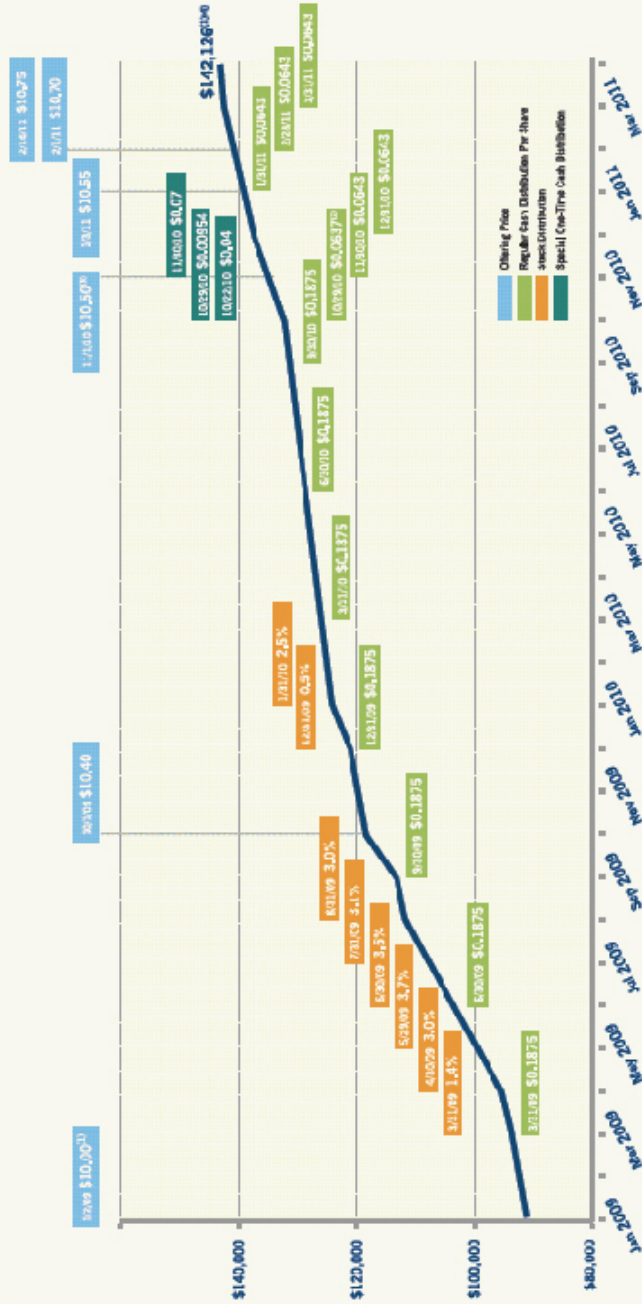


# FSIC Performance History (Growth of \$100,000 Investment at Fund Inception)



Note: Cash distributions per share have not been adjusted for stock distributions.

1) The public offering price of FSIC common stock is subject to a sales load of up to 10% and offering expenses of up to 1.5%. All yields and rates of return are presented on a "net" basis and reflect the management and inactive fees, organizational and offering expenses, interest expense on borrowed funds and other raised expenses but are net of expenses paid to investors. During the year ended December 31, 2010, the rate of FSIC's operating expenses to its average net assets was 9.48%, or more information regarding FSIC's fees and expenses, investors should carefully review the prospectus as well as the periodic reports that are filed by FSIC with the Securities and Exchange Commission.

2) As of October 1, 2010, regular cash distributions were paid monthly rather than quarterly. Distributions are not guaranteed and are subject to approval by the board of directors.

3) The single monthly distribution amount was increased from \$0.021185 per share to \$0.021185 per share to maintain the 7.25% distribution yield at the \$10.00 per share public offering price. Note that as of March 31, 2011, the yield was 7.18% based on the \$10.75 per share offering price. In April 2011, the Company's board of directors declared two special cash distributions totaling \$3,071 per share. On April 18, 2011, the Company announced a reinvestment plan whereby the total cash distribution amount to \$3,023.58 per share. In April 2011, the Company's board of directors agreed to a new distribution and assumed that the investor purchased shares of common stock at \$10.00 per share and participated in the Company's first cash distribution. The total amount of the public offering price per share of \$10.75, which is the price at which the Company reinvested shares of common stock pursuant to its share repurchase plan, but performance is not a guarantee of future results.

This is neither an offer to sell nor a solicitation of an offer to buy the securities described herein. An offering is made only by the prospectus in conjunction with the prospectus in order to fully understand all of the implications and risks of the offering of securities to which the prospectus relates. A copy of the prospectus must be made available to you in connection with any offering. No offering is made except by a prospectus filed with the Department of Law of the State of New York. Neither the SEC, the Attorney General of the State of New York or any other state securities commissioner has approved or disapproved or their securities or determined if the prospectus is a truthful or complete. Any representation to the contrary is a criminal offense.

