.1% and 89.4%, respectively, of the Company's gross investment income was attributable to cash income earned, 1.4% and 1.2%, respectively, was attributable to non-cash accretion of discount and 13.5% and 9.4%, respectively, was attributable to PIK interest.

The Company's net investment income on a tax basis for the nine months ended September 30, 2018 and 2017 was $159,142 and $146,571, respectively. As of September 30, 2018 and December 31, 2017, the Company had $171,450 and

(in thousands, except share and per share amounts)

Note 5. Distributions (continued)

$150,413 of undistributed net investment income, respectively, and $140,920 and $197,855, respectively, of accumulated capital losses on a tax basis.

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 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 nine months ended September 30, 2018 and 2017:

	Nine Months Ended September 30,	
	2018	2017
GAAP-basis net investment income	$ 152,584	$ 149,698
Income subject to tax not recorded for GAAP	2,358	(305)
GAAP versus tax-basis impact of consolidation of certain subsidiaries	8,549	9,041
Reclassification or deferral of unamortized original issue discount, prepayment fees and other income	(4,470)	(11,996)
Other miscellaneous differences	121	133
Tax-basis net investment income	$ 159,142	$ 146,571

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. Therefore, a determination made on a quarterly basis may not be representative of the actual tax attributes of the Company's distributions for a full year. The actual tax characteristics of distributions to stockholders are reported to stockholders annually on Form 1099-DIV.

As of September 30, 2018 and December 31, 2017, the components of accumulated earnings on a tax basis were as follows:

	September 30, 2018 (Unaudited)	December 31, 2017
Distributable ordinary income	$ 171,450	$ 150,413
Distributable realized gains (accumulated capital losses)(1)	(140,920)	(197,855)
Other temporary differences	(225)	(545)
Net unrealized appreciation (depreciation) on investments and secured borrowing and gain/loss on foreign currency(2)	(178,120)	59,873
Total	$ (147,815)	$ 11,886

(1) Net capital losses may be carried forward indefinitely, and their character is retained as short-term or long-term losses. As of September 30, 2018, the Company had short-term and long-term capital loss carryforwards available to offset future realized capital gains of $2,799 and $138,121, respectively.

(2) As of September 30, 2018 and December 31, 2017, the gross unrealized appreciation on the Company's investments and secured borrowing and gain on foreign currency was $189,359 and $257,940, respectively. As of September 30, 2018 and December 31, 2017, the gross unrealized depreciation on the Company's investments and secured borrowing and loss on foreign currency was $367,480 and $198,067, respectively.

The aggregate cost of the Company's investments for U.S. federal income tax purposes totaled $3,714,613 and $3,870,085 as of September 30, 2018 and December 31, 2017, respectively. The aggregate net unrealized appreciation (depreciation) on investments on a tax basis was $(177,361) and $56,149 as of September 30, 2018 and December 31, 2017, respectively.

(in thousands, except share and per share amounts)

Note 5. Distributions (continued)

As of September 30, 2018, the Company had a deferred tax liability of $12,839 resulting from unrealized appreciation on investments held by the Company’s wholly-owned taxable subsidiaries and a deferred tax asset of $20,077 resulting from net operating losses of the Company’s wholly-owned taxable subsidiaries. As of September 30, 2018, certain wholly-owned taxable subsidiaries anticipated that they would be unable to fully utilize their generated net operating losses and capital losses, therefore the deferred tax asset was offset by a valuation allowance of $7,238. For the nine months ended September 30, 2018, the Company did not record a provision for taxes related to its wholly-owned taxable subsidiaries.

Note 6. Investment Portfolio

The following table summarizes the composition of the Company’s investment portfolio at cost and fair value as of September 30, 2018 and December 31, 2017:

	September 30, 2018 (Unaudited)			December 31, 2017		
	Amortized Cost(1)	Fair Value	Percentage of Portfolio	Amortized Cost(1)	Fair Value	Percentage of Portfolio
Senior Secured Loans—First Lien	$ 2,495,810	$ 2,458,801	70%	$ 2,501,103	$ 2,520,994	64%
Senior Secured Loans—Second Lien	162,012	138,841	4%	222,232	197,588	5%
Senior Secured Bonds	193,218	184,260	5%	157,699	161,650	4%
Subordinated Debt	419,260	334,991	10%	500,626	489,761	13%
Collateralized Securities	46,722	50,363	1%	47,471	54,319	1%
Equity/Other	345,003	369,996	10%	387,715	501,922	13%
Total	$ 3,662,025	$ 3,537,252	100%	$ 3,816,846	$ 3,926,234	100%

(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 September 30, 2018, the Company held investments in one portfolio company of which it is deemed to “control.” As of September 30, 2018, the Company held investments in seven 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 unaudited consolidated schedule of investments as of September 30, 2018 in this quarterly report on Form 10-Q.

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 in this quarterly report on Form 10-Q.

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, pursuant to which the Company may be required to provide funding when requested by portfolio companies in accordance with the terms of the underlying agreements. As of September 30, 2018, the Company had seventeen unfunded debt investments with aggregate unfunded commitments of $178,424 and one unfunded commitment to purchase up to $71 in shares of preferred stock of Altus Power America Holdings, LLC. As of December 31, 2017, the Company had twenty unfunded debt investments with aggregate unfunded commitments of $154,074, one unfunded commitment to purchase up to $295 in shares of preferred stock of Altus Power America Holdings, LLC and one unfunded commitment to purchase up to $4 in shares of common stock of Chisholm Oil and Gas, LLC. The Company maintains sufficient cash on hand, available borrowings and liquid securities to fund such unfunded commitments should the need arise. For additional details regarding the Company’s unfunded debt investments, see the Company’s unaudited consolidated

(in thousands, except share and per share amounts)

Note 6. Investment Portfolio (continued)

schedule of investments as of September 30, 2018 and the Company's audited consolidated schedule of investments as of December 31, 2017.

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 September 30, 2018 and December 31, 2017:

	September 30, 2018 (Unaudited)		December 31, 2017	
Industry Classification	Fair Value	Percentage of Portfolio	Fair Value	Percentage of Portfolio
Automobiles & Components	$ 18,291	0%	$ 13,579	0%
Capital Goods	977,668	28%	1,053,614	27%
Commercial & Professional Services	348,322	10%	560,414	14%
Consumer Durables & Apparel	195,325	6%	173,855	4%
Consumer Services	154,453	4%	265,220	7%
Diversified Financials	146,679	4%	140,249	4%
Energy	207,861	6%	257,841	7%
Food & Staples Retailing	14,575	0%	—	—
Food, Beverage & Tobacco	90,049	3%	69,979	2%
Health Care Equipment & Services	291,119	8%	239,916	6%
Materials	315,910	9%	370,740	10%
Media	92,162	3%	128,335	3%
Retailing	178,161	5%	174,289	4%
Semiconductors & Semiconductor Equipment	—	—	6,490	0%
Software & Services	315,690	9%	205,052	5%
Technology Hardware & Equipment	11,857	0%	34,000	1%
Telecommunication Services	164,130	5%	164,864	4%
Transportation	15,000	0%	67,797	2%
Total	$ 3,537,252	100%	$ 3,926,234	100%

Note 7. 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. 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.

(in thousands, except share and per share amounts)

Note 7. Fair Value of Financial Instruments (continued)

As of September 30, 2018 and December 31, 2017, the Company's investments were categorized as follows in the fair value hierarchy:

Valuation Inputs	September 30, 2018 (Unaudited)	December 31, 2017
Level 1—Price quotations in active markets	$ 684	$ 9,445
Level 2—Significant other observable inputs	280,618	—
Level 3—Significant unobservable inputs	3,255,950	3,916,789
	$ 3,537,252	$ 3,926,234

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 borrowing 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 prepayments 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 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 selling these investments, the Company believes that these prices are reliable indicators of fair value. The valuation committee of the Company's board of directors, or 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.

