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Annual report
2019

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FS Energy & Power Fund

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

FORM 10-K

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

FOR THE FISCAL YEAR ENDED DECEMBER 31, 2019

OR

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

COMMISSION FILE NUMBER: 814-00841

FS Energy and Power Fund

(Exact name of registrant as specified in its charter)

Delaware	**27-6822130**
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification Number)
201 Rouse Boulevard Philadelphia, Pennsylvania	**19112**
(Address of principal executive offices)	(Zip Code)

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

Securities registered pursuant to Section 12(b) of the Act:
None

Securities registered pursuant to Section 12(g) of the Act:
Common Shares of Beneficial Interest, par value
$0.001 per share

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

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

Indicate by check mark whether the Registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the Registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes ☒ No ☐.

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

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

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See definition of "accelerated filer," "large accelerated filer", "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 ☒ (Do not check if a smaller reporting company)	Smaller reporting company ☐	Emerging Growth company ☐

If an emerging growth company, indicate by check mark if the registrant has elected to not 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 Act). Yes ☐ No ☒.

There is no established market for the Registrant's common shares of beneficial interest. The Registrant closed the public offering of its common shares in November 2016. Since the registrant closed its public offering, it has continued to issue shares pursuant to its distribution reinvestment plan. The most recent price at which the registrant has issued shares pursuant to the distribution reinvestment plan was $3.70 per share.

There were 436,755,981 shares of the Registrant's common shares of beneficial interest outstanding as of April 9, 2020.

Documents Incorporated by Reference

None.

FS ENERGY AND POWER FUND

FORM 10-K FOR THE FISCAL YEAR ENDED DECEMBER 31, 2019

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PART I

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

Item 1. Business.

FS Energy and Power Fund, or the Company, which may also be referred to as "we," "us" or "our," was organized in September 2010 and commenced investment operations in July 2011. We are an externally managed, non-diversified, closed-end management investment company that has elected to be regulated as a business development company, or BDC, under the Investment Company Act of 1940, as amended, or the 1940 Act. In addition, we have elected to be treated for U.S. federal income tax purposes, and intend to qualify annually, as a regulated investment company, or RIC, under Subchapter M of the Internal Revenue Code of 1986, as amended, or the Code. As of December 31, 2019, we had total assets of approximately $3.7 billion.

We are managed by FS/EIG Advisor, LLC, or FS/EIG Advisor, a registered investment adviser under the Investment Advisers Act of 1940, as amended, or the Advisers Act, pursuant to an investment advisory and administrative services agreement dated as of April 9, 2018, or the FS/EIG investment advisory agreement. FS/EIG Advisor oversees the management of our operations and is responsible for making investment decisions with respect to our portfolio.

Our investment policy is to invest, under normal circumstances, at least 80% of our total assets in securities of energy and power, or Energy, companies. This investment policy may not be changed without at least 60 days' prior notice to holders of our common shares of any such change. We consider Energy companies to be those companies that engage in the exploration, development, production, gathering, transportation, processing, storage, refining, distribution, mining, generation or marketing of natural gas, natural gas liquids, crude oil, refined products, coal or power, including those companies that provide equipment or services to companies engaged in any of the foregoing. We concentrate our investments on debt securities in Energy companies that we believe have, or are connected to, a strong infrastructure and/or underlying asset base so as to enhance collateral coverage and downside protection for our investments. We may also make select equity investments in certain Energy companies meeting our investment objectives of current income generation and long-term capital appreciation. Our primary areas of focus will be the upstream, midstream, power and service and equipment sub-sectors of the Energy industry; however, we broadly define our "Energy Investment Universe" as follows:

- *Upstream*—businesses that find, develop and extract energy resources, including natural gas, crude oil and coal, from onshore and offshore reservoirs;
- *Midstream*—businesses that gather, process, store and transmit energy resources and their by-products, including businesses that own pipelines, gathering systems, gas processing plants, liquefied natural gas facilities and other energy infrastructure;
- *Downstream*—businesses that refine, market and distribute refined energy resources, such as customer-ready natural gas, propane and gasoline, to end-user customers;
- *Power*—businesses engaged in the generation, transmission and distribution of power and electricity or in the production of alternative energy; and
- *Service and Equipment*—businesses that provide services and/or equipment to aid in the exploration and production of oil and natural gas, including seismic, drilling, completion and production activities, as well as those companies that support the operations and development of power assets.

Our investment objectives are to generate current income and long-term capital appreciation. We seek to meet our investment objectives by:

- utilizing the experience and expertise of FS/EIG Advisor in sourcing, evaluating and structuring transactions;

- employing a conservative investment approach focused on current income and long-term investment performance;
- focusing primarily on debt or debt-like investments, such as structured preferred equity investments, in a broad array of private Energy companies within the United States;
- making select equity investments in certain Energy companies that have strong growth potential;
- investing primarily in established, stable enterprises with positive cash flow and strong asset and collateral coverage so as to limit the risk of potential principal loss; and
- maintaining rigorous portfolio monitoring in an attempt to anticipate and pre-empt negative events within our portfolio.

Our portfolio is comprised primarily of income-oriented securities, which principally refers to debt securities and income-oriented preferred and common equity interests, of privately-held Energy companies within the United States. We expect to invest primarily in directly originated investments and primary market transactions, as this will provide us with the ability to tailor investments to best match a project's or company's needs with our investment objectives. We intend to weight our portfolio towards senior secured debt and directly originated preferred equity investments, which we believe offer opportunities for superior risk-adjusted returns and income generation. Our debt investments may take the form of corporate or project loans or bonds, may be secured or unsecured and may, in some cases, be accompanied by yield enhancements. These yield enhancements are typically expected to include royalty interests in mineral, oil and gas properties, warrants, options, net profits interests, cash flow participations or other forms of equity participation that can provide additional consideration or "upside" in a transaction. Our preferred equity investments are mostly directly originated and may take the form of perpetual or redeemable securities, typically with a current income component and minimum base returns. In addition, certain income-oriented preferred or common equity interests may include interests in master limited partnerships, or MLPs. MLPs are entities that (i) are structured as limited partnerships or limited liability companies, (ii) are publicly traded, (iii) satisfy certain requirements to be treated as partnerships for U.S. federal income tax purposes and (iv) primarily own and operate midstream and upstream Energy companies. In connection with certain of our debt investments or any restructurings of these debt investments, we may on occasion receive equity interests, including warrants or options, as additional consideration or otherwise in connection with a restructuring. In addition, a portion of our portfolio may be comprised of derivatives, including total return swaps and credit default swaps. FS/EIG 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 other more opportunistic investments. We expect that the size of our individual investments will generally range between $10 million and $250 million each, although investments may vary proportionately as amounts available for investment change and the size of our capital base changes and will ultimately be at the discretion of FS/EIG Advisor, subject to oversight by our board of trustees.

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

As a BDC, we are subject to certain regulatory restrictions in making our investments. For example, BDCs generally are not permitted to co-invest with certain affiliated entities in transactions originated by the BDC or its affiliates in the absence of an exemptive order from the U.S. Securities and Exchange Commission, or 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 Order, the SEC granted exemptive relief permitting us, subject to the satisfaction of certain conditions, to co-invest in certain privately negotiated investment transactions with certain affiliates of FS Investment Advisor, LLC, or FS Advisor, including FS KKR Capital Corp., FS KKR Capital Corp. II and any future BDCs that are advised by FS Advisor or its affiliated investment advisers, or collectively our co-investment affiliates. Effective April 9, 2018, or the JV Effective Date, and in connection with the transition of advisory services to a joint advisory relationship with EIG, our board of trustees authorized and directed that we (i) withdraw from the Order, except with respect to any transaction in which we participated in reliance on the Order prior to the JV Effective Date, and (ii) rely on an exemptive relief order dated April 10, 2018, granted to EIG and its affiliates which permits us to participate in co-investment transactions with certain other EIG advised funds, or the EIG Order.

While a BDC may list its shares for trading in the public markets, we have currently elected not to do so. Prior to any liquidity event, a non-traded structure allows us to operate with a long-term view, instead of managing to quarterly market expectations. We and FS/EIG Advisor will continue to evaluate the appropriate form and timing of any liquidity event, taking into account, among other things, the composition of our portfolio and market conditions.

For information regarding our share repurchase program, distributions and our distribution reinvestment plan, including certain related tax considerations, see "Item 5. Market for Registrant's Common Equity, Related Shareholder Matters and Issuer Purchases of Equity Securities—Share Repurchase Program and Distributions" and "Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations—RIC Status and Distributions."

About FS/EIG Advisor

FS/EIG Advisor is a Delaware limited liability company, located at 201 Rouse Boulevard, Philadelphia, PA 19112, registered as an investment adviser with the SEC under the Advisers Act. FS/EIG Advisor is jointly operated by an affiliate of Franklin Square Holdings, L.P. (which does business as FS Investments), or FS Investments, and EIG Asset Management, LLC, or EIG. Our chairman and chief executive officer, Michael C. Forman, serves as FS/EIG Advisor's chairman and chief executive officer, and Eric Long, our president, also serves as FS/EIG Advisor's president.

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

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

About FS Investments

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

FS Investments is headquartered in Philadelphia, PA with offices in New York, NY, Orlando, FL and Washington, D.C. The firm had approximately $24 billion in assets under management as of December 31, 2019.

About EIG

EIG Global Energy Partners specializes in private investments in energy and energy-related infrastructure on a global basis and had $23.6 billion under management as of December 31, 2019. During its 38-year history, EIG has been one of the leading providers of institutional capital to the global energy industry, providing financing solutions across the balance sheet for companies and projects in the oil and gas, midstream, infrastructure, power and renewables sectors globally. EIG has committed over $33.0 billion in 355 portfolio investments in 36 countries on six continents. EIG is headquartered in Washington, D.C., with offices in Houston, London, Sydney, Rio de Janeiro, Hong Kong and Seoul. For more information, please visit *www.eigpartners.com*.

Potential Market Opportunity

FS/EIG Advisor believes that global energy and energy-related infrastructure markets are in a period of dynamic change and that fundamental shifts in global supply and demand have created, and will continue to create, investment opportunities across the entire Energy value chain.

Characteristics of and Risks Related to Investments in Private Companies

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

Investment Strategy

Our investment policy is to invest, under normal circumstances, at least 80% of our total assets in securities of Energy companies. This investment policy may not be changed without at least 60 days' prior notice to holders of our common shares of any such change. In accordance with the best interests of our shareholders, FS/EIG Advisor monitors our targeted investment mix as economic conditions evolve.

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

- *Deeply-rooted asset value.* We seek to invest in companies that have significant asset value rather than speculative investments that rely solely on rising energy commodity prices, exploratory drilling success or factors beyond the control of a portfolio company. We focus on companies that have strong potential for enhancing asset value through factors within their control, such as operating cost reductions and revenue increases driven by improved operations of previously under-performing or under-exploited assets. We expect such investments to have significant collateral coverage and downside protection irrespective of the broader economy.
- *Defensible market positions.* We seek to invest in companies that have developed strong positions within their sector and exhibit the potential to maintain sufficient cash flows and profitability to service our investments in a range of economic environments. We seek companies that can protect their competitive advantages through scale, scope, customer loyalty, product pricing or product quality versus their competitors, thereby minimizing business risk and protecting profitability.

- *Proven management teams.* We focus on companies that have experienced management teams with an established track record of success. We typically require our portfolio companies to have proper incentives in place, which may include non-cash and performance-based compensation, to align management's goals with ours.
- *Commodity price management.* We seek to invest in companies that appropriately manage their commodity price exposure through the use of hedging arrangements and other contracts and instruments that seek to minimize the company's exposure to significant commodity price volatility.
- *Allocation among various issuers and sub-sectors.* We seek to allocate our portfolio broadly among issuers and certain sectors within the Energy industry, thereby attempting to reduce the risk of a downturn in any one company or sector having a disproportionate adverse impact on the value of our portfolio.

In addition, since the JV Effective Date, the EIG Order has permitted us to participate in co-investment transactions with certain other EIG advised funds. We believe that the ability to participate in co-investment transactions with other funds managed by EIG permits us to participate in a broader range of, and allocate a higher percentage of our portfolio to, secured, directly negotiated investments that span the upstream, midstream, power/renewables, and infrastructure sectors.

Potential Competitive Strengths

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

Global Platform with Seasoned Investment Professionals.

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

Long-term Investment Horizon.

Our long-term investment horizon gives us great flexibility for pursuing transactions, which we believe allows us to maximize returns on our investments. Unlike private equity and venture capital funds, we are not required to return capital to our shareholders once we exit a portfolio investment. Such funds typically can only be invested once and capital must be returned to investors after a specific time period. These provisions often force private equity and venture capital funds to seek liquidity events, including initial public offerings, mergers or recapitalizations, more quickly than they otherwise might, potentially resulting in a lower return to investors. We believe that freedom from such capital return requirements, which allows us to invest using a longer term focus, provides us with the opportunity to increase total returns on invested capital, compared to other private company investment vehicles.

Disciplined, Income-Oriented Investment Philosophy.

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

Investment Expertise Across All Levels of the Corporate Capital Structure.

FS/EIG Advisor believes that its broad expertise and experience investing at all levels of a company's capital structure enable us to manage risk while affording us the opportunity for positive returns on our investments. We attempt to capitalize on this expertise in an effort to produce and maintain an investment portfolio that will perform in a broad range of economic conditions. In addition, we seek to leverage this broad-ranging capability to enable us to provide Energy companies with financing that most closely aligns with their particular capital needs. We believe that such flexibility is valuable to Energy companies and provides us with an advantage over other capital providers that are more limited in the securities in which they invest.

Energy Specialists with In-House Technical Expertise

The energy industry expertise and experience of the investment personnel of FS/EIG Advisor continue to represent a competitive advantage for us relative to other Energy company capital providers. We believe it is important to have experience investing throughout multiple business and commodity cycles and maintain extensive technical capabilities due to the complexities in the underlying businesses. Focusing on providing capital to Energy projects and companies since 1982, EIG has employed investment professionals and engineers with significant industry experience and maintains one of the longest continuous track records of any institutional investor in the industry. FS/EIG Advisor leverages this experience as it makes investment decisions. We further believe that we are a desirable partner for Energy companies because we have specialized knowledge of the economic, regulatory, and stakeholder considerations faced by them.

Investment Sourcing Capabilities

We believe that the experience, technical expertise, depth and continuity of the FS/EIG Advisor's team are key differentiators for us relative to our competitors. We believe that FS/EIG Advisor's substantial in-house technical expertise and recognized brand name in the Energy industry provide a competitive advantage in sourcing, analyzing and executing Energy, resource and related infrastructure projects, as FS/EIG Advisor is typically able to make independent evaluations of investment opportunities without significant reliance on third-party consultants.

Operating and Regulatory Structure

Our investment activities are managed by FS/EIG Advisor and supervised by our board of trustees, a majority of whom are independent. Under the FS/EIG investment advisory agreement, we have agreed to pay FS/EIG Advisor an annual base management fee based on the average weekly value of our gross assets during the most recently completed calendar quarter as well as an incentive fee based on our performance. See "See Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations—Contractual Obligations" for a description of the fees we pay to FS/EIG Advisor.

FS/EIG 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/EIG 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 shareholders and reports filed with the SEC. In addition, FS/EIG 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 shareholders, 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/EIG investment advisory agreement, we reimburse FS/EIG Advisor for expenses necessary to perform services related to our administration and operations, including FS/EIG Advisor's allocable portion of the compensation and/or related expenses of certain personnel of FS Investments and EIG providing administrative services to us on behalf of FS/EIG Advisor, and for transactional expenses for prospective investments, such as fees and expenses associated with performing due diligence reviews of investments that do not close, often referred to as "broken deal" costs. We reimburse FS/EIG Advisor no less than quarterly for all costs and expenses incurred by FS/EIG Advisor in performing its obligations and providing personnel under the FS/EIG investment advisory agreement. The amount of this reimbursement is set at the lesser of (1) FS/EIG Advisor's actual costs incurred in providing such services and (2) the amount that we estimate would be required to pay alternative service providers for comparable services in the same geographic location. FS/EIG Advisor allocates the cost of such services to us based on factors such as time allocations and other reasonable metrics. Our board of trustees reviews the methodology employed in determining how the expenses are allocated to us and 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 trustees 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 trustees compares the total amount paid to FS/EIG Advisor for such services as a percentage of our net assets to the same ratio as reported by other comparable BDCs. We do not reimburse FS/EIG Advisor for any services for which it receives a separate fee, or for rent, depreciation, utilities, capital equipment or other administrative items allocated to a controlling person of FS/EIG Advisor.

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

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

Investment Types

Our portfolio is comprised primarily of income-oriented securities, which principally refers to debt securities and income-oriented preferred and common equity interests, of privately-held Energy companies within the United States. We expect to invest primarily in directly originated investments and primary market transactions, as this will provide us with the ability to tailor investments to best match a project's or company's needs with our investment objectives. We intend to weight our portfolio towards senior secured debt and directly originated preferred equity investments, which we believe offer opportunities for superior risk-adjusted returns and income generation. Our debt investments may take the form of corporate or project loans or bonds, may be secured or unsecured and may, in some cases, be accompanied by yield enhancements. These yield enhancements are typically expected to include royalty interests in mineral, oil and gas properties, warrants, options, net profits interests, cash flow participations or other forms of equity participation that can provide additional consideration or "upside" in a transaction. Our preferred equity investments are mostly directly originated and may take the form of perpetual or redeemable securities, typically with a current income component and minimum base returns. FS/EIG Advisor will seek to tailor our investment focus as market conditions evolve.

Historically, we have focused on the following investment categories: (i) direct originations and (ii) broadly syndicated investments. Going forward, FS/EIG Advisor intends to continue to rebalance our portfolio from syndicated investments into mostly directly originated investments.

Senior secured debt

Senior secured debt is situated at the top of the capital structure. Because this debt has priority in payment, it typically carries the lowest risk among all investments in a company. Generally, senior secured debt in which we invest is expected to have a maturity period of three to seven years, offer some form of amortization, and have first priority security interests in the assets of the borrower. Senior secured debt may also include second lien debt, which is granted a second priority security interest in the assets of the borrower, meaning that any realization of collateral will generally be applied to pay first lien debt in full before second lien debt positions are paid, and the value of the collateral may not be enough to repay in full both first lien secured debt and second lien secured debt. Generally, we expect that the variable interest rate on our first lien debt will typically range between 4.0% and 9.0% over a standard benchmark, such as the prime rate or LIBOR. We expect that the variable interest rate on second lien debt will range between 6.0% and 12.0% over a standard benchmark. In addition, we may receive additional returns from any yield enhancements we receive in connection with these investments.

Unsecured debt

In addition to senior secured debt, we may invest a portion of our assets in unsecured debt. Unsecured debt is effectively subordinated to first lien and second lien secured debt to the extent of the collateral securing such debt, but is senior to preferred equity and common equity in the capital structure. In return for its junior status compared to first lien and second lien secured debt, unsecured debt typically offers higher returns through both higher interest rates and possible equity ownership in the form of warrants or other yield enhancements, enabling the investor to participate in the capital appreciation of the borrower. Where warrants are received, they typically require only a nominal cost to exercise. We intend to generally target unsecured debt with interest-only payments throughout the life of the security, with the principal due at maturity. Typically, unsecured debt investments have maturities of five to ten years. In normalized markets, we expect these securities to carry a fixed rate or a floating current yield of 8.0% to 12.0% over a standard benchmark. In addition, we may receive additional returns from any warrants or other yield enhancements we receive in connection with these investments. In some cases, a portion of the total interest may accrue or be paid-in-kind, or PIK.

Preferred equity

Preferred equity typically includes a stated value or liquidation preference that is contractually senior to common equity, and may include a dividend or yield feature. Holders of preferred equity can be entitled to a wide range of voting and other rights, depending on the structure of each security. Preferred equity can also include a conversion feature whereby the securities convert into common stock based on established parameters according to set ratios. We seek to invest in primarily income-oriented equity securities of Energy companies in a manner consistent with our status as a BDC. Going forward, FS/EIG Advisor intends to focus on preferred equity securities that are directly originated.

Other equity securities

We may also invest in other equity securities which are typically subordinated to all other securities within the capital structure and do not have a stated maturity. As compared to more senior securities, equity interests have greater risk exposure, but also have the potential to provide a higher return.

Net profits interests, royalty interests, volumetric production payments, or VPPs

We may invest in energy-specific non-operating investments including net profits interests, royalty interests or VPPs. Such non-operating interests do not include the rights and obligations of operating a mineral property (costs of exploration, development and operation) and do not bear any part of the net losses. Net profits interests and royalty interests are contractual agreements whereby the holders of such interests are entitled to a portion of the mineral production or proceeds therefrom. A VPP is a type of structured investment whereby the owner sells a specific volume of production in a field or property to an investor and the investor receives a specific quota of production on a monthly basis in either raw output or proceeds therefrom. A VPP is typically set to expire after a certain length of time or after a specified aggregate total volume of the commodity has been delivered. If the producer cannot meet the supply quota for a given period, the supply obligation rolls forward to future cycles until the buyer is made financially whole.

Non-U.S. securities

We may invest in non-U.S. securities, including securities of companies in emerging markets, which may include securities denominated in U.S. dollars or in non-U.S. currencies, to the extent permitted by the 1940 Act. In addition, investing in securities of companies in emerging markets involves many risks, including potential inflationary economic environments, regulation by foreign governments, different accounting standards, political uncertainties and economic, social, political, financial, tax and security conditions in the applicable emerging market, any of which could negatively affect the value of companies in emerging markets or investments in their securities.

Investments with Third-Parties

We may co-invest with third parties through partnerships, joint ventures or other entities, thereby acquiring jointly-controlled or non-controlling interests in certain investments in conjunction with participation by one or more third parties in such investment.

Other securities

We may also invest from time to time in derivatives, such as total return swaps and credit default swaps. We anticipate that any use of derivatives would primarily be as a substitute for investing in conventional securities. Any use of derivatives may subject us to additional risks. See "Risk Factors—Risks Related to Our Investments—We may from time to time enter into total return swaps, credit default swaps or other derivative transactions which expose us to certain risks, including credit risk, market risk, liquidity risk and other risks similar to those associated with the use of leverage."

Cash and cash equivalents

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

Sources of Income

The primary means through which our shareholders may receive a return of value is through interest income, dividends and capital gains generated by our investments. In addition to these sources of income, we may receive fees paid by our portfolio companies, including one-time closing fees paid at the time each investment is made. Closing fees typically range from 1.0% to 3.0% of the purchase price of an investment. In addition, we may generate revenues in the form of non-recurring commitment, origination, structuring or diligence fees, fees for providing managerial assistance, consulting fees, prepayment fees and performance-based fees.

Risk Management

We seek to limit the downside potential of our investment portfolio by:

- applying our investment strategy guidelines for portfolio investments;
- requiring a total return on investments (including both interest and potential appreciation) that adequately compensates us for credit risk;
- allocating our portfolio among various issuers and sub-sectors, and size permitting, with an adequate number of companies, across different sub-sectors of the Energy industry, with different types of collateral; and
- negotiating or seeking debt and other securities with covenants or features that protect us while affording portfolio companies flexibility in managing their businesses consistent with preservation of capital.

Such restrictions may include affirmative and negative covenants, default penalties, lien protection, change of control provisions and board rights. We may also enter into interest rate hedging transactions. Such transactions will enable us to selectively modify interest rate exposure as market conditions dictate.

Affirmative Covenants

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

Negative Covenants

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

Investment Process

The investment professionals supporting FS/EIG Advisor have spent their careers developing the experience necessary to invest in private companies. Our current transaction process is highlighted below.

Our Transaction Process

Screening

The relationships of FS/EIG Advisor and its affiliates provide us with access to a robust and established pipeline of investment opportunities from a variety of different investment channels, including private equity sponsors, non-sponsored corporates, financial advisors, banks, brokers and family offices. In addition, personnel of FS/EIG Advisor have long-standing personal contacts within the Energy industry who provide us with additional opportunities for directly originated investments. Similarly, substantial in-house technical expertise and recognized brand name in the Energy industry of FS/EIG Advisor and its affiliates provide a competitive advantage in sourcing, analyzing and executing energy, resource and related infrastructure projects, as FS/EIG Advisor is typically able to make independent evaluations of investment opportunities without significant reliance on third-party consultants. Once a potential investment has been identified, FS/EIG Advisor screens the opportunity and makes a preliminary determination concerning whether to proceed with a more comprehensive deal-level due diligence review.

Due diligence

Our due diligence process will typically involve: (i) evaluation of the proposed investment consistent with our investment criteria; (ii) meetings with project sponsors and management; (iii) a review of technical feasibility; (iv) a preliminary review of key project contracts; and (v) an analysis of fundamental project economics.

Structure iterations and feedback

If a potential investment passes the initial review process, the investment team then negotiates preliminary terms with the potential portfolio company. We seek to maintain flexibility in structuring the form of investments and utilize this flexibility to provide tailor-made financing solutions.

Recommendation and approval process

At an advanced stage of the due diligence process, the deal team will prepare a draft investment recommendation, which is circulated internally for peer review, a process that allows select investment professionals of FS/EIG Advisor and its affiliates who are not directly involved in the transaction to review independently the merits of the investment. A final investment recommendation is submitted to the FS/EIG Advisor investment committee for review and approval. Each investment must be approved by the FS/EIG Advisor investment committee.

Execution

Once the FS/EIG Advisor investment committee has determined that the portfolio company is suitable for investment, FS/EIG Advisor works with the management team of the prospective company to finalize the structure and terms of the investment. We believe that structuring transactions appropriately is a key factor to producing strong investment results. Accordingly, we will actively consider transaction structures and seek to process and negotiate terms that provide the best opportunities for superior risk-adjusted returns.

Post-investment monitoring

Portfolio monitoring. FS/EIG Advisor monitors our portfolio with a focus toward anticipating negative credit events. To maintain portfolio company performance and help to ensure a successful exit, FS/EIG Advisor works closely with the lead equity sponsor, loan syndicator, portfolio company management, consultants, advisers and other security holders to discuss financial position, compliance with covenants, financial requirements and execution of the company's business plan. In addition, depending on the size, nature and performance of the transaction, we may occupy a seat or serve as an observer on a portfolio company's board of directors or similar governing body. We believe that close contact with management, efficient flow of information and ongoing analysis form the basis of the monitoring process.

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

In addition to various risk management and monitoring tools, FS/EIG Advisor uses an investment rating system to characterize and monitor the expected level of returns on each investment in our portfolio. FS/EIG Advisor uses an investment rating scale of 1 to 5. See "Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations—Portfolio Asset Quality" for a description of the conditions associated with each investment rating.

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

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

Financing Arrangements

To seek to enhance our returns, we employ leverage as market conditions permit and at the discretion of FS/EIG Advisor, but in no event may leverage employed exceed the maximum amount permitted by the 1940 Act. See Note 9 to our consolidated financial statements contained in this annual report on Form 10-K for additional information regarding our financing arrangements.

Regulation

We have elected to be regulated as a BDC under the 1940 Act. The 1940 Act contains prohibitions and restrictions relating to transactions between BDCs and their affiliates, principal underwriters and affiliates of those affiliates or underwriters. The 1940 Act requires that a majority of our trustees be persons other than "interested persons," as that term is defined in the 1940 Act. In addition, the 1940 Act provides that we may not change the nature of our business so as to cease to be, or to withdraw our election as, a BDC unless approved by "a majority of our outstanding voting securities," which the 1940 Act defines as the lesser of (i) 67% or more of the voting securities present at a meeting if the holders of more than 50% of our outstanding voting securities are present or represented by proxy or (ii) 50% of our voting securities.

We will generally not be able to issue and sell our common shares at a price per share, after deducting underwriting commissions and discounts, that is below our net asset value per share. See "Item 1A. Risk Factors—Risks Related to Business Development Companies—Regulations governing our operation as a

BDC and a RIC will affect our ability to raise, and the way in which we raise, additional capital or borrow for investment purposes, which may have a negative effect on our growth.” We may seek the approval of our shareholders to issue shares of our common shares at a price below the then current net asset value per share for a twelve month period following shareholder approval. In addition, we may generally issue new shares of our common share at a price below net asset value per share in rights offerings to existing shareholders, in payment of dividends and in certain other limited circumstances.

As a BDC, we are subject to certain regulatory restrictions in making our investments. For example, BDCs generally are not permitted to co-invest with certain affiliated entities in transactions originated by the BDC or its affiliates in the absence of an exemptive order from the U.S. Securities and Exchange Commission, or SEC. However, BDCs are permitted to, and may, simultaneously co-invest in transactions where price is the only negotiated term. The EIG Order permits us to co-invest in privately negotiated investment transactions with private funds managed by EIG or its affiliates.

Qualifying Assets

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

1. Securities purchased in transactions not involving any public offering from the issuer of such securities, which issuer (subject to certain limited exceptions) is an eligible portfolio company, or from any person who is, or has been during the preceding 13 months, an affiliated person of an eligible portfolio company, or from any other person, subject to such rules as may be prescribed by the SEC. An eligible portfolio company is defined in the 1940 Act as any issuer which:

   a. is organized under the laws of, and has its principal place of business in, the United States;

   b. is not an investment company (other than a small business investment company wholly owned by the BDC) or a company that would be an investment company but for certain exclusions under the 1940 Act; and

   c. satisfies any of the following:

      i. does not have any class of securities that is traded on a national securities exchange;

      ii. has a class of securities listed on a national securities exchange, but has an aggregate market value of outstanding voting and non-voting common equity of less than $250 million;

      iii. is controlled by a BDC or a group of companies including a BDC and the BDC has an affiliated person who is a director of the eligible portfolio company; or

      iv. is a small and solvent company having total assets of not more than $4.0 million and capital and surplus of not less than $2.0 million.

2. Securities of any eligible portfolio company that we control.

3. Securities purchased in a private transaction from a U.S. issuer that is not an investment company or from an affiliated person of the issuer, or in transactions incident thereto, if the issuer is in bankruptcy and subject to reorganization or if the issuer, immediately prior to the purchase of its securities, was unable to meet its obligations as they came due without material assistance other than conventional lending or financing arrangements.

4. Securities of an eligible portfolio company purchased from any person in a private transaction if there is no ready market for such securities and we already own 60% of the outstanding equity of the eligible portfolio company.

5. Securities received in exchange for or distributed on or with respect to securities described in (1) through (4) above, or pursuant to the exercise of warrants or rights relating to such securities.

6. Cash, cash equivalents, U.S. government securities or high-quality debt securities maturing in one year or less from the time of investment.