**RISK FACTORS**

An investment in FS Investment Corporation is subject to significant risks and may be considered speculative. A more detailed description of the risk factors is found in the section of the prospectus entitled "Risk Factors." You should read and understand all of these risk factors before making your decision to invest in shares of our common stock.

- We are a relatively new company and have a limited operating history and are subject to the business risks and uncertainties associated with any new business, including the risk that we will not achieve our investment objectives.
- FR Income Advisor, LLC ("FR Advisor"), our investment adviser, has not previously managed a business development company or a regulated investment company ("RIC"). Therefore, FR Advisor may not be able to successfully operate our business or achieve our investment objectives.
- Economic activity in the United States was impacted by the global financial crisis of 2008 and has yet to fully recover. These conditions may make it more difficult for us to achieve our investment objectives.
- Because there is no public trading market for shares of our common stock and we are not obligated to effectuate a liquidity event by a specified date, it will be difficult for you to sell your shares.
- The amount of any distributions we may make is uncertain. Our distributable proceeds have exceeded and in the future may exceed our net investment income, particularly during the period before we have substantially invested the net proceeds from our public offering. The entire portion of the distributions that we make may represent a return of capital to you for tax purposes.
- We have elected to be taxed as a RIC for federal income tax purposes. Failure to maintain our qualification as a RIC would subject us to federal income tax on all of our income, which would have a material adverse effect on our financial performance.
- As a result of the annual distribution requirement to maintain our qualification as a RIC, we will likely need to continually raise cash or make borrowings to fund new investments. At times, these sources of funding may not be available to us on acceptable terms, if at all.
- We are subject to financial market risks, including changes in interest rates, which may have a substantial negative impact on our investments.
- A significant portion of our portfolio is recorded at fair value as determined in good faith by our board of directors and, as a result, there is uncertainty as to the value of our portfolio investments.
- We invest primarily in debt, secured and unsecured loans, and, to a lesser extent, subordinated debt and selected equity investments issued by private U.S. companies, including small and middle market companies. For our senior secured investments, the collateral securing these investments may increase in value or decrease in value over time or may fluctuate based on the performance of the portfolio company which may lead to a loss in principal. Subordinated debt investments are typically unsecured, and this may involve a heightened level of risk, including a loss of principal or a loss of the entire investment.
- The potential for FR Advisor to earn incentive fees under the investment advisory and certain subscription agreements may create an incentive for it to enter into investments that are riskier or more speculative than would otherwise be in our best interests, and, since the base management fee is based on gross assets, FR Advisor may have an incentive to increase portfolio leverage in order to earn higher base management fees. In addition, since our investment sub-advisor, GS&P Blackstone Debt Fund Management LLC ("GS&P"), will receive a portion of the advisory fees paid to FR Advisor, GS&P may have an incentive to recommend investments that are riskier or more speculative.
- This is a "best effort" offering and it may be unable to raise substantial funds than we will be able to raise in the future and type of investments we may make.
- FR Advisor's affiliates and CEFM face conflicts of interest as a result of compensation arrangements, time constraints and competition for investments, which may result in an attempt to resolve in a fair and equitable manner, but which may result in actions that are not in your best interests.
- The purchase price at which you purchase shares will be determined at each semi-monthly closing date. As a result, your purchase price may be higher than the prior semi-monthly closing price per share, and therefore you may receive a smaller number of shares than if you had subscribed at the prior semi-monthly closing price.
- In the event of a decline in our net asset value, the board of directors may elect not to reduce current offering price per share. As a result, your purchase price may be materially higher than the Company's current net asset value per share.
- The agreements governing our wholly-owned financing subsidiary's revolving credit facility contain various covenants which, if not complied with, could accelerate repayment under the facility, which would materially and adversely affect our liquidity, financial condition and our ability to pay distributions to our stockholders. In addition, the facility focuses on the risks of borrowing, also known as leverage, which may be considered a speculative investment technique. Leverage increases the volatility of investments by magnifying the potential for gain and loss or amounts invested, thereby increasing the risks associated with investing in our securities.

This is not an offer to sell nor a solicitation of an offer to buy the securities described herein. An offering is made only by our prospectus.

This sales and advertising literature must be read in conjunction with the prospectus in order to fully understand all of the implications and risks of the offering of securities to which it relates. A copy of the prospectus must be made available to you in connection with the offering.

Franklin Source Capital Partners is not affiliated with Franklin Resources, Franklin Templeton Investments or the Franklin Funds.