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

Note 7. Fair Value of Financial Instruments (continued)

The following is a reconciliation for the nine months ended September 30, 2018 and 2017 of investments for which significant unobservable inputs (Level 3) were used in determining fair value:

	For the Nine Months Ended September 30, 2018						
	Senior Secured Loans—First Lien	Senior Secured Loans—Second Lien	Senior Secured Bonds	Subordinated Debt	Collateralized Securities	Equity/ Other	Total
Fair value at beginning of period	$ 2,520,994	$ 197,588	$161,650	$ 489,761	$ 54,319	$ 492,477	$ 3,916,789
Accretion of discount (amortization of premium)	1,825	36	967	83	6	304	3,221
Net realized gain (loss)	1,269	12	(764)	—	—	51,052	51,569
Net change in unrealized appreciation (depreciation)	(57,731)	(4,185)	(12,660)	(69,474)	(3,207)	(89,705)	(236,962)
Purchases	360,971	38,154	3,435	5,008	2,139	32,860	442,567
Paid-in-kind interest	3,875	698	3,248	23,628	—	7,513	38,962
Sales and repayments	(382,685)	(37,447)	(7,943)	(25,442)	(2,894)	(125,189)	(581,600)
Net transfers in or out of Level 3(1)	(113,245)	(112,861)	(19,898)	(132,592)	—	—	(378,596)
Fair value at end of period	$ 2,335,273	$ 81,995	$128,035	$ 290,972	$ 50,363	$ 369,312	$ 3,255,950
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	$ (52,761)	$ (3,608)	$ (13,137)	$ (69,178)	$ (3,207)	$ (40,716)	$ (182,607)

	For the Nine Months Ended September 30, 2017						
	Senior Secured Loans—First Lien	Senior Secured Loans—Second Lien	Senior Secured Bonds	Subordinated Debt	Collateralized Securities	Equity/ Other	Total
Fair value at beginning of period	$ 1,935,441	$ 599,155	$159,470	$ 454,045	$ 72,058	$500,321	$3,720,490
Accretion of discount (amortization of premium)	1,280	8,697	475	1,350	6	2	11,810
Net realized gain (loss)	(52,473)	(20,437)	(47,057)	(14,397)	(379)	1,359	(133,384)
Net change in unrealized appreciation (depreciation)	62,473	(1,591)	55,597	46,489	(3,795)	(1,966)	157,207
Purchases	754,203	62,269	60,819	117,572	279	21,871	1,017,013
Paid-in-kind interest	1,419	2,309	11	20,272	—	5,067	29,078
Sales and repayments	(329,638)	(458,908)	(30,613)	(69,546)	(10,660)	(995)	(900,360)
Net transfers in or out of Level 3	—	—	—	—	—	—	—
Fair value at end of period	$ 2,372,705	$ 191,494	$198,702	$ 555,785	$ 57,509	$525,659	$3,901,854
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	$ 12,699	$ (14,811)	$ 6,028	$ 28,921	$ (526)	$ (124)	$ 32,187

(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.

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

Note 7. Fair Value of Financial Instruments (continued)

The following is a reconciliation for the nine months ended September 30, 2017 of a secured borrowing for which significant unobservable inputs (Level 3) were used in determining market value:

	For the Nine Months Ended September 30, 2017 Secured Borrowing
Fair value at beginning of period	$ (2,880)
Amortization of premium (accretion of discount)	(4)
Net realized gain (loss)	—
Net change in unrealized appreciation (depreciation)	(7)
Repayments on secured borrowing	—
Paid-in-kind interest	—
Proceeds from secured borrowing	—
Net transfers in or out of Level 3	—
Fair value at end of period	$ (2,891)
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	$ (7)

The valuation techniques and significant unobservable inputs used in recurring Level 3 fair value measurements as of September 30, 2018 and December 31, 2017 were as follows:

Type of Investment	Fair Value at September 30, 2018 (Unaudited)	Valuation Technique(1)	Unobservable Input	Range	Weighted Average
Senior Secured Loans—First Lien	$ 2,254,000	Market Comparables	Market Yield (%)	6.5% - 21.8%	10.6%
			EBITDA Multiples (x)	4.5x - 9.0x	5.3x
	81,273	Other(2)	Other(2)	N/A	N/A
Senior Secured Loans—Second Lien	81,995	Market Comparables	Market Yield (%)	8.6% - 15.0%	12.6%
			EBITDA Multiples (x)	4.8x - 5.3x	5.0x
Senior Secured Bonds	128,035	Market Comparables	Market Yield (%)	6.6% - 12.8%	8.6%
			EBITDA Multiples (x)	6.9x - 9.0x	7.8x
Subordinated Debt	290,972	Market Comparables	Market Yield (%)	10.3% - 24.0%	13.7%
			EBITDA Multiples (x)	8.0x - 13.0x	8.3x
Collateralized Securities	50,363	Market Quotes	Indicative Dealer Quotes	4.4% - 100.3%	60.6%
Equity/Other	340,879	Market Comparables	Market Yield (%)	17.5% - 18.7%	18.1%
			Capacity Multiple ($/kW)	$1,875.0 - $2,125.0	$2,000.0
			EBITDA Multiples (x)	4.8x—14.2x	8.4x
			Production Multiples (Mboe/d)	$48,750.0 - $53,750.0	$51,250.0
			Production Multiples (MMcfe/d)	$4,200.0 - $4,700.0	$4,450.0
			Proved Reserves Multiples (Bcfe)	$1.2 - $1.3	$1.2
			Proved Reserves Multiples (Mmboe)	$16.5 - $18.0	$17.3
			PV-10 Multiples (x)	1.1x - 2.4x	2.2x
		Discounted Cash Flow	Discount Rate (%)	14.5% - 15.5%	15.0%
		Option Valuation Model	Volatility (%)	25.0% - 25.0%	25.0%
	28,433	Other(2)	Other(2)	N/A	N/A
Total	$ 3,255,950				

(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. 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.

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Notes to Unaudited Consolidated Financial Statements (continued)
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Note 7. Fair Value of Financial Instruments (continued)

(2) Fair value based on expected outcome of proposed corporate transactions and/or other factors.

Type of Investment	Fair Value at December 31, 2017	Valuation Technique(1)	Unobservable Input	Range	Weighted Average
Senior Secured Loans—First Lien	$ 2,355,454	Market Comparables	Market Yield (%)	6.2% - 14.0%	9.8%
			EBITDA Multiples (x)	5.0x - 8.0x	7.2x
	52,295	Other(2)	Other(2)	N/A	N/A
	113,245	Market Quotes	Indicative Dealer Quotes	85.5% - 102.8%	99.4%
Senior Secured Loans— Second Lien	84,727	Market Comparables	Market Yield (%)	8.3% - 20.7%	11.3%
			EBITDA Multiples (x)	5.0x - 6.0x	5.5x
	112,861	Market Quotes	Indicative Dealer Quotes	50.5% - 102.3%	93.7%
Senior Secured Bonds	112,534	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	$10.8
			PV-10 Multiples (x)	0.8x - 0.8x	0.8x
	29,218	Other(2)	Other(2)	N/A	N/A
	19,898	Market Quotes	Indicative Dealer Quotes	99.5% - 100.5%	100.0%
Subordinated Debt	357,169	Market Comparables	Market Yield (%)	7.8% - 16.8%	14.5%
			EBITDA Multiples (x)	9.0x - 11.0x	9.5x
	132,592	Market Quotes	Indicative Dealer Quotes	50.0% - 108.5%	99.4%
Collateralized Securities	54,319	Market Quotes	Indicative Dealer Quotes	6.6% - 100.2%	65.8%
Equity/Other	448,949	Market Comparables	Market Yield (%)	15.3% - 15.8%	15.5%
			Capacity Multiple ($/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%
	43,528	Other(2)	Other(2)	N/A	N/A
Total	$ 3,916,789				

(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. 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.

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Notes to Unaudited Consolidated Financial Statements (continued)
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Note 8. Financing Arrangements

The following tables present summary information with respect to the Company's outstanding financing arrangements as of September 30, 2018 and December 31, 2017. For additional information regarding these financing arrangements, see the notes to the Company's audited consolidated financial statements contained in its annual report on Form 10-K for the year ended December 31, 2017. Any significant changes to the Company's financing arrangements during the three months ended September 30, 2018 are discussed below.