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

Managerial Assistance to Portfolio Companies

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

Temporary Investments

Pending investment in other types of "qualifying assets," as described above, our investments may consist of cash, cash equivalents, including money market funds, U.S. government securities or high-quality debt securities maturing in one year or less from the time of investment, which we refer to, collectively, as temporary investments, so that 70% of our assets are qualifying assets. Typically, we will invest in U.S. Treasury bills or in repurchase agreements, provided that such agreements are fully collateralized by cash or securities issued by the U.S. government or its agencies. A repurchase agreement involves the purchase by an investor, such as us, of a specified security and the simultaneous agreement by the seller to repurchase it at an agreed-upon future date and at a price that is greater than the purchase price by an amount that reflects an agreed-upon interest rate. There is no percentage restriction on the proportion of our assets that may be invested in such repurchase agreements. However, if more than 25% of our total assets constitute repurchase agreements from a single counterparty, we would not meet the Diversification Tests (as defined below) in order to maintain our qualification as a RIC for U.S. federal income tax purposes as described below under "—Taxation as a RIC." Thus, we do not intend to enter into repurchase agreements with a single counterparty in excess of this limit. FS/EIG Advisor will monitor the creditworthiness of the counterparties with which we enter into repurchase agreement transactions.

Senior Securities

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

Code of Ethics

We and FS/EIG Advisor have each adopted a code of ethics pursuant to Rule 17j-1 promulgated under the 1940 Act that, among other things, establishes procedures for personal investments and restricts certain personal securities transactions. Personnel subject to the code may invest in securities for their personal investment accounts, including securities that may be purchased or held by us, so long as such investments are made in accordance with each code's requirements. Shareholders may read and copy these codes of ethics at the SEC's Public Reference Room located at 100 F Street, N.E., Washington, D.C. 20549. Shareholders may obtain information on the operation of the Public Reference Room by calling the SEC at (202) 551-8090.

In addition, each code of ethics is available on our website at *www.fsinvestments.com* and on the EDGAR Database on the SEC's Internet site at *www.sec.gov*. Shareholders may also obtain a copy of each code of ethics, after paying a duplicating fee, by electronic request at the following e-mail address: publicinfo@sec.gov, or by writing the SEC's Public Reference Section, at 100 F Street, N.E, Washington, D.C. 20549.

Compliance Policies and Procedures

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

Proxy Voting Policies and Procedures

We have delegated our proxy voting responsibility to FS/EIG Advisor. The proxy voting policies and procedures of FS/EIG Advisor are set forth below. The guidelines are reviewed periodically by FS/EIG Advisor and our non-interested trustees, and, accordingly, are subject to change.

As an investment adviser registered under the Advisers Act, FS/EIG Advisor has a fiduciary duty to act solely in the best interests of its clients. As part of this duty, it recognizes that it must vote client securities in a timely manner free of conflicts of interest and in the best interests of its clients.

These policies and procedures for voting proxies for the investment advisory clients of FS/EIG Advisor are intended to comply with Section 206 of, and Rule 206(4)-6 promulgated under, the Advisers Act.

Personnel of FS/EIG Advisor and its affiliates will vote proxies relating to our securities in the best interest of its clients. Such personnel will review on a case-by-case basis each proposal submitted for a shareholder vote to determine its impact on the portfolio securities held by its clients. Although FS/EIG Advisor will generally vote against proposals that may have a negative impact on its clients' portfolio securities, it may vote for such a proposal if there exist compelling long-term reasons to do so.

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

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

Other

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

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

Exchange Act and Sarbanes-Oxley Act Compliance

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

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

The Sarbanes-Oxley Act requires us to review our current policies and procedures to determine whether we comply with the Sarbanes-Oxley Act and the regulations promulgated thereunder. We monitor our compliance with all regulations that are adopted under the Sarbanes-Oxley Act and take actions necessary to ensure that we are in compliance therewith. In addition, we voluntarily comply with Section 404(b) of the Sarbanes-Oxley Act, and have engaged our independent registered public accounting firm to audit our internal control over financial reporting.

Taxation as a RIC

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

If we:

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

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

As a RIC, we will be subject to a 4% nondeductible federal excise tax on certain undistributed income unless we distribute dividends in a timely manner to our shareholders 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 over capital losses (as adjusted for certain ordinary losses) for the one-year period ending October 31 of that calendar year and (3) any net ordinary income and capital gain net income for the preceding years that were not distributed during such years and on which we paid no U.S. federal income tax, or the Excise Tax Avoidance Requirement. Any distribution declared by us during October, November or December of any calendar year, payable to shareholders 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. shareholders on December 31 of the calendar year in which the distribution was declared. We generally will endeavor in each tax year to avoid any material U.S. federal excise tax on our earnings.

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

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

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

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

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

We invest a portion of our net assets in below investment grade instruments. Investments in these types of instruments may present special tax issues for us. U.S. federal income tax rules are not entirely clear about issues such as when we may cease to accrue interest, original issue discount or market discount, when and to what extent deductions may be taken for bad debts or worthless instruments, how payments received on instruments in default should be allocated between principal and income and whether exchanges of debt obligations in a bankruptcy or workout context are taxable. We will address these and other issues to the extent necessary in order to seek to ensure that we distribute sufficient income to avoid any material U.S. federal income or excise tax.

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

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

To satisfy the Diversification Tests at the close of each quarter of our tax year, we will generally have invested no more than 25% of the value of our total assets in MLPs and certain other "qualified publicly traded partnerships". As a limited partner in the MLPs in which we seek to invest, we will be deemed to have received our share of income, gains, losses, deductions, and credits from those MLPs. Historically, a significant portion of income from MLPs has been offset by tax deductions. As a result, this income has been significantly lower than cash distributions paid by MLPs. The percentage of an MLP's income and gains which is offset by tax deductions, losses and credits will fluctuate over time for various reasons. A significant slowdown in acquisition activity or capital spending by MLPs held in our portfolio could result in a reduction of accelerated depreciation generated by new acquisitions, which may result in an increase in our investment company taxable income that we are required to distribute to shareholders to satisfy the Annual Distribution Requirement or the Excise Tax Avoidance Requirement or to eliminate our liability for U.S. federal income tax. If our income from our investments in MLPs exceeds the cash distributions received from such investments, we may need to obtain cash from other sources in order to satisfy the Annual Distribution Requirement. If we are unable to obtain cash from other sources, we may fail to qualify for RIC tax treatment and become subject to corporate-level U.S. federal income tax. We may also recognize for U.S. federal income tax purposes gain in excess of cash proceeds upon the sale of an interest in an MLP. Any such gain may need to be distributed (or deemed distributed) in order to avoid liability for corporate-level U.S. federal income taxes on such gain.

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

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

Competition

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

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

Employees

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

Available Information

For so long as our bylaws require, we will distribute to all shareholders of record our quarterly report on Form 10-Q within 60 days after the end of each fiscal quarter and our annual report on Form 10-K within 120 days after the end of each fiscal year. We also file with or submit to the SEC annual, quarterly and current periodic reports, proxy statements and other information meeting the informational requirements of the Exchange Act. This information is available free of charge by calling us collect at (215) 495-1150 or on our website at *www.fsinvestments.com*. Information contained on our website is not incorporated into this annual report on Form 10-K and such information should not be considered to be part of this annual report on Form 10-K.

Shareholders also may inspect and copy these reports, proxy statements and other information, as well as this annual report on Form 10-K and related exhibits and schedules, at the Public Reference Room of the SEC at 100 F Street, N.E., Washington, D.C. 20549. Such information is also available from the EDGAR database on the SEC's web site at *www.sec.gov*. Shareholders also can obtain copies of such information, after paying a duplicating fee, by sending a request by e-mail to *publicinfo@sec.gov* or by writing the SEC's Public Reference Branch, Office of Consumer Affairs and Information Services, Securities and Exchange Commission, Washington, D.C. 20549. Shareholders may obtain information on the operation of the SEC's Public Reference Room by calling the SEC at (202) 551-8090.

Item 1A. Risk Factors.

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

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

From time to time, the global capital markets may experience periods of disruption and instability, which could be prolonged and which could materially and adversely impact the broader financial and credit markets, have a negative impact on the valuations of our investments and reduce the availability to us of debt and equity capital. The recent global outbreak of COVID-19 (more commonly known as the Coronavirus) has disrupted economic markets and the prolonged economic impact is uncertain. Some economists and major investment banks have expressed concern that the continued spread of the virus globally could lead to a world-wide economic downturn. Many manufacturers of goods in China and other countries in Asia have seen a downturn in production due to the suspension of business and temporary closure of factories in an attempt to curb the spread of the illness. As the impact of the Coronavirus spreads to other parts of the world, similar impacts may occur with respect to affected countries. Similarly, between 2008 and 2009, instability in the global capital markets resulted in disruptions in liquidity in the debt capital markets, significant write-offs in the financial services sector, the re-pricing of credit risk in the broadly syndicated credit market and the failure of major domestic and international financial institutions. In particular, the financial services sector was negatively impacted by significant write-offs as the value of the assets held by financial firms declined, impairing their capital positions and abilities to lend and invest. While market conditions have largely recovered from the events of 2008 and 2009, there have been continuing periods of volatility (e.g., in the fourth quarter of 2018). For example, continued uncertainty surrounding the negotiation of trade deals between Britain and the European Union following the United Kingdom's exit from the European Union and uncertainty between the United States and other countries with respect to trade policies, treaties, and tariffs, among other factors, have caused disruption in the global markets. There can be no assurance that market conditions will not worsen in the future.

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

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

In August 2011, S&P lowered its long-term sovereign credit rating on the U.S. from "AAA" to "AA+," which was last affirmed by S&P in June 2018. Moody's and Fitch Ratings, Inc. have also warned that they may downgrade the U.S. federal government's credit rating under certain circumstances. Further downgrades or warnings by S&P or other rating agencies, and the U.S. government's credit and deficit concerns in general, could cause interest rates and borrowing costs to rise, which may negatively impact both the perception of credit risk associated with our debt portfolio and our ability to access the debt markets on favorable terms. In addition, a decreased U.S. government credit rating could create broader financial turmoil and uncertainty, which could have material adverse effects on our business, financial condition and results of operation.

Deterioration in the economic conditions in the Eurozone and globally, including instability in financial markets, may pose a risk to our business. Financial markets have been affected at times by a number of global macroeconomic and political events, including large sovereign debts and fiscal deficits of several countries in Europe and in emerging markets jurisdictions, levels of non performing loans on the balance sheets of European banks, the potential effect of any European country leaving the Eurozone, including the effect of the United Kingdom leaving the European Union, the potential effect of Scotland leaving the United Kingdom, and market volatility and loss of investor confidence driven by political events and the results of elections. Market and economic disruptions have affected, and may in the future affect, among other factors, consumer confidence levels and spending, personal and corporate bankruptcy rates, levels of debt incurrence and default on consumer debt and home prices. Market disruptions in Europe or in other major global economies, including the increased cost of funding for certain governments and financial institutions, could negatively impact the global economy, and there can be no assurance that assistance packages will be available, or if available, will be sufficient to stabilize countries and markets. To the extent uncertainty regarding any economic recovery negatively impacts consumer confidence levels and spending, personal bankruptcy rates, levels of incurrence and default on consumer debt and home prices, or other credit factors, our business, financial condition and results of operations could be materially adversely affected, including with respect to the value of our investments in European or other foreign companies and companies that have operations that may be affected by the Eurozone or other foreign economies.

In the second quarter of 2015, stock prices in China experienced a significant decline, resulting primarily from continued sell-off of shares trading in Chinese markets. In addition, in August 2015, Chinese authorities sharply devalued China's currency. Since then, the Chinese capital markets have continued to experience periods of instability. The recent outbreak of the novel coronavirus which originated in Wuhan, China and has spread to other areas of China and recently other countries, may potentially cause widespread economic disruption globally and in the United States which may adversely impact the operations of our borrowers and their sponsors. These market and economic disruptions have affected, and may in the future affect, the U.S. capital markets, which could have material adverse effects on our business, financial condition and results of operations.

Federal Reserve policy can have a significant impact on market conditions. The Federal Reserve raised the Federal funds rate throughout the course of 2015 through 2018 and then pivoted in the fourth quarter of 2018 towards easier monetary policy and cut rates several times in 2019. This development, along with the United States government's credit and deficit concerns, concerns about financial stability in Europe and an economic slowdown in China, could cause interest rates to be volatile, which may negatively impact our ability to access the debt and equity markets on favorable terms.

We invest in European companies and companies that have operations that may be affected by the United Kingdom's exit from the European Union.

We invest in European companies and companies that have operations that may be affected by the United Kingdom's exit from the European Union on January 31, 2020. While the United Kingdom will remain under the European Union's rules of trade until December 31, 2020, it is unclear if or when new rules of trade between the United Kingdom and the European Union will be adopted, and therefore the United Kingdom and the European Union are and may continue to be in a period of legal, regulatory and political uncertainty. We may invest in portfolio companies and other issuers with significant operations and/or assets in the United Kingdom, any of which could be adversely impacted by any new legal, tax and regulatory environment, whether by increased costs or impediments to the implementation of their business plan, which could have a material adverse effect on our business, financial condition and results of operations, including with respect to the value of our investment in European companies and companies that have operations that may be affected by the Eurozone economy.

Changes to United States tariff and import/export regulations may have a negative effect on our portfolio companies.

There have been significant changes to United States trade policies, treaties and tariffs, and in the future there may be additional significant changes. These and any future developments, and continued uncertainty surrounding trade policies, treaties and tariffs, may have a material adverse effect on global economic conditions and the stability of global financial markets, and may significantly reduce global trade and, in particular, trade between the impacted nations and the United States. Any of these factors could depress economic activity and restrict our portfolio companies' access to suppliers or customers and could have material adverse effects on our business, financial condition and results of operations.

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

Economic sanction laws in the United States and other jurisdictions may prohibit us or our affiliates from transacting with certain countries, individuals and companies. In the United States, the U.S. Department of the Treasury's Office of Foreign Assets Control administers and enforces laws, executive orders and regulations establishing U.S. economic and trade sanctions, which prohibit, among other things, transactions with, and the provision of services to, certain non-U.S. countries, territories, entities and individuals. These types of sanctions may significantly restrict or completely prohibit investment activities in certain jurisdictions, and if we, our portfolio companies or other issuers in which we invest were to violate any such laws or regulations, we may face significant legal and monetary penalties.

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

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

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

Risks Related to Our Business and Structure

Our board of trustees may change our investment policy by providing our shareholders with 60 days' prior notice, or may modify or waive our current operating policies and strategy without prior notice or shareholder approval, the effects of which may be adverse.

Our investment policy is to invest, under normal circumstances, at least 80% of our total assets in securities of Energy companies. This investment policy may be changed by our board of trustees if we provide our shareholders with at least 60 days' prior notice. In addition, our board of trustees has the authority to modify or waive our current operating policies, investment criteria and strategy without prior notice and without shareholder approval. We cannot predict the effect any changes to our investment policy, current operating policies, investment criteria and strategy would have on our business, net asset value, operating results and the value of our common shares. However, the effects might be adverse, which could negatively impact our ability to pay distributions to shareholders and cause shareholders to lose all or part of their investment. Finally, because our common shares are not expected to be listed on a national securities exchange for the foreseeable future, shareholders will be limited in their ability to sell their common shares in response to any changes in our investment policy, operating policies, investment criteria or strategy.

Our ability to achieve our investment objectives depends on FS/EIG Advisor's ability to manage and support our investment process. If our agreement with FS/EIG Advisor were to be terminated, or if FS/EIG Advisor were to lose certain members of its investment team, our ability to achieve our investment objectives could be significantly harmed.

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

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

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

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

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

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

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

Our financial condition and results of operations depend on our ability to manage future growth effectively.

Our ability to achieve our investment objectives depends on our ability to acquire suitable investments and monitor and administer those investments, which depends, in turn, on our investment adviser's ability to identify, invest in and monitor companies that meet our investment criteria.

Accomplishing this result on a cost-effective basis is largely a function of the structuring of our investment process and the ability of FS/EIG Advisor to provide competent, attentive and efficient services to us. Our executive officers and the members of FS/EIG Advisor's investment committee have substantial responsibilities in connection with their roles at FS, EIG and the other entities affiliated with FS and EIG, as well as responsibilities under the FS/EIG investment advisory agreement. They may also be called upon to provide significant managerial assistance to certain of our portfolio companies. These demands on their time, which will increase as the number of investments grows, may distract them or slow the rate of investment. In order to grow, FS/EIG Advisor will need to hire, train, supervise, manage and retain new personnel. However, we cannot assure you that FS/EIG Advisor will be able to do so effectively. Any failure to manage our future growth effectively could have a material adverse effect on our business, financial condition and results of operations.

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

We compete for investments with other BDCs and investment funds (including private equity funds, mezzanine funds, hedge funds and collateralized loan obligation, or CLO, funds), as well as traditional financial services companies such as commercial banks and other sources of funding. Moreover, alternative investment vehicles, such as hedge funds, have begun to invest in areas in which they have not traditionally invested, including making investments in middle market private U.S. companies. As a result of these new entrants, competition for investment opportunities in middle-market private U.S. companies may intensify. Many of our competitors are substantially larger and have considerably greater financial and marketing resources than we do. For example, some competitors may have a lower cost of capital and access to funding sources that are not available to us. In addition, some of our competitors may have higher risk tolerances or different risk assessments than we have. These characteristics could allow our competitors to consider a wider variety of investments, establish more relationships and offer better pricing and more flexible structuring than we are able to do. We may lose investment opportunities if we do not match our competitors' pricing, terms and structure. If we are forced to match our competitors' pricing, terms and structure, we may not be able to achieve acceptable returns on our investments or may bear substantial risk of capital loss. A significant part of our competitive advantage stems from the market for investments in middle market private U.S. companies currently being underserved by traditional commercial banks and other financial sources. A significant increase in the number and/or the size of our competitors in this target market could force us to accept less attractive investment terms. Furthermore, many of our competitors have greater experience operating under, or are not subject to, the regulatory restrictions that the 1940 Act imposes on us as a BDC.

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

Under the 1940 Act, we are required to carry our portfolio investments at market value or, if there is no readily available market value, at fair value as determined in good faith by or under the direction of our board of trustees. There is not a public market for the securities of certain of the companies in which we invest. Many of our investments are not publicly-traded or actively-traded on a secondary market but are, instead, traded on a privately negotiated over-the-counter secondary market for institutional investors or are not traded at all. As a result, we value these securities quarterly at fair value as determined in good faith by our board of trustees. Our board of trustees has delegated day-to-day responsibility for implementing our valuation policy to FS/EIG Advisor's management team, and has authorized FS/EIG Advisor's management team to utilize independent third-party valuation and pricing services that have been approved by our board of trustees.

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

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

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

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

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

There is a risk that investors in our common shares may not receive distributions or that our distributions may not grow over time.

We cannot assure shareholders that we will achieve investment results that will allow us to make a specified level of cash distributions or year-to-year increases in cash distributions. All distributions will be paid at the discretion of our board of trustees and will depend on our earnings, our net investment income, our financial condition, maintenance of our RIC status, compliance with applicable BDC regulations and such other factors as our board of trustees may deem relevant from time to time. In addition, due to the asset coverage test applicable to us as a BDC, we may be limited in our ability to make distributions. See "Item 1. Business—Regulation—Senior Securities."

Our distribution proceeds have exceeded and in the future may exceed our earnings. Therefore, portions of the distributions that we make may represent a return of capital to shareholders, which will lower their tax basis in their common shares.

We may pay all or a substantial portion of our distributions from the proceeds of our continuous public offering or from borrowings in anticipation of future cash flow, which may constitute a return of shareholders' capital and will lower such shareholders' tax basis in their common shares. A return of capital generally is a return of a shareholder's investment rather than a return of earnings or gains derived from our investment activities and will be made after deducting the fees and expenses payable in connection with the offering, including any fees payable to FS/EIG Advisor. Moreover, a return of capital will generally not be taxable, but will reduce each shareholder's cost basis in our common shares, and will result in a higher reported capital gain or lower reported capital loss when the common shares on which such return of capital was received are sold.

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

We, our portfolio companies and our business partners are subject to regulation at the local, state and federal level. New legislation may be enacted or new interpretations, rulings or regulations could be adopted, including those governing the types of investments we are permitted to make and the deductibility of interest expense by our portfolio companies, potentially with retroactive effect. Changes in laws or regulations governing the operations of those with whom we do business, including selected broker-dealers and other financial representatives selling our common shares, could also have a material adverse effect on our business, financial condition and results of operations. In addition, over the last several years there has been an increase in regulatory attention to the extension of credit outside of the traditional banking sector, raising the possibility that some portion of the non-bank financial sector will be subject to new regulation. New or repealed legislation, interpretations, rulings or regulations could require changes to certain business practices of us or our portfolio companies, negatively impact the operations, cash flows or financial condition of us or our portfolio companies, impose additional costs on us or our portfolio companies or otherwise adversely affect our business or the business of our portfolio companies.

In addition, any changes to the laws and regulations governing our operations, including with respect to permitted investments, may cause us to alter our investment strategy to avail ourselves of new or different opportunities or make other changes to our business. Such changes could result in material differences to our strategies and plans as set forth in this annual report on Form 10-K and may result in our investment focus shifting from the areas of expertise of FS/EIG Advisor to other types of investments in which FS/EIG

Advisor may have less expertise or little or no experience. Thus, any such changes, if they occur, could have a material adverse effect on our results of operations and the value of a shareholder's investment.

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

As a public company, we are subject to regulations not applicable to private companies, including provisions of the Sarbanes-Oxley Act and the related rules and regulations promulgated by the SEC. Our management is required to report on our internal control over financial reporting pursuant to Section 404 of the Sarbanes-Oxley Act and rules and regulations of the SEC thereunder. We are required to review on an annual basis our internal control over financial reporting, and on a quarterly and annual basis, to evaluate and disclose changes in our internal control over financial reporting. Section 404 of the Sarbanes-Oxley Act also generally requires an attestation from our independent registered public accounting firm on the effectiveness of our internal control over financial reporting.

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

Changes in laws or regulations governing our operations or the operations of our portfolio companies, changes in the interpretation thereof or newly enacted laws or regulations, such as the Wall Street Reform and Consumer Protection Act and the Tax Cuts and Jobs Act, could require changes to certain business practices of us or our portfolio companies, negatively impact the operations, cash flows or financial condition of us or our portfolio companies, impose additional costs on us or our portfolio companies or otherwise adversely affect our business or the business of our portfolio companies.

We and our portfolio companies are subject to regulation by laws and regulations at the local, state, federal and, in some cases, foreign levels. These laws and regulations, as well as their interpretation, may be changed from time to time, and new laws and regulations may be enacted. Accordingly, any change in these laws or regulations, changes in their interpretation, or newly enacted laws or regulations could require changes to certain business practices of us or our portfolio companies, negatively impact the operations, cash flows or financial condition of us or our portfolio companies, impose additional costs on us or our portfolio companies or otherwise could have a material adverse effect on our or a portfolio company's business, financial condition and results of operations. At this time it is not possible to determine the potential impact of any new laws and proposals on us.

On July 21, 2010, President Obama signed into law the Wall Street Reform and Consumer Protection Act, or the Dodd-Frank Act. Many of the provisions of the Dodd-Frank Act have had extended implementation periods and delayed effective dates and have required extensive rulemaking by regulatory authorities. While many of the rules required to be written have been promulgated, some have not yet been implemented. Although the full impact of the Dodd-Frank Act on us and our portfolio companies may not be known for an extended period of time, the Dodd-Frank Act, including the rules implementing its provisions and the interpretation of those rules relating to capital, margin, trading and clearance and settlement of derivatives, may negatively impact the operations, cash flows or financial condition of us or our portfolio companies, impose additional costs on us or our portfolio companies, intensify the regulatory supervision of us or our portfolio companies or otherwise could have a material adverse effect on our or a portfolio company's business, financial condition and results of operations.

On December 22, 2017, President Trump signed into law the Tax Cuts and Jobs Act, which significantly changed the Code, including a reduction in the corporate income tax rate, a new limitation on the deductibility of interest expense, and significant changes to the taxation of income earned from foreign sources and foreign subsidiaries. The Tax Cuts and Jobs Act also authorizes the IRS to issue regulations with respect to the new provisions. We cannot predict how the changes in the Tax Cuts and Jobs Act, or regulations or other guidance issued under it, could have a material adverse effect on our or a portfolio company's business, financial condition and results of operations.

On May 24, 2018, President Trump signed into law the Economic Growth, Regulatory Relief, and Consumer Protection Act, which increased from $50 billion to $250 billion the asset threshold for designation of systemically important financial institutions subject to enhanced prudential standards set by the Federal Reserve, staggering application of this change based on the size and risk of the covered bank holding company. On October 8, 2019, five federal financial agencies finalized revisions to simplify compliance requirements relating to the Volcker rule, which became effective on January 1, 2020. In addition, over the past two years, the House of Representatives and the Senate have considered legislation intended to help small businesses, entrepreneurs and investors by reforming capital markets.

Future legislation or rules could modify how we treat derivatives and other financial arrangements, or place conditions on our use of derivatives and other financial arrangements.

Future legislation or rules may modify how we treat derivatives and other financial arrangements, or place conditions on our use of derivatives and other financial arrangements. For example, the SEC proposed new rules in November 2019 that are designed to modernize the regulation of the use of derivatives by registered investment companies and BDCs. While the adoption of the November 2019 rules is currently uncertain, the proposed rule, if adopted, or any future legislation or rules, may modify how we treat derivatives and other financial arrangements, or place conditions on our use and management of derivatives and other financial arrangements, and, therefore, could affect the nature and extent of our use and management of derivatives, which may be materially adverse to us and our shareholders.

We may experience fluctuations in our quarterly results.

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

We and FS/EIG Advisor could be the target of litigation.

We and FS/EIG Advisor could become the target of securities class action litigation or other similar claims if our common stock price fluctuates significantly or for other reasons. The proceedings could continue without resolution for long periods of time and the outcome of any such proceedings could materially adversely affect our business, financial condition, and/or operating results. Any litigation or other similar claims could consume substantial amounts of our management's time and attention, and that time and attention and the devotion of associated resources could, at times, be disproportionate to the amounts at stake. Litigation and other claims are subject to inherent uncertainties, and a material adverse impact on our financial statements could occur for the period in which the effect of an unfavorable final outcome in litigation or other similar claims becomes probable and reasonably estimable. In addition, we could incur expenses associated with defending ourselves against litigation and other similar claims, and these expenses could be material to our earnings in future periods.

Risks Related to FS/EIG Advisor and its Respective Affiliates

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

The members of the senior management and investment teams of FS/EIG Advisor serve or may serve as officers, directors or principals of entities that operate in the same or a related line of business as we do, or of investment vehicles managed by the same personnel. For example, the officers, managers and other personnel of FS/EIG Advisor also serve in similar capacities for the investment advisers to the other funds managed or advised by FS, and may serve in similar or other capacities for the investment advisers to future investment vehicles affiliated with FS Investments. In serving in these multiple and other capacities, they may have obligations to other clients or investors in those entities, the fulfillment of which may not be in our best interests or in the best interest of our shareholders. Our investment objectives may overlap with the investment objectives of such investment funds, accounts or other investment vehicles. For example, we rely on FS/EIG Advisor to manage our day-to-day activities and to implement our investment strategy. FS/EIG Advisor and certain of its affiliates are presently, and plan in the future to continue to be, involved with activities which are unrelated to us. As a result of these activities, FS/EIG Advisor, its employees and certain of its affiliates will have conflicts of interest in allocating their time between us and other activities in which they are or may become involved, including the management of other entities affiliated with FS Investments. FS/EIG Advisor and its employees will devote only as much of its or their time to our business as FS/EIG Advisor and its employees, in their judgment, determine is reasonably required, which may be substantially less than their full time.

FS/EIG Advisor and its affiliates, including our officers and some of our trustees, face conflicts of interest caused by compensation arrangements with us and our affiliates, which could result in actions that are not in the best interests of our shareholders.

FS/EIG Advisor and its affiliates receive substantial fees from us in return for their services, and these fees could influence the advice provided to us. Among other matters, the compensation arrangements could affect their judgment. In addition, the decision to utilize leverage has increased our assets and, as a result, has increased the amount of base management fees payable to FS/EIG Advisor.

We may be obligated to pay FS/EIG Advisor incentive compensation even if we incur a net loss due to a decline in the value of our portfolio.

The FS/EIG investment advisory agreement entitles FS/EIG Advisor to receive incentive compensation on income regardless of any capital losses. In such case, we may be required to pay FS/EIG Advisor incentive compensation for a fiscal quarter even if there is a decline in the value of our portfolio or if we incur a net loss for that quarter.

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

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

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

Neither FS/EIG Advisor nor persons providing services to us on behalf of FS/EIG Advisor are prohibited from raising money for and managing another investment entity that makes the same types of investments as those we target. For example, FS Energy Advisor, LLC, an affiliate of FS Advisor, manages FS Energy Total Return Fund, an interval fund with an investment strategy that focuses on investing 80% of its total assets in natural resource companies. As a result, the time and resources that these individuals may devote to us may be diverted. In addition, we may compete with any such investment entity for the same investors and investment opportunities.

Our incentive fee may induce FS/EIG Advisor to make, and EIG to recommend, speculative investments.

The incentive fee payable by us to FS/EIG Advisor may create an incentive for it to enter into investments on our behalf that are risky or more speculative than would be the case in the absence of such compensation arrangement. The way in which the incentive fee payable to FS/EIG Advisor is determined may encourage it to use leverage to increase the return on our investments. In addition, the fact that our base management fee is payable based upon our gross assets, which would include any borrowings for investment purposes, may encourage FS/EIG Advisor to use leverage to make additional investments. Under certain circumstances, the use of leverage may increase the likelihood of default, which would disfavor holders of our common shares. Such a practice could result in our investing in more speculative securities than would otherwise be in our best interests, which could result in higher investment losses, particularly during cyclical economic downturns. In addition, since EIG will receive a portion of the advisory fees paid to FS/EIG Advisor, EIG may have an incentive to recommend investments that are riskier or more speculative.

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

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

Risks Related to Business Development Companies

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

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

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

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

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

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

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

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

We are prohibited under the 1940 Act from participating in certain transactions with certain of our affiliates without the prior approval of a majority of the independent members of our board of trustees and, in some cases, the SEC. Any person that owns, directly or indirectly, 5% or more of our outstanding voting securities will be our affiliate for purposes of the 1940 Act and we will generally be prohibited from buying or selling any securities from or to such affiliate, absent the prior approval of our board of trustees. The 1940 Act also prohibits certain "joint" transactions with certain of our affiliates, which could include investments in the same portfolio company (whether at the same or different times), without prior approval of our board of trustees and, in some cases, the SEC. In an order dated June 4, 2013, the SEC granted exemptive relief permitting us, subject to the satisfaction of certain conditions, to co-invest in certain privately negotiated investment transactions with our co-investment affiliates. Similarly, pursuant to the EIG Order we are permitted to participate in co-investment transactions with certain other EIG advised funds. If a person acquires more than 25% of our voting securities, we will be prohibited from buying or selling any security from or to such person or certain of that person's affiliates, or entering into prohibited joint transactions with such persons to the extent not covered by our exemptive relief, absent the prior approval of the SEC. Similar restrictions limit our ability to transact business with our officers or trustees or their affiliates. As a result of these restrictions, we may be prohibited from buying or selling any security from or to any portfolio company of a fund managed by FS Advisor without the prior approval of the SEC, which may limit the scope of investment opportunities that would otherwise be available to us.

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

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

Risks Related to Our Investments

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

Our investments in senior secured and unsecured debt, select equity investments and other investments issued by private Energy companies may be risky.

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

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

Equity and Equity-Related Investments. We expect to make select equity investments in income-oriented preferred or common equity interests, which may include interests in MLPs. In addition, when we invest in senior secured loans and notes or unsecured debt, we may acquire warrants to purchase equity securities. The equity interests we receive may not appreciate in value and, in fact, may decline in value. Accordingly, we may not be able to realize gains from our equity interests, and any gains that we do realize on the disposition of any equity interests may not be sufficient to offset any other losses we experience.

Net Profits Interests, Royalty Interests or VPPs. We may invest in energy-specific non-operating investments including net profits interests, royalty interests or VPPs. Net profits interests and royalty interests are contractual agreements whereby the holders of such interests are entitled to a portion of the mineral production, or proceeds therefrom. A VPP is a type of structured investment whereby the owner sells a specific volume of production in a field or property to an investor and the investor receives a specific quota of production on a monthly basis in either raw output or proceeds therefrom. We will not have any operational control over these investments and our receipt of payments is contingent on the producer's ability to meet its supply obligations, which can make these types of investments highly speculative.

Non-U.S. Securities. We may invest in non-U.S. securities, which may include securities denominated in U.S. dollars or in non-U.S. currencies and securities of companies in emerging markets, to the extent permitted by the 1940 Act. Because evidences of ownership of such securities usually are held outside the United States, we would be subject to additional risks if we invested in non-U.S. securities, which include possible adverse political and economic developments, seizure or nationalization of foreign deposits and adoption of governmental restrictions which might adversely affect or restrict the payment of principal and interest on the non-U.S. securities to investors located outside the country of the issuer, whether from currency blockage or otherwise. Because non-U.S. securities may be purchased with and payable in foreign currencies, the value of these assets as measured in U.S. dollars may be affected unfavorably by changes in currency rates and exchange control regulations.

Investments in Asset-Based Opportunities. We may invest in asset-based opportunities through joint ventures, investment platforms, private investment funds or other business entities that provide one or more of the following services: origination or sourcing of potential investment opportunities, due diligence and negotiation of potential investment opportunities and/or servicing, development and management (including turnaround) and disposition of investments. Such investments may be in or alongside existing or newly formed operators, consultants and/or managers that pursue such opportunities and may or may not include capital and/or assets contributed by third party investors. Such investments may include opportunities to direct-finance physical assets, such as airplanes and ships, and/or operating assets, such as financial service entities, as opposed to investment securities, or to invest in origination and/or servicing platforms directly. In valuing our investments, we rely primarily on information provided by operators, consultants and/or managers. Valuations of illiquid securities involve various judgments and consideration of factors that may be subjective. There is a risk that inaccurate valuations could adversely affect the value of our common stock. We may not be able to promptly withdraw our investment in these asset-based opportunities, which may result in a loss to us and adversely affect our investment returns.

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

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

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

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

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

We generally will not control our portfolio companies.

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

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

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

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

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

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

Our portfolio companies may be highly leveraged.

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

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

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

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

We may not realize gains from our equity investments.

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

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

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

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

We invest in certain companies whose securities are not publicly-traded or actively-traded on the secondary market and are, instead, traded on a privately-negotiated over-the-counter secondary market for institutional investors, and whose securities are subject to legal and other restrictions on resale or are otherwise less liquid than publicly-traded securities. The illiquidity of certain of our investments may make it difficult for us to sell these investments when desired. In addition, if we are required to liquidate all or a portion of our portfolio quickly, we may realize significantly less than the value at which we had previously recorded these investments. The reduced liquidity of our investments may make it difficult for us to dispose of them at a favorable price, and, as a result, we may suffer losses.

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

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

Our investments may include original issue discount and PIK instruments.

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

- The higher interest rates on PIK instruments reflect the payment deferral and increased credit risk associated with these instruments, and PIK instruments generally represent a significantly higher credit risk than coupon loans;
- Original issue discount and PIK instruments may have unreliable valuations because the accruals require judgments about collectability of the deferred payments and the value of any associated collateral;
- An election to defer PIK interest payments by adding them to the principal on such instruments increases our future investment income which increases our gross assets and, as such, increases FS/EIG Advisor's future base management fees which, thus, increases FS/EIG Advisor's future income incentive fees at a compounding rate;
- Market prices of PIK instruments and other zero coupon instruments are affected to a greater extent by interest rate changes, and may be more volatile than instruments that pay interest periodically in cash. While PIK instruments are usually less volatile than zero coupon debt instruments, PIK instruments are generally more volatile than cash pay securities;
- The deferral of PIK interest on an instrument increases the loan-to-value ratio, which is a measure of the riskiness of a loan, with respect to such instrument;

- Even if the conditions for income accrual under GAAP are satisfied, a borrower could still default when actual payment is due upon the maturity of such loan;
- For accounting purposes, cash distributions to investors representing original issue discount income do not come from paid-in capital, although they may be paid from the offering proceeds. Thus, although a distribution of original issue discount income may come from the cash invested by investors, the 1940 Act does not require that investors be given notice of this fact;
- Recent tax legislation requires that income be recognized for tax purposes no later than when recognized for financial reporting purposes;
- The required recognition of PIK interest for U.S federal income tax purposes may have a negative impact on liquidity, as it represents a non-cash component of our investment company taxable income, income that may require cash distributions to shareholders in order to maintain our ability to be subject to tax as a RIC; and
- Original issue discount may create a risk of non-refundable cash payments to FS/EIG Advisor based on non-cash accruals that may never be realized.

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

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

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

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

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

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

A fixed price swap is a contract between two parties in which settlements are made at a specified time based on the difference between the fixed priced specified in the contract and the referenced settlement price. When the referenced settlement price is less than the price specified in the contract, one party receives an amount from the second party based on the price difference multiplied by the volume. Similarly, when the referenced settlement price exceeds the price specified in the contract, one party pays the second party an amount based on the price difference multiplied by the volume.

A fixed price swap is subject to commodity risk of the underlying commodity. If we are purchasing fixed price swaps for oil, there is a risk the fixed price we paid to enter the contract for oil will be more than the price of oil at the specified settlement date, and we will owe the counterparty the difference in price multiplied by the volume of the contracted volume.

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

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

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

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

We may invest through joint ventures, partnerships or other special purpose vehicles and our investments through these vehicles may entail greater risks, and investments in which we have a non-controlling interest may involve risks specific to third-party management of those investments.

We may co-invest with third parties through partnerships, joint ventures or other entities, thereby acquiring jointly-controlled or non-controlling interests in certain investments in conjunction with participation by one or more third parties in such investment. We may have interests or objectives that are inconsistent with those of the third-party partners or co-venturers. Although we may not have full control over these investments, and therefore may have a limited ability to protect our position therein, we expect that we will negotiate appropriate rights to protect our interests. Nevertheless, such investments may involve risks not present in investments where a third party is not involved, including the possibility that a third-party partner or co-venturer may have financial difficulties, resulting in a negative impact on such investment, may have economic or business interests or goals which are inconsistent with ours, or may be in a position to take (or block) action in a manner contrary to our investment objectives or the increased possibility of default by, diminished liquidity or insolvency of, the third party, due to a sustained or general economic downturn. Third-party partners or co-venturers may opt to liquidate an investment at a time during which such liquidation is not optimal for us. In addition, we may in certain circumstances be liable for the actions of our third-party partners or co-venturers. In those circumstances where such third parties involve a management group, such third parties may receive compensation arrangements relating to such investments, including incentive compensation arrangements.

Energy Company Risks

Our investment policy is to invest, under normal circumstances, at least 80% of our total assets in securities of Energy companies. This investment policy may not be changed without at least 60 days' prior notice to holders of our common shares of any such change. The revenues, income (or losses) and valuations of Energy companies can fluctuate suddenly and dramatically due to a number of factors.

Because our investment policy is to invest, under normal circumstances, at least 80% of our total assets in securities of Energy companies, our portfolio will not be well allocated among various industries.

As there can be a correlation in the valuation of the securities in our portfolio, a decline in value of the securities of one company may be accompanied by a decline in the valuations of the securities of other companies within the Energy industry that we may hold in our portfolio. A decline in value of the securities of such issuers or a downturn in the Energy sector might have a more severe impact on us than on an entity that is more broadly allocated among various industries.

An increase or decrease in commodity supply or demand may adversely affect our business.

A decrease in the production of natural gas, natural gas liquids, crude oil, coal or other energy commodities, a decrease in the volume of such commodities available for transportation, mining, processing, storage or distribution, or a sustained decline in demand for such commodities may adversely impact the financial performance or prospects of Energy companies in which we may invest. Energy companies are subject to supply and demand fluctuations in the markets they serve which will be impacted by a wide range of factors, including fluctuating commodity prices, weather, increased conservation or use of alternative fuel sources, increased governmental or environmental regulation, depletion of natural gas, natural gas liquids, crude oil or coal production, rising interest rates, declines in domestic or foreign production of natural gas, natural gas liquids and crude oil, accidents or catastrophic events and economic conditions, among others.

An increase or decrease in commodity pricing may adversely affect our business.

The return on our prospective investments in Energy companies will be dependent on the margins received by those companies for the exploration, development, production, gathering, transportation, processing, storing, refining, distribution, mining, generation or marketing of natural gas, natural gas liquids, crude oil, refined products, coal or power. These margins may fluctuate widely in response to a variety of factors including global and domestic economic conditions, weather conditions, natural disasters, the supply and price of imported energy commodities, the production and storage levels of energy commodities in certain regions or in the world, political instability, terrorist activities, transportation facilities, energy conservation, domestic and foreign governmental regulation and taxation and the availability of local, intrastate and interstate transportation systems. Volatility of commodity prices may also make it more difficult for Energy companies in which we may invest to raise capital to the extent the market perceives that their performance may be directly or indirectly tied to commodity prices.

Cyclicality within the Energy sector may adversely affect our business.

Industries within the Energy sector are cyclical with fluctuations in commodity prices and demand for commodities driven by a variety of factors. The highly cyclical nature of the industries within the Energy sector may lead to volatile changes in commodity prices, which may adversely affect the earnings of Energy companies in which we may invest.

A prolonged continuation of depressed oil and natural gas prices could have a material adverse effect on us.

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

Changes in international, foreign, federal, state or local government regulation may adversely affect our business.

Energy companies are subject to significant international, foreign, federal, state and local government regulation, including how facilities are constructed, maintained and operated, environmental and safety controls, and the prices they may charge for the products and services they provide. Various governmental authorities have the power to enforce compliance with these regulations and the permits issued under them, and violators are subject to administrative, civil and criminal penalties, including civil fines, injunctions or both. For example, many state and federal environmental laws provide for civil penalties as well as regulatory remediation, thus adding to the potential liability an Energy company may face. More extensive laws, regulations or enforcement policies could be enacted in the future which would likely increase compliance costs and may adversely affect the financial performance of Energy companies in which we may invest.

In particular, changes to laws and increased regulations or enforcement policies as a result of oil spills may adversely affect the financial performance of Energy companies. Additionally, changes to laws and increased regulation or restrictions on the use of hydraulic fracturing may adversely impact the ability of Energy companies to economically develop oil and natural gas resources and, in turn, reduce production for such commodities. Any such changes or increased regulations or policies may adversely affect the performance of Energy companies in which we may invest.

Energy companies are subject to various operational risks.

Energy companies are subject to various operational risks, such as failed drilling or well development, unscheduled outages, disruption of operations, mining, drilling or installation accidents, inability to timely and effectively integrate newly acquired assets, unanticipated operation and maintenance expenses, lack of proper asset integrity, underestimated cost projections, inability to renew or increased costs of rights of way, failure to obtain the necessary permits to operate and failure of third-party contractors to perform their contractual obligations. Thus, some Energy companies may be subject to construction risk, acquisition risk or other risks arising from their specific business strategies.

Energy companies that focus on exploration and production are subject to numerous reserve and production related risks.

Exploration and production businesses are subject to overstatement of the quantities of their reserves based upon any reserve estimates that prove to be inaccurate, the possibility that no commercially productive oil, natural gas or other energy reservoirs will be discovered as a result of drilling or other exploration activities, the curtailment, delay or cancellation of exploration activities as a result of unexpected conditions or miscalculations, title problems, pressure or irregularities in formations, equipment failures or accidents, adverse weather conditions, compliance with environmental and other governmental requirements and cost of, or shortages or delays in the availability of, drilling rigs and other exploration equipment, and operational risks and hazards associated with the development of the underlying properties, including natural disasters, blowouts, explosions, fires, leakage of crude oil, natural gas or other resources, mechanical failures, cratering and pollution.

Competition between Energy companies may adversely affect our business.

The Energy companies in which we may invest face substantial competition in acquiring assets, expanding or constructing assets and facilities, obtaining and retaining customers and contracts, securing trained personnel and operating their assets. Many of their competitors may have superior financial and other resources.

Inability by companies in which we may invest to make accretive acquisitions may adversely affect our business.

The ability of Energy companies in which we may invest to grow and, where applicable, to increase dividends or distributions to their equity holders can be highly dependent on their ability to make acquisitions of infrastructure assets that result in an increase in free cash flow. In the event that such companies are unable to make such accretive acquisitions because they are unable to identify attractive acquisition candidates or negotiate acceptable purchase contracts, because they are unable to raise financing for such acquisitions on economically acceptable terms, or because they are outbid by competitors, their future growth and ability to make or raise dividends or distributions will be limited and their ability to repay their debt and make payments to preferred equity holders may be weakened. Furthermore, even if these companies do consummate acquisitions that they believe will be accretive, the acquisitions may instead result in a decrease in free cash flow.

A significant accident or event that is not fully insured could adversely affect the operations and financial condition of Energy companies in which we may invest.

The operations of Energy companies in which we may invest are subject to many hazards inherent in the transporting, processing, storing, distributing, mining, generating or marketing of natural gas, natural gas liquids, crude oil, coal, refined products, power or other commodities, or in the exploring, managing or producing of such commodities, including: damage to pipelines, storage tanks, vessels or related equipment and surrounding properties caused by hurricanes, tornadoes, floods, fires and other natural disasters or by acts of terrorism; inadvertent damage from construction or other equipment; leaks of natural gas, natural gas liquids, crude oil, refined products or other commodities; cyber attacks; and fires and explosions. Further, since the September 11th terrorist attacks, the U.S. government has issued warnings that energy assets and facilities, specifically U.S. pipeline infrastructure, may be targeted in future terrorist attacks. These risks could result in substantial losses due to personal injury or loss of life, severe damage to and destruction of property and equipment and pollution or other environmental damage and may result in the curtailment or suspension of their related operations. Not all Energy companies are fully insured against all risks inherent to their businesses. If a significant accident or event occurs that is not fully insured, it could adversely affect the Energy company's operations and financial condition. In addition, any increased governmental regulation to mitigate such risks (including regulations related to recent oil spills or hydraulic fracturing), could increase insurance premiums and other operating costs for Energy companies in which we may invest.

Energy reserves naturally deplete as they are produced over time and this may adversely affect our business.

Energy reserves naturally deplete as they are produced over time. Many Energy companies are either engaged in the production of natural gas, natural gas liquids, crude oil or coal, or are engaged in transporting, storing, distributing and processing these items or their derivatives on behalf of shippers. To maintain or grow their revenues, these companies or their customers need to maintain or expand their reserves through exploration of new sources of supply, through the development of existing sources or through acquisitions. The financial performance of Energy companies in which we may invest may be adversely affected if they, or the companies to whom they provide services, are unable to cost-effectively acquire additional reserves sufficient to replace the depleted reserves. If an Energy company fails to add reserves by acquiring or developing them, its reserves and production will decline over time as the reserves are produced. If an Energy company is not able to raise capital on favorable terms, it may not be able to add to or maintain its reserves.

Certain Energy companies are dependent on their parents or sponsors for a majority of their revenues and may be subject to affiliate party risk.

Certain Energy companies in which we may invest are dependent on their parents or sponsors for a majority of their revenues. Any failure by an Energy company's parent or sponsor to satisfy its payments or obligations would impact the Energy company's revenues and cash flows and ability to make debt service payments and/or distributions.

Changing economic, regulatory and political conditions in some countries, including political and military conflicts, may adversely affect the businesses in which we invest.

Changing economic, regulatory and political conditions in some countries, including political and military conflicts, have from time to time resulted in attacks on vessels, mining of waterways, piracy, terrorism, labor strikes, boycotts and government inspections or requisitioning of vessels. These types of events could impact the delivery of commodities or impact pricing of commodities.

Risks Related to Our Investments in MLPs

An investment in MLP units involves certain risks which differ from an investment in the common stock of a corporation. Holders of MLP units have limited control and voting rights on matters affecting the partnership. In addition, there are certain tax risks associated with an investment in MLP units. See "—Risks Related to U.S. Federal Income Tax."

An MLP's cash flow, and consequently its distributions, are subject to operational and general energy industry risks, which may result in disparate quarterly distributions.

A portion of the cash flow received by us may be derived from investments in the equity securities of MLPs. The amount of cash that an MLP has available for distributions and the tax character of such distributions depend upon the amount of cash generated by the MLP's operations. Cash available for distribution will vary from quarter to quarter and is largely dependent on factors affecting the MLP's operations and factors affecting the Energy industry in general. In addition to the risk factors described above, other factors which may reduce the amount of cash an MLP has available for distribution in a given quarter include increased operating costs, maintenance capital expenditures, acquisition costs, expansion, construction or exploration costs and borrowing costs.

Investments in MLPs may have limited liquidity.

Although common units of some MLPs may trade on public exchanges, certain of these securities may trade less frequently, particularly those with smaller capitalizations. Securities with limited trading volumes may display volatile or erratic price movements. As a result, these securities may be difficult to dispose of at a fair price at the times when we believe it is desirable to do so. These securities are also more difficult to value, and our judgment as to value will often be given greater weight than market quotations, if any exist. Investment of our capital in securities that are less actively-traded, or over time experience decreased trading volume, may restrict our ability to take advantage of other market opportunities. In addition, many MLP units are privately held.

***Investments in MLPs are susceptible to interest rate fluctuation risks*.**

Interest rate risk is the risk that securities will decline in value because of changes in market interest rates. The yields of equity and debt securities of MLPs are susceptible in the short-term to fluctuations in interest rates and, like treasury bonds, the prices of these securities typically decline when interest rates rise. Accordingly, our net asset value may be impacted by an increase in interest rates. Further, rising interest rates could adversely impact the financial performance of MLPs in which we invest by increasing their costs of capital. This may reduce their ability to execute acquisitions or expansion projects in a cost-effective manner.

Investments in MLPs are subject to certain tax risks.

MLPs are not subject to tax at the partnership level. Rather, each partner is allocated a share of the MLP's income, gains, losses, deductions, and expenses. A change in current tax law, or a change in the underlying business of a given MLP could result in the MLP being treated as a corporation for U.S. federal tax purposes, which would result in such MLP being required to pay U.S. federal income tax on its taxable income. Such treatment also would have the effect of reducing the amount of cash available for distribution by the affected MLP.

Our investments in MLPs may be subject to additional fees and expenses, including management and incentive fees, and, as a result, our investments in MLPs may achieve a lower rate of return than our other investments.

MLPs are subject to additional fees, some of which are paid regardless of the performance of its assets. We will pay certain management fees to the adviser entity of any MLP in which we invest. FS/EIG Advisor will also earn its base management fee from us based on our gross assets, including our investment in any such MLP; therefore, we will be paying both FS/EIG Advisor's base management fee and any management fees charged by an MLP. As a result, our investment returns attributable to MLPs in which we invest may be lower than other investments we select. In addition, because the fees received by an MLP adviser are typically based on the managed assets of the MLP, including the proceeds of any leverage it may incur, the MLP adviser has a financial incentive to utilize leverage, which may create a conflict of interest between the MLP adviser and us as a shareholder in the MLP.

Risks Related to Debt Financing

We currently use borrowed funds to make investments and are exposed to the typical risks associated with leverage.

Borrowings and other types of financing, also known as leverage, magnify the potential for gain or loss on amounts invested and, therefore, increases the risks associated with investing in our securities. Our and our special-purpose financing subsidiaries' lenders and debt holders have fixed dollar claims on our and their assets that are superior to the claims of our shareholders. If the value of our assets increases, then leverage would cause the net asset value to increase more sharply than it would have had we not leveraged. Conversely, if the value of our assets decreases, leverage would cause net asset value to decline more sharply than it otherwise would have had we not leveraged. Similarly, any increase in our income in excess of consolidated interest payable on the borrowed funds would cause our net investment income to increase more than it would without the leverage, while any decrease in our income would cause net investment income to decline more sharply than it would have had we not borrowed. Such a decline could negatively affect our ability to make distributions to shareholders. Leverage is generally considered a speculative investment technique.

The agreements governing our financing arrangements contain various covenants which, if not complied with, could accelerate repayment under the applicable arrangement, thereby materially and adversely affecting our liquidity, financial condition, results of operations and our ability to pay distributions to our shareholders.

The agreements governing these financing arrangements contain various default provisions and operational covenants which, if triggered, could result in the termination of the respective financing arrangements and the acceleration of any amounts outstanding thereunder, which could require us or our subsidiaries to liquidate positions at a time and/or at a price which is disadvantageous to us. This could result in losses and impact our ability to meet our investment objectives and pay distributions to shareholders. There can be no assurance that we or our subsidiaries will comply with the covenants in our debt arrangements in the future. The failure to negotiate a waiver or amendment with the applicable lenders, pay off in full the applicable facility or otherwise come into compliance with those or other covenants could, subject to applicable notice, grace and cure periods, result in an event of default allowing for the acceleration of the repayment of obligations due under the financing arrangements. Our or our subsidiaries' failure to comply with the covenants set forth in the financing arrangements could materially and adversely affect our liquidity, financial condition and results of operations.

Our and our subsidiaries' failure to comply with the covenants set forth in the financing arrangements could also materially and adversely affect our ability to pay distributions to our shareholders. We cannot assure shareholders that we or our subsidiaries will be able to borrow funds under any such financing arrangements at any particular time or at all. See Note 9 to our consolidated financial statements contained in this annual report on Form 10-K for a more detailed discussion of the terms of our financing arrangements.

If we borrow money, the potential for gain or loss on amounts invested in us will be magnified and may increase the risk of investing in us.

The use of borrowings, also known as leverage, increases the volatility of investments by magnifying the potential for gain or loss on invested equity capital. If we use leverage to partially finance our investments, through borrowing from banks and other lenders, shareholders will experience increased risks of investing in our common shares. If the value of our assets increases, leverage would cause the net asset value attributable to our common shares to increase more sharply than it would have had we not leveraged. Conversely, if the value of our assets decreases, leverage would cause net asset value to decline more sharply than it otherwise would have had we not leveraged. Similarly, any increase in our income in excess of interest payable on the borrowed funds would cause our net income to increase more than it would without the leverage, while any decrease in our income would cause net income to decline more sharply than it would have had we not borrowed. Such a decline could negatively affect our ability to make common share distribution payments. Leverage is generally considered a speculative investment technique. In addition, the decision to utilize leverage will increase our assets and, as a result, will increase the amount of base management fees payable to FS/EIG Advisor.

Illustration. The following table illustrates the effect of leverage on returns from an investment in our common shares assuming various annual returns, net of expenses. The calculations in the table below are hypothetical and actual returns may be higher or lower than those appearing below. The calculation assumes (i) $4,043,791 in total average assets, (ii) a weighted average cost of funds of 5.88%, (iii) $1,670,000 in borrowings outstanding (i.e., assumes that the full $433,333 available to us as of December 31, 2019 under our financing arrangements as of such date is outstanding), and (iv) $2,379,466 in average shareholders' equity. In order to compute the "Corresponding return to shareholders," the "Assumed Return on Our Portfolio (net of expenses)" is multiplied by the assumed total average assets to obtain an assumed return to us. From this amount, the interest expense is calculated by multiplying the assumed weighted average cost of funds times the assumed borrowings outstanding, and the product is subtracted from the assumed return to us in order to determine the return available to shareholders. The return available to shareholders is then divided by our shareholders' equity to determine the "Corresponding return to shareholders." Actual interest payments may be different.

Assumed Return on Our Portfolio (net of expenses)	-10%	-5%	0%	5%	10%
Corresponding return to shareholders	-21.17%	-12.66%	-4.14%	4.38%	12.90%

Similarly, assuming (i) approximately $4,043,791 in total average assets, (ii) a weighted average cost of funds of approximately 5.88% and (iii) $1,670,000 in borrowings outstanding (i.e., assumes that the full $433,333 available to us as of December 31, 2019 under the financing arrangements as of such date is outstanding), our assets would need to yield an annual return (net of expenses) of approximately 2.43% in order to cover the annual interest payments on our outstanding borrowings.

We are exposed to risks associated with changes in interest rates, including with respect to the phase out of LIBOR.

Because we intend to use debt to finance investments, our net investment income will depend, in part, upon the difference between the rate at which we borrow funds and the rate at which we invest those funds. As a result, we can offer no assurance that a significant change in market interest rates will not have a material adverse effect on our net investment income. In periods of rising interest rates when we have debt outstanding, our cost of funds will increase, which could reduce our net investment income. We expect that our long-term fixed-rate investments will be financed primarily with equity and long-term debt. We may use interest rate risk management techniques in an effort to limit our exposure to interest rate fluctuations. These techniques may include various interest rate hedging activities to the extent permitted by the 1940 Act. These activities may limit our ability to participate in the benefits of lower interest rates with respect to the hedged portfolio. 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. Also, we have limited experience in entering into hedging transactions, and we will initially have to develop such expertise or arrange for such expertise to be provided.

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

In July 2017, the head of the United Kingdom Financial Conduct Authority announced the desire to phase out the use of LIBOR by the end of 2021. It is unclear if at that time LIBOR will cease to exist or if new methods of calculating LIBOR will be established such that it continues to exist after 2021. In addition, in April 2018, the Federal Reserve System, in conjunction with the Alternative Reference Rates Committee, announced a preferred replacement of U.S. dollar LIBOR with a new index, calculated by reference to short-term repurchase agreements collateralized by U.S. Treasury securities, called the Secured Overnight Financing Rate, or SOFR. SOFR is a measure of the cost of borrowing cash overnight, collateralized by U.S. Treasury securities, and is based on directly observable U.S. Treasury-backed repurchase transactions. Although a SOFR-derived rate appears to be the preferred replacement rate for U.S. dollar LIBOR, at this time, it is not possible to predict the effect of any such changes, any establishment of alternative reference rates or other reforms to LIBOR for U.S. dollars and other major currencies that may be enacted in the United States, the United Kingdom or elsewhere. As such, the potential effect of the phase-out or replacement of LIBOR on our cost of capital and net investment income cannot yet be determined. If LIBOR ceases to exist, we may need to renegotiate any credit or similar agreements extending beyond 2021 with our portfolio companies that utilize LIBOR as a factor in determining the interest rate and certain of our existing credit facilities, in each case to replace LIBOR with the new standard that is established. Moreover, the discontinuation of LIBOR and the transition to an alternative benchmark rate may adversely impact the functioning, liquidity, volatility and value of floating rate income securities and could lead to significant short-term and long-term uncertainty and market instability. These risks will be exacerbated if the work necessary to effect an orderly transition to an alternative reference rate is not completed in a timely manner. These events may also increase the difficulty of borrowing or refinancing and may diminish the effectiveness of hedging strategies. The precise impacts of a transition away from LIBOR on the Company, on floating rate income securities in which we may invest and on the financing market generally remain uncertain. Additionally, because the usefulness of LIBOR as a benchmark could deteriorate during the transition period, these effects could occur prior to the end of 2021.

Alteration of the terms of a debt instrument or a modification of the terms of other types of contracts to replace an interbank offered rate with a new reference rate could result in a taxable exchange and the realization of income and gain/loss for U.S. federal income tax purposes. The IRS has issued proposed regulations regarding the tax consequences of the transition from interbank offered rates to new reference rates in debt instruments and non-debt contracts. Under the proposed regulations, to avoid such alteration or modification of the terms of a debt instrument being treated as a taxable exchange, the fair market value of the modified instrument or contract must be substantially equivalent to its fair market value before the qualifying change was made. The IRS may withdraw, amend or finalize, in whole or part, these proposed regulations and/or provide additional guidance, with potential retroactive effect.

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

The Small Business Credit Availability Act, or the SBCA Act, allows us to incur additional leverage.

On March 23, 2018, the SBCA Act became law. The SBCA Act, among other things, amends Section 61(a) of the 1940 Act to add a new Section 61(a)(2) which reduces the asset coverage requirements for senior securities applicable to BDCs from 200% to 150% provided that certain disclosure and approval requirements are met. Before the reduced asset coverage requirements under Section 61(a)(2) are effective with respect to us, the application of that section of the 1940 Act must be approved by either (1) a "required majority," as defined in Section 57(o) of the 1940 Act, of our board of trustees or (2) a majority of votes cast at a special or annual meeting of our shareholders. If we choose to seek such approval, we may be able to incur substantial additional indebtedness, and, therefore the risk of an investment in us may increase. See "Risks Related to Debt Financing—We currently use borrowed funds to make investments and are exposed to the typical risks associated with leverage."

Risks Related to U.S. Federal Income Tax

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

To qualify for and maintain RIC tax treatment under Subchapter M of the Code, we must meet the following annual distribution, income source and asset diversification requirements. See "Item 1. Business—Taxation as a RIC."

- The Annual Distribution Requirement for RIC tax treatment will be satisfied if we distribute to our shareholders each tax year, dividends of an amount at least equal to the sum of 90% of our "investment company taxable income," which is generally the sum of our net ordinary income and realized net short-term capital gains in excess of realized net long-term capital losses, determined without regard to any deduction for dividends paid. Because we may use debt financing, we are subject to an asset coverage ratio requirement under the 1940 Act and may in the future become subject to certain financial covenants under loan and credit agreements that could, under certain circumstances, restrict us from making distributions necessary to satisfy the Annual Distribution Requirement. If we are unable to obtain cash from other sources, we could fail to qualify for RIC tax treatment and thus become subject to corporate-level income tax.
- The income source requirement will be satisfied if we obtain at least 90% of our gross income for each tax year from dividends, interest, gains from the sale of securities or similar sources.
- The asset diversification requirement will be satisfied if we meet certain asset diversification requirements at the end of each quarter of our tax year. To satisfy this requirement, at least 50% of the value of our assets must consist of cash, cash equivalents, U.S. government securities, securities of other RICs and other securities if such securities of any one issuer do not represent more than 5% of the value of our assets or more than 10% of the outstanding voting securities of such issuer; and no more than 25% of the value of our assets can be invested in the securities, other than U.S. government securities or securities of other RICs, of one issuer, of two or more issuers that are controlled, as determined under applicable Code rules, by us and that are engaged in the same or similar or related trades or businesses or of certain "qualified publicly traded partnerships." Failure to meet these requirements may result in our having to dispose of certain investments quickly in order to prevent the loss of RIC status. Because most of our investments will be in private companies, and therefore will be relatively illiquid, any such dispositions could be made at disadvantageous prices and could result in substantial losses.