	As of September 30, 2018 (Unaudited)				
Arrangement	**Type of Arrangement**	**Rate**	**Amount Outstanding**	**Amount Available**	**Maturity Date**
Locust Street Credit Facility(1)	Term Loan Credit Facility	L+2.68%	$ 425,000	$ —	November 1, 2020
Senior Secured Revolving Credit Facility(1)	Revolving Credit Facility	L+1.75% – 2.00%(2)	52,041(3)	632,959	August 9, 2023
4.000% Notes due 2019(4)	Unsecured Notes	4.00%	400,000	—	July 15, 2019
4.250% Notes due 2020(5)	Unsecured Notes	4.25%	405,000	—	January 15, 2020
4.750% Notes due 2022(6)	Unsecured Notes	4.75%	275,000	—	May 15, 2022
Total			$ 1,557,041	$ 632,959	

(1) The carrying amount outstanding under the facility approximates its fair value.
(2) The spread over LIBOR is determined by reference to the ratio of the value of the borrowing base to a combined debt amount calculation.
(3) Amount includes borrowing in Euros and Canadian dollars. Euro balance outstanding of €26,000 has been converted to U.S. dollars at an exchange rate of €1.00 to $1.16 as of September 30, 2018 to reflect total amount outstanding in U.S. dollars. Canadian dollar balance outstanding of CAD $28,200 has been converted to U.S dollars at an exchange rate of CAD $1.00 to $0.77 as of September 30, 2018 to reflect total amount outstanding in U.S. dollars.
(4) As of September 30, 2018, the fair value of the 4.000% notes was approximately $402,082.
(5) As of September 30, 2018, the fair value of the 4.250% notes was approximately $407,152.
(6) As of September 30, 2018, the fair value of the 4.750% notes was approximately $275,235.

	As of December 31, 2017				
Arrangement	**Type of Arrangement**	**Rate**	**Amount Outstanding**	**Amount Available**	**Maturity Date**
Hamilton Street Credit Facility(1)	Revolving Credit Facility	L+2.50%	$ 150,000	$ —	December 15, 2021
ING Credit Facility(1)	Revolving Credit Facility	L+2.25%	66,750(2)	260,750	March 16, 2021
Locust Street Credit Facility(1)	Term Loan Credit Facility	L+2.68%	425,000	—	November 1, 2020
4.000% Notes due 2019(3)	Unsecured Notes	4.00%	400,000	—	July 15, 2019
4.250% Notes due 2020(4)	Unsecured Notes	4.25%	405,000	—	January 15, 2020
4.750% Notes due 2022(5)	Unsecured Notes	4.75%	275,000	—	May 15, 2022
Total			$ 1,721,750	$ 260,750	

(1) The carrying amount outstanding under the facility approximates its fair value.
(2) Borrowings in Euros and Canadian dollars. Euro balance outstanding of €41,576 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 $20,987 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 was approximately $406,966.
(4) As of December 31, 2017, the fair value of the 4.250% notes was approximately $414,828.
(5) As of December 31, 2017, the fair value of the 4.750% notes was approximately $283,895.

(in thousands, except share and per share amounts)

Note 8. Financing Arrangements (continued)

For the three and nine months ended September 30, 2018 and 2017, the components of total interest expense for the Company's financing arrangements were as follows:

	Three Months Ended September 30,					
	2018			2017		
Arrangement(1)	Direct Interest Expense	Amortization of Deferred Financing Costs and Discount	Total Interest Expense	Direct Interest Expense	Amortization of Deferred Financing Costs and Discount	Total Interest Expense
Hamilton Street Credit Facility(2)	$ 277	$ 1,134	$ 1,411	$ 1,411	$ 83	$ 1,494
ING Credit Facility(2)	263	73	336	1,278	169	1,447
Locust Street Credit Facility	5,450	283	5,733	4,318	283	4,601
Senior Secured Revolving Credit Facility	705	186	891	—	—	—
4.000% Notes due 2019	4,000	311	4,311	4,000	310	4,310
4.250% Notes due 2020	4,302	284	4,586	4,303	283	4,586
4.750% Notes due 2022	3,266	137	3,403	3,266	138	3,404
Partial Loan Sale(3)	—	—	—	42	1	43
Total	$ 18,263	$ 2,408	$ 20,671	$ 18,618	$ 1,267	$ 19,885

	Nine Months Ended September 30,					
	2018			2017		
Arrangement(1)	Direct Interest Expense	Amortization of Deferred Financing Costs and Discount	Total Interest Expense	Direct Interest Expense	Amortization of Deferred Financing Costs and Discount	Total Interest Expense
Hamilton Street Credit Facility(2)	$ 2,981	$ 1,297	$ 4,278	$ 4,190	$ 245	$ 4,435
ING Credit Facility(2)	2,742	406	3,148	3,831	655	4,486
Locust Street Credit Facility	15,475	838	16,313	12,181	838	13,019
Senior Secured Revolving Credit Facility	705	186	891	—	—	—
4.000% Notes due 2019	12,000	922	12,922	12,000	921	12,921
4.250% Notes due 2020	12,909	842	13,751	12,909	842	13,751
4.750% Notes due 2022	9,797	406	10,203	9,797	406	10,203
Partial Loan Sale(3)	—	—	—	122	4	126
Total	$ 56,609	$ 4,897	$ 61,506	$ 55,030	$ 3,911	$ 58,941

(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 nine months ended September 30, 2018 were $1,685,283 and 4.43%, respectively. As of September 30, 2018, the Company's weighted average effective interest rate on borrowings, including the effect of non-usage fees, was 4.59%.

The Company's average borrowings and weighted average interest rate, including the effect of non-usage fees, for the nine months ended September 30, 2017 were $1,770,279 and 4.10%, respectively. As of September 30, 2017, the Company's weighted average effective interest rate on borrowings, including the effect of non-usage fees, was 4.21%.

Note 8. Financing Arrangements (continued)

Senior Secured Revolving Credit Facility

On August 9, 2018, or the Effective Date, the Company entered into a senior secured revolving credit facility, or the Senior Secured Revolving Credit Facility, with CCT, FS Investment Corporation II, or FSIC II, FS Investment Corporation III, or FSIC III, JPMorgan Chase Bank, N.A., or JPMorgan, as administrative agent, ING Capital LLC, or ING, as collateral agent and the lenders party thereto. The Senior Secured Revolving Credit Facility provides for borrowings in U.S. dollars and certain agreed upon foreign currencies in an initial aggregate amount of up to $3,435,000, with an option for the Company to request, at one or more times after the Effective Date, that existing or new lenders, at their election, provide up to $1,717,500 of additional commitments. As of the Effective Date, the Senior Secured Revolving Credit Facility provides for a sublimit available for the Company to borrow up to $685,000 of the total facility amount, which sublimit may be reduced or increased from time to time pursuant to the terms of the Senior Secured Revolving Credit Facility and subject to the oversight and approval of the Company’s board of directors. A sublimit of the total facility amount also is available to each of CCT, 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 $25,000. The Company’s obligations under the Senior Secured Revolving Credit Facility are guaranteed by certain of the Company’s subsidiaries, including Race Street Funding LLC, IC American Energy Investments, Inc., FSIC Investments, Inc., IC Altus Investments, LLC, IC Arches Investments, LLC and Hamilton Street Funding LLC. 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.

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 drawn by the Company on the Effective Date were used in part to prepay in full all loans outstanding on the Effective Date 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 on or prior to the Effective Date), 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 on or prior to the Effective Date), or the Hamilton Street Credit Facility.

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 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,

Note 8. Financing Arrangements (continued)

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 incurred costs in connection with obtaining the Senior Secured Revolving Credit Facility, which the Company has recorded as deferred financing costs, along with $1,756 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 September 30, 2018, $6,213 of such deferred financing costs had yet to be amortized to interest expense.

Hamilton Street Credit Facility

In connection with entering into the Senior Secured Revolving Credit Facility, the Company repaid and terminated the Hamilton Street Credit Facility. The $1,297 of remaining unamortized deferred financing costs for the Hamilton Street Credit Facility were charged to interest expense.

ING Credit Facility

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, $1,756 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 $1,756 will be amortized over the contractual term of the Senior Secured Revolving Credit Facility.

Note 9. 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. Management of FS/KKR 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.