We must satisfy these tests on an ongoing basis in order to maintain RIC tax treatment, and may be required to make distributions to shareholders at times when it would be more advantageous to invest cash in our existing or other investments, or when we do not have funds readily available for distribution. Compliance with the RIC tax requirements may hinder our ability to operate solely on the basis of maximizing profits and the value of our shareholders' investments. If we fail to qualify for or maintain RIC tax treatment for any reason and are subject to corporate income tax, the resulting corporate taxes could substantially reduce our net assets, the amount of income available for distribution and the amount of our distributions.

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

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

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

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

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

We may be adversely affected if an MLP or other non-corporate business structure in which we invest is treated as a corporation, rather than a partnership, for U.S. federal income tax purposes.

Our ability to meet our investment objectives will depend on the level of taxable income and distributions and dividends we receive from the MLPs and other Energy company securities in which we may invest, a factor over which we have no control. The benefit we derive from an investment in MLPs is largely dependent on the MLPs being treated as partnerships for U.S. federal income tax purposes. As a partnership, an MLP has no tax liability at the entity level. If, as a result of a change in current law or a change in an MLP's business, an MLP is treated as a corporation for U.S. federal income tax purposes, such MLP would be obligated to pay U.S. federal income tax on its income at the corporate tax rate. If an MLP were classified as a corporation for U.S. federal income tax purposes, the amount of cash available for distribution would be reduced and distributions received by us would be taxed under U.S. federal income tax laws applicable to corporate distributions (as dividend income, return of capital or capital gain). Therefore, treatment of an MLP as a corporation for U.S. federal income tax purposes would result in a reduction in the after-tax return to us, likely causing a reduction in the value of our common shares. In addition, if we receive a Schedule K-1 from an MLP after having mailed a Form 1099-DIV to our shareholders, and our estimates with respect to the applicable MLP are determined to have been materially incorrect, we may be required to mail an amended Form 1099-DIV to our shareholders.

We may be adversely affected if an MLP or other non-corporate business structure in which we invest is unable to take advantage of certain tax deductions for U.S. federal income tax purposes and our income from investments in MLPs may exceed the cash received from such investments.

As a limited partner in the MLPs in which we seek to invest, we will receive our share of income, gains, losses, deductions and credits from those MLPs. Historically, a significant portion of income from MLPs has been offset by tax deductions. As a result, this income has been significantly lower than cash distributions paid by MLPs. We will incur a current tax liability on our share of an MLP's income and gains that is not offset by tax deductions, losses, and credits, or our net operating loss carryforwards, if any. The percentage of an MLP's income and gains which is offset by tax deductions, losses, and credits will fluctuate over time for various reasons. A significant slowdown in acquisition activity or capital spending by MLPs held in our portfolio could result in a reduction of accelerated depreciation generated by new acquisitions, which may result in an increase in our net ordinary income that we are required to distribute to shareholders to maintain our status as a RIC and to eliminate our liability for U.S. federal income tax. If our income from our investments in MLPs exceeds the cash distributions received from such investments, we may need to obtain cash from other sources in order to satisfy the Annual Distribution Requirement. If we are unable to obtain cash from other sources, we may fail to qualify for or maintain RIC tax treatment and become subject to corporate-level federal income tax. We may also recognize gain in excess of cash proceeds upon the sale of an interest in an MLP. Any such gain may need to be distributed or deemed distributed in order to avoid liability for corporate-level federal income taxes on such gain.

Our portfolio investments may present special tax issues.

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

Legislative or regulatory tax changes could adversely affect investors.

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

Risks Related to an Investment in Our Common Shares

Our common shares are not listed on an exchange or quoted through a quotation system, and will not be for the foreseeable future, if ever. Therefore, shareholders will have limited liquidity and may not receive a full return of invested capital upon selling common shares.

Our common shares are illiquid assets for which there is not a secondary market and it is not expected that any will develop in the foreseeable future. There can be no assurance that we will complete a liquidity event. A liquidity event could include (1) a listing of our common shares on a national securities exchange, (2) the sale of all or substantially all of our assets either on a complete portfolio basis or individually followed by a liquidation or (3) a merger or another transaction approved by our board of trustees in which our shareholders likely will receive cash or shares of a publicly-traded company, including potentially a company that is an affiliate of us.

In addition, any shares repurchased pursuant to our share repurchase program may be purchased at a price which may reflect a discount from the purchase price a shareholder paid for the common shares being repurchased. If our common shares are listed, we cannot assure shareholders that a public trading market will develop. In addition, a liquidity event involving a listing of our common shares on a national securities exchange may include certain restrictions on the ability of shareholders to sell their common shares. Further, even if we do complete a liquidity event, shareholders may not receive a return of all of their invested capital.

See "Item 5. Market for Registrant's Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities—Share Repurchase Program and Distributions" for a detailed description of our share repurchase program.

We are not obligated to complete a liquidity event by a specified date; therefore, it will be difficult for an investor to sell his or her common shares.

A liquidity event could include (1) a listing of our common shares on a national securities exchange, (2) the sale of all or substantially all of our assets either on a complete portfolio basis or individually followed by a liquidation, or (3) a merger or another transaction approved by our board of trustees in which our shareholders likely will receive cash or shares of a publicly-traded company, including potentially a company that is an affiliate of us. However, there can be no assurance that we will complete a liquidity event by a specified date or at all. If we do not successfully complete a liquidity event, liquidity for an investor's common shares will be limited to our share repurchase program, which we have no obligation to maintain.

Only a limited number of common shares may be repurchased pursuant to our share repurchase program and, to the extent shareholders are able to sell their common shares under our share repurchase program, shareholders may not be able to recover the amount of their investment in those shares.

Our share repurchase program includes numerous restrictions that limit shareholders' ability to sell their common shares. We intend to limit the number of common shares repurchased pursuant to our share repurchase program as follows: (1) we currently intend to limit the number of common shares to be repurchased during any calendar year to the number of common shares we can repurchase with the proceeds we receive from the issuance of our common shares under our distribution reinvestment plan, although at the discretion of our board of trustees, we may also use cash on hand, cash available from borrowings and cash from the liquidation of securities investments as of the end of the applicable period to repurchase common shares; (2) we intend to limit the number of common shares to be repurchased in any calendar year to 10% of the weighted average number of common shares outstanding in the prior calendar year, or 2.5% in each calendar quarter (though the actual number of common shares that we offer to repurchase may be less in light of the limitations noted above); (3) unless shareholders tender all of their common shares, shareholders must tender at least 25% of the number of common shares they have purchased and generally must maintain a minimum balance of $5,000 subsequent to submitting a portion of their common shares for repurchase by us; and (4) to the extent that the number of common shares tendered for repurchase exceeds the number of common shares that we are able to repurchase, we will repurchase common shares on a pro rata basis, not on a first-come, first-served basis. Further, we will have no obligation to repurchase common shares if the repurchase would violate the restrictions on distributions under federal law or Delaware law, which prohibits distributions that would cause a trust to fail to meet statutory tests of solvency. Any of the foregoing limitations may prevent us from accommodating all repurchase requests made in any year.

In addition, our board of trustees may amend, suspend or terminate the share repurchase program upon 30 days' notice. We will notify shareholders of such developments (1) in our quarterly reports or (2) by means of a separate mailing to shareholders, accompanied by disclosure in a current or periodic report under the Exchange Act. In addition, although we have adopted a share repurchase program, we have discretion to not repurchase common shares, to suspend the share repurchase program and to cease repurchases. Further, the share repurchase program has many limitations and should not be relied upon as a method to sell common shares promptly or at a desired price.

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

We may fund distributions from the uninvested proceeds of our continuous public offering and borrowings, and we have not established limits on the amount of funds we may use from such sources to make any such distributions. We have paid and may continue to pay distributions from the sale of assets to the extent distributions exceed our earnings or cash flows from operations.

The timing of our repurchase offers pursuant to our share repurchase program may be at a time that is disadvantageous to our shareholders.

When we make quarterly repurchase offers pursuant to our share repurchase program, we may offer to repurchase common shares at a price that is lower than the price that investors paid for common shares in our offering. As a result, to the extent investors have the ability to sell their common shares to us as part of our share repurchase program, the price at which an investor may sell common shares may be lower than what an investor paid in connection with the purchase of common shares in our offering.

In addition, in the event an investor chooses to participate in our share repurchase program, the investor will be required to provide us with notice of intent to participate prior to knowing what the repurchase price will be on the repurchase date. Although an investor will have the ability to withdraw a repurchase request prior to the expiration date of such tender offer, to the extent an investor seeks to sell common shares to us as part of our share repurchase program, the investor will be required to do so without knowledge of what the repurchase price of our common shares will be on the repurchase date.

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

Our investors do not have preemptive rights to any common shares we issue in the future. Our declaration of trust authorizes us to issue 700,000,000 common shares. Pursuant to our declaration of trust, a majority of our entire board of trustees may amend our declaration of trust to increase the number of authorized common shares without shareholder approval. After an investor purchases common shares, our board of trustees may elect to sell additional common shares in the future, issue equity interests in private offerings or issue share-based awards to our independent trustees or employees of FS/EIG Advisor. To the extent we issue additional equity interests after an investor purchases our common shares, an investor's percentage ownership interest in us will be diluted. In addition, depending upon the terms and pricing of any additional offerings and the value of our investments, an investor may also experience dilution in the book value and fair value of their common shares.

Certain provisions of our declaration of trust and bylaws could deter takeover attempts and have an adverse impact on the value of our common shares.

Our declaration of trust and bylaws, as well as certain statutory and regulatory requirements, contain certain provisions that may have the effect of discouraging a third party from attempting to acquire us. Our board of trustees may, without shareholder action, authorize the issuance of shares in one or more classes or series, including preferred shares; and our board of trustees may, without shareholder action, amend our declaration of trust to increase the number of our common shares, of any class or series, that we have authority to issue. In addition, a trustee may be removed only by vote of at least two-thirds of the votes entitled to be cast. These anti-takeover provisions may inhibit a change of control in circumstances that could give the holders of our common shares the opportunity to realize a premium over the value of our common shares.

Item 1B. Unresolved Staff Comments.

Not applicable.

Item 2. Properties.

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

Item 3. Legal Proceedings.

We are not currently subject to any material legal proceedings, and, to our knowledge, no material legal proceedings are 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 any such proceedings will have a material effect upon our financial condition or results of operations.

Item 4. Mine Safety Disclosures.

Not applicable.

PART II

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

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

Market Information

There is currently no market for our common shares, and we do not expect that a market for our common shares will develop in the foreseeable future. In November 2016, we closed our continuous public offering of common shares to new investors. Following the closing of our continuous public offering, we have continued to issue shares pursuant to our distribution reinvestment plan.

Set forth below is a chart describing the classes of our securities outstanding as of April 9, 2020:

(1)	(2)	(3)	(4)
Title of Class	Amount Authorized	Amount Held by Us or for Our Account	Amount Outstanding Exclusive of Amount Under Column (3)
Common Shares	700,000,000	—	436,755,981

As of April 9, 2020, we had 85,468 record holders of our common shares.

Share Repurchase Program, De Minimis Account Liquidation and Distributions

We intend to continue to conduct quarterly tender offers pursuant to our share repurchase program.

The following table provides information concerning our repurchases of common shares pursuant to our share repurchase program and de minimis account liquidation during the quarter ended December 31, 2019:

Period	Total Number of Shares Purchased	Average Price Paid per Share	Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs	Maximum Number of Shares that May Yet Be Purchased Under the Plans or Programs
October 1 to October 31, 2019	4,733,773	$5.850	4,733,773	(1)
November 1 to November 30, 2019	—	—	—	—
December 1 to December 31, 2019	—	—	—	—
Total	4,733,773	$5.850	4,733,773	(1)

(1) The maximum number of common shares available for repurchase pursuant to our share repurchase program on October 1, 2019 was 10,974,088. A description of the maximum number of common shares that may be repurchased under our share repurchase program and a description of the de minimis account liquidation are set forth in Note 3 to our consolidated financial statements contained in this annual report on Form 10-K.

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

The following table reflects the cash distributions per share that we have declared and paid on our common shares during the years ended December 31, 2019, 2018 and 2017:

	Distribution	
For the Year Ended December 31,	**Per Share**	**Amount**
2017	$0.7085	$312,694
2018	$0.5000	$219,047
2019	$0.5000	$218,187

See “Item 7. Management’s Discussion and Analysis of Financial Condition and Results of Operations—RIC Tax Treatment and Distributions and Note 5 to our consolidated financial statements contained in this annual report on Form 10-K for additional information regarding our distributions and our distribution reinvestment plan, including certain related tax considerations as well as a detailed discussion of the expense reimbursement agreement, including amounts reimbursed to us by FS Investments thereunder and the repayment of such amounts to FS Investments.

Item 6. Selected Financial Data.

The following selected consolidated financial data for the years ended December 31, 2019, 2018, 2017, 2016 and 2015 is derived from our consolidated financial statements which have been audited by RSM US LLP, our independent registered public accounting firm. The data should be read in conjunction with "Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations" and our consolidated financial statements and notes thereto included elsewhere in this annual report on Form 10-K.

	Year Ended December 31,				
	2019	2018	2017	2016	2015
Statements of operations data:					
Investment income	$ 365,910	$ 333,978	$ 418,756	$ 369,740	$ 379,653
Operating expenses					
Total expenses	170,118	150,031	160,584	138,093	152,058
Less: Management fee offset	(5,992)	(1,276)	—	—	—
Less: Expense reimbursement from sponsor	—	—	(31,260)	—	—
Add: Expense reimbursement due to sponsor	—	—	2,858	—	—
Net expenses	164,126	148,755	132,182	138,093	152,058
Net investment income	201,784	185,223	286,574	231,647	227,595
Total net realized and unrealized gain (loss) on investments, swap contracts and foreign currency	(238,907)	(245,565)	(399,544)	520,937	(738,894)
Net increase (decrease) in net assets resulting from operations	$ (37,123)	$ (60,342)	$ (112,970)	$ 752,584	$ (511,299)
Per share data:[(1)]					
Net investment income – basic and diluted	$ 0.46	$ 0.42	$ 0.65	$ 0.57	$ 0.67
Net increase (decrease) in net assets resulting from operations – basic and diluted	$ (0.08)	$ (0.14)	$ (0.26)	$ 1.84	$ (1.51)
Distributions declared[(2)]	$ 0.50	$ 0.50	$ 0.71	$ 0.71	$ 0.71
Balance sheet data:					
Total assets	$3,674,784	$3,893,516	$4,316,431	$4,268,297	$3,498,105
Credit facilities, senior secured notes and repurchase agreement payable	$1,236,667	$1,131,667	$1,220,000	$ 873,665	$1,040,494
Total net assets	$2,379,605	$2,648,186	$2,966,042	$3,348,894	$2,417,861
Other data:					
Total return[(3)]	(1.83)%	(2.49)%	(3.65)%	29.53%	(17.34)%
Total return (without assuming reinvestment of distributions)[(3)]	(1.33)%	(2.11)%	(3.29)%	28.00%	(15.87)%
Number of portfolio company investments at year end	77	79	76	84	90
Total portfolio investments for the year	$1,240,325	$1,915,034	$1,861,618	$1,488,179	$1,195,947
Proceeds from sales and prepayments of investments	$1,313,072	$1,948,414	$1,431,648	$1,225,052	$ 800,534

(1) The per share data was derived by using the weighted average shares outstanding during the applicable year.

(2) The per share data for distributions reflects the actual amount of distributions paid per share during the applicable year.

(3) The total return for each year presented was calculated based on the change in net asset value during the applicable year, including the impact of distributions reinvested in accordance with our distribution reinvestment plan. The total return (without assuming reinvestment of distributions) for each year 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 which were declared during the applicable year and dividing the total by the net asset value per share at the beginning of the applicable year. The total returns do not consider the effect of any sales commissions or charges that may be incurred in connection with the sale of our common shares. The total returns include the effect of the issuance of shares at a net offering price that is greater than net asset value per share, which causes an increase in net asset value per share. The historical calculations of total returns in the table should not be considered representations of our future total returns, which may be greater or less than the returns shown in the table due to a number of factors, including our ability or inability to make investments in companies that meet our investment criteria, the interest rates payable on the debt securities we acquire, the level of our expenses, variations in and the timing of the recognition of realized and unrealized gains or losses, the degree to which we encounter competition in our markets and general economic conditions. As a result of these factors, results for any previous period should not be relied upon as being indicative of performance in future years. The total return calculations set forth above represent the total returns on our investment portfolio during the applicable year and do not represent an actual returns to shareholders.

Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations. (in thousands, except share and per share amounts)

The following discussion should be read in conjunction with our consolidated financial statements and the related notes thereto included elsewhere in this annual report on Form 10-K.

Forward-Looking Statements

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

- our future operating results;
- our business prospects and the prospects of the companies in which we may invest;
- the impact of the investments that we expect to make;
- the ability of our portfolio companies to achieve their objectives;
- our current and expected financing arrangements and investments;
- 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/EIG Advisor, FS Investments, EIG, 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/EIG Advisor to locate suitable investments for us and to monitor and administer our investments;
- the ability of FS/EIG Advisor or its affiliates to attract and retain highly talented professionals;
- our ability to maintain our qualification as a RIC and as a BDC;
- the impact on our business of the Dodd-Frank Act, as amended, and the rules and regulations issued thereunder;
- the effect of changes to tax legislation and our tax position; and
- the tax status of the enterprises in which we may invest.

In addition, words such as "anticipate," "believe," "expect" and "intend" indicate a forward-looking statement, although not all forward-looking statements include these words. The forward-looking statements contained in this annual report on Form 10-K involve risks and uncertainties. Our actual results could differ materially from those implied or expressed in the forward-looking statements for any reason, including the factors set forth in "Item 1A. Risk Factors." Other 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; and
- future changes in laws or regulations and conditions in our operating areas.

We have based the forward-looking statements included in this annual report on Form 10-K on information available to us on the date of this annual report on Form 10-K. Except as required by the federal securities laws, we undertake no obligation to revise or update any forward-looking statements, whether as a result of new information, future events or otherwise. Shareholders are advised to consult any additional disclosures that we may make directly to shareholders or through reports that we may file in the future with the SEC, including annual reports on Form 10-K, quarterly reports on Form 10-Q and current reports on Form 8-K. The forward-looking statements and projections contained in this annual report on Form 10-K are excluded from the safe harbor protection provided by Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended, or the Exchange Act.

Overview

We were formed as a Delaware statutory trust under the Delaware Statutory Trust Act on September 16, 2010 and formally commenced investment operations on July 18, 2011. 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. In November 2016, we closed our continuous public offering of common shares to new investors.

Our investment activities are managed by FS/EIG Advisor and supervised by our board of trustees, a majority of whom are independent. Under the FS/EIG investment advisory agreement, we have agreed to pay FS/EIG 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 FS Advisor until April 9, 2018 and thereafter have been managed by FS/EIG Advisor. FS Advisor previously engaged GSO Capital Partners LP, or GSO, to act as our investment sub-advisor. GSO resigned as our investment sub-advisor and terminated the investment sub-advisory agreement dated April 28, 2011, or the investment sub-advisory agreement, that FS Advisor had entered into with GSO, effective April 9, 2018.

Our investment policy is to invest, under normal circumstances, at least 80% of our total assets in securities of Energy companies. This investment policy may not be changed without at least 60 days' prior notice to holders of our common shares of any such change.

Our investment objective is to generate current income and long-term capital appreciation. We pursue our investment objective by focusing on the following seven investment themes: (i) basin-on-basin competition in U.S. shale, (ii) globalization of natural gas, (iii) coal retirements and the evolving energy generation mix, (iv) renewables focused on power grid parity, (v) export infrastructure for emerging U.S. producers, (vi) market liberalization opening new markets and (vii) midstream infrastructure connecting new supplies. However, we may pursue other investment opportunities if we believe it is in our best interests and consistent with our investment objectives.

Within the above investment themes, we 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: Through FS/EIG Advisor, we intend to directly source investment opportunities across the Energy industry. Such investments are typically originated and structured through a negotiated process in which we directly participate and are not generally available to the broader market. These investments may include both debt and equity components. We believe directly originated investments may offer higher returns and more favorable protections than broadly syndicated transactions.

Broadly Syndicated Loan and Bond Transactions: Although our primary focus is to invest in directly originated transactions, in certain circumstances we will also invest in the broadly syndicated loan and high yield bond 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 the case of broadly syndicated investments, we generally intend to capitalize on market inefficiencies by investing in loans, bonds, and other asset classes where the market price of such investment reflects a lower value than we believe is warranted based on our fundamental analysis, providing us with an opportunity to earn an attractive return on our investment.

Our portfolio is comprised primarily of income-oriented securities, which principally refers to debt securities and income-oriented preferred and common equity interests, of privately-held Energy companies within the United States. We expect to invest primarily in directly originated investments and primary market transactions, as this will provide us with the ability to tailor investments to best match a project's or company's needs with our investment objectives. We intend to weight our portfolio towards senior secured debt and directly originated preferred equity investments, which we believe offer opportunities for superior risk-adjusted returns and income generation. Our debt investments may take the form of corporate or project loans or bonds, may be secured or unsecured and may, in some cases, be accompanied by yield enhancements. These yield enhancements are typically expected to include royalty interests in mineral, oil and gas properties, warrants, options, net profits interests, cash flow participations or other forms of equity participation that can provide additional consideration or "upside" in a transaction. Our preferred equity investments are mostly directly originated and may take the form of perpetual or redeemable securities, typically with a current income component and minimum base returns. In addition, certain income-oriented preferred or common equity interests may include interests in master limited partnerships and a portion of our portfolio may be comprised of derivatives, including the use of total return swaps, credit default swaps and other commodity swap contracts. In connection with certain of our debt investments or any restructuring of these debt investments, we may on occasion receive equity interests, including warrants or options, as additional consideration or otherwise in connection with a restructuring. FS/EIG Advisor will seek to tailor our investment focus as market conditions evolve.

Revenues

The principal measure of our financial performance is net increase or decrease 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 realized gain or loss on swap contracts, net change in unrealized appreciation or depreciation on investments, net change in unrealized gain or loss on foreign currency investments and net change in unrealized gain or loss on swap contracts. 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 realized gain or loss on swap contracts is the portion of realized gain or loss attributable to the difference between the fixed price specified in the contract and the referenced settlement price. Net change in 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 change in 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. Net change in unrealized gain or loss on swap contracts is the net change in the value of receivables or accruals due to the impact of the difference between the fixed price specified in the contract and the referenced settlement price.

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

Expenses

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

FS/EIG 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/EIG 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 shareholders and reports filed with the SEC. In addition, FS/EIG 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 shareholders, and generally overseeing the payment of our expenses and the performance of administrative and professional services rendered to us by others.

We reimburse FS/EIG Advisor for expenses necessary to perform services related to our administration and operations, including FS/EIG Advisor's allocable portion of the compensation and related expenses of certain personnel of FS Investments and EIG providing administrative services to us on behalf of FS/EIG Advisor, and for transactional expenses for prospective investments, such as fees and expenses associated with performing due diligence reviews of investments that do not close, often referred to as "broken deal" costs. We reimburse FS/EIG Advisor no less than quarterly for all costs and expenses incurred by FS/EIG Advisor in performing its obligations and providing personnel under the FS/EIG investment advisory agreement. The amount of this reimbursement is set at the lesser of (1) FS/EIG Advisor's actual costs incurred in providing such services and (2) the amount that we estimate would be required to pay alternative service providers for comparable services in the same geographic location. FS/EIG Advisor allocates the cost of such services to us based on factors such as time allocations and other reasonable metrics. Our board of trustees reviews the methodology employed in determining how the expenses are allocated to us and 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 trustees 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 trustees compares the total amount paid to FS/EIG Advisor for such services as a percentage of our net assets to the same ratio as reported by other comparable BDCs. We do not reimburse FS/EIG Advisor for any services for which it receives a separate fee, or for rent, depreciation, utilities, capital equipment or other administrative items allocated to a controlling person of FS/EIG Advisor.

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

- corporate and organization expenses related to offerings of our common shares, subject to limitations included in the FS/EIG investment advisory agreement;
- the cost of calculating our net asset value, including the cost of any third-party pricing or valuation services;
- the cost of effecting sales and repurchases of our common shares and other securities;
- investment advisory fees;
- fees payable to third parties relating to, or associated with, making investments and valuing investments, including fees and expenses associated with performing due diligence reviews of prospective investments;
- interest payments on our debt or related obligations;
- transfer agent and custodial fees;
- research and market data (including news and quotation equipment and services, and any computer hardware and connectivity hardware (e.g. telephone and fiber optic lines) incorporated into the cost of obtaining such research and market data);
- fees and expenses associated with marketing efforts;
- federal and state registration fees;
- federal, state and local taxes;
- annual fees of the Delaware trustee;
- fees and expenses of our trustees not also serving in an executive officer capacity for us or FS/EIG Advisor;
- costs of proxy statements, shareholders' reports and notices and other filings;

- our fidelity bond, trustees and officers/errors and omissions liability insurance and other insurance premiums;
- direct costs such as printing, mailing, long distance telephone and staff;
- fees and expenses associated with accounting, corporate governance, government and regulatory affairs activities, independent audits and outside legal costs;
- costs associated with our reporting and compliance obligations under the 1940 Act and applicable federal and state securities laws, including compliance with the Sarbanes-Oxley Act;
- brokerage commissions for our investments;
- costs associated with our chief compliance officer; and
- all other expenses incurred by FS/EIG Advisor in connection with administering our business, including expenses incurred by FS/EIG Advisor in performing administrative services for us and administrative personnel paid by FS/EIG Advisor, to the extent they are not controlling persons of FS/EIG Advisor and our affiliates, subject to the limitations included in the FS/EIG investment advisory agreement.

In addition, we have contracted with State Street to provide various accounting and administrative services, including, but not limited to, preparing preliminary financial information for review by FS/EIG 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.

For information regarding our fee offset and historical expense reimbursement arrangements with FS Investments and FS/EIG Advisor, see Note 4 to our consolidated financial statements contained in this annual report on Form 10-K.

Portfolio Investment Activity for the Years Ended December 31, 2019 and 2018

Total Portfolio Activity

The following tables present certain selected information regarding our portfolio investment activity for the years ended December 31, 2019 and 2018:

	For the Year Ended December 31,	
Net Investment Activity	**2019**	**2018**
Purchases	$ 1,240,325	$ 1,915,034
Sales and Repayments	(1,313,072)	(1,948,414)
Net Portfolio Activity	$ (72,747)	$ (33,380)

	For the Year Ended December 31,			
	2019		2018	
New Investment Activity by Asset Class	**Purchases**	**Percentage**	**Purchases**	**Percentage**
Senior Secured Loans – First Lien	$ 677,674	55%	$ 743,640	39%
Senior Secured Loans – Second Lien	175,756	14%	128,292	7%
Senior Secured Bonds	66,393	5%	118,587	6%
Unsecured Debt	63,668	5%	368,741	19%
Preferred Equity	242,227	20%	415,370	22%
Equity/Other	14,607	1%	140,404	7%
Total	$1,240,325	100%	$1,915,034	100%

The following table summarizes the composition of our investment portfolio at cost and fair value as of December 31, 2019 and 2018:

	December 31, 2019			December 31, 2018		
	Amortized Cost[(1)]	Fair Value	Percentage of Portfolio	Amortized Cost[(1)]	Fair Value	Percentage of Portfolio
Senior Secured Loans – First Lien	$1,252,529	$1,134,571	33%	$1,231,279	$1,176,881	32%
Senior Secured Loans – Second Lien	752,528	564,813	16%	673,014	580,144	16%
Senior Secured Bonds	529,773	524,221	15%	497,970	491,916	13%
Unsecured Debt	398,233	323,220	9%	797,146	706,090	19%
Preferred Equity	711,883	721,842	21%	554,652	502,594	13%
Equity/Other	480,760	213,970	6%	494,442	264,327	7%
Total	$4,125,706	$3,482,637	100%	$4,248,503	$3,721,952	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 December 31, 2019 and 2018:

	December 31, 2019	December 31, 2018
Number of Portfolio Companies	77	79
% Variable Rate (based on fair value)	47.4%	39.0%
% Fixed Rate (based on fair value)	25.7%	40.4%
% Income Producing Preferred Equity and Equity/Other Investments (based on fair value)	20.3%	12.2%
% Non-Income Producing Preferred Equity and Equity/Other Investments (based on fair value)	6.6%	8.4%
Weighted Average Annual EBITDA of Portfolio Companies	$248,795	$202,135
Weighted Average Purchase Price of Debt Investments (as a % of par value)	96.1%	97.7%
% of Investments on Non-Accrual (based on fair value)	2.1%	1.9%
Gross Portfolio Yield Prior to Leverage (based on amortized cost)	8.1%	8.1%
Gross Portfolio Yield Prior to Leverage (based on amortized cost) – Excluding Non-Income Producing Assets	10.1%	10.1%

Based on our regular monthly cash distribution rate of $0.041667 per share as of December 31, 2019, and the price at which we issued shares pursuant to our distribution reinvestment plan of $5.50 per share, the annualized distribution rate to shareholders as of December 31, 2019 was 9.09%. Based on our monthly cash distribution rate of $0.041667 per share as of December 31, 2018, and the price at which we issued shares pursuant to our distribution reinvestment plan of $6.10 per share, the annualized distribution rate to shareholders as of December 31, 2018 was 8.20%. For the years ended December 31, 2019 and 2018, our total return was (1.83)% and (2.49)%, respectively, and our total return without assuming reinvestment of distributions was (1.33)% and (2.11)%, respectively. On February 7, 2020, our board of trustees reduced the regular monthly cash distribution amount to $0.020833 per share to be paid to shareholders of record for February 2020 and March 2020. Based on a distribution amount of $0.020833 per share, and the price at which we last issued shares pursuant to our distribution reinvestment plan of $3.70 per share, the annualized distribution rate to shareholders as of March 31, 2020 was 6.76%.

Our estimated gross portfolio yield and annualized distribution rate to shareholders do not represent actual investment returns to shareholders. Our gross annual portfolio yield and distribution rate to shareholders are subject to change and in the future may be greater or less than the rates set forth above. See "Item 1A. Risk Factors" for a discussion of the uncertainties, risks and assumptions associated with these statements.

Direct Originations

The following tables present certain selected information regarding our direct originations for the three months and year ended December 31, 2019:

New Direct Originations	For the Three Months Ended December 31, 2019	For the Year Ended December 31, 2019
Total Commitments (including unfunded commitments)	$ 124,487	$ 584,910
Exited Investments (including partial paydowns)	(397,284)	(520,751)
Net Direct Originations	$(272,797)	$ 64,159

New Direct Originations by Asset Class (including unfunded commitments)	For the Three Months Ended December 31, 2019		For the Year Ended December 31, 2019	
	Commitment Amount	Percentage	Commitment Amount	Percentage
Senior Secured Loans – First Lien	$ 66,255	53%	$244,624	42%
Senior Secured Loans – Second Lien	—	—	60,250	10%
Senior Secured Bonds	—	—	—	—
Unsecured Debt	3,409	3%	3,409	1%
Preferred Equity	52,170	42%	227,170	39%
Equity/Other	2,653	2%	49,457	8%
Total	$124,487	100%	$584,910	100%

	For the Three Months Ended December 31, 2019	For the Year Ended December 31, 2019
Average New Direct Origination Commitment Amount	$ 24,897	$ 36,557
Weighted Average Maturity for New Direct Originations	3/20/24	4/28/24
Gross Portfolio Yield Prior to Leverage (based on amortized cost) of New Direct Originations Funded during Period	11.9%	10.2%
Gross Portfolio Yield Prior to Leverage (based on amortized cost) of New Direct Originations Funded during Period – Excluding Non-Income Producing Assets	12.2%	11.2%
Gross Portfolio Yield Prior to Leverage (based on amortized cost) of Direct Originations Exited during Period	8.3%	7.6%

The following table presents certain selected information regarding our direct originations as of December 31, 2019 and 2018:

Characteristics of All Direct Originations held in Portfolio	December 31, 2019	December 31, 2018
Number of Portfolio Companies	49	47
Weighted Average Annual EBITDA of Portfolio Companies	$267,575	$190,915
Weighted Average Leverage Through Tranche of Portfolio Companies – Excluding Equity/Other Securities	4.7x	4.4x
% of Investments on Non-Accrual (based on fair value)	2.8%	2.7%
Gross Portfolio Yield Prior to Leverage (based on amortized cost) of Funded Direct Originations	8.0%	8.2%
Gross Portfolio Yield Prior to Leverage (based on amortized cost) of Funded Direct Originations – Excluding Non-Income Producing Assets	10.4%	10.9%

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 December 31, 2019 and 2018:

	December 31, 2019		December 31, 2018	
Portfolio Composition by Strategy	Fair Value	Percentage of Portfolio	Fair Value	Percentage of Portfolio
Direct Originations	$2,617,063	75%	$2,644,594	71%
Broadly Syndicated/Other	865,574	25%	1,077,358	29%
Total	$3,482,637	100%	$3,721,952	100%

See Note 7 to our consolidated financial statements contained in this annual report on Form 10-K for additional information regarding our investment portfolio.

Portfolio Asset Quality

In addition to various risk management and monitoring tools, FS/EIG Advisor uses, and FS Advisor historically used, an investment rating system to characterize and monitor the expected level of returns on each investment in our portfolio. FS/EIG Advisor uses, and FS 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 December 31, 2019 and 2018:

	December 31, 2019		December 31, 2018	
Investment Rating	Fair Value	Percentage of Portfolio	Fair Value	Percentage of Portfolio
1	$ —	—	$ —	—
2	2,115,875	61%	3,143,439	84%
3	805,934	23%	446,877	12%
4	206,535	6%	—	—
5	354,293	10%	131,636	4%
	$3,482,637	100%	$3,721,952	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 Years Ended December 31, 2019, 2018 and 2017

Revenues

Our investment income for the years ended December 31, 2019, 2018 and 2017 was as follows:

	Years Ended December 31,					
	2019		2018		2017	
	Amount	Percentage of Total Income	Amount	Percentage of Total Income	Amount	Percentage of Total Income
Interest income	$322,641	88%	$305,891	92%	$344,600	82%
Paid-in-kind interest income	35,302	10%	10,163	3%	32,981	8%
Fee income	7,688	2%	17,736	5%	41,175	10%
Dividend income	279	0%	188	0%	—	—
Total investment income(1)	$365,910	100%	$333,978	100%	$418,756	100%

(1) Such revenues represent $301,214, $309,907 and $366,567 of cash income earned as well as $64,696, $24,071 and $52,189 in non-cash portions relating to accretion of discount and PIK interest for the years ended December 31, 2019, 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. We expect the dollar amount of interest income that we earn to increase as both the interest rates attributed to the investments within our investment portfolio and the proportion of directly originated investments in our investment portfolio increases. The increase in the amount of interest income and PIK income for the year ended December 31, 2019, compared to the year ended December 31, 2018 was primarily due to a combination of factors including an increase in the size of our directly originated investments and structured preferred equity investments in addition to higher yields in certain of our investments. The decrease in the amount of interest income for the year ended December 31, 2018, compared to the year ended December 31, 2017 was primarily due to a temporary decrease in the size of our investment portfolio primarily as a result of our repayment of certain leverage facilities.

Fee income is transaction based, and typically consists of prepayment fees and structuring fees. As such, future 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 the amount of fee income for the year ended December 31, 2019 compared to the year and ended December 31, 2018, and for the year ended December 31, 2018 compared to the year ended December 31, 2017 was primarily due to the decrease of structuring and prepayment activity during the period.

Expenses

Our operating expenses for the years ended December 31, 2019, 2018 and 2017 were as follows:

	Year Ended December 31,		
	2019	2018	2017
Management fees	$ 68,526	$ 70,075	$ 88,938
Subordinated income incentive fees	—	—	10,499
Administrative services expenses	4,760	3,717	2,829
Share transfer agent fees	2,748	2,608	2,723
Accounting and administrative fees	1,106	1,318	1,608
Interest expense	88,364	66,681	49,286
Trustees' fees	762	1,004	996
Expenses associated with our independent audit and related fees	444	411	524
Legal fees	438	599	477
Printing fees	1,018	954	1,417
Insurance expense	99	132	186
Other	1,853	2,532	1,101
Total operating Expenses	170,118	150,031	160,584
Less: Management fee offset	(5,992)	(1,276)	—
Less: Expense reimbursement from sponsor	—	—	(31,260)
Add: Expense reimbursement due to sponsor	—	—	2,858
Net operating expenses	$164,126	$148,755	$132,182

The following table reflects selected expense ratios as a percent of average net assets for the years ended December 31, 2019, 2018 and 2017:

	Year Ended December 31,		
	2019	2018	2017
Ratio of operating expenses to average net assets	6.54%	5.19%	4.94%
Ratio of management fee offset and expense reimbursement to (from) sponsor to average net assets	(0.23)%	(0.05)%	(0.87)%
Ratio of net operating expenses to average net assets	6.31%	5.14%	4.07%
Less: Ratio of income incentive fees and interest expense to average net assets(1)	3.40%	2.30%	1.84%
Ratio of net operating expenses, excluding certain expenses, to average net assets	2.91%	2.84%	2.23%

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

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

Management Fee Offset

During the years ended December 31, 2019 and 2018, $5,992 and $1,276, respectively, of structuring or other upfront fees received by FS/EIG Advisor were offset against management fees due to FS/EIG Advisor from us. See Note 4 to our consolidated financial statements contained in this annual report on Form 10-K for a discussion of the management fee offset for the years ended December 31, 2019 and 2018.

Expense Reimbursement

During the year ended December 31, 2017, we accrued $31,260 for expense reimbursements that FS Investments agreed to pay. Under the expense reimbursement agreement, amounts reimbursed to us by FS Investments may become subject to repayment by us in the future. During the year ended December 31, 2017, we accrued and paid $2,858 of expense recoupments to FS Advisor or its affiliates. See Note 4 to our consolidated financial statements contained in this annual report on Form 10-K for a discussion of the expense reimbursement agreement and the FS/EIG expense reimbursement agreement, each of which has been terminated.

Net Investment Income

Our net investment income totaled $201,784 ($0.46 per share), $185,223 ($0.42 per share) and $286,574 ($0.65 per share) for the years ended December 31, 2019, 2018 and 2017, respectively.

Net Realized Gains or Losses

Our net realized gains (losses) on investments, swap contracts and foreign currency for the years ended December 31, 2019, 2018 and 2017 were as follows:

	Year Ended December 31,		
	2019	2018	2017
Net realized gain (loss) on investments[(1)]	$(114,746)	$(100,914)	$(91,083)
Net realized gain (loss) on swap contracts	5,453	1,165	—
Net realized gain (loss) on foreign currency	—	—	1
Total net realized gain (loss)	$(109,293)	$ (99,749)	$(91,082)

(1) We sold investments and received principal repayments of $882,557 and $430,515, respectively, during the year ended December 31, 2019, $1,401,163 and $547,251, respectively, during the year ended December 31, 2018 and $710,040 and $721,608, respectively, during the year ended December 31, 2017.

Net Change in Unrealized Appreciation (Depreciation) on Investments and Swap Contracts and Unrealized Gain (Loss) on Foreign Currency

Our net change in unrealized appreciation (depreciation) on investments, swap contracts and foreign currency for the years ended December 31, 2019, 2018 and 2017 were as follows:

	Year Ended December 31,		
	2019	2018	2017
Net change in unrealized appreciation (depreciation) on investments	$(116,518)	$(165,490)	$(308,513)
Net change in unrealized appreciation (depreciation) on swap contracts	(13,103)	19,654	—
Net change in unrealized appreciation (depreciation) on foreign currency	7	20	51
Total net change in unrealized appreciation (depreciation)	$(129,614)	$(145,816)	$(308,462)

During the year ended December 31, 2019, the net change in unrealized appreciation (depreciation) on our investments was primarily driven by the decline in Energy markets and performance of certain upstream and common equity investments. During the year ended December 31, 2018, the net change in unrealized appreciation (depreciation) on our investments was primarily driven by the decline in Energy markets in the fourth quarter and performance of our directly originated investments. During the year ended December 31, 2017, the net change in unrealized appreciation (depreciation) on our investments was primarily driven by the performance of our directly originated investments.

Net Increase (Decrease) in Net Assets Resulting from Operations

For the years ended December 31, 2019, 2018 and 2017, the net increase (decrease) in net assets resulting from operations was $(37,123) ($(0.08) per share), $(60,342) ($(0.14) per share) and $(112,970) ($(0.26) per share), respectively.

Financial Condition, Liquidity and Capital Resources

Overview

As of December 31, 2019, we had $149,752 in unrestricted cash, which we or our wholly-owned financing subsidiaries held in custodial accounts, and $433,333 in borrowings available under our financing arrangements, subject to borrowing base and other limitations. As of December 31, 2019, we also had broadly syndicated investments that could be sold to create additional liquidity. As of December 31, 2019, we had nine senior secured loan investments with aggregate unfunded commitments of $75,494 and two preferred equity investments with aggregate unfunded commitments of $10,927. We maintain sufficient cash on hand, available borrowings and liquid securities to fund such unfunded commitments should the need arise.

We generate cash primarily from the issuance of shares under our distribution reinvestment plan and 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/EIG Advisor, but unless and until we elect otherwise, as permitted by the 1940 Act, 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 net proceeds from the issuance of shares under our distribution reinvestment plan as well as from sales and paydowns of existing 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 a summary of information with respect to our outstanding financing arrangements as of December 31, 2019:

Arrangement[(1)]	Type of Arrangement	Rate	Amount Outstanding	Amount Available	Maturity Date
Goldman Facility	Term	L+3.20%	$ 425,000	$ 50,000	December 2, 2022
JPMorgan Facility	Revolving/Term	L+2.75%	311,667	383,333	February 16, 2023
Senior Secured Notes[(2)]	Bond	7.50%	500,000	—	August 15, 2023
Total			$1,236,667	$433,333	

(1) The carrying amount outstanding under the facility approximates its fair value, unless otherwise noted.

(2) As of December 31, 2019, the fair value of the Senior Secured Notes was approximately $507,500.

For additional information regarding our financing arrangements, see Note 9 to our consolidated financial statements contained in this annual report on Form 10-K.

RIC Tax Treatment and Distributions

We have elected to be treated for U.S. federal income tax purposes, and intend to qualify annually, as a RIC under Subchapter M of the Code. As a RIC, we generally do not have to pay corporate-level U.S. federal income taxes on any ordinary income or capital gains that we distribute as dividends to our shareholders. To maintain our qualification as a RIC, we must, among other things, meet certain source-of-income and asset diversification requirements. In addition, in order to maintain RIC tax treatment, we must distribute to our shareholders, for each tax year, dividends generally of an amount at least equal to 90% of our "investment company taxable income," which is generally the sum of our net ordinary income plus the excess, if any, of realized net short-term capital gains over realized net long-term capital losses, determined without regard to any deduction for dividends paid. In addition, we may, in certain cases, satisfy the Annual Distribution Requirement by distributing dividends relating to a tax year after the close of such tax year under the "spillover dividend" provisions of Subchapter M of the Code. If we distribute a spillover dividend, such dividend will be included in a shareholder's gross income for the tax year in which the spillover distribution is paid. We intend to make sufficient distributions to our shareholders to maintain our RIC tax treatment each tax year. We will also be subject to nondeductible U.S. federal excise taxes on certain undistributed income unless we distribute in a timely manner to our shareholders of an amount at least equal to the sum of (1) 98% of our net ordinary taxable 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 over capital losses (adjusted for certain ordinary losses), for the one-year period ending October 31 of that calendar year and (3) any 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 our shareholders 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. shareholders, on December 31 of the calendar year in which the distribution was declared.

Prior to the closing of our continuous public offering in November 2016, we declared regular cash distributions on a weekly basis, and paid such distributions on a monthly basis. Effective November 30, 2016, and subject to applicable legal restrictions and the sole discretion of our board of trustees, we intend to declare regular cash distributions on a quarterly basis and pay such distributions on a monthly basis. We will calculate each shareholder's specific distribution amount for the period using record and declaration dates and each shareholder's distributions will begin to accrue on the date that common shares are issued to such shareholder. From time to time, we may also pay special interim distributions in the form of cash or common shares at the discretion of our board of trustees. The timing and amount of any future distributions to shareholders are subject to applicable legal restrictions and the sole discretion of our board of trustees.

During certain periods, our distributions may exceed our earnings. As a result, it is possible that a portion of the distributions we make will represent a return of capital. A return of capital generally is a return of an investor's investment rather than a return of earnings or gains derived from our investment activities and will be made after deducting the fees and expenses payable in connection with our continuous public offering, including any fees payable to FS/EIG Advisor. Moreover, a return of capital will generally not be taxable, but will reduce each shareholder's cost basis in our common shares, and will result in a higher reported capital gain or lower reported capital loss when the common shares on which such return of capital was received are sold. Each year a statement on Form 1099-DIV identifying the sources of the distributions will be mailed to our shareholders.

We intend to continue to make our regular distributions in the form of cash, out of assets legally available for distribution, unless shareholders elect to receive their cash distributions in additional common shares under our distribution reinvestment plan. Any distributions reinvested under the plan will nevertheless remain taxable to a U.S. shareholder.

The following table reflects the cash distributions per share that we have declared and paid on our common shares during the years ended December 31, 2019, 2018 and 2017:

	Distribution	
For the Year Ended December 31,	**Per Share**	**Amount**
2017	$0.7085	$312,694
2018	$0.5000	$219,047
2019	$0.5000	$218,187

See Note 5 to our consolidated financial statements contained in this annual report on Form 10-K for additional information regarding our distributions, including a reconciliation of our GAAP-basis net investment income to our tax-basis net investment income, the components of accumulated earnings on a tax basis and deferred taxes.

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

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

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

- our quarterly fair valuation process begins with FS/EIG Advisor reviewing and documenting preliminary valuations of each portfolio company or investment;

- such preliminary valuations for each portfolio company or investment are compared to a valuation range that is obtained from an independent third-party valuation service;
- FS/EIG Advisor then provides the valuation committee of our board of trustees, or the valuation committee, its valuation recommendation for each portfolio company or investment, along with supporting materials;
- preliminary valuations are then discussed with the valuation committee;
- the valuation committee reviews the preliminary valuations and FS/EIG Advisor, together with our independent third-party valuation services, if applicable, supplements the preliminary valuations to reflect any comments provided by the valuation committee;
- following its review, the valuation committee will recommend that our board of trustees approve our fair valuations; and
- our board of trustees 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/EIG 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 trustees may use any approved independent third-party pricing or valuation services. However, our board of trustees 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/EIG Advisor or any approved independent third-party valuation or pricing service that our board of trustees deems to be reliable in determining fair value under the circumstances. Below is a description of factors that FS/EIG Advisor, any approved independent third-party valuation services and our board of trustees 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 portfolio company 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 trustees, 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/EIG Advisor, any approved independent third-party valuation services and our board of trustees 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/EIG Advisor, any approved independent third-party valuation services and our board of trustees 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 trustees, in consultation with FS/EIG Advisor and any approved independent third-party valuation services, if applicable, may consider relevant in assessing fair value.

Generally, the value of our equity interests in public companies for which market quotations are readily available is based upon the most recent closing public market price. Portfolio securities that carry certain restrictions on sale are typically valued at a discount from the public market value of the security.

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

Swap contracts typically will be valued at their daily prices obtained from an independent third party. The aggregate settlement values and notional amounts of the swap contracts will not be recorded in the statements of assets and liabilities. Fluctuations in the value of the swap contracts will be recorded in the statements of assets and liabilities as gross assets and gross liabilities and in the statements of operations as unrealized appreciation (depreciation) until closed, when they will be recorded as net realized gain (loss).

The fair values of our investments are determined in good faith by our board of trustees. Our board of trustees is solely 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 trustees has delegated day-to-day responsibility for implementing our valuation policy to FS/EIG Advisor, and has authorized FS/EIG Advisor to utilize independent third-party valuation and pricing services that have been approved by our board of trustees. The valuation committee is responsible for overseeing FS/EIG Advisor's implementation of the valuation process.

See Note 8 to our consolidated financial statements contained in this annual report on Form 10-K for additional information regarding the fair value of our financial instruments.

Revenue Recognition

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

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

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 and the respective unrealized gain or loss on foreign currency for any foreign denominated investments we may hold. Net change in unrealized gains or losses on foreign currency reflects the change in the value of foreign currency held, receivables or accruals during the reporting period due to the impact of foreign currency fluctuations.

Swap Contracts

We enter into swap contracts to economically hedge against the variability in cash flows associated with the sale of future crude oil and natural gas production. While the use of these derivative instruments limits the downside risk of adverse price movements, their use also limits future revenues from upward price movements. Our fixed price swaps are settled monthly based on differences between the fixed price specified in the contract and the referenced settlement price. When the referenced settlement price is less than the price specified in the contract, we receive an amount from the counterparty based on the price difference multiplied by the volume. Similarly, when the referenced settlement price exceeds the price specified in the contract, we pay the counterparty an amount based on the price difference multiplied by the volume.

Uncertainty in Income Taxes

We evaluate our tax positions to determine if the tax positions taken meet the minimum recognition threshold in connection with accounting for uncertainties in income tax positions taken or expected to be taken for the purposes of measuring and recognizing tax benefits or liabilities in our consolidated financial statements. Recognition of a tax benefit or liability with respect to an uncertain tax position is required only when the position is "more likely than not" to be sustained assuming examination by taxing authorities. We recognize interest and penalties, if any, related to unrecognized tax liabilities as income tax expense in our consolidated statements of operations. During the years ended December 31, 2019, 2018 and 2017, we did not incur any interest or penalties.

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

Contractual Obligations

We have entered into an agreement with FS/EIG Advisor to provide us with investment advisory and administrative services. Payments for investment advisory services under the FS/EIG investment advisory agreement are equal to 1.75% of the average weekly value of our gross assets and an incentive fee based on our performance. Base management fees are paid on a quarterly basis in arrears. FS/EIG Advisor agreed to waive incentive fees on income for the period of twelve months ended December 31, 2018. See Note 4 to our consolidated financial statements contained in this annual report on Form 10-K for a discussion of this agreement and for the amount of fees and expenses accrued under these agreements during the years ended December 31, 2019, 2018 and 2017.

A summary of our significant contractual payment obligations for the repayment of outstanding indebtedness at December 31, 2019 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
Goldman Facility(2)	December 2, 2022	$425,000	—	$425,000	—	—
JPMorgan Facility(3)	February 16, 2023	$311,667	—	—	$311,667	—
Senior Secured Notes(4)	August 15, 2023	$500,000	—	—	$500,000	—

(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 December 31, 2019, $50,000 remained unused under the financing arrangement.

(3) At December 31, 2019, $383,333 remained unused under the financing arrangement.

(4) At December 31, 2019, no amounts remained unused under the financing arrangement.

Off-Balance Sheet Arrangements

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

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

We are subject to financial market risks, including changes in interest rates. As of December 31, 2019, 47.4% of our portfolio investments (based on fair value) paid variable interest rates, 25.7% paid fixed interest rates, 20.3% were income producing preferred equity and equity/other investments and the remainder (6.6%) consisted of non-income producing preferred equity and equity/other investments. A rise in the general level of interest rates can be expected to lead to higher interest rates applicable to the variable rate investments we hold and to declines in the value of any fixed rate investments we hold. However, many of our variable rate investments provide for an interest rate floor, which may prevent our interest income from increasing until benchmark interest rates increase beyond a threshold amount. To the extent that a substantial portion of our investments may be in variable rate investments, an increase in interest rates beyond this threshold would make it easier for us to meet or exceed the hurdle rate applicable to the 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/EIG Advisor with respect to our increased pre-incentive fee net investment income.

Pursuant to the terms of each credit facility and financing arrangement, all credit facilities and financing arrangements, with the exception of the Senior Secured Notes, borrow at a floating rate based on a benchmark interest rate. Under the indenture governing the Senior Secured 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 borrowing arrangements in effect as of December 31, 2019 (dollar amounts are presented in thousands):

Basis Point Change in Interest Rates	Increase (Decrease) in Interest Income	Increase (Decrease) in Interest Expense	Increase (Decrease) in Net Interest Income	Percentage Change in Net Interest Income
Down 100 basis points	$(13,726)	$ (7,857)	$ (5,869)	(2.3)%
No Change	—	—	—	—
Up 100 basis points	$ 16,535	$ 7,857	$ 8,678	3.5%
Up 300 basis points	$ 50,324	$23,570	$26,754	10.7%
Up 500 basis points	$ 84,113	$39,283	$44,830	17.9%

We expect that our long-term investments will be financed primarily with equity and debt. If deemed prudent, we may use interest rate risk management techniques in an effort to minimize our exposure to interest rate fluctuations. These techniques may include various interest rate hedging activities to the extent permitted by the 1940 Act. Adverse developments resulting from changes in interest rates or hedging transactions could have a material adverse effect on our business, financial condition and results of operations. During the years ended December 31, 2019, 2018 and 2017, we did not engage in interest rate hedging activities.

In addition, we may have risks regarding portfolio valuation and the potential inability of counterparties to meet the terms of their contracts. See "Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations—Critical Accounting Policies—Valuation of Portfolio Investments."

Item 8. Financial Statements and Supplementary Data.

Index to Financial Statements

MANAGEMENT'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING

Our management is responsible for establishing and maintaining adequate internal control over financial reporting. In connection with the preparation of our annual financial statements, management has conducted an assessment of the effectiveness of our internal control over financial reporting based on the framework set forth in *Internal Control—Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission in 2013. Management's assessment included an evaluation of the design of our internal control over financial reporting and testing of the operational effectiveness of those controls. Based on this evaluation, we have concluded that, as of December 31, 2019, our internal control over financial reporting was effective to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with U.S. generally accepted accounting principles. Our internal control over financial reporting as of December 31, 2019 has been audited by our independent registered public accounting firm.

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Trustees and Shareholders of
FS Energy and Power Fund
Philadelphia, Pennsylvania

Opinion on the Internal Control Over Financial Reporting

We have audited FS Energy and Power Fund's (the Company) internal control over financial reporting as of December 31, 2019, based on criteria established in *Internal Control—Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission in 2013. In our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of December 31, 2019, based on criteria established in *Internal Control-Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission in 2013.

We have also audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (PCAOB), the consolidated balance sheets, including the consolidated schedules of investments, of FS Energy and Power Fund as of December 31, 2019 and 2018, and the related consolidated statements of operations, changes in net assets and cash flows for each of the three years in the period ended December 31, 2019 and our report dated April 9, 2020 expressed an unqualified opinion.

Basis for Opinion

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

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

Definition and Limitations of Internal Control Over Financial Reporting

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

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

/s/ RSM US LLP

Blue Bell, Pennsylvania
April 9, 2020

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Trustees and Shareholders of
FS Energy and Power Fund
Philadelphia, Pennsylvania

Opinion on the Financial Statements

We have audited the accompanying consolidated balance sheets, including the consolidated schedules of investments, of FS Energy and Power Fund (the Company) as of December 31, 2019 and 2018, and the related consolidated statements of operations, changes in net assets and cash flows for each of the three years in the period ended December 31, 2019, and the related notes to the consolidated financial statements (collectively, the financial statements). In our opinion, the financial statements present fairly, in all material respects, the financial position of FS Energy and Power Fund as of December 31, 2019 and 2018, and the results of its operations and its cash flows for each of the three years in the period ended December 31, 2019 in conformity with accounting principles generally accepted in the United States of America.

We have also audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (PCAOB), FS Energy and Power Fund's internal control over financial reporting as of December 31, 2019, based on criteria established in *Internal Control—Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission in 2013, and our report dated April 9, 2020 expressed an unqualified opinion on the effectiveness of the Company's internal control over financial reporting.

Basis for Opinion

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

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether due to error or fraud. Our audits included performing procedures to assess the risks of material misstatement of the financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements. Our procedures included confirmation of securities owned as of December 31, 2019 and 2018 by correspondence with the custodians and brokers or by other appropriate auditing procedures where replies from brokers were not received. We believe that our audits provide a reasonable basis for our opinion.

/s/ RSM US LLP

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

Blue Bell, Pennsylvania
April 9, 2020

FS Energy and Power Fund

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

	December 31, 2019	December 31, 2018
Assets		
Investments, at fair value		
Non-controlled/unaffiliated investments (amortized cost—$3,399,611 and $3,339,313, respectively)	$ 3,108,039	$ 3,099,252
Non-controlled/affiliated investments (amortized cost—$698,631 and $881,726, respectively)	374,598	622,700
Controlled/affiliated investments (amortized cost—$27,464 and $27,464, respectively)	—	—
Total investments, at fair value (amortized cost—$4,125,706 and $4,248,503 respectively)	3,482,637	3,721,952
Cash	149,752	97,839
Restricted cash	667	667
Receivable for investments sold and repaid	729	15,974
Swap income receivable	395	854
Unrealized appreciation on swap contracts	6,831	20,521
Interest receivable	33,507	33,339
Prepaid expenses and other assets	266	2,370
Total assets	$ 3,674,784	$ 3,893,516
Liabilities		
Payable for investments purchased	$ 28,518	$ 91,894
Credit facilities payable (net of deferred financing costs of $6,370 and $6,465, respectively)[1]	730,297	625,202
Secured note payable (net of deferred financing costs of $7,344 and $9,146, respectively)[1]	485,313	481,485
Shareholder distributions payable	10,240	9,036
Management fees payable	15,582	16,406
Administrative services expenses payable	507	498
Interest payable	16,567	16,228
Swap income payable	—	225
Unrealized depreciation on swap contracts	280	867
Trustees' fees payable	192	183
Other accrued expenses and liabilities	7,683	3,306
Total Liabilities	1,295,179	1,245,330
Commitments and contingencies ($28,104 and $28,104, respectively)[2]		
Shareholders' equity		
Preferred shares, $0.001 par value, 50,000,000 shares authorized, none issued and outstanding	—	—
Common shares, $0.001 par value, 700,000,000 shares authorized, 438,477,007 and 440,451,167 shares issued and outstanding, respectively	438	440
Capital in excess of par value	3,610,533	3,746,792
Accumulated earnings (deficit)	(1,231,366)	(1,099,046)
Total shareholders' equity	2,379,605	2,648,186
Total liabilities and shareholders' equity	$ 3,674,784	$ 3,893,516
Net asset value per common share at year end	$ 5.43	$ 6.01

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

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

See notes to consolidated financial statements.

FS Energy and Power Fund

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

	Year Ended December 31, 2019	2018	2017
Investment income			
From non-controlled/unaffiliated investments:			
Interest income	$ 292,728	$ 258,862	$ 272,881
Paid-in-kind interest income	34,228	7,878	21,463
Fee income	3,031	15,645	40,519
Dividend income	279	188	—
From non-controlled/affiliated investments:			
Interest income	29,913	47,029	71,719
Paid-in-kind interest income	1,074	2,285	11,518
Fee income	4,657	2,091	656
Total investment income	365,910	333,978	418,756
Operating expenses			
Management fees	68,526	70,075	88,938
Subordinated income incentive fees[1]	—	—	10,499
Administrative services expenses	4,760	3,717	2,829
Share transfer agent fees	2,748	2,608	2,723
Accounting and administrative fees	1,106	1,318	1,608
Interest expense[2]	88,364	66,681	49,286
Trustees' fees	762	1,004	996
Other general and administrative expenses	3,852	4,628	3,705
Total operating expenses	170,118	150,031	160,584
Less: Management fee offset[3]	(5,992)	(1,276)	—
Less: Expense reimbursement from sponsor[4]	—	—	(31,260)
Add: Expense reimbursement due to sponsor[4]	—	—	2,858
Net expenses	164,126	148,755	132,182
Net investment income	201,784	185,223	286,574
Realized and unrealized gain/loss			
Net realized gain (loss) on investments:			
Non-controlled/unaffiliated	(121,361)	(94,085)	(88,725)
Non-controlled/affiliated	6,615	(6,829)	(2,358)
Net realized gain (loss) on swap contracts	5,453	1,165	—
Net realized gain (loss) on foreign currency	—	—	1
Net change in unrealized appreciation (depreciation) on investments:			
Non-controlled/unaffiliated	(51,511)	(30,914)	(88,210)
Non-controlled/affiliated	(65,007)	(134,576)	(218,472)
Controlled/affiliated	—	—	(1,831)
Net change in unrealized appreciation (depreciation) on swap contracts	(13,103)	19,654	—
Net change in unrealized gain (loss) on foreign currency	7	20	51
Total net realized and unrealized gain (loss)	(238,907)	(245,565)	(399,544)
Net increase (decrease) in net assets resulting from operations	$ (37,123)	$ (60,342)	$ (112,970)
Per share information—basic and diluted			
Net increase (decrease) in net assets resulting from operations (Earnings per Share)	$ (0.08)	$ (0.14)	$ (0.26)
Weighted average shares outstanding	437,167,745	438,963,491	442,570,942

(1) See Note 2 and Note 4 for a discussion of the methodology employed by the Company in calculating the subordinated income incentive fees.