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

Note 10. Financial Highlights

The following is a schedule of financial highlights of the Company for the nine months ended September 30, 2018 and the year ended December 31, 2017:

	Nine Months Ended September 30, 2018 (Unaudited)	Year Ended December 31, 2017
Per Share Data:(1)		
Net asset value, beginning of period	$ 9.30	$ 9.41
Results of operations(2)		
Net investment income (loss)	0.63	0.83
Net realized and unrealized appreciation (depreciation) on investments and secured borrowing and gain/loss on foreign currency	(0.76)	(0.08)
Net increase (decrease) in net assets resulting from operations	(0.13)	0.75
Stockholder distributions(3)		
Distributions from net investment income	(0.57)	(0.86)
Distributions from net realized gain on investments	—	—
Net decrease in net assets resulting from stockholder distributions	(0.57)	(0.86)
Capital share transactions		
Issuance of common stock(4)	—	0.00
Repurchases of common stock(5)	0.04	—
Net increase (decrease) in net assets resulting from capital share transactions	0.04	—
Net asset value, end of period	$ 8.64	$ 9.30
Per share market value, end of period	$ 7.05	$ 7.35
Shares outstanding, end of period	239,154,069	245,725,416
Total return based on net asset value(6)	(0.97)%	7.97%
Total return based on market value(7)	3.47%	(21.39)%
Ratio/Supplemental Data:		
Net assets, end of period	$ 2,066,861	$ 2,284,723
Ratio of net investment income to average net assets(8)	9.20%	8.86%
Ratio of total operating expenses to average net assets(8)	8.52%	9.48%
Ratio of net operating expenses to average net assets(8)	8.35%	9.37%
Portfolio turnover(9)	14.49%	29.17%
Total amount of senior securities outstanding, exclusive of treasury securities	$ 1,557,041	$ 1,721,750
Asset coverage per unit(10)	2.33	2.33

(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.

(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 DRP. 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 DRP is an increase to the net asset value of less than $0.01 per share during the year ended December 31, 2017.

(5) Represents the incremental impact of the Company's share repurchase program by buying shares in the open market at a price lower than NAV.

(6) The total return based on net asset value for each period presented was calculated by taking the net asset value per share as of the end of the applicable period, adding the cash distributions per share that were declared during the period and dividing the total by the net asset value per share at the beginning of the period. Total return based on net asset value does not consider the effect of any sales commissions

(in thousands, except share and per share amounts)

Note 10. Financial Highlights (continued)

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.

(7) 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. 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.

(8) Weighted average net assets during the applicable period are used for this calculation. Ratios for the nine months ended September 30, 2018 are annualized. Annualized ratios for the nine months ended September 30, 2018 are not necessarily indicative of the ratios that may be expected for the year ending December 31, 2018. The following is a schedule of supplemental ratios for the nine months ended September 30, 2018 and year ended December 31, 2017:

	Nine Months Ended September 30, 2018 (Unaudited)	Year Ended December 31, 2017
Ratio of subordinated income incentive fees to average net assets	1.38%	2.19%
Ratio of interest expense to average net assets	3.71%	3.44%
Ratio of excise taxes to average net assets	—	0.23%

(9) Portfolio turnover for the nine months ended September 30, 2018 is not annualized.

(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 11. CCT Acquisition

On July 22, 2018, the Company entered into the Merger Agreement with CCT, Merger Sub and FS/KKR Advisor. The Merger Agreement provides that, subject to the conditions set forth in the Merger Agreement, Merger Sub will merge with and into CCT, with CCT continuing as the surviving company and as a wholly-owned subsidiary of the Company and, immediately thereafter, CCT will merge with and into the Company, with the Company continuing as the surviving company. The parties to the Merger Agreement intend the Transaction to be treated as a "reorganization" within the meaning of Section 368(a) of the Internal Revenue Code of 1986, as amended.

In the Merger, each share of CCT common stock issued and outstanding immediately prior to the effective time of the Merger will be converted into a number of shares of the Company's common stock equal to an exchange ratio to be determined in connection with the closing of the Merger, or the Exchange Ratio. The Exchange Ratio will equal the net asset value per share of CCT common stock (determined no earlier than two business days prior to the closing date of the Merger), divided by the net asset value per share of the Company's common stock (determined no earlier than two business days prior to the closing date of the Merger). No fractional shares of the Company's common stock will be issued, and holders of CCT common stock will receive cash in lieu of fractional shares.

Consummation of the Merger, which is currently anticipated to occur during the fourth quarter of 2018, is subject to certain closing conditions, including (1) requisite approvals of the Company's stockholders and CCT stockholders, (2) the absence of

Note 11. CCT Acquisition (continued)

certain legal impediments to the consummation of the Merger, (3) effectiveness of the registration statement for the Company's common stock to be issued as consideration in the Merger, (4) subject to certain exceptions, the accuracy of the representations and warranties and compliance with the covenants of each party to the Merger Agreement and (5) required regulatory approvals (including expiration of the waiting period under the Hart-Scott-Rodino Antitrust Improvements Act of 1976, as amended).

The Merger is expected to be accounted for as an asset acquisition in accordance with the asset acquisition method of accounting as detailed in ASC 805-50, *Business Combinations—Related Issues*. Generally, under asset acquisition accounting, acquiring assets in groups not only requires ascertaining the cost of the asset (or net assets), but also allocating that cost to the individual assets (or individual assets and liabilities) that make up the group. The cost of the group of assets acquired in an asset acquisition is allocated to the individual assets acquired or liabilities assumed based on their relative fair values of net identifiable assets acquired other than certain "non-qualifying" assets (for example cash) and does not give rise to goodwill. The final allocation of the purchase price will be determined after the Merger is completed and after completion of a final analysis to determine the estimated relative fair values of CCT's assets and liabilities.

In connection with the Merger, the Company is seeking stockholder approval to amend the FS/KKR Advisor investment advisory agreement to (a) exclude cash and cash equivalents from the gross assets on which the annual base management fee is calculated, (b) revise the calculation of the cap on the subordinated incentive fee on income to 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, and (c) revise the calculation of incentive fees on capital gains to include historical net realized losses and unrealized depreciation of both the Company and CCT.

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations.
(in thousands, except share and per share amounts)

The information contained in this section should be read in conjunction with our unaudited consolidated financial statements and related notes thereto appearing elsewhere in this quarterly report on Form 10-Q. In this report, "we," "us," "our" and the "Company" refer to FS Investment Corporation.

Forward-Looking Statements

Some of the statements in this quarterly report on Form 10-Q constitute forward-looking statements because they relate to future events or our future performance or financial condition. The forward-looking statements contained in this quarterly report on Form 10-Q 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 FS/KKR Advisor, FS Investments, KKR Credit or any of their respective 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 FS/KKR Advisor to locate suitable investments for us and to monitor and administer our investments;
- the ability of FS/KKR 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 Wall Street Reform and Consumer Protection Act, as amended, and the rules and regulations issued thereunder;
- the effect of changes to tax legislation on us and the portfolio companies in which we may invest and our and their tax position;
- the tax status of the enterprises in which we may invest; and
- the Merger, the likelihood the Merger is completed and the anticipated timing of its completion.

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 quarterly report on Form 10-Q involve risks and uncertainties. Our actual results could differ materially from those implied or expressed in the forward-looking statements for any reason. 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 New York Stock Exchange, or NYSE.

We have based the forward-looking statements included in this quarterly report on Form 10-Q on information available to us on the date of this quarterly report on Form 10-Q. 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 quarterly report on Form 10-Q 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.

On April 16, 2014, shares of our common stock began trading on the NYSE under the ticker symbol “FSIC”. This listing accomplished our goal of providing our stockholders with greatly enhanced liquidity.

Our investment activities are managed by FS/KKR Advisor and supervised by our board of directors, a majority of whom are independent. Under the FS/KKR Advisor investment advisory agreement, we have agreed to pay FS/KKR Advisor an annual base management fee based on the average weekly value of our gross assets and an incentive fee based on our performance.

Our investment activities were managed by FB Advisor until April 9, 2018 and thereafter have been managed by FS/KKR Advisor. FB Advisor previously engaged GDFM to act as our investment sub-adviser. GDFM resigned as our investment sub-adviser and terminated the investment sub-advisory agreement on April 9, 2018.

Our investment objectives are to generate current income and, to a lesser extent, long-term capital appreciation. 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 directly source investment opportunities. Such investments are originated or structured 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 generally 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 (i.e., opportunities that are originated and then syndicated by a commercial or investment bank but where we provide a capital commitment significantly above the average syndicate participant) and CLOs.