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

(3) See Note 4 for a discussion of the offset by FS/EIG Advisor, LLC, the Company's investment adviser, of certain management fees to which it was otherwise entitled during the applicable period.

(4) See Note 4 for a discussion of expense reimbursements paid to the Company by its former investment adviser and affiliates and recoupment of such amounts paid by the Company to its former investment adviser and affiliates.

See notes to consolidated financial statements.

FS Energy and Power Fund

Consolidated Statements of Changes in Net Assets
(in thousands)

	Year Ended December 31,		
	2019	2018	2017
Operations			
Net investment income	$ 201,784	$ 185,223	$ 286,574
Net realized gain (loss) on investments, swap contracts and foreign currency	(109,293)	(99,749)	(91,082)
Net change in unrealized appreciation (depreciation) on investments	(116,518)	(165,490)	(308,513)
Net change in unrealized appreciation (depreciation) on swap contracts	(13,103)	19,654	—
Net change in unrealized gain (loss) on foreign currency	7	20	51
Net increase (decrease) in net assets resulting from operations	(37,123)	(60,342)	(112,970)
Shareholder distributions[(1)]			
Distributions to shareholders	(218,187)	(219,047)	(311,103)
Distributions representing return of capital	—	—	(1,591)
Net decrease in net assets resulting from shareholder distributions	(218,187)	(219,047)	(312,694)
Capital share transactions[(2)]			
Reinvestment of shareholder distributions	101,727	118,191	186,471
Repurchases of common shares	(114,998)	(156,658)	(143,659)
Net increase (decrease) in net assets resulting from capital share transactions	(13,271)	(38,467)	42,812
Total increase (decrease) in net assets	(268,581)	(317,856)	(382,852)
Net assets at beginning of year	2,648,186	2,966,042	3,348,894
Net assets at end of year	$2,379,605	$2,648,186	$2,966,042

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

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

See notes to consolidated financial statements.

FS Energy and Power Fund

Consolidated Statements of Cash Flows
(in thousands)

	Year Ended December 31,		
	2019	2018	2017
Cash flows from operating activities			
Net increase (decrease) in net assets resulting from operations	$ (37,123)	$ (60,342)	$ (112,970)
Adjustments to reconcile net increase (decrease) in net assets resulting from operations to net cash provided by (used in) operating activities:			
Purchases of investments	(1,111,384)	(1,768,663)	(1,757,630)
Paid-in-kind interest	(35,302)	(10,163)	(32,981)
Proceeds from sales and repayments of investments	1,184,131	1,802,043	1,327,660
Net realized (gain) loss on investments	114,746	100,914	91,083
Net change in unrealized (appreciation) depreciation on investments	116,518	165,490	308,513
Net change in unrealized (appreciation) depreciation on swap contracts	13,103	(19,654)	—
Accretion of discount	(29,394)	(14,868)	(22,910)
Amortization of deferred financing costs and discount	6,123	4,217	3,689
(Increase) decrease in receivable for investments sold and repaid	15,245	50,363	(66,315)
(Increase) decrease in interest receivable	(168)	17,954	(13,436)
(Increase) decrease in expense reimbursement due from sponsor[1]	—	5,945	(5,945)
(Increase) decrease in swap income receivable	459	(854)	—
(Increase) decrease in prepaid expenses and other assets	2,104	(2,315)	(40)
Increase (decrease) in payable for investments purchased	(63,376)	3,861	81,987
Increase (decrease) in management fees payable	(824)	(5,428)	979
Increase (decrease) in administrative services expense payable	9	137	(1,116)
Increase (decrease) in swap income payable	(225)	225	—
Increase (decrease) in interest payable[2]	339	10,195	1,705
Increase (decrease) in trustees' fees payable	9	(69)	2
Increase (decrease) in other accrued expenses and liabilities	4,377	(1,515)	377
Net cash provided by (used in) operating activities	179,367	277,473	(197,348)
Cash flows from financing activities			
Repurchases of common shares	(114,998)	(156,658)	(143,659)
Shareholder distributions paid	(115,256)	(102,758)	(124,759)
Borrowings under credit facilities[2]	580,000	321,667	878,263
Borrowings under secured notes[2]	—	489,865	—
Repayments of credit facilities[2]	(475,000)	(910,000)	(206,928)
Repayments of repurchase facility[2]	—	—	(325,000)
Deferred financing costs paid	(2,200)	(16,459)	(2,713)
Net cash provided by financing activities	(127,454)	(374,343)	75,204
Total increase (decrease) in cash	51,913	(96,870)	(122,144)
Cash and restricted cash at beginning of year[3]	98,506	195,376	317,520
Cash and restricted cash at end of year[3]	$ 150,419	$ 98,506	$ 195,376
Supplemental disclosure			
Reinvestment of shareholder distributions	$ 101,727	$ 118,191	$ 186,471
Non-cash purchases of investments	$ (128,941)	$ (146,371)	$ (103,988)
Non-cash sales of investments	$ 128,941	$ 146,371	$ 103,988

(1) See Note 4 for a discussion of expense reimbursements payable to the Company by its former investment adviser and affiliates.

(2) See Note 9 for a discussion of the Company's credit facilities. During the years ended December 31, 2019, 2018 and 2017, the Company paid $81,902, $52,269 and $38,938, respectively, in interest expense on the credit facilities and $0, $0 and $4,954, respectively, in interest expense pursuant to the repurchase agreement.

(3) Balance includes cash of $149,752 and restricted cash of $667 for the year ended December 31, 2019 and cash of $97,839 and restricted cash of $667 for the for the year ended December 31, 2018. Restricted cash is the cash collateral required to be posted pursuant to the Company's swap contracts.

See notes to consolidated financial statements.

FS Energy and Power Fund

Consolidated Schedule of Investments
As of December 31, 2019
(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—47.7%								
AIRRO (Mauritius) Holdings II	(k)(p)(w)	Power	L+695	1.5%	7/24/25	$ 18,186	$ 15,534	$ 15,378
AIRRO (Mauritius) Holdings II	(e)(k)(p)(w)	Power	L+695	1.5%	7/24/25	17,055	17,055	14,421
Allied Wireline Services, LLC	(w)(x)	Service & Equipment	L+950	1.5%	6/30/20	102,718	102,657	92,960
ARB Midstream Operating Company, LLC	(w)(x)	Midstream	L+725	1.0%	11/6/21	3,193	3,183	3,186
Bellatrix Exploration Ltd.	(k)(w)	Upstream	10.0%		3/31/20	7,879	7,879	7,879
Bellatrix Exploration Ltd.	(e)(k)(w)	Upstream	10.0%		3/31/20	3,377	3,377	3,377
Bioenergy Infrastructure Holdings Limited	(k)(w)	Power	L+725	1.0%	12/22/22	909	904	912
Bioenergy Infrastructure Holdings Limited	(e)(k)(w)	Power	L+725	1.0%	12/22/22	543	543	545
Bioenergy Infrastructure Holdings Limited	(e)(k)(w)	Power	L+725	1.0%	12/22/22	544	544	546
Birch Permian LLC	(h)(w)	Upstream	L+800	1.5%	4/12/23	41,531	41,176	41,436
Birch Permian LLC	(e)(w)	Upstream	L+800	1.5%	4/12/23	8,333	8,333	8,314
BL Sand Hills Unit, L.P.	(m)(o)(w)(x)(z)	Upstream	Prime+650	3.5%	12/17/21	19,200	16,674	288
Brazos Delaware II LLC	(h)	Midstream	L+400		5/21/25	63,656	60,357	54,744
Cimarron Energy Inc.	(w)(x)	Service & Equipment	10.0%		6/30/21	7,500	7,500	7,472
Cox Oil Offshore, LLC, Volumetric Production Payments	(v)(w)(x)(y)	Upstream	6.6%		12/31/23	100,000	63,884	63,646
CPV Shore Holdings LLC		Power	L+375		12/29/25	1,089	1,080	1,098
Edgewater Generation LLC		Power	L+375		12/13/25	2,885	2,879	2,775
EIF Van Hook Holdings, LLC	(h)	Midstream	L+525		9/5/24	34,521	33,739	32,967
EPIC Crude Services LP	(h)	Midstream	L+500		3/2/26	9,500	9,327	9,183
Felix Investments Holdings II, LLC	(w)	Upstream	L+650	1.0%	8/9/22	5,900	5,878	5,959
FR BR Holdings LLC	(h)(w)	Midstream	L+650		12/14/23	89,233	84,669	86,770
LMBE-MC Holdco II LLC		Power	L+400	1.0%	12/3/25	1,712	1,693	1,703
Lower Cadence Holdings LLC	(f)(h)	Midstream	L+400		5/22/26	18,957	17,827	18,803
Lusk Operating LLC	(m)(o)(w)(aa)	Upstream	Prime+500 PIK (8.8% Max PIK)	3.3%	1/31/20	29,297	27,464	—
Luxe Drillship Operating, LLC	(w)	Upstream	8.0%		10/30/24	17,143	16,115	15,819
Luxe Drillship Operating, LLC	(e)(w)	Upstream	8.0%		10/30/24	32,857	32,857	30,321
MB Precision Holdings LLC	(w)(x)(z)	Industrials	L+725, 2.3% PIK (2.3% Max PIK)	1.3%	1/23/21	4,602	4,492	4,585
MECO IV LLC	(h)(w)	Upstream	L+725	1.5%	9/14/21	35,000	34,849	34,405
Navitas Midstream Midland Basin LLC	(h)	Midstream	L+450	1.0%	12/13/24	77,895	76,815	73,416
Navitas Midstream Midland Basin LLC (Mirror Tranche)		Midstream	L+450	1.0%	12/13/24	39,800	38,141	37,512
NNE Holding LLC	(h)(w)	Upstream	L+800		3/2/22	40,000	39,938	39,492
Panda Hummel Station LLC		Power	L+600	1.0%	10/27/22	19,150	18,668	17,060
Panda Hummel Station LLC	(h)	Power	L+600	1.0%	10/27/22	24,227	23,802	21,582
Panda Stonewall LLC	(f)(h)	Power	L+550	1.0%	11/13/21	53,447	53,070	49,791
Panda Stonewall LLC	(h)	Power	L+550	1.0%	11/13/21	21,372	20,813	19,910
Permian Production Partners LLC	(h)(m)(o)(w)(x)	Upstream	L+600	1.0%	5/18/24	44,498	43,184	28,648
Plainfield Renewable Energy Holdings LLC	(w)	Power	10.0%		8/22/25	2,855	2,855	2,569
Plainfield Renewable Energy Holdings LLC, Letter of Credit	(e)(w)	Power	10.0%		8/22/23	2,709	2,709	2,437

See notes to consolidated financial statements.

Consolidated Schedule of Investments (Continued)
As of December 31, 2019
(in thousands, except share amounts)

Portfolio Company[(a)]	Footnotes	Industry	Rate[(b)]	Floor	Maturity	Principal Amount[(c)]	Amortized Cost	Fair Value[(d)]
Plainfield Renewable Energy Holdings LLC	(w)	Power	15.5%		8/22/25	$ 10,397	$ 10,397	$ 10,441
Power Distribution, Inc.	(w)(x)	Power	L+725	1.3%	1/25/23	27,891	27,891	25,982
Prairie ECI Acquiror LP	(f)	Midstream	L+475		3/11/26	17,991	17,615	17,901
Sandy Creek Energy Associates, L.P.	(f)	Power	L+400	1.0%	11/9/20	72,666	66,553	62,054
Swift Worldwide Resources US Holdings Corp.	(h)(w)(x)	Service & Equipment	9.5%, L+150 PIK (L+1.5% Max PIK)	2.5%	7/20/21	59,901	59,901	59,901
Terra-Gen Finance Co LLC		Power	L+425	1.0%	12/9/21	25,185	23,922	24,429
Traverse Midstream Partners LLC	(h)	Midstream	L+400	1.0%	9/27/24	60,273	60,283	54,728
Ultra Resources, Inc.		Upstream	L+375, 0.25% PIK (0.25% Max PIK)	1.0%	4/12/24	67,405	57,066	40,542
Warren Resources, Inc.	(h)(w)(z)	Upstream	L+1000, 0.0% PIK (1.0% Max PIK)	1.0%	5/22/20	27,507	27,507	27,507
Waterbridge Operating LLC	(h)	Midstream	L+575	1.0%	6/22/26	24,938	24,348	24,595
Total Senior Secured Loans—First Lien							1,317,947	1,199,989
Unfunded Loan Commitments							(65,418)	(65,418)
Net Senior Secured Loans—First Lien							1,252,529	1,134,571
Senior Secured Loans—Second Lien—23.7%								
Aethon III BR LLC	(w)	Upstream	L+675	1.0%	1/10/25	10,000	9,868	9,956
Aethon United BR LP	(h)(w)	Upstream	L+675	1.0%	9/8/23	148,150	146,582	146,298
Arena Energy, LP	(h)(w)(x)	Upstream	L+900, 4.0% PIK (4.0% Max PIK)	1.0%	1/24/21	116,730	116,730	113,575
Bellatrix Exploration Ltd.	(k)(w)	Upstream	8.5%		9/11/23	22,511	22,511	22,511
Bellatrix Exploration Ltd.	(k)(m)(o)(w)(x)	Upstream	8.5%		9/11/23	54,108	49,379	17,168
Chisholm Oil and Gas Operating, LLC	(w)(x)	Upstream	L+550, 3.0% PIK (3.0% Max PIK)	1.3%	3/21/24	197,503	196,000	149,201
Chisholm Energy Holdings, LLC	(w)	Upstream	L+625	1.5%	5/15/26	21,429	21,230	21,090
Chisholm Energy Holdings, LLC	(e)(w)	Upstream	L+625	1.5%	5/15/26	8,571	8,571	8,436
Encino Acquisition Partners Holdings LLC		Upstream	L+675	1.0%	10/29/25	41,828	35,334	31,579
Peak Exploration & Production, LLC	(w)	Upstream	L+675	1.5%	11/16/23	13,545	13,484	13,435
Peak Exploration & Production, LLC	(e)(w)	Upstream	L+675	1.5%	11/16/23	1,505	1,505	1,493
Penn Virginia Holdings Corp.	(h)(k)(w)	Upstream	L+700	1.0%	9/29/22	20,000	20,000	19,726
Rosehill Operating Company, LLC	(w)(x)	Upstream	10.0%		1/31/23	1,667	1,655	1,619
SilverBow Resources, Inc.	(h)(k)(w)	Upstream	L+750	1.0%	12/15/24	19,000	18,853	18,802
Titan Energy Operating, LLC	(m)(o)(w)(x)(z)	Upstream	L+1300 PIK (L+1300 Max PIK)	1.0%	2/23/20	137,233	100,902	—
Total Senior Secured Loans—Second Lien							762,604	574,889
Unfunded Loan Commitments							(10,076)	(10,076)
Net Senior Secured Loans—Second Lien							752,528	564,813
Senior Secured Bonds—22.0%								
Black Swan Energy Ltd.	(h)(k)(w)(x)	Upstream	9.0%		1/20/24	90,000	90,000	91,692
Denbury Resources Inc.	(k)	Upstream	7.5%		2/15/24	12,000	11,995	10,260
Denbury Resources Inc.	(k)	Upstream	9.3%		3/31/22	42,341	42,139	40,024
FourPoint Energy, LLC	(h)(w)(x)(z)	Upstream	9.0%		12/31/21	235,125	231,597	223,369
Talen Energy Supply LLC	(h)	Power	7.3%		5/15/27	34,319	34,042	36,176
Velvet Energy Ltd.	(h)(k)(w)	Upstream	9.0%		10/5/23	120,000	120,000	122,700
Total Senior Secured Bonds							529,773	524,221

See notes to consolidated financial statements.

FS Energy and Power Fund

Consolidated Schedule of Investments (Continued)
As of December 31, 2019
(in thousands, except share amounts)

Portfolio Company[a]	Footnotes	Industry	Rate[b]	Floor	Maturity	Principal Amount[c]	Amortized Cost	Fair Value[d]
Unsecured Debt—13.6%								
Ferrellgas, L.P.		Midstream	6.5%		5/1/21	$ 24,729	$ 22,296	$ 21,462
Ferrellgas, L.P.		Midstream	6.8%		1/15/22	25,020	22,137	21,337
Global Jet Capital Holdings, LP	(w)(x)	Industrials	15.0% PIK (15.0% Max PIK)		1/30/25	1,145	1,067	1,145
Global Jet Capital Holdings, LP	(w)(x)	Industrials	15.0% PIK (15.0% Max PIK)		4/30/25	7,276	6,779	7,276
Global Jet Capital Holdings, LP	(w)(x)	Industrials	15.0% PIK (15.0% Max PIK)		9/3/25	1,503	1,401	1,503
Global Jet Capital Holdings, LP	(w)(x)	Industrials	15.0% PIK (15.0% Max PIK)		9/29/25	1,415	1,319	1,415
Global Jet Capital Holdings, LP	(w)(x)	Industrials	15.0% PIK (15.0% Max PIK)		12/2/26	1,245	1,160	1,245
Great Western Petroleum, LLC	(w)(x)	Upstream	8.5%		4/15/25	13,636	13,101	11,966
Great Western Petroleum, LLC	(x)	Upstream	9.0%		9/30/21	35,830	35,764	32,129
Hammerhead Resources Inc.	(k)(w)(x)	Upstream	9.0%		7/10/22	100,000	98,299	96,750
Lonestar Resources America Inc.	(x)	Upstream	11.3%		1/1/23	37,500	38,310	25,781
Martin Midstream Partners L.P.	(k)(x)	Midstream	7.3%		2/15/21	12,723	12,453	11,615
Moss Creek Resources, LLC	(x)	Upstream	7.5%		1/15/26	42,693	40,473	32,566
Oasis Petroleum Inc.	(k)	Upstream	6.9%		3/15/22	2,000	1,946	1,930
Oasis Petroleum Inc.	(k)	Upstream	6.9%		1/15/23	11,850	11,085	11,613
Talen Energy Supply LLC		Power	9.5%		7/15/22	10,365	10,442	10,371
Tenrgys, LLC	(m)(n)(o)(w)(x)	Upstream	L+900	2.5%	12/23/18	75,000	75,000	28,000
Whiting Petroleum Corp.	(k)	Upstream	5.8%		3/15/21	5,395	5,201	5,116
Total Unsecured Debt							398,233	323,220
						Number of Shares	**Amortized Cost**	**Fair Value[d]**
Preferred Equity—30.4%[l]								
Abaco Energy Technologies LLC, Preferred Equity	(o)(w)(x)	Service & Equipment				28,942,003	1,447	11,982
Altus Midstream LP, Series A Preferred Units	(j)(w)(x)	Midstream	11.0%		6/28/26	51,053	52,185	53,095
Global Jet Capital Holdings, LP, Preferred Equity	(o)(w)(x)	Industrials				27,856	2,786	348
Great Western Petroleum, LLC, Preferred Equity	(n)(w)(x)	Upstream	15.5%		12/31/27	36,364	42,306	39,332
Limetree Bay Ventures, LLC, Preferred Equity	(w)(x)	Midstream	13.5%		11/27/23	83,877,497	84,155	72,831
Limetree Bay Ventures, LLC, Preferred Equity	(w)(x)	Midstream	13.5%		11/27/23	42,402,611	42,403	35,489
MB Precision Investment Holdings LLC, Class A Preferred Units	(n)(o)(w)(x)(z)	Industrials				8,952,623	1,880	1,205
NGL Energy Partners, LP, Preferred Equity	(k)(w)(x)	Midstream	14.2%		7/2/27	156,250	155,770	159,198
NuStar, Preferred Equity	(h)(k)(w)(x)	Midstream	12.8%		6/29/28	5,910,165	150,836	178,842
Rosehill Resources, Inc. Preferred Equity	(o)(w)(x)	Upstream				2,536	2,511	2,709
Segreto Power Holdings, LLC, Preferred Equity	(g)(w)(x)	Power	13.1%		5/8/25	70,297	83,418	82,311
TE Holdings, LLC, Preferred Equity	(o)(x)	Upstream				1,475,531	14,734	—
USA Compression Partners, LP, Preferred Equity	(h)(k)(w)(x)	Midstream	9.8%		4/3/28	79,336	77,452	84,500
Total Preferred Equity							711,883	721,842

See notes to consolidated financial statements.

FS Energy and Power Fund

Consolidated Schedule of Investments (Continued)
As of December 31, 2019
(in thousands, except share amounts)

Portfolio Company[a]	Footnotes	Industry	Number of Shares	Amortized Cost	Fair Value[d]
Equity/Other—9.0%[l]					
Abaco Energy Technologies LLC, Common Equity	(o)(w)(x)	Service & Equipment	6,944,444	$ 6,944	$ 2,167
AIRRO (Mauritius) Holdings II, Warrants	(k)(o)(p)(w)	Power	35	2,652	1,129
Allied Downhole Technologies, LLC, Common Equity	(n)(o)(w)(x)	Service & Equipment	7,431,113	7,223	372
Allied Downhole Technologies, LLC, Warrants	(n)(o)(w)(x)	Service & Equipment	5,344,680	1,865	267
Ascent Resources Utica Holdings, LLC, Common Equity	(o)(q)(w)(x)	Upstream	148,692,908	44,700	39,404
Bellatrix Exploration Ltd., Warrants	(k)(o)(w)	Upstream	1,533,197	—	—
BL Sand Hills Unit, L.P., Net Profits Interest	(o)(s)(w)(x)(z)	Upstream	N/A	5,180	—
BL Sand Hills Unit, L.P., Overriding Royalty Interest	(o)(s)(w)(x)(z)	Upstream	N/A	740	—
BL Sand Hills Unit, L.P., Series A Units	(g)(o)(w)(x)(z)	Upstream	29,117	24,019	—
Chisholm Oil and Gas, LLC, Series A Units	(g)(o)(w)(x)	Upstream	14,700,000	14,700	—
Cimarron Energy Holdco Inc., Common Equity	(o)(w)(x)	Service & Equipment	4,302,293	3,950	277
Cimarron Energy Holdco Inc., Participation Option	(o)(w)(x)	Service & Equipment	25,000,000	1,289	1,613
FourPoint Energy, LLC, Common Equity, Class C-II-A Units	(n)(o)(w)(x)(z)	Upstream	66,000	66,000	6,906
FourPoint Energy, LLC, Common Equity, Class D Units	(n)(o)(w)(x)(z)	Upstream	12,374	8,176	1,307
FourPoint Energy, LLC, Common Equity, Class E-II Units	(g)(o)(w)(x)(z)	Upstream	150,937	37,734	15,793
FourPoint Energy, LLC, Common Equity, Class E-III Units	(g)(n)(o)(w)(x)(z)	Upstream	222,750	55,688	23,306
Harvest Oil & Gas Corp., Common Equity	(o)(x)(z)	Upstream	1,350,620	20,259	8,644
JSS Holdco, LLC, Net Profits Interest	(o)(w)(x)	Industrials	N/A	—	156
Limetree Bay Ventures, LLC, Common Equity	(o)(w)(x)	Midstream	106,363	3,406	—
Lusk Operating LLC, Common Equity	(o)(r)(w)(aa)	Upstream	2,000	—	—
Luxe Drillship Operating, LLC, Overriding Royalty Interest	(o)(w)	Upstream	N/A	1,354	1,354
MB Precision Investment Holdings LLC, Class A-2 Units	(n)(o)(w)(z)	Industrials	1,426,110	490	—
NGL Energy Partners, LP, Warrants (Par)	(k)(o)(w)	Midstream	2,187,500	3,083	2,142
NGL Energy Partners, LP, Warrants (Premium)	(k)(o)(w)(x)	Midstream	3,125,000	2,623	1,924
NGL Energy Partners, LP, Warrants (Premium)	(k)(o)(w)	Midstream	781,250	576	576
NGL Energy Partners, LP, Warrants (Par)	(k)(o)(w)	Midstream	546,875	630	630
PDI Parent LLC, Common Equity	(o)(w)(x)	Power	1,941,431	1,663	757
Ridgeback Resources Inc., Common Equity	(k)(o)(t)(w)(x)(z)	Upstream	9,599,928	58,985	50,721
Sunnova Energy Corp., Common Equity	(o)(x)	Power	3,392,666	38,167	37,862
Swift Worldwide Resources Holdco Limited, Common Equity	(k)(o)(u)(w)(x)	Service & Equipment	3,750,000	6,029	1,575
TE Holdings, LLC, Common Equity	(g)(o)(x)	Upstream	2,225,950	18,921	178
Titan Energy, LLC, Common Equity	(o)(x)(z)	Upstream	555,496	17,554	16
USA Compression Partners, LP, Warrants (Market)	(k)(o)(w)(x)	Midstream	793,359	555	1,722
USA Compression Partners, LP, Warrants (Premium)	(k)(o)(w)(x)	Midstream	1,586,719	714	2,221
Warren Resources, Inc., Common Equity	(o)(w)(x)(z)	Upstream	4,415,749	20,754	10,951
White Star Petroleum Holdings, LLC, Common Equity	(g)(o)(w)(x)	Upstream	4,867,084	4,137	—
Total Equity/Other				480,760	213,970
TOTAL INVESTMENTS—146.4%				$4,125,706	3,482,637
LIABILITIES IN EXCESS OF OTHER ASSETS—(46.4%)	(i)				(1,103,032)
NET ASSETS—100.0%					$ 2,379,605

See notes to consolidated financial statements.

Consolidated Schedule of Investments (Continued)
As of December 31, 2019
(in thousands, except share amounts)

Derivative Instruments

Swap Contracts — Crude Oil(y)

Counterparty	Type	Location	Period	Bbls	Weighted Average Price ($/Bbls)	Unrealized Appreciation[1]	Unrealized Depreciation[1]
BP Energy Company	Fixed	NYMEX WTI	January 1, 2020−December 31, 2023	993,727	$61.69	$5,988	$ —
BP Energy Company	Basis	NYMEX WTI/Argus LLS	January 1, 2020−December 31, 2023	993,702	$2.97	274	280
Total Swap Contracts—Crude Oil						6,262	280

Swap Contracts — Natural Gas(y)

Counterparty	Type	Location	Period	MMBtu	Weighted Average Price ($/MMBtu)	Unrealized Appreciation[1]	Unrealized Depreciation[1]
Macquarie Bank Limited	Fixed	NYMEX Henry Hub	February 1, 2020−December 31, 2023	6,368,951	$2.58	$ 569	$ —
Total Swap Contracts—Natural Gas						569	—
TOTAL SWAP CONTRACTS						$6,831	$280

(1) Represents the amounts the Fund would pay and amounts the Fund would receive under each swap contract if they were to settle on December 31, 2019 (see Note 6).

See notes to consolidated financial statements.

Abbreviations
Bbls — Barrels
MMBtu — One million British thermal units

(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, 2019, the three-month London Interbank Offered Rate, or LIBOR, was 1.91% and the U.S. Prime Lending Rate, or Prime, was 4.75%. 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 trustees (see Note 8).
(e) 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.
(f) Position or portion thereof unsettled as of December 31, 2019.
(g) Security held within FS Energy Investments, LLC, a wholly-owned subsidiary of the Company.
(h) Security or portion thereof held within Gladwyne Funding LLC and is pledged as collateral supporting the obligations outstanding under the term loan facility with Goldman Sachs Bank USA (see Note 9).
(i) Includes the effect of swap contracts.
(j) Security held within FS Power Investments, LLC, a wholly-owned subsidiary of the Company.
(k) The investment is not a qualifying asset under the Investment Company Act of 1940, as amended, or the 1940 Act. A business development company may not acquire any asset other than a qualifying asset, unless, at the time the acquisition is made, qualifying assets represent at least 70% of the business development company's total assets. As of December 31, 2019, 72.8% of the Company's total assets represented qualifying assets.
(l) Listed investments may be treated as debt for U.S. generally accepted accounting principles, or GAAP, or tax purposes.
(m) Security was on non-accrual status as of December 31, 2019.
(n) Security held within FSEP Investments, Inc., a wholly-owned subsidiary of the Company.
(o) Security is non-income producing.
(p) Security or portion thereof held within FS Power Investments II, LLC, a wholly-owned subsidiary of the Company.
(q) Security held within EP American Energy Investments, Inc., a wholly-owned subsidiary of the Company.
(r) Security held within FSEP-BBH, Inc., a wholly-owned subsidiary of the Company.
(s) Security held within EP Burnett Investments, Inc., a wholly-owned subsidiary of the Company.
(t) Investment denominated in Canadian dollars. Amortized cost and fair value are converted into U.S. dollars as of December 31, 2019.
(u) Investment denominated in British pounds. Amortized cost and fair value are converted into U.S. dollars as of December 31, 2019.
(v) Investment is a real property interest and is included with Senior Secured Loans — First Lien to facilitate comparison with other investments.
(w) Security is classified as Level 3 in the Company's fair value hierarchy (See Note 8).
(x) Security or portion thereof is pledged as collateral supporting the amounts outstanding under the Senior Secured Notes with JPMorgan Chase Bank, N.A. (see Note 9).
(y) Security held within EP Northern Investments, LLC, a wholly-owned subsidiary of the Company.