In the case of event driven investments, we intend to take advantage of dislocations that arise in the markets due to an impending event and where the market’s apparent expectation of value differs substantially from our fundamental analysis. Such events may include a looming debt maturity or default, a merger, spin-off or other corporate reorganization, an adverse regulatory or legal ruling, or a material contract expiration, any of which may significantly improve or impair a company’s financial position. Compared to other investment strategies, event driven investing depends more heavily on our ability to successfully predict the outcome of an individual event rather than on underlying macroeconomic fundamentals. As a result, successful event driven strategies may offer both substantial diversification benefits and the ability to generate performance in uncertain market environments.

We may also invest in anchor orders. In these types of investments, we may receive fees, preferential pricing or other benefits not available to other lenders in return for our significant capital commitment. Our decision to provide an anchor order to a syndicated transaction is predicated on a rigorous credit analysis, our familiarity with a particular company, industry or financial sponsor, and the broader investment experiences of our investment adviser.

In addition, we opportunistically invest in CLOs. CLOs are a form of securitization where the cash flow from a pooled basket of syndicated loans is used to support distribution payments made to different tranches of securities. While collectively CLOs represent nearly fifty percent of the broadly syndicated loan universe, investing in individual CLO tranches requires a high degree of investor sophistication due to their structural complexity and the illiquid nature of their 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.

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” 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, CLOs, other debt securities and derivatives, including total return swaps and credit default swaps. FS/KKR 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. 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.

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 FS/KKR investment advisory agreement and the FS/KKR Advisor administration agreement, interest expense from financing arrangements and other indebtedness, and other expenses necessary for our operations. The management and incentive fees compensate FS/KKR Advisor for its work in identifying, evaluating, negotiating, executing, monitoring and servicing our investments.

FS/KKR 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. FS/KKR 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, FS/KKR 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 the FS/KKR Advisor administration agreement, we reimburse FS/KKR Advisor for expenses necessary to perform services related to our administration and operations, including FS/KKR 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 FS/KKR Advisor. We reimburse FS/KKR Advisor no less than quarterly for all costs and expenses incurred by FS/KKR Advisor in performing its obligations and providing personnel and facilities under the FS/KKR administration agreement. FS/KKR 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 FS/KKR 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 FS/KKR 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 all other expenses incurred by FS/KKR Advisor in performing services for us and administrative personnel paid by FS Investments and KKR Credit.

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 FS/KKR 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.

Pending Merger with CCT

On July 22, 2018, the Company, CCT, Merger Sub and FS/KKR Advisor entered into the Merger Agreement. The Merger Agreement provides that, subject to the conditions set forth in the Merger Agreement, Merger Sub will merge with and into CCT, with CCT continuing as the surviving company and as a wholly-owned subsidiary of the Company and, immediately thereafter, CCT will merge with and into the Company, with the Company continuing as the surviving company. The parties to the Merger Agreement intend the Transaction to be treated as a "reorganization" within the meaning of Section 368(a) of the Internal Revenue Code of 1986, as amended.

In the Merger, each share of CCT common stock issued and outstanding immediately prior to the effective time of the Merger will be converted into a number of shares of the Company's common stock equal to the Exchange Ratio. The Exchange Ratio will equal the net asset value per share of CCT common stock (determined no earlier than two business days prior to the closing date of the Merger), divided by the net asset value per share of the Company's common stock (determined no earlier than two business days prior to the closing date of the Merger). No fractional shares of the Company's common stock will be issued, and holders of CCT common stock will receive cash in lieu of fractional shares.

The Merger Agreement contains representations, warranties and covenants, including, among others, covenants relating to the operation of each of the Company's and CCT's businesses during the period prior to the closing of the Merger. The Company and CCT have agreed to convene and hold meetings of their stockholders for the purpose of obtaining the required approvals of the Company's and CCT's stockholders, respectively, and have agreed to recommend that their stockholders approve their respective proposals.

The Merger Agreement provides that each of the Company and CCT may not solicit proposals relating to alternative transactions, or, subject to certain exceptions, enter into discussions or negotiations or provide information in connection with any proposal for an alternative transaction. However, each of the Company's board of directors and the CCT board of directors may, subject to certain conditions and in some instances payment of a termination fee of approximately $75,200, change its recommendation to their respective stockholders, terminate the Merger Agreement and enter into an agreement with respect to a superior alternative proposal if it determines in its reasonable good faith judgment, after consultation with its outside legal counsel, that the failure to take such action would be reasonably likely to breach its standard of conduct under applicable law (taking into account any changes to the Merger Agreement proposed by CCT or the Company, as applicable).

Consummation of the Merger, which is currently anticipated to occur during the fourth quarter of 2018, is subject to certain closing conditions, including (1) requisite approvals of the Company's stockholders and CCT stockholders, (2) the absence of certain legal impediments to the consummation of the Merger, (3) effectiveness of the registration statement for the Company's common stock to be issued as consideration in the Merger, (4) subject to certain exceptions, the accuracy of the representations and warranties and compliance with the covenants of each party to the Merger Agreement and (5) required regulatory approvals (including expiration of the waiting period under the Hart-Scott-Rodino Antitrust Improvements Act of 1976, as amended).

The Merger Agreement also contains certain termination rights in favor of the Company and CCT, including if the Merger is not completed on or before July 22, 2019 or if the requisite approvals of the Company's stockholders or CCT stockholders are not obtained. The Merger Agreement also provides that, upon the termination of the Merger Agreement under certain circumstances, the Company may be required to pay CCT, or CCT may be required to pay the Company, a termination fee of approximately $75,200.

In connection with the Merger, the Company is seeking stockholder approval to amend the FS/KKR Advisor investment advisory agreement to (a) exclude cash and cash equivalents from the gross assets on which the annual base management fee is calculated, (b) revise the calculation of the cap on the subordinated incentive fee on income to 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, and (c) revise the calculation of incentive fees on capital gains to include historical net realized losses and unrealized depreciation of both the Company and CCT.

Portfolio Investment Activity for the Three and Nine Months Ended September 30, 2018 and for the Year Ended December 31, 2017

Total Portfolio Activity

The following tables present certain selected information regarding our portfolio investment activity for the three and nine months ended September 30, 2018:

Net Investment Activity	For the Three Months Ended September 30, 2018	For the Nine Months Ended September 30, 2018
Purchases	$ 184,495	$ 540,928
Sales and Repayments	(223,419)	(789,617)
Net Portfolio Activity	$ (38,924)	$ (248,689)

New Investment Activity by Asset Class	For the Three Months Ended September 30, 2018		For the Nine Months Ended September 30, 2018	
	Purchases	Percentage	Purchases	Percentage
Senior Secured Loans—First Lien	$ 144,803	78%	$ 391,747	72%
Senior Secured Loans—Second Lien	33,986	18%	57,269	11%
Senior Secured Bonds	3,436	2%	46,541	9%
Subordinated Debt	942	1%	10,211	2%
Collateralized Securities	1,287	1%	2,140	0%
Equity/Other	41	0%	33,020	6%
Total	$ 184,495	100%	$ 540,928	100%

The following table summarizes the composition of our investment portfolio at cost and fair value as of September 30, 2018 and December 31, 2017:

	September 30, 2018 (Unaudited)			December 31, 2017		
	Amortized Cost(1)	Fair Value	Percentage of Portfolio	Amortized Cost(1)	Fair Value	Percentage of Portfolio
Senior Secured Loans—First Lien	$ 2,495,810	$ 2,458,801	70%	$ 2,501,103	$ 2,520,994	64%
Senior Secured Loans—Second Lien	162,012	138,841	4%	222,232	197,588	5%
Senior Secured Bonds	193,218	184,260	5%	157,699	161,650	4%
Subordinated Debt	419,260	334,991	10%	500,626	489,761	13%
Collateralized Securities	46,722	50,363	1%	47,471	54,319	1%
Equity/Other	345,003	369,996	10%	387,715	501,922	13%
Total	$ 3,662,025	$ 3,537,252	100%	$ 3,816,846	$ 3,926,234	100%

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

The following table presents certain selected information regarding the composition of our investment portfolio as of September 30, 2018 and December 31, 2017:

	September 30, 2018	December 31, 2017
Number of Portfolio Companies	92	100
% Variable Rate (based on fair value)	72.2%	69.4%
% Fixed Rate (based on fair value)	17.3%	17.8%
% Income Producing Equity/Other Investments (based on fair value)	2.5%	2.3%
% Non-Income Producing Equity/Other Investments (based on fair value)	8.0%	10.5%
Average Annual EBITDA of Portfolio Companies	$92,500	$85,700
Weighted Average Purchase Price of Debt Investments (as a % of par)	99.5%	99.5%
% of Investments on Non-Accrual (based on fair value)	2.7%	0.2%
Gross Portfolio Yield Prior to Leverage (based on amortized cost)	9.6%	9.6%
Gross Portfolio Yield Prior to Leverage (based on amortized cost)—Excluding Non-Income Producing Assets	11.1%	10.5%

For the nine months ended September 30, 2018, our total return based on net asset value was (0.97)% and our total return based on market value was 3.47%. 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)%.