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(z) Under the 1940 Act, 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, 2019, 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 such portfolio companies for the year ended December 31, 2019:

Portfolio Company	Fair Value at December 31, 2018	Purchases, Paid-in-Kind Interest and Transfers In	Sales, Repayments and Transfers Out	Accretion of Discount	Net Realized Gain (Loss)	Net Change in Unrealized Appreciation (Depreciation)	Fair Value at December 31, 2019	Interest Income[(1)]	PIK Income[(1)]	Fee Income[(1)]
Senior Secured Loans—First Lien										
Altus Power America, Inc.	$ 83,247	$ —	$ (85,939)	$ —	$ —	$ 2,692	$ —	$ —	$ —	$ —
BL Sand Hills Unit, L.P.	20,000	—	(800)	—	105	(19,017)	288	782	—	—
MB Precision Holdings LLC	4,573	105	(112)	148	38	(167)	4,585	696	105	—
Warren Resources, Inc.	27,297	210	—	—	—	—	27,507	3,256	210	—
Senior Secured Loans—Second Lien										
Titan Energy Operating, LLC	12,411	—	—	—	—	(12,411)	—	—	—	—
Senior Secured Bonds										
FourPoint Energy, LLC	231,010	—	—	2,530	—	(10,171)	223,369	24,088	—	—
Sunnova Energy Corp.	17,757	19,637	(37,474)	(67)	36	111	—	1,091	759	4,657
Unsecured Debt										
Sunnova Energy Corp.	—	757	(629)	—	(128)	—	—	—	—	—
Preferred Equity										
Altus Power America Holdings, LLC, Preferred Equity	28,217	—	(28,646)	—	—	429	—	—	—	—
MB Precision Investment Holdings LLC, Class A Preferred Units	1,248	37	—	—	—	(80)	1,205	—	—	—
Sunnova Energy Corp., Preferred Equity	6,134	—	(5,387)	—	(561)	(186)	—	—	—	—
Equity/Other										
Altus Power America Holdings, LLC, Common Equity	2,183	—	(12,474)	—	—	10,291	—	—	—	—
BL Sand Hills Unit, L.P., Net Profits Interest	1,150	—	—	—	—	(1,150)	—	—	—	—
BL Sand Hills Unit, L.P., Overriding Royalty Interest	738	—	—	—	—	(738)	—	—	—	—
BL Sand Hills Unit, L.P., Series A Units	3,239	—	—	—	—	(3,239)	—	—	—	—
FourPoint Energy, LLC, Common Equity, Class C-II-A Units	14,768	—	—	—	—	(7,862)	6,906	—	—	—
FourPoint Energy, LLC, Common Equity, Class D Units	2,800	—	—	—	—	(1,493)	1,307	—	—	—
FourPoint Energy, LLC, Common Equity, Class E-II Units	33,772	—	—	—	—	(17,979)	15,793	—	—	—
FourPoint Energy, LLC, Common Equity, Class E-III Units	49,840	—	—	—	—	(26,534)	23,306	—	—	—
Harvest Oil & Gas Corp., Common Equity	24,284	—	(9,455)	—	—	(6,185)	8,644	—	—	—
MB Precision Investment Holdings LLC, Class A-2 Units	—	—	—	—	—	—	—	—	—	—
Ridgeback Resources Inc., Common Equity	47,488	—	—	—	—	3,233	50,721	—	—	—
Sunnova Energy Corp., Common Equity	—	—	(32,151)	—	7,125	25,026	—	—	—	—
Titan Energy, LLC, Common Equity	167	—	—	—	—	(151)	16	—	—	—
Warren Resources, Inc., Common Equity	10,377	—	—	—	—	574	10,951	—	—	—
	$622,700	$20,746	$(213,067)	$2,611	$6,615	$(65,007)	$374,598	$29,913	$1,074	$4,657

(1) Interest, PIK and fee income presented for the year ended December 31, 2019.

(aa) Under the 1940 Act, 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, 2019, the Company held investments in Lusk Operating LLC, which it is deemed to be an "affiliated person" of and deemed to "control." The fair value as of December 31, 2019 was $0 for the Company's senior secured loan and common equity investments in Lusk Operating, LLC. The company did not purchase, sell, accrue income or realize a gain (loss) for the Company's senior secured loan and common equity investments in Lusk Operating, LLC for the year ended December 31, 2019.

See notes to consolidated financial statements.

FS Energy and Power Fund

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Portfolio Company[(a)]	Footnotes	Industry	Rate[(b)]	Floor	Maturity	Principal Amount[(c)]	Amortized Cost	Fair Value[(d)]
Senior Secured Loans—First Lien—44.4%								
Abaco Energy Technologies LLC	(h)	Service & Equipment	L+950	1.0%	11/20/20	$ 14,281	$ 13,814	$ 14,121
Allied Wireline Services, LLC	(w)(x)	Service & Equipment	L+950	1.5%	6/30/20	105,600	105,505	104,148
Altus Power America, Inc.	(h)(w)(z)	Power	L+750	1.5%	9/30/21	85,939	85,939	83,361
Altus Power America, Inc.	(e)(w)(z)	Power	L+750	1.5%	9/30/21	3,787	3,787	3,673
ARB Midstream Operating Company, LLC	(w)(x)	Midstream	L+725	1.0%	11/6/21	3,557	3,540	3,502
Bioenergy Infrastructure Holdings Limited	(k)(w)	Power	L+725	1.0%	12/22/22	957	951	947
Bioenergy Infrastructure Holdings Limited	(e)(k)(w)	Power	L+725	1.0%	12/22/22	543	543	537
Bioenergy Infrastructure Holdings Limited	(e)(k)(w)	Power	L+725	1.0%	12/22/22	544	544	537
BL Sand Hills Unit, L.P.	(w)(x)(z)	Upstream	Prime+650	3.5%	12/17/21	20,000	17,369	20,000
Brazos Delaware II LLC		Midstream	L+400		5/29/25	34,912	34,142	32,148
Cimarron Energy Inc.	(o)(w)(x)	Service & Equipment	L+900 PIK (L+900 Max PIK)	1.0%	6/30/21	7,500	7,500	7,500
Cox Oil Offshore, LLC, Volumetric Production Payments	(w)(x)(y)	Upstream	9.9%		12/31/23	100,000	93,401	81,750
CPV Shore Holdings LLC	(f)	Power	L+375		12/14/25	20,000	19,800	19,775
Eagle Midstream Canada Finance Inc.	(k)(w)(x)	Midstream	8.5%, 1.0% PIK (1.0% Max PIK)		9/27/20	175,000	175,000	171,281
Edgewater Generation LLC		Power	L+375		11/16/25	20,000	19,951	19,625
EIF Van Hook Holdings, LLC		Midstream	L+525		9/5/24	24,844	24,360	24,192
Felix Investments Holdings II, LLC	(w)	Upstream	L+650	1.0%	8/9/22	3,933	3,925	3,960
Fortis Minerals Intermediate Holdings, LLC	(w)	Upstream	L+625	1.0%	2/16/25	18,760	18,656	18,919
Fortis Minerals Intermediate Holdings, LLC	(e)(w)	Upstream	L+625	1.0%	2/16/25	28,140	28,140	28,379
Industrial Group Intermediate Holdings, LLC	(h)(w)(x)	Industrials	L+800	1.3%	5/31/20	20,972	20,972	20,841
JSS Holdings, Inc.	(h)(w)	Industrials	L+800, 0.0% PIK (2.5% Max PIK)	1.0%	3/31/23	14,938	14,827	15,386
LMBE-MC Holdco II LLC	(f)	Power	L+400	1.0%	11/15/25	24,100	23,957	23,980
Lusk Operating LLC	(m)(o)(w)(x)(aa)	Upstream	Prime+500 PIK (8.8% Max PIK)	3.3%	1/31/19	29,297	27,464	—
MB Precision Holdings LLC	(m)(o)(w)(x)(z)	Industrials	L+725, 2.3% PIK (2.3% Max PIK)	1.3%	1/23/21	4,573	4,313	4,573
MECO IV LLC	(h)(w)	Upstream	L+725	1.5%	9/14/21	22,750	22,526	22,336
MECO IV LLC	(e)(w)	Upstream	L+725	1.5%	9/14/21	12,250	12,250	12,027
Navitas Midstream Midland Basin LLC	(f)	Midstream	L+450	1.0%	12/13/24	39,679	39,724	38,092
NNE Holding LLC	(h)(w)	Upstream	L+800		3/2/22	35,000	34,978	34,129
ORYX Southern Delaware Holdings		Midstream	L+325	1.0%	2/28/25	17,860	17,942	16,610
Panda Hummel Station LLC	(f)	Power	L+600	1.0%	10/27/22	23,915	23,349	22,958
Panda Hummel Station LLC	(f)	Power	L+600	1.0%	10/27/22	9,860	9,700	9,466
Panda Stonewall LLC	(f)	Power	L+550	1.0%	11/13/21	29,924	30,119	29,775
Permian Production Partners LLC	(h)(w)	Upstream	L+600	1.0%	5/18/24	42,257	41,516	41,411
Plainfield Renewable Energy Holdings LLC	(w)	Power	10.0%		8/22/25	2,589	2,589	2,568
Plainfield Renewable Energy Holdings LLC, Letter of Credit	(e)(w)	Power	10.0%		8/22/23	2,709	2,709	2,687
Plainfield Renewable Energy Holdings LLC	(w)	Power	15.5%		8/22/25	9,589	9,589	9,527
Power Distribution, Inc.	(w)(x)	Power	L+725	1.3%	1/25/23	29,347	29,347	29,347
Sandy Creek Energy Associates, L.P.	(f)	Power	L+400	1.0%	11/9/20	16,290	14,464	14,152
Strike, LLC	(h)	Midstream	L+800	1.0%	11/30/22	22,500	22,015	22,527
Swift Worldwide Resources US Holdings Corp.	(h)(w)(x)	Service & Equipment	L+1000, 1.0% PIK (1.0% Max PIK)	1.0%	7/20/21	58,475	58,475	58,475
Traverse Midstream Partners LLC	(f)(h)	Midstream	L+400	1.0%	9/27/24	94,172	94,346	90,640
Ultra Resources, Inc.	(f)	Upstream	L+400	1.0%	4/12/24	42,000	37,917	37,695

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Portfolio Company[(a)]	Footnotes	Industry	Rate[(b)]	Floor	Maturity	Principal Amount[(c)]	Amortized Cost	Fair Value[(d)]
Warren Resources, Inc.	(h)(w)(x)(z)	Upstream	L+1000, 1.0% PIK (1.0% Max PIK)	1.0%	5/22/20	$ 27,297	$ 27,297	$ 27,297
Total Senior Secured Loans—First Lien							1,279,252	1,224,854
Unfunded Loan Commitments							(47,973)	(47,973)
Net Senior Secured Loans—First Lien							1,231,279	1,176,881
Senior Secured Loans—Second Lien—21.9%								
Aethon United BR LP	(h)(w)	Upstream	L+675	1.0%	9/8/23	103,919	102,671	103,503
Aethon United BR LP	(e)(w)	Upstream	L+675	1.0%	9/8/23	23,981	23,981	23,885
Arena Energy, LP	(h)(w)(x)	Upstream	L+900, 4.0% PIK (4.0% Max PIK)	1.0%	1/24/21	112,114	112,114	112,114
Bellatrix Exploration Ltd.	(k)(w)(x)	Upstream	8.5%		7/26/23	22,511	22,511	22,442
Bellatrix Exploration Ltd.	(e)(k)(w)(x)	Upstream	8.5%		7/26/23	7,504	7,504	7,481
Bellatrix Exploration Ltd.	(k)(w)	Upstream	8.5%		7/26/23	54,108	49,005	47,841
Chisholm Oil and Gas Operating, LLC	(h)(w)(x)	Upstream	L+800	1.0%	3/21/24	196,000	196,000	193,683
Encino Acquisition Partners Holdings LLC		Upstream	L+675	1.0%	9/26/25	20,000	19,804	19,100
Granite Acquisition, Inc.	(x)	Power	L+725	1.0%	12/19/22	22,331	22,072	21,872
Peak Exploration & Production, LLC	(w)	Upstream	L+675	1.5%	11/16/23	7,525	7,451	7,404
Peak Exploration & Production, LLC	(e)(w)	Upstream	L+675	1.5%	11/16/23	7,525	7,525	7,404
Penn Virginia Holdings Corp.	(h)(k)(w)	Upstream	L+700	1.0%	9/29/22	20,000	20,000	19,650
Rosehill Operating Company, LLC	(w)(x)	Upstream	10.0%		1/31/23	1,667	1,652	1,649
SilverBow Resources, Inc.	(h)(k)(w)	Upstream	L+750	1.0%	12/15/24	19,000	18,832	18,715
Titan Energy Operating, LLC	(m)(o)(w)(x)(z)	Upstream	L+1300 PIK (L+1300 Max PIK)	1.0%	2/23/20	133,445	100,902	12,411
Total Senior Secured Loans—Second Lien							712,024	619,154
Unfunded Loan Commitments							(39,010)	(39,010)
Net Senior Secured Loans—Second Lien							673,014	580,144
Senior Secured Bonds—18.6%								
Black Swan Energy Ltd.	(h)(k)(w)(x)	Upstream	9.0%		1/20/24	90,000	90,000	86,850
Denbury Resources Inc.	(k)	Upstream	7.5%		2/15/24	12,000	11,994	9,675
Denbury Resources Inc.	(k)	Upstream	9.3%		3/31/22	27,341	29,041	25,666
FourPoint Energy, LLC	(h)(i)(w)(x)(z)	Upstream	9.0%		12/31/21	235,125	229,067	231,010
Sunnova Energy Corp.	(h)(w)(z)	Power	6.0%, 6.0% PIK (6.0% Max PIK)		7/31/19	17,868	17,868	17,757
Velvet Energy Ltd.	(h)(k)(w)	Upstream	9.0%		10/5/23	120,000	120,000	120,958
Total Senior Secured Bonds							497,970	491,916
Unsecured Debt—26.7%								
Amerigas—Amerigas Partners, L.P.	(k)(x)	Midstream	5.8%		5/20/27	13,267	13,038	11,874
Amerigas—Amerigas Partners, L.P.	(k)(x)	Midstream	5.9%		8/20/26	4,508	4,462	4,080
Archrock Partners, L.P.	(k)	Midstream	6.0%		10/1/22	26,333	26,536	25,436
Archrock Partners, L.P.	(k)	Midstream	6.0%		4/1/21	5,690	5,728	5,534
Ascent Resources Utica Holdings, LLC	(x)	Upstream	10.0%		4/1/22	97,701	97,701	99,988
Bruin E&P Partners, LLC	(x)	Upstream	8.9%		8/1/23	36,250	35,782	32,444
Canbriam Energy Inc.	(h)(k)(x)	Upstream	9.8%		11/15/19	109,790	108,872	96,341
Compressco Partners, LP	(x)	Midstream	7.3%		8/15/22	13,050	13,006	11,615
Covey Park Energy LLC	(x)	Upstream	7.5%		5/15/25	62,289	62,725	54,269
Ferrellgas, L.P.		Midstream	6.5%		5/1/21	3,000	2,501	2,499
Global Jet Capital Holdings, LP	(w)(x)	Industrials	15.0% PIK (15.0% Max PIK)		1/30/25	986	971	986

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Portfolio Company[(a)]	Footnotes	Industry	Rate[(b)]	Floor	Maturity	Principal Amount[(c)]	Amortized Cost	Fair Value[(d)]
Global Jet Capital Holdings, LP	(w)(x)	Industrials	15.0% PIK (15.0% Max PIK)		4/30/25	$ 6,267	$ 6,174	$ 6,267
Global Jet Capital Holdings, LP	(w)(x)	Industrials	15.0% PIK (15.0% Max PIK)		9/3/25	1,295	1,276	1,295
Global Jet Capital Holdings, LP	(w)(x)	Industrials	15.0% PIK (15.0% Max PIK)		9/29/25	1,219	1,201	1,219
Global Jet Capital Holdings, LP	(w)(x)	Industrials	15.0% PIK (15.0% Max PIK)		12/2/26	1,072	1,056	1,072
Great Western Petroleum, LLC	(w)(x)	Upstream	8.5%		4/15/25	13,636	13,026	11,967
Great Western Petroleum, LLC	(w)(x)	Upstream	9.0%		9/30/21	35,830	35,735	31,665
Hammerhead Resources Inc.	(h)(k)(x)	Upstream	9.0%		7/10/22	100,000	97,739	95,000
Hilcorp Energy I, L.P.		Upstream	5.0%		12/1/24	23,418	22,514	20,892
Hilcorp Energy I, L.P.		Upstream	5.8%		10/1/25	12,067	12,038	10,772
Lonestar Resources America Inc.	(x)	Upstream	11.3%		1/1/23	37,500	38,537	35,437
Martin Midstream Partners L.P.	(k)(x)	Midstream	7.3%		2/15/21	12,723	12,235	12,300
Moss Creek Resources, LLC	(x)	Upstream	7.5%		1/15/26	55,500	55,035	48,400
Suburban Propane Partners LP	(k)	Midstream	5.8%		3/1/25	8,433	8,217	7,811
Suburban Propane Partners LP	(k)	Midstream	5.9%		3/1/27	37,758	35,572	33,368
Talen Energy Supply LLC		Power	9.5%		7/15/22	10,365	10,469	10,459
Tenrgys, LLC	(i)(m)(o)(w)(x)	Upstream	L+900	2.5%	12/23/18	75,000	75,000	33,100
Total Unsecured Debt							797,146	706,090

Preferred Equity—18.9%[(l)]	Footnotes	Industry	Rate	Floor	Maturity	Number of Shares	Amortized Cost	Fair Value[(d)]
Abaco Energy Technologies LLC, Preferred Equity	(o)(w)(x)	Service & Equipment				28,942,003	1,447	15,195
Altus Power America Holdings, LLC, Preferred Equity	(i)(p)(w)(x)(z)	Power	9.0%, 5.0% PIK (5.0% Max PIK)		10/3/23	28,646,341	28,646	28,217
Global Jet Capital Holdings, LP, Preferred Equity	(o)(w)(x)	Industrials				2,785,562	2,786	390
Great Western Petroleum, LLC, Preferred Equity	(i)(n)(w)(x)	Upstream	15.5%		12/31/27	36,363	38,480	36,424
Limetree Bay Ventures, LLC, Preferred Equity	(w)(x)	Midstream	13.9%		11/30/24	75,000,000	71,878	71,594
MB Precision Investment Holdings LLC, Class A Preferred Units	(o)(w)(x)(z)	Industrials				8,952,623	1,843	1,248
NuStar, Preferred Equity	(k)(w)(x)	Midstream	12.8%		6/29/28	5,910,165	146,794	160,981
Rosehill Resources, Inc. Preferred Equity	(o)(w)(x)	Upstream				2,536	2,511	2,555
Segreto Power Holdings, LLC, Preferred Equity	(g)(w)(x)	Power	13.1%		5/8/25	70,297	69,242	74,131
Sunnova Energy Corp., Preferred Equity	(o)(w)(x)(z)	Power				1,117,214	5,948	6,134
Synergy Offshore LLC, Preferred Equity	(i)(m)(o)(v)(w)(x)	Upstream				71,131	93,009	20,486
TE Holdings, LLC, Preferred Equity	(o)(x)	Upstream				1,475,531	14,734	4,427
USA Compression Partners, LP, Preferred Equity	(k)(w)(x)	Midstream	9.8%		4/3/28	79,336	77,334	80,812
Total Preferred Equity							554,652	502,594

See notes to consolidated financial statements.

FS Energy and Power Fund

Consolidated Schedule of Investments (Continued)
As of December 31, 2018
(in thousands, except share amounts)

Portfolio Company[a]	Footnotes	Industry	Number of Shares	Amortized Cost	Fair Value[d]
Equity/Other—10.0%[l]					
Abaco Energy Technologies LLC, Common Equity	(o)(w)(x)	Service & Equipment	6,944,444	$ 6,944	$ 2,951
Allied Downhole Technologies, LLC, Common Equity	(i)(n)(o)(w)(x)	Service & Equipment	7,431,113	7,223	6,316
Allied Downhole Technologies, LLC, Warrants, 2/28/29	(i)(n)(o)(w)(x)	Service & Equipment	5,344,680	1,865	4,543
Altus Power America Holdings, LLC, Common Equity	(i)(o)(w)(x)(z)	Power	12,474,205	12,474	2,183
Ascent Resources Utica Holdings, LLC, Common Equity	(o)(q)(w)(x)	Upstream	148,692,909	44,700	41,337
BL Sand Hills Unit, L.P., Net Profits Interest	(o)(s)(w)(x)(z)	Upstream	N/A	5,180	1,150
BL Sand Hills Unit, L.P., Overriding Royalty Interest	(s)(w)(x)(z)	Upstream	N/A	740	738
BL Sand Hills Unit, L.P., Series A Units	(g)(o)(w)(x)(z)	Upstream	29,117	24,019	3,239
Chisholm Oil and Gas, LLC, Series A Units	(g)(o)(w)(x)	Upstream	14,700,000	14,700	6,273
Cimarron Energy Holdco Inc., Common Equity	(o)(w)(x)	Service & Equipment	4,302,293	3,950	194
Cimarron Energy Holdco Inc., Participation Option	(o)(w)(x)	Service & Equipment	25,000,000	1,289	1,125
FourPoint Energy, LLC, Common Equity, Class C-II-A Units	(i)(n)(o)(w)(x)(z)	Upstream	66,000	66,000	14,768
FourPoint Energy, LLC, Common Equity, Class D Units	(i)(n)(o)(w)(x)(z)	Upstream	12,374	8,176	2,800
FourPoint Energy, LLC, Common Equity, Class E-II Units	(g)(o)(w)(x)(z)	Upstream	150,937	37,734	33,772
FourPoint Energy, LLC, Common Equity, Class E-III Units	(g)(i)(n)(o)(w)(x)(z)	Upstream	222,750	55,688	49,840
Harvest Oil & Gas Corp., Common Equity	(o)(x)(z)	Upstream	1,350,620	29,714	24,284
Industrial Group Intermediate Holdings, LLC, Common Equity	(i)(n)(o)(w)(x)	Industrials	472,755	473	284
JSS Holdco, LLC, Net Profits Interest	(o)(w)(x)	Industrials	N/A	—	97
Limetree Bay Ventures, LLC, Common Equity	(o)(w)(x)	Midstream	13,486	3,406	3,406
Lusk Operating LLC, Common Equity	(o)(r)(w)(x)(aa)	Upstream	2,000	—	—
MB Precision Investment Holdings LLC, Class A-2 Units	(i)(n)(o)(w)(x)(z)	Industrials	1,426,110	490	—
PDI Parent LLC, Common Equity	(o)(w)(x)	Power	1,384,615	1,385	727
Ridgeback Resources Inc., Common Equity	(j)(k)(o)(t)(w)(x)(z)	Upstream	9,599,928	58,985	47,488
Sunnova Energy Corp., Common Equity	(o)(w)(x)(z)	Power	6,667,368	25,026	—
Swift Worldwide Resources Holdco Limited, Common Equity	(k)(o)(u)(w)(x)	Service & Equipment	3,750,000	6,029	1,875
TE Holdings, LLC, Common Equity	(g)(o)(x)	Upstream	2,225,950	18,921	1,391
The Brock Group, Inc., Common Equity	(j)(o)(w)(x)	Service & Equipment	786,094	15,617	—
Titan Energy, LLC, Common Equity	(o)(x)(z)	Upstream	555,496	17,554	167
USA Compression Partners, LP, Warrants (Market), 4/3/28	(k)(o)(w)(x)	Midstream	793,359	555	627
USA Compression Partners, LP, Warrants (Premium), 4/3/28	(k)(o)(w)(x)	Midstream	1,586,719	714	793
Warren Resources, Inc., Common Equity	(j)(o)(w)(x)(z)	Upstream	4,415,749	20,754	10,377
White Star Petroleum Holdings, LLC, Common Equity	(g)(o)(w)(x)	Upstream	4,867,084	4,137	1,582
Total Equity/Other				494,442	264,327
TOTAL INVESTMENTS—140.5%				$4,248,503	3,721,952
LIABILITIES IN EXCESS OF OTHER ASSETS—(40.5%)	(bb)				(1,073,766)
NET ASSETS—100.0%					$ 2,648,186

See notes to consolidated financial statements.

(in thousands, except share amounts)

Derivative Instruments

Swap Contracts—Crude Oil[(y)]

Counterparty	Type	Location	Period	Bbls	Weighted Average Price ($/Bbls)	Unrealized Appreciation	Unrealized Depreciation
BP Energy Company	Fixed	NYMEX WTI	January 1, 2019 − December 31, 2023	1,441,514	$63.88	$20,162	$ —
BP Energy Company	Basis	NYMEX WTI/Argus LLS	January 1, 2019 − December 31, 2023	1,233,639	3.42	149	672
Macquarie Bank Limited	Basis	NYMEX WTI/Argus LLS	January 1, 2019 − December 31, 2019	207,837	5.38	130	—
Total Swap Contracts—Crude Oil						20,441	672

Swap Contracts—Natural Gas[(y)]

Counterparty	Type	Location	Period	MMBtu	Weighted Average Price ($/MMBtu)	Unrealized Appreciation	Unrealized Depreciation
Macquarie Bank Limited	Fixed	NYMEX Henry Hub	January 1, 2019 − December 31, 2023	4,099,135	$2.71	$ 80	$195
Total Swap Contracts—Natural Gas						80	195
TOTAL SWAP CONTRACTS						$20,521	$867

Bbls — Barrels
MMBtu — One million British thermal units

(a) Security may be an obligation of one or more entities affiliated with the named company.
(b) Certain variable rate securities in the Company's portfolio bear interest at a rate determined by a publicly disclosed base rate plus a basis point spread. As of December 31, 2018, the three-month London Interbank Offered Rate, or LIBOR, was 2.81% and the U.S. Prime Lending Rate, or Prime, was 5.50%. PIK means paid-in-kind. PIK income accruals may be adjusted based on the fair value of the underlying investment.
(c) Denominated in U.S. dollars, unless otherwise noted.
(d) Fair value determined by the Company's board of trustees (see Note 8).
(e) 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.
(f) Position or portion thereof unsettled as of December 31, 2018.
(g) Security held within FS Energy Investments, LLC, a wholly-owned subsidiary of the Company.
(h) Security or portion thereof held within Gladwyne Funding LLC and is pledged as collateral supporting the obligations outstanding under the term loan facility with Goldman Sachs Bank USA (see Note 9).
(i) Security or portion thereof held within Foxfields Funding LLC and is pledged as collateral supporting the obligations outstanding under the term loan facility with Fortress Credit Co LLC (see Note 9).
(j) Security or portion thereof held within Bryn Mawr Funding LLC and is pledged as collateral supporting the amounts outstanding under the revolving credit facility with Barclays Bank PLC (see Note 9).
(k) The investment is not a qualifying asset under the Investment Company Act of 1940, as amended, or the 1940 Act. A business development company may not acquire any asset other than a qualifying asset, unless, at the time the acquisition is made, qualifying assets represent at least 70% of the business development company's total assets. As of December 31, 2018, 71.3% of the Company's total assets represented qualifying assets.
(l) Listed investments may be treated as debt for U.S. generally accepted accounting principles, or GAAP, or tax purposes.
(m) Security was on non-accrual status as of December 31, 2018.
(n) Security held within FSEP Investments, Inc., a wholly-owned subsidiary of Foxfields Funding LLC.
(o) Security is non-income producing.
(p) Security is held within EP Altus Investments, LLC, a wholly-owned subsidiary of Foxfields Funding LLC.

See notes to consolidated financial statements.

(q) Security held within EP American Energy Investments, Inc., a wholly-owned subsidiary of the Company.
(r) Security held within FSEP-BBH, Inc., a wholly-owned subsidiary of the Company.
(s) Security held within EP Burnett Investments, Inc., a wholly-owned subsidiary of the Company.
(t) Investment denominated in Canadian dollars. Amortized cost and fair value are converted into U.S. dollars as of December 31, 2018.
(u) Investment denominated in British pounds. Amortized cost and fair value are converted into U.S. dollars as of December 31, 2018.
(v) Security held within EP Synergy Investments, Inc., a wholly-owned subsidiary of Foxfields Funding LLC.
(w) Security is classified as Level 3 in the Company's fair value hierarchy (See Note 8).
(x) Security or portion thereof is pledged as collateral supporting the amounts outstanding under the Senior Secured Notes with JPMorgan Chase Bank, N.A. (see Note 9).
(y) Security held within EP Northern Investments, LLC, a wholly-owned subsidiary of the Company.

(in thousands, except share amounts)

(z) Under the 1940 Act, the Company generally is deemed to be an “affiliated person” of a portfolio company if it owns 5% or more of the portfolio company’s voting securities and generally is deemed to “control” a portfolio company if it owns more than 25% of the portfolio company’s voting securities or it has the power to exercise control over the management or policies of such portfolio company. As of December 31, 2018, the Company held investments in portfolio companies of which it is deemed to be an “affiliated person” but is not deemed to “control”. The following table presents certain information with respect to such portfolio companies for the year ended December 31, 2018:

Portfolio Company	Fair Value at December 31, 2017	Purchases, Paid-in-Kind Interest and Transfers In	Sales, Repayments and Transfers Out	Accretion of Discount	Net Realized Gain (Loss)	Net Change in Unrealized Appreciation (Depreciation)	Fair Value at December 31, 2018	Interest Income[(2)]	PIK Income[(2)]	Fee Income[(2)]
Senior Secured Loans—First Lien										
Altus Power America, Inc.[(1)]	$ 75,353	$ 8,561	$ —	$ —	$ —	$ (667)	$ 83,247	$ 7,975	$ —	$ —
BL Sand Hills Unit, L.P.	20,000	—	—	—	—	—	20,000	2,281	—	—
MB Precision Holdings LLC	—	13,945	(2,747)	—	(6,885)	260	4,573	749	152	—
Warren Resources, Inc.	81,214	329	(52,265)	—	—	(1,981)	27,297	3,612	329	2,091
Senior Secured Loans—Second Lien										
Titan Energy Operating, LLC	62,026	—	—	—	—	(49,615)	12,411	895	—	—
Senior Secured Bonds										
FourPoint Energy, LLC	238,946	—	(1,485)	2,737	—	(9,188)	231,010	24,133	—	—
Ridgeback Resources Inc.	3,887	—	(3,887)	6	56	(62)	—	297	—	—
Sunnova Energy Corp.	—	35,474	(17,606)	—	—	(111)	17,757	3,341	1,804	—
Preferred Equity										
Altus Power America Holdings, LLC, Preferred Equity	25,793	6,694	(3,841)	—	—	(429)	28,217	3,746	—	—
MB Precision Investment Holdings LLC, Class A Preferred Units	—	1,843	—	—	—	(595)	1,248	—	—	—
Sunnova Energy Corp., Preferred Equity	—	5,948	—	—	—	186	6,134	—	—	—
Equity/Other										
Altus Power America Holdings, LLC, Common Equity	1,871	—	—	—	—	312	2,183	—	—	—
BL Sand Hills Unit, L.P., Net Profits Interest	966	—	—	—	—	184	1,150	—	—	—
BL Sand Hills Unit, L.P., Overriding Royalty Interest	726	—	—	—	—	12	738	—	—	—
BL Sand Hills Unit, L.P., Series A Units	7,000	—	—	—	—	(3,761)	3,239	—	—	—
FourPoint Energy, LLC, Common Equity, Class C-II-A Units	19,140	—	—	—	—	(4,372)	14,768	—	—	—
FourPoint Energy, LLC, Common Equity, Class D Units	3,619	—	—	—	—	(819)	2,800	—	—	—
FourPoint Energy, LLC, Common Equity, Class E-II Units	43,395	—	—	—	—	(9,623)	33,772	—	—	—
FourPoint Energy, LLC, Common Equity, Class E-III Units	64,598	—	—	—	—	(14,758)	49,840	—	—	—
Harvest Oil & Gas Corp., Common Equity	—	29,714	—	—	—	(5,430)	24,284	—	—	—
MB Precision Investment Holdings LLC, Class A-2 Units	—	490	—	—	—	(490)	—	—	—	—
Ridgeback Resources Inc., Common Equity	58,284	—	—	—	—	(10,796)	47,488	—	—	—
Sunnova Energy Corp., Common Equity	—	25,026	—	—	—	(25,026)	—	—	—	—
Titan Energy, LLC, Common Equity	844	—	—	—	—	(677)	167	—	—	—
Warren Resources, Inc., Common Equity	7,507	—	—	—	—	2,870	10,377	—	—	—
	$715,169	$128,024	$(81,831)	$2,743	$(6,829)	$(134,576)	$622,700	$47,029	$2,285	$2,091

(1) Security includes a partially unfunded commitment with amortized cost of $3,787 and fair value of $3,673.