Our estimated gross portfolio yield may be higher than an investor’s yield on an investment in shares of our common stock. Our estimated gross portfolio yield does not reflect operating expenses that may be incurred by us. In addition, our estimated gross portfolio yield and total return figures disclosed above do 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. Our estimated gross portfolio yield and total return based on net asset value do not represent actual investment returns to stockholders. Our estimated gross portfolio yield and total return figures are subject to change and, in the future, may be greater or less than the rates set forth above. See the section entitled “Item 1A. Risk Factors” in our annual report on Form 10-K for the year ended December 31, 2017 for a discussion of the uncertainties, risks and assumptions associated with these statements. See footnotes 6 and 7 to the table included in Note 10 to our unaudited 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 tables present certain selected information regarding our direct originations for the three and nine months ended September 30, 2018:

New Direct Originations	For the Three Months Ended September 30, 2018	For the Nine Months Ended September 30, 2018
Total Commitments (including unfunded commitments)	$ 250,578	$ 493,429
Exited Investments (including partial paydowns)	(125,119)	(599,806)
Net Direct Originations	$ 125,459	$ (106,377)

New Direct Originations by Asset Class (including unfunded commitments)	For the Three Months Ended September 30, 2018		For the Nine Months Ended September 30, 2018	
	Commitment Amount	Percentage	Commitment Amount	Percentage
Senior Secured Loans—First Lien	$ 214,113	85%	$ 436,125	89%
Senior Secured Loans—Second Lien	36,465	15%	40,632	8%
Senior Secured Bonds	—	—	—	—
Subordinated Debt	—	—	833	0%
Collateralized Securities	—	—	—	—
Equity/Other	—	—	15,839	3%
Total	$ 250,578	100%	$ 493,429	100%

	For the Three Months Ended September 30, 2018	For the Nine Months Ended September 30, 2018
Average New Direct Origination Commitment Amount	$27,842	$18,978
Weighted Average Maturity for New Direct Originations	3/19/24	3/26/24
Gross Portfolio Yield Prior to Leverage (based on amortized cost) of New Direct Originations Funded during Period	9.6%	10.6%
Gross Portfolio Yield Prior to Leverage (based on amortized cost) of New Direct Originations Funded during Period—Excluding Non-Income Producing Assets	9.6%	10.6%
Gross Portfolio Yield Prior to Leverage (based on amortized cost) of Direct Originations Exited during Period	10.2%	10.5%

The following table presents certain selected information regarding our direct originations as of September 30, 2018 and December 31, 2017:

Characteristics of All Direct Originations held in Portfolio	September 30, 2018	December 31, 2017
Number of Portfolio Companies	73	75
Average Annual EBITDA of Portfolio Companies	$89,500	$68,600
Average Leverage Through Tranche of Portfolio Companies—Excluding Equity/Other and Collateralized Securities	5.7x	4.9x
% of Investments on Non-Accrual	2.9%	—
Gross Portfolio Yield Prior to Leverage (based on amortized cost) of Funded Direct Originations	9.5%	9.6%
Gross Portfolio Yield Prior to Leverage (based on amortized cost) of Funded Direct Originations —Excluding Non-Income Producing Assets	10.9%	10.4%

Portfolio Composition by Strategy

The table below summarizes the composition of our investment portfolio by strategy and enumerates the percentage, by fair value, of the total portfolio assets in such strategies as of September 30, 2018 and December 31, 2017:

	September 30, 2018		December 31, 2017	
Portfolio Composition by Strategy	**Fair Value**	**Percentage of Portfolio**	**Fair Value**	**Percentage of Portfolio**
Direct Originations	$ 3,277,054	93%	$ 3,606,608	92%
Opportunistic	239,560	7%	295,501	7%
Broadly Syndicated/Other	20,638	0%	24,125	1%
Total	$ 3,537,252	100%	$ 3,926,234	100%

See Note 6 to our unaudited 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, FS/KKR Advisor uses, and FB Advisor historically used, an investment rating system to characterize and monitor the expected level of returns on each investment in our portfolio. FS/KKR Advisor uses, and FB Advisor historically used, an investment rating scale of 1 to 5. The following is a description of the conditions associated with each investment rating:

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.

The following table shows the distribution of our investments on the 1 to 5 investment rating scale at fair value as of September 30, 2018 and December 31, 2017:

	September 30, 2018		December 31, 2017	
Investment Rating	**Fair Value**	**Percentage of Portfolio**	**Fair Value**	**Percentage of Portfolio**
1	$ 140,094	4%	$ 418,237	11%
2	2,416,127	68%	3,113,283	79%
3	852,523	24%	370,286	10%
4	5,196	0%	10,157	0%
5	123,312	4%	14,271	0%
Total	$ 3,537,252	100%	$ 3,926,234	100%

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 Three and Nine Months Ended September 30, 2018 and September 30, 2017

Revenues

Our investment income for the three and nine months ended September 30, 2018 and 2017 was as follows:

	Three Months Ended September 30,				Nine Months Ended September 30,			
	2018		2017		2018		2017	
	Amount	Percentage of Total Income	Amount	Percentage of Total Income	Amount	Percentage of Total Income	Amount	Percentage of Total Income
Interest income	$ 75,515	80%	$ 86,763	84%	$ 234,417	81%	$ 244,007	79%
Paid-in-kind interest income	14,297	15%	10,670	10%	39,187	13%	29,078	9%
Fee income	4,362	5%	6,237	6%	9,808	3%	35,344	12%
Dividend income	345	0%	21	0%	7,700	3%	21	0%
Total investment income(1)	$ 94,519	100%	$ 103,691	100%	$ 291,112	100%	$ 308,450	100%

(1) Such revenues represent $78,328 and $91,979 of cash income earned as well as $16,191 and $11,712 in non-cash portions relating to accretion of discount and PIK interest for the three months ended September 30, 2018 and 2017, respectively, and represent $247,710 and $275,583 of cash income earned as well as $43,402 and $32,867 in non-cash portions relating to accretion of discount and PIK interest for the nine months ended September 30, 2018 and 2017, 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 amendment and consent fees, prepayment fees, structuring fees and other non-recurring 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 three months ended September 30, 2018 compared to the three months ended September 30, 2017 can be primarily attributed to the placement of certain assets on non-accrual and net sales and repayment activity during the three months ended September 30, 2018. The increase in PIK interest income during the three months ended September 30, 2018 compared to the three months ended September 30, 2017 was primarily due to an increase in LIBOR.

The decrease in interest and fee income during the nine months ended September 30, 2018 compared to the nine months ended September 30, 2017 can be primarily attributed to the placement of certain assets on non-accrual and net sales and repayment activity during the nine months ended September 30, 2018 and the repayment of certain large investments during the nine months ended September 30, 2017. The increase in PIK interest income during the nine months ended September 30, 2018 compared to the nine months ended September 30, 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 nine months ended September 30, 2018 compared to the nine months ended September 30, 2017 was primarily due to a one-time dividend paid in respect of one of our investments during the nine months ended September 30, 2018.

Expenses

Our operating expenses for the three and nine months ended September 30, 2018 and 2017 were as follows:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2018	2017	2018	2017
Management fees	$ 14,259	$ 18,038	$ 47,426	$ 54,772
Subordinated income incentive fees	—	12,662	22,905	37,426
Administrative services expenses	1,125	750	2,601	2,226
Accounting and administrative fees	210	254	713	774
Interest expense	20,671	19,885	61,506	58,941
Directors’ fees	227	277	997	822
Expenses associated with our independent audit and related fees	114	114	337	337
Legal fees	253	147	749	411
Printing fees	100	300	690	698
Stock transfer agent fees	35	45	95	104
Other	1,443	571	3,285	2,241
Total operating expenses	$ 38,437	$ 53,043	$ 141,304	$ 158,752
Management fee waiver	—	—	(2,776)	—
Total net expenses	$ 38,437	$ 53,043	$ 138,528	$ 158,752

The following table reflects selected expense ratios as a percent of average net assets for the three and nine months ended September 30, 2018 and 2017:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2018	2017	2018	2017
Ratio of operating expenses to average net assets	1.81%	2.32%	6.39%	6.91%
Ratio of management fee waiver to average net assets(1)	—	—	(0.13)%	—
Ratio of net operating expenses to average net assets	1.81%	2.32%	6.26%	6.91%
Ratio of incentive fees and interest expense to average net assets(1)	0.97%	1.42%	3.81%	4.19%
Ratio of net operating expenses, excluding certain expenses, to average net assets	0.84%	0.90%	2.45%	2.72%

(1) Ratio data may be rounded in order to recompute the ending ratio of net operating expenses to average net assets or 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 $56,082 ($0.23 per share) and $50,648 ($0.21 per share) for the three months ended September 30, 2018 and 2017, respectively. The increase in net investment income can be attributed primarily to the reduction of the subordinated income incentive fee and management fee, which was partially offset by lower interest income during the three months ended September 30, 2018 as discussed above.

Our net investment income totaled $152,584 ($0.63 per share) and $149,698 ($0.61 per share) for the nine months ended September 30, 2018 and 2017, respectively. The increase in net investment income can be attributed primarily to the reduction of the management fee and subordinated income incentive fee, which was partially offset by lower interest and fee income during the nine months ended September 30, 2018 as discussed above.

Net Realized Gains or Losses

Our net realized gains (losses) on investments and foreign currency for the three and nine months ended September 30, 2018 and 2017 were as follows:

	Three Months Ended September 30, 2018	Three Months Ended September 30, 2017	Nine Months Ended September 30, 2018	Nine Months Ended September 30, 2017
Net realized gain (loss) on investments(1)	$ 23,895	$ (18,216)	$ 50,217	$ (133,384)
Net realized gain (loss) on foreign currency	5,993	(19)	6,090	165
Total net realized gain (loss)	$ 29,888	$ (18,235)	$ 56,307	$ (133,219)

(1) We sold investments and received principal repayments, respectively, of $133,214 and $90,205 during the three months ended September 30, 2018 and $41,655 and $183,828 during the three months ended September 30, 2017. We sold investments and received principal repayments, respectively, of $301,975 and $487,642 during the nine months ended September 30, 2018 and $259,525 and $640,835 during the nine months ended September 30, 2017.

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 three and nine months ended September 30, 2018 and 2017 were as follows:

	Three Months Ended September 30, 2018	Three Months Ended September 30, 2017	Nine Months Ended September 30, 2018	Nine Months Ended September 30, 2017
Net change in unrealized appreciation (depreciation) on investments	$ (90,891)	$ 54,179	$ (234,161)	$ 155,684
Net change in unrealized appreciation (depreciation) on secured borrowing	—	3	—	(7)
Net change in unrealized gain (loss) on foreign currency	(6,419)	(1,197)	(4,483)	(4,923)
Total net change in unrealized appreciation (depreciation)	$ (97,310)	$ 52,985	$ (238,644)	$ 150,754

During the three and nine months ended September 30, 2018, the net change in unrealized appreciation (depreciation) was driven primarily by lower valuations in a few select investments.

Net Increase (Decrease) in Net Assets Resulting from Operations

For the three months ended September 30, 2018, the net decrease in net assets resulting from operations was $11,340 ($0.05 per share) compared to a net increase in net assets resulting from operations of $85,398 ($0.35 per share) during the three months ended September 30, 2017.

For the nine months ended September 30, 2018, the net decrease in net assets resulting from operations was $29,753 ($0.12 per share) compared to a net increase in net assets resulting from operations of $167,233 ($0.68 per share) during the nine months ended September 30, 2017.

Financial Condition, Liquidity and Capital Resources

Overview

As of September 30, 2018, we had $99,965 in cash and foreign currency, which we or our wholly-owned financing subsidiaries held in custodial accounts, and $632,959 in borrowings available under our financing arrangements, subject to borrowing base and other limitations. As of September 30, 2018, we also had broadly syndicated investments and opportunistic investments that could be sold to create additional liquidity. As of September 30, 2018, we had seventeen unfunded debt investments with aggregate unfunded commitments of $178,424 and one unfunded commitment to purchase up to $71 in shares of preferred stock. We maintain sufficient cash on hand, available borrowings and liquid securities to fund such unfunded commitments should the need arise.

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 FS/KKR 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 September 30, 2018:

Arrangement	Type of Arrangement	Rate	Amount Outstanding	Amount Available	Maturity Date
Locust Street Credit Facility(1)	Term Loan Credit Facility	L+2.68%	$ 425,000	$ —	November 1, 2020
Senior Secured Revolving Credit Facility(1)	Revolving Credit Facility	L+1.75% - 2.00%(2)	52,041(3)	632,959	August 9, 2023
4.000% Notes due 2019	Unsecured Notes	4.00%	400,000	—	July 15, 2019
4.250% Notes due 2020	Unsecured Notes	4.25%	405,000	—	January 15, 2020
4.750% Notes due 2022	Unsecured Notes	4.75%	275,000	—	May 15, 2022
Total			$ 1,557,041	$ 632,959	

(1) The carrying amount outstanding under the facility approximates its fair value.
(2) The spread over LIBOR is determined by reference to the ratio of the value of the borrowing base to a combined debt amount calculation.
(3) Amount includes borrowing in Euros and Canadian dollars. Euro balance outstanding of €26,000 has been converted to U.S. dollars at an exchange rate of €1.00 to $1.16 as of September 30, 2018 to reflect total amount outstanding in U.S. dollars. Canadian dollar balance outstanding of CAD $28,200 has been converted to U.S dollars at an exchange rate of CAD $1.00 to $0.77 as of September 30, 2018 to reflect total amount outstanding in U.S. dollars.

See Note 8 to our unaudited 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 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 U.S. 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. On November 1, 2018, the Company's board of directors declared a regular quarterly cash distribution of $0.19 per share, which will be paid on or about January 2, 2019 to stockholders of record as of the close of business on December 12, 2018. On October 12, 2018, the Company's board of directors declared a special distribution of $0.09 per share, which will be paid on or about December 3, 2018 to stockholders of record as of the close of business on November 19, 2018. This special distribution equates to the cumulative amount of net investment income earned during the twelve months following October 1, 2017 that was in excess of $0.76 per share. 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.

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 nine months ended September 30, 2018 or 2017 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 the DRP. 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 nine months ended September 30, 2018 and 2017:

	Distribution	
For the Three Months Ended	**Per Share**	**Amount**
Fiscal 2017		
March 31, 2017	$ 0.22275	$ 54,485
June 30, 2017	0.22275	54,607
September 30, 2017	0.22275	54,733
Total	$ 0.66825	$ 163,825
Fiscal 2018		
March 31, 2018	$ 0.19000	$ 46,683
June 30, 2018	0.19000	45,945
September 30, 2018	0.19000	45,481
Total	$ 0.57000	$ 138,109

See Note 5 to our unaudited consolidated financial statements included herein 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 nine months ended September 30, 2018 and 2017.

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, FS/KKR 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.

Accounting Standards Codification Topic 820, *Fair Value Measurements and Disclosure*, or ASC Topic 820, issued by 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 FS/KKR Advisor’s management team reviewing and documenting valuations of each portfolio company or investment, which valuations may be obtained from an independent third-party valuation service, if applicable;
- FS/KKR Advisor’s management team then provides the valuation committee with the preliminary valuations for each portfolio company or investment;
- preliminary valuations are then discussed with the valuation committee;
- our valuation committee reviews the preliminary valuations and FS/KKR Advisor’s management team, 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 FS/KKR 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 FS/KKR 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 FS/KKR Advisor’s management team, 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.

FS/KKR Advisor's management team, 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. FS/KKR Advisor's management team, 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 FS/KKR Advisor's management team 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 FS/KKR Advisor's management team, and has authorized FS/KKR Advisor's management team 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 FS/KKR Advisor's implementation of the valuation process.

See Note 7 to our unaudited 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. 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. We record prepayment premiums on loans and securities as fee income when we receive 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 nine months ended September 30, 2018, we recognized $4,352 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 nine months ended September 30, 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.

We follow the guidance in ASC Topic 860 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.

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 nine months ended September 30, 2018 and 2017, we did not incur any interest or penalties.

See Note 2 to our unaudited consolidated financial statements included herein for additional information regarding our significant accounting policies.

Contractual Obligations

We have entered into an agreement with FS/KKR Advisor to provide us with investment advisory and administrative services. Payments for investment advisory services under the FS/KKR Advisor investment advisory agreement are equal to (a) an annual base management fee based on the average weekly value of our gross assets and (b) an incentive fee based on our performance. FS/KKR Advisor is reimbursed for administrative expenses incurred on our behalf. See Note 4 to our unaudited consolidated financial statements included herein and "—Related Party Transactions—Compensation of the Investment Adviser" for a discussion of these agreements and for the amount of fees and expenses accrued under similar agreements with FB Advisor during the nine months ended September 30, 2018 and 2017.

A summary of our significant contractual payment obligations for the repayment of outstanding indebtedness at September 30, 2018 is as follows:

		Payments Due By Period				
	Maturity Date(1)	Total	Less than 1 year	1-3 years	3-5 years	More than 5 years
Locust Street Credit Facility(2)	November 1, 2020	$ 425,000	—	$ 425,000	—	—
Senior Secured Revolving Credit Facility(3)	August 9, 2023	$ 52,041	—	—	$ 52,041	—
4.000% Notes due 2019	July 15, 2019	$ 400,000	$ 400,000	—	—	—
4.250% Notes due 2020	January 15, 2020	$ 405,000	—	$ 405,000	—	—
4.750% Notes due 2022	May 15, 2022	$ 275,000	—	—	$ 275,000	—

(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 September 30, 2018, no amounts remained unused under the financing arrangement.

(3) At September 30, 2018, $632,959 remained unused under the Senior Secured Revolving Credit Facility. Amounts outstanding under the Senior Secured Revolving Credit Facility will mature, and all accrued and unpaid interest thereunder will be due and payable, on August 9, 2023. Amount includes borrowing in Euros and Canadian dollars. Euro balance outstanding of €26,000 has been converted to U.S. dollars at an exchange rate of €1.00 to $1.16 as of September 30, 2018 to reflect total amount outstanding in U.S. dollars. Canadian dollar balance outstanding of CAD $28,200 has been converted to U.S dollars at an exchange rate of CAD $1.00 to $0.77 as of September 30, 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.

Item 3. Quantitative and Qualitative Disclosures About Market Risk.

We are subject to financial market risks, including changes in interest rates. As of September 30, 2018, 72.2% of our portfolio investments (based on fair value) paid variable interest rates, 17.3% paid fixed interest rates, 2.5% were income producing equity or other investments, and the remaining 8.0% consisted of non-income producing equity or other 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. 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 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 FS/KKR Advisor with respect to our increased pre-incentive fee net investment income.

Pursuant to the terms of the Locust Street credit facility and the 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 and the 4.750% 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 September 30, 2018 (dollar amounts are presented in thousands):

Basis Point Change in Interest Rates	Increase (Decrease) in Interest Income(1)	Increase (Decrease) in Interest Expense	Increase (Decrease) in Net Interest Income	Percentage Change in Net Interest Income
Down 100 basis points	$ (24,418)	$ (4,692)	$ (19,726)	(7.1)%
No change	—	—	—	—
Up 100 basis points	25,239	4,692	20,547	7.4%
Up 300 basis points	76,530	14,077	62,453	22.3%
Up 500 basis points	127,993	23,462	104,531	37.4%

(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 nine months ended September 30, 2018 and 2017, we did not engage in interest rate hedging activities.

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."

Item 4. Controls and Procedures.

Evaluation of Disclosure Controls and Procedures

As required by Rule 13a-15(b) under the Exchange Act, we carried out an evaluation, under the supervision and with the participation of our management, including the chief executive officer and chief financial officer, of the effectiveness of the design and operation of our disclosure controls and procedures as of September 30, 2018.

Based on the foregoing, our chief executive officer and chief financial officer concluded that our disclosure controls and procedures were effective to provide reasonable assurance that we would meet our disclosure obligations.

Changes in Internal Control Over Financial Reporting

There was no change in our internal control over financial reporting (as defined in Rules 13a-15(f) or 15d-15(f) of the Exchange Act) that occurred during the three month period ended September 30, 2018 that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

PART II—OTHER INFORMATION

Item 1. 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 1A. Risk Factors.

You should carefully consider the risk factors set forth in our annual report on Form 10-K for the year ended December 31, 2017, as supplemented by our quarterly report on Form 10-Q for the quarter ended March 31, 2018, and in the joint proxy statement/prospectus for the Merger (filed on September 27, 2018).

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds.

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

Repurchases of our common stock under our stock repurchase program for the periods below were as follows (dollar amounts in the table below are presented in thousands, except for share and per share amounts).

Period	Total Number of Shares Purchased	Average Price Paid per Share(1)	Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs	Maximum Number (or Approximate Dollar Value) of Shares that May Yet Be Purchased Under the Plans or Programs
July 1, 2018 through July 31, 2018	1,107,988	$ 7.7608	1,107,988	$ 2,608
August 1, 2018 through August 31, 2018	340,696	7.6542	340,696	—
September 1, 2018 through September 30, 2018	—	—	—	—
	1,448,684	$ 7.7357	1,448,684	

(1) Amount includes commissions paid.

Item 3. Defaults upon Senior Securities.

Not applicable.

Item 4. Mine Safety Disclosures.

Not applicable.

Item 5. Other Information.

Not applicable.

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Item 6. Exhibits

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	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.)*
3.3	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.)*
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.)*
10.1	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.)*
10.2	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.)*
10.3	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.)*
10.4	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.)*
10.5	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.)*
10.6	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.)*

10.7	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.)*
10.8	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.)*
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 and 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.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this quarterly report to be signed on its behalf by the undersigned, thereunto duly authorized on November 7, 2018.

FS INVESTMENT CORPORATION

By: /s/ Michael C. Forman

Michael C. Forman
Chief Executive Officer
(Principal Executive Officer)

By: /s/ William Goebel

William Goebel
Chief Financial Officer
(Principal Financial and Accounting Officer)

Exhibit 31.1

CERTIFICATION

I, Michael C. Forman, certify that:

1. I have reviewed this quarterly report on Form 10-Q of FS Investment Corporation;

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; and

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.

Date: November 7, 2018

/s/ Michael C. Forman

Michael C. Forman
Chief Executive Officer

Exhibit 31.2

CERTIFICATION

I, William Goebel certify that:

1. I have reviewed this quarterly report on Form 10-Q of FS Investment Corporation;

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; and

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.

Date: November 7, 2018

/s/ William Goebel

William Goebel
Chief Financial Officer

Exhibit 32.1

CERTIFICATION of CEO and CFO PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Quarterly Report on Form 10-Q of FS Investment Corporation (the “Company”) for the three months ended September 30, 2018 as filed with the Securities and Exchange Commission on the date hereof (the “Form 10-Q”), Michael C. Forman, as Chief Executive Officer of the Company, and William Goebel, as Chief Financial Officer of the Company, each hereby certifies, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that, to my knowledge:

- the Form 10-Q of the Company fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934 (15 U.S.C. 78m or 78o(d)); and
- the information contained in the Form 10-Q fairly presents, in all material respects, the financial condition and results of operations of the Company.

Dated: November 7, 2018

/s/ Michael C. Forman
Michael C. Forman
Chief Executive Officer

/s/ William Goebel
William Goebel
Chief Financial Officer