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

(aa) Under the 1940 Act, the Company generally is deemed to “control” a portfolio company if it owns more than 25% of the portfolio company’s voting securities or it has the power to exercise control over the management or policies of such portfolio company. As of December 31, 2018, the Company held investments in Lusk Operating LLC, which it is deemed to be an “affiliated person” of and deemed to “control.” The fair value as of December 31, 2018 was $0 for the Company’s senior secured loan and common equity investments in Lusk Operating, LLC. The company did not purchase, sell, accrue income or realize a gain (loss) for the Company’s senior secured loan and common equity investments in Lusk Operating, LLC for the year ended December 31, 2018.

(bb) Includes the effect of swap contracts.

See notes to consolidated financial statements.

Note 1. Principal Business and Organization

FS Energy and Power Fund, or the Company, was formed as a Delaware statutory trust under the Delaware Statutory Trust Act on September 16, 2010 and formally commenced investment operations on July 18, 2011. The Company is an externally managed, non-diversified, closed-end management investment company that has elected to be regulated as a business development company, or BDC, under the Investment Company Act of 1940, as amended, or the 1940 Act. In addition, the Company has elected to be treated for U.S. federal income tax purposes, and intends to qualify annually, as a regulated investment company, or RIC, as defined under Subchapter M of the Internal Revenue Code of 1986, as amended, or the Code. As of December 31, 2019, the Company had various wholly-owned financing subsidiaries, including special-purpose financing subsidiaries and subsidiaries through which it holds or expects to hold interests in certain portfolio companies. The audited consolidated financial statements include both the Company's accounts and the accounts of its wholly-owned subsidiaries as of December 31, 2019. 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 objective is to generate current income and long-term capital appreciation by investing primarily in privately-held U.S. companies in the energy and power industry. The Company's investment policy is to invest, under normal circumstances, at least 80% of its total assets in securities of energy and power related, or Energy, companies. The Company considers Energy companies to be those companies that engage in the exploration, development, production, gathering, transportation, processing, storage, refining, distribution, mining, generation or marketing of natural gas, natural gas liquids, crude oil, refined products, coal or power, including those companies that provide equipment or services to companies engaged in any of the foregoing.

The Company is managed by FS/EIG Advisor, LLC, or FS/EIG Advisor, pursuant to an investment advisory and administrative services agreement, dated as of April 9, 2018, or the FS/EIG investment advisory agreement. FS/EIG Advisor oversees the management of the Company's operations and is responsible for making investment decisions with respect to the Company's portfolio. GSO Capital Partners LP, or GSO, resigned as the Company's investment sub-adviser and terminated the investment sub-advisory agreement, dated April 28, 2011, or the investment sub-advisory agreement, that FS Investment Advisor, LLC, or FS Advisor, had entered into with GSO, effective April 9, 2018. The FS/EIG investment advisory agreement replaced the investment advisory and administrative services agreement, dated April 28, 2011, as amended by the first amendment to the investment advisory and administrative services agreement, dated August 10, 2012, or the FS Advisor investment advisory agreement, by and between the Company and FS Advisor.

Note 2. Summary of Significant Accounting Policies

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

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

Note 2. Summary of Significant Accounting Policies (Continued)

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

Valuation of Portfolio Investments: The Company determines the fair value of its investment portfolio each quarter. Securities are valued at fair value as determined in good faith by the Company's board of trustees. In connection with that determination, FS/EIG Advisor provides the Company's board of trustees 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, the Company undertakes a multi-step valuation process each quarter, as described below:

- the Company's quarterly fair valuation process begins with FS/EIG Advisor reviewing and documenting preliminary valuations of each portfolio company or investment;
- such preliminary valuations for each portfolio company or investment are compared to a valuation range that is obtained from an independent third-party valuation service;
- FS/EIG Advisor then provides the valuation committee of the Company's board of trustees, or the valuation committee, its valuation recommendation for each portfolio company or investment, along with supporting materials;
- preliminary valuations are then discussed with the valuation committee;
- the valuation committee reviews the preliminary valuations and FS/EIG Advisor, together with the Company's independent third-party valuation services, if applicable, supplements the preliminary valuations to reflect any comments provided by the valuation committee;
- following its review, the valuation committee will recommend that the Company's board of trustees approve its fair valuations; and
- the Company's board of trustees discusses the valuations and determines the fair value of each such investment in the Company's portfolio in good faith based on various statistical and other factors, including the input and recommendation of FS/EIG 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 the Company's consolidated financial statements refer to the uncertainty with respect to the possible effect of such valuations and any change in such valuations on the Company's consolidated financial statements. In

Note 2. Summary of Significant Accounting Policies (Continued)

making its determination of fair value, the Company's board of trustees may use any approved independent third-party pricing or valuation services. However, the Company's board of trustees 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/EIG Advisor or any approved independent third-party valuation or pricing service that the Company's board of trustees deems to be reliable in determining fair value under the circumstances. Below is a description of factors that FS/EIG Advisor, any approved independent third-party valuation services and the Company's board of trustees may consider when determining the fair value of the Company's investments.

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

The Company's equity interests in portfolio companies for which there is no liquid public market are valued at fair value. The Company's board of trustees, 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, PV-10 multiples or liquidation value. All of these factors may be subject to adjustments based upon the particular circumstances of a portfolio company or the Company's actual investment position. For example, adjustments to EBITDA may take into account compensation to previous owners or acquisition, recapitalization, restructuring or other related items.

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

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

Swaps contracts typically will be valued at their daily prices obtained from an independent third party. The aggregate settlement values and notional amounts of the swap contracts will not be recorded in the

Note 2. Summary of Significant Accounting Policies (Continued)

statements of assets and liabilities. Fluctuations in the value of the swap contracts will be recorded in the statements of assets and liabilities as gross assets and gross liabilities and in the statements of operations as unrealized appreciation (depreciation) until closed, when they will be recorded as net realized gain (loss).

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

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

Loan origination fees, original issue discount and market discount are capitalized and the Company amortizes such amounts as interest income over the respective term of the loan or security. Upon the prepayment of a loan or security, any unamortized loan origination fees and original issue discount are recorded as interest income. Structuring and other non-recurring upfront fees are recorded as fee income when earned. The Company records prepayment premiums on loans and securities as fee income when it earns 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, it did not recognize a cumulative effect on shareholders' equity in connection with the adoption of the new revenue recognition guidance.

For the years ended December 31, 2019 and 2018, the Company recognized $139 and $915, respectively, in structuring fee revenue under the new revenue recognition guidance and included such revenue in the fee income line item on its consolidated statements of operations. Comparative periods are presented in accordance with revenue recognition guidance effective prior to January 1, 2018, under which the Company recorded structuring and other non-recurring upfront fees as income when earned. The Company has determined that the adoption of the new revenue recognition guidance did not have a material impact on the amount of revenue recognized for the year ended December 31, 2019.

Note 2. Summary of Significant Accounting Policies (Continued)

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

Capital Gains Incentive Fee: Pursuant to the terms of the FS/EIG 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 such agreement). Such fee equals 20.0% of the Company's "incentive fee capital gains," which are 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 incentive fees on capital gains. The Company will accrue for the incentive fee on capital gains, which, if earned, will be paid annually. The Company will accrue the incentive fee on capital gains based on net realized and unrealized gains; however, the fee payable to FS/EIG Advisor will be based on realized gains and no such fee will be 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 FS Advisor investment advisory agreement.

Subordinated Income Incentive Fee: Pursuant to the terms of the FS/EIG investment advisory agreement, FS/EIG Advisor may also be entitled to receive a subordinated incentive fee on income. The subordinated incentive fee on income under the FS/EIG 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 adjusted capital, equal to 1.625% per quarter, or an annualized hurdle rate of 6.5%. As a result, FS/EIG 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 1.625%. For purposes of this fee, "adjusted capital" means cumulative gross proceeds generated from sales of the Company's common shares (including proceeds from its distribution reinvestment plan) reduced for distributions from non-liquidating dispositions of the Company's investments paid to shareholders and amounts paid for share repurchases pursuant to the Company's share repurchase program. Once the Company's pre-incentive fee net investment income in any quarter exceeds the hurdle rate, FS/EIG 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 2.031%, or 8.125% annually, of adjusted capital. This "catch-up" feature will allow FS/EIG Advisor to recoup the fees foregone as a result of the existence of the hurdle rate. Thereafter, FS/EIG Advisor will be entitled to receive 20.0% of the Company's pre-incentive fee net investment income.

Swap Contracts: The Company enters into swap contracts to economically hedge against the variability in cash flows associated with the sale of future crude oil and natural gas production. While the use of these derivative instruments limits the downside risk of adverse price movements, their use also limits future revenues from upward price movements. The Company's fixed price swaps are settled monthly based on differences between the fixed price specified in the contract and the referenced settlement price. When the referenced settlement price is less than the price specified in the contract, the Company receives an amount from the counterparty based on the price difference multiplied by the volume. Similarly, when the referenced

Note 2. Summary of Significant Accounting Policies (Continued)

settlement price exceeds the price specified in the contract, the Company pays the counterparty an amount based on the price difference multiplied by the volume.

Income Taxes: The Company has elected to be treated for U.S. federal income tax purposes, and intends to qualify annually, as a RIC under Subchapter M of the Code. To maintain qualification as a RIC and maintain RIC tax treatment, the Company must, among other things, meet certain source-of-income and asset diversification requirements, as well as distribute to its shareholders, in respect of each tax year, dividends of an amount generally at least equal to 90% of its "investment company taxable income," which is generally the Company's net ordinary income plus the excess, if any, of realized net short-term capital gains over realized net long-term capital losses, determined without regarding to any deduction for dividends paid. As a RIC, the Company will not have to pay corporate-level U.S. federal income taxes on any ordinary income or capital gains that it distributes as dividends to its shareholders. The Company intends to make distributions in an amount sufficient to qualify for and maintain its RIC tax treatment each tax year and to not pay any U.S. federal income taxes on income so distributed. The Company will also be subject to nondeductible U.S. federal excise taxes if it does not timely distribute dividends each calendar year of an amount at least equal to the sum of 98% of ordinary income (taking into account certain deferrals and elections) for the calendar year, 98.2% of any capital gain net income (adjusted for certain ordinary losses) for the one-year period ending on October 31 of such calendar year, and any recognized and undistributed ordinary income from prior years for which it paid no income taxes. Certain of the Company's consolidated subsidiaries are subject to U.S. federal and state income taxes.

Uncertainty in Income Taxes: The Company evaluates its tax positions to determine if the tax positions taken meet the minimum recognition threshold in connection with accounting for uncertainties in income tax positions taken or expected to be taken for the purposes of measuring and recognizing tax benefits or liabilities in the consolidated financial statements. Recognition of a tax benefit or liability with respect to an uncertain tax position is required only when the position is "more likely than not" to be sustained assuming examination by taxing authorities. The Company recognizes interest and penalties, if any, related to unrecognized tax liabilities as income tax expense in the consolidated statements of operations. During the years ended December 31, 2019, 2018 and 2017, the Company did not incur any interest or penalties.

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

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

Reclassifications: Certain amounts in the consolidated financial statements for the years ended December 31, 2018 and 2017 have been reclassified to conform to the classifications used to prepare the consolidated financial statements for the year ended December 31, 2019. These reclassifications had no material impact on the Company's consolidated financial position, results of operations or cash flows as previously reported.

(in thousands, except share and per share amounts)

Note 3. Share Transactions

Below is a summary of transactions with respect to the Company's common shares during the years ended December 31, 2019, 2018 and 2017:

	Year Ended December 31,					
	2019		2018		2017	
	Shares	Amount	Shares	Amount	Shares	Amount
Reinvestment of Distributions	16,921,366	$ 101,727	18,007,138	$ 118,191	25,383,052	$ 186,471
Share Repurchase Program	(18,895,526)	(114,998)	(23,601,106)	(156,658)	(19,500,012)	(143,659)
Net Proceeds from Share Transactions	(1,974,160)	$ (13,271)	(5,593,968)	$ (38,467)	5,883,040	$ 42,812

During the period from January 1, 2020 to April 9, 2020, the Company issued 3,156,043 common shares pursuant to its distribution reinvestment plan for gross proceeds of $15,434 at an average price per share of $4.89.

On February 25, 2020, the Company received exemptive relief from the SEC permitting it to offer multiple classes of common shares. While the Company has no present intention to recommence a public offering of its common shares, the Company could do so in the future.

Share Repurchase Program

The Company intends to conduct quarterly tender offers pursuant to its share repurchase program. The Company's board of trustees will consider the following factors, among others, in making its determination regarding whether to cause the Company to offer to repurchase common shares and under what terms:

- the effect of such repurchases on the Company's qualification as a RIC (including the consequences of any necessary asset sales);
- the liquidity of the Company's assets (including fees and costs associated with disposing of assets);
- the Company's investment plans and working capital requirements;
- the relative economies of scale with respect to the Company's size;
- the Company's history in repurchasing common shares or portions thereof; and
- the condition of the securities markets.

Historically, the Company limited the number of common shares to be repurchased during any calendar year to the lesser of (i) the number of common shares the Company can repurchase with the proceeds it receives from the issuance of common shares under the Company's distribution reinvestment plan and (ii) 10% of the weighted average number of common shares outstanding in the prior calendar year, or 2.5% in each calendar quarter. On May 5, 2017, the board of trustees of the Company further amended the share repurchase program. As amended, the Company will limit the maximum number of common shares to be repurchased for any repurchase offer to the greater of (A) the number of common shares that the Company can repurchase with the proceeds it has received from the sale of common shares under its distribution reinvestment plan during the twelve-month period ending on the date the applicable repurchase offer expires (less the amount of proceeds used to repurchase common shares on each previous repurchase date for repurchase offers conducted during such twelve-month period) (this limitation is referred to as the twelve-month repurchase limitation) and (B) the number of common shares that the Company can

(in thousands, except share and per share amounts)

Note 3. Share Transactions (Continued)

repurchase with the proceeds the Company receives from the sale of common shares under its distribution reinvestment plan during the three-month period ending on the date the applicable repurchase offer expires (this limitation is referred to as the three-month repurchase limitation). In addition to this limitation, the maximum number of common shares to be repurchased for any repurchase offer will also be limited to 10% of the weighted average number of common shares outstanding in the prior calendar year, or 2.5% in each calendar quarter. As a result, the maximum number of common shares to be repurchased for any repurchase offer will not exceed the lesser of (i) 10% of the weighted average number of common shares outstanding in the prior calendar year, or 2.5% in each calendar quarter, and (ii) whichever is greater of the twelve-month repurchase limitation described in clause (A) above and the three-month repurchase limitation described in clause (B) above.

The Company intends to offer to repurchase common shares at a price equal to the price at which common shares are issued pursuant to the Company's distribution reinvestment plan on the distribution date coinciding with the applicable share repurchase date. The price at which common shares are issued under the Company's distribution reinvestment plan is determined by the Company's board of trustees or a committee thereof, in its sole discretion, and will be (i) not less than the net asset value per common share as determined in good faith by the Company's board of trustees or a committee thereof, in its sole discretion, immediately prior to the payment date of the distribution and (ii) not more than 2.5% greater than the net asset value per common share as of such date. The Company's board of trustees may amend, suspend or terminate the share repurchase program at any time, upon 30 days' notice.

The following table provides information concerning the Company's repurchases of common shares pursuant to its share repurchase program during the years ended December 31, 2019, 2018 and 2017:

For the Three Months Ended	Repurchase Date	Shares Repurchased	Percentage of Shares Tendered That Were Repurchased	Percentage of Outstanding Shares Repurchased as of the Repurchase Date	Repurchase Price Per Share	Aggregate Consideration for Repurchased Shares
Fiscal 2017						
December 31, 2016	January 3, 2017	2,239,480	100%	0.51%	$7.70	$ 17,244
March 31, 2017	April 17, 2017	4,587,306	100%	1.03%	$7.75	35,552
June 30, 2017	July 3, 2017	4,990,805	100%	1.12%	$7.20	35,934
September 30, 2017	October 2, 2017	7,682,421	100%	1.72%	$7.15	54,929
Total		19,500,012				$143,659
Fiscal 2018						
December 31, 2017	January 12, 2018	9,018,665	64%	2.02%	$6.70	$ 60,425
March 31, 2018	April 2, 2018	4,786,015	24%	1.08%	$6.55	31,348
June 30, 2018	July 2, 2018	4,554,498	20%	1.03%	$6.60	30,060
September 30, 2018	October 1, 2018	4,346,141	16%	0.99%	$6.65	28,902
Total		22,705,319				$150,735
Fiscal 2019						
December 31, 2018	January 2, 2019	4,568,195	16%	1.04%	$6.10	$ 27,866
March 31, 2019	April 1, 2019	4,365,903	13%	0.99%	$6.20	27,069
June 30, 2019	July 23, 2019	4,193,499	10%	0.95%	$6.20	26,000
September 30, 2019	October 2, 2019	4,243,599	9%	0.97%	$5.85	24,825
Total		17,371,196				$105,760

(in thousands, except share and per share amounts)

Note 3. Share Transactions (Continued)

On January 8, 2020, the Company repurchased 4,354,073 common shares (representing 9% of common shares tendered for repurchase and 0.99% of the shares outstanding as of such date) at $5.50 per share for aggregate consideration totaling $23,947.

In order to minimize the expense of supporting small accounts and provide additional liquidity to shareholders of the Company holding small accounts after completion of the regular quarterly share repurchase offer, the Company reserves the right to repurchase the shares of and liquidate any investor's account if the balance of such account is less than the Company's $5,000 minimum initial investment, unless the account balance has fallen below the minimum solely as a result of a decline in the Company's net asset value per share. The Company will provide or will cause to be provided 30 days' prior written notice to potentially affected investors, which notice may be included in the regular quarterly repurchase offer materials, of any such repurchase. Any such repurchases will be made at the Company's most recent price at which the Company's shares were issued pursuant to its distribution reinvestment plan. The Company conducted the first such repurchase and de minimis account liquidation after the Company's second quarter 2018 share repurchase offer.

The following table summarizes the common shares repurchased by the Company relating to its de minimis account liquidations during the years ended December 31, 2019 and 2018:

For the Three Months Ended	Repurchase Date	Shares Repurchased	Percentage of Outstanding Shares Repurchased as of the Repurchase Date	Repurchase Price Per Share	Aggregate Consideration for Repurchased Shares
Fiscal 2018					
June 30, 2018	July 19, 2018	659,593	0.15%	$6.60	$4,353
September 30, 2018	October 10, 2018	236,194	0.05%	$6.65	1,570
Total		895,787			$5,923
Fiscal 2019					
December 31, 2018	January 16, 2019	423,643	0.10%	$6.10	$2,584
March 31, 2019	April 11, 2019	297,672	0.07%	$6.20	1,846
June 30, 2019	August 8, 2019	312,841	0.07%	$6.20	1,940
September 30, 2019	October 17, 2019	490,174	0.11%	$5.85	2,868
Total		1,524,330			$9,238

On January 17, 2020, the Company conducted a de minimis account liquidation after the Company's fourth quarter 2019 share repurchase offer, pursuant to which, the Company repurchased 522,996 common shares (representing 0.12% of the shares outstanding as of such date) at $5.50 per share for aggregate consideration totaling $2,876.

Note 4. Related Party Transactions

Compensation of the Investment Adviser

Pursuant to the FS/EIG investment advisory agreement, FS/EIG Advisor is entitled to an annual base management fee based on the average weekly value of the Company's gross assets (gross assets equals total assets as set forth on the Company's consolidated balance sheets) during the most recently completed calendar quarter 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 1.75% of the average weekly value of the Company's

Note 4. Related Party Transactions (Continued)

gross assets. Effective April 9, 2018, FS/EIG Advisor agreed to waive incentive fees on income for the period ended December 31, 2018. See Note 2 for a discussion of the capital gains and subordinated income incentive fees that FS/EIG Advisor may be entitled to under the FS/EIG investment advisory agreement.

Pursuant to the FS Advisor investment advisory agreement, FS Advisor was entitled to an annual base management fee of 1.75% of the average value of the Company's gross assets (gross assets equals total assets as set forth on the Company's consolidated balance sheets) and an incentive fee based on the Company's performance. Effective January 1, 2018, FS Advisor had agreed to waive incentive fees on income for the twelve months ended December 31, 2018. Pursuant to the investment sub-advisory agreement, GSO was entitled to receive 50% of all management and incentive fees payable to FS Advisor under the FS Advisor investment advisory agreement with respect to each year.

FS/EIG Advisor may receive structuring or other upfront fees from portfolio companies in which FS/EIG Advisor has caused the Company to invest. FS/EIG Advisor has agreed to offset the amount of any structuring or other upfront fees received by FS/EIG Advisor against the management fees payable by the Company under the FS/EIG investment advisory agreement. During the years ended December 31, 2019 and 2018, $5,992 and $1,276, respectively, of structuring or other upfront fees received by FS/EIG Advisor were offset against management fees.

Pursuant to the FS/EIG investment advisory agreement, FS/EIG 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/EIG 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 shareholders and reports filed with the Securities and Exchange Commission, or SEC.

The Company reimburses FS/EIG Advisor for expenses necessary to perform services related to the Company's administration and operations, including FS/EIG Advisor's allocable portion of the compensation and/or related expenses of certain personnel of FS Investments and EIG, providing administrative services to the Company on behalf of FS/EIG Advisor, and for transactional expenses for prospective investments, such as fees and expenses associated with performing due diligence reviews of investments that do not close, often referred to as "broken deal" costs. The Company reimburses FS/EIG Advisor no less than quarterly for expenses necessary to perform services related to the Company's administration and operations. The amount of this reimbursement is set at the lesser of (1) FS/EIG Advisor's actual costs incurred in providing such services and (2) the amount that the Company estimates it would be required to pay alternative service providers for comparable services in the same geographic location. FS/EIG Advisor allocates the cost of such services to the Company based on factors such as time allocations and other reasonable metrics. The Company's board of trustees reviews the methodology employed in determining how the expenses are allocated to the Company and assesses the reasonableness of such reimbursements for expenses allocated to the Company 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 providers known to be available. In addition, the Company's board of trustees 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 trustees, among other things, compares the total amount paid to FS/EIG Advisor for such services as a percentage of the Company's net assets to the same ratio as reported by other comparable BDCs. The Company does not reimburse FS/EIG Advisor for any services for which it receives a separate fee, or for rent, depreciation, utilities, capital equipment or other administrative items allocated to a controlling person of FS/EIG Advisor. The FS/EIG investment advisory agreement is substantially similar to the FS Advisor investment advisory agreement.

(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 FS Advisor investment advisory agreement and FS/EIG investment advisory agreement during the years ended December 31, 2019, 2018 and 2017:

Related Party	Source Agreement	Description	Year Ended December 31, 2019	2018	2017
FS Advisor and FS/EIG Advisor	FS Advisor investment advisory agreement and FS/EIG investment advisory agreement	Base Management Fee(1)	$62,534	$68,799	$88,938
FS Advisor and FS/EIG Advisor	FS Advisor investment advisory agreement and FS/EIG investment advisory agreement	Subordinated Incentive Fee on Income(2)	—	—	$10,499
FS Advisor and FS/EIG Advisor	FS Advisor investment advisory agreement and FS/EIG investment advisory agreement	Administrative Services Expenses(3)	$ 4,760	$ 3,717	$ 2,829
FS Advisor and FS/EIG Advisor	Expense support and conditional reimbursement agreement	Expense Recoupment(4)	—	—	$ 2,858

(1) During the years ended December 31, 2019, 2018 and 2017, $63,358, $68,282 and $73,143, respectively, in base management fees were paid to FS Advisor and/or FS/EIG Advisor and $0, $5,945 and $14,816, respectively, in base management fees were applied to offset the liability of FS Investments under the expense reimbursement agreement (see "—Expense Reimbursement" below). The base management fee amount shown in the table above for the years ended December 31, 2019 and 2018 is shown net of $5,992 and $1,276, respectively, in structuring or other upfront fees received by FS/EIG Advisor and offset against base management fees. As of December 31, 2019, $15,582 in base management fees were payable to FS/EIG Advisor.

(2) During the years ended December 31, 2019 and 2018, the Company did not pay any amounts in subordinated incentive fees on income to FS Advisor or FS/EIG Advisor. During the year ended December 31, 2017, $10,499 in subordinated incentive fees on income were applied to offset the liability of FS Investments under the expense reimbursement agreement (see "—Expense Reimbursement" below). See footnote (1) above for an additional offset to the liability of FS Investments under the expense reimbursement agreement. As of December 31, 2019, the Company did not have any subordinated incentive fee on income payable to FS Advisor or FS/EIG Advisor.

(3) During the years ended December 31, 2019, 2018 and 2017, $2,914, $3,173 and $2,638, respectively, of the accrued administrative services expenses related to the allocation of costs of administrative personnel for services rendered to the Company by FS Advisor and/or FS/EIG Advisor and the remainder related to other reimbursable expenses. The Company paid $3,662, $3,580 and $3,945, respectively, in administrative services expenses to FS Advisor and/or FS/EIG Advisor, or its affiliates, during the years ended December 31, 2019, 2018 and 2017.

(4) During the year ended December 31, 2017, the Company accrued $2,858 for expense recoupments payable to FS Advisor under the expense reimbursement agreement (see "—Expense Reimbursement" below). During the year ended December 31, 2017, $2,858 of expense recoupments were paid to FS Advisor. As of December 31, 2019, the Company did not have any expense recoupments payable to FS Advisor or FS/EIG Advisor.

Potential Conflicts of Interest

The members of the senior management and investment teams of FS/EIG 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. 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 shareholders. The Company's investment objectives may overlap with the investment objectives of such investment funds, accounts or other investment vehicles. For example, the Company may rely on FS/EIG Advisor to manage the Company's day-to-day activities and to implement its investment strategy. FS/EIG Advisor, personnel of FS/EIG Advisor, and certain of their respective affiliates are presently, and plan in the future to continue to be, involved with activities which are unrelated to the Company. As a result of these activities, FS/EIG Advisor, its personnel and certain of its affiliates will have conflicts of interest in allocating their time between the Company and other activities in which they are or may become involved, including the management of other entities affiliated with FS Investments or EIG. FS/EIG Advisor and its employees will devote only as much of its or their time to the Company's business as FS/EIG Advisor and its employees, in their judgment, determine is reasonably required, which may be substantially less than their full time.

Note 4. Related Party Transactions (Continued)

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 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 FS Advisor, including FS KKR Capital Corp., FS KKR Capital Corp. II, or collectively the Company's co-investment affiliates. Effective April 9, 2018, or the JV Effective Date, and in connection with the transition of advisory services to a joint advisory relationship with EIG, the Company's board of trustees authorized and directed that the Company (i) withdraw from the Order, except with respect to any transaction in which the Company participated in reliance on the Order prior to the JV Effective Date, and (ii) rely on an exemptive relief order dated April 10, 2018, granted to EIG and its affiliates which permits the Company to participate in co-investment transactions with certain other EIG advised funds, or the EIG Order.

Expense Reimbursement

Pursuant to an expense support and conditional reimbursement agreement, amended and restated as of May 16, 2013, or, the expense reimbursement agreement, FS Investments agreed to reimburse the Company for expenses in an amount that is sufficient to ensure that no portion of the Company's distributions to shareholders will be paid from its offering proceeds or borrowings.

Under the expense reimbursement agreement, FS Investments agreed to reimburse the Company quarterly for expenses in an amount equal to the difference between the Company's cumulative distributions paid to its shareholders in each quarter, less the sum of the Company's net investment company taxable income, net capital gains and dividends and other distributions paid to the Company on account of preferred and common equity investments in portfolio companies (to the extent such amounts are not included in net investment company taxable income or net capital gains) in each quarter.

Pursuant to the expense reimbursement agreement, the Company has a conditional obligation to reimburse FS Investments for any amounts funded by FS Investments under such agreement if (and only to the extent that), during any fiscal quarter occurring within three years of the date on which FS Investments funded such amount, the sum of the Company's net investment company taxable income, net capital gains and the amount of any dividends and other distributions paid to the Company on account of preferred and common equity investments in portfolio companies (to the extent not included in net investment company taxable income or net capital gains) exceeds the distributions paid by the Company to its shareholders; provided, however, that (i) the Company will only reimburse FS Investments for expense support payments made by FS Investments with respect to any calendar quarter beginning on or after July 1, 2013 to the extent that the payment of such reimbursement (together with any other reimbursement paid during such fiscal year) does not cause "other operating expenses" (as defined below) (on an annualized basis and net of any expense support payments received by the Company during such fiscal year) to exceed the lesser of (A) 1.75% of the Company's average net assets attributable to its common shares for the fiscal year-to-date period after taking such payments into account and (B) the percentage of the Company's average net assets attributable to its common shares represented by "other operating expenses" during the fiscal year in which such expense support payment from FS Investments was made (provided, however, that this clause (B) shall not apply to any reimbursement payment which relates to an expense support payment from FS Investments made during the same fiscal year) and (ii) the Company will not reimburse FS Investments for expense support payments made by FS Investments if the aggregate amount of distributions per share

(in thousands, except share and per share amounts)

Note 4. Related Party Transactions (Continued)

declared by the Company in such calendar quarter is less than the aggregate amount of distributions per share declared by the Company in the calendar quarter in which FS Investments made the expense support payment to which such reimbursement relates. The Company is not obligated to pay interest on the payments it receives from FS Investments. “Other operating expenses” means the Company’s total “operating expenses” (as defined below), excluding base management fees, incentive fees, organization and offering expenses, financing fees and costs, interest expense, brokerage commissions and extraordinary expenses. “Operating expenses” means all operating costs and expenses incurred, as determined in accordance with GAAP for investment companies.

The expense reimbursement agreement was terminated on the JV Effective Date. The Company’s conditional obligation to reimburse FS Investments pursuant to the terms of the expense reimbursement agreement survived the termination of the agreement. As of the JV Effective Date, the Company entered into an expense support and conditional reimbursement agreement with FS/EIG Advisor, or the FS/EIG expense reimbursement agreement, on substantially similar terms.

During the years ended December 31, 2019 and 2018, the Company did not accrue any expense reimbursements from FS Investments. During the year ended December 31, 2017, the Company accrued $31,260 for expense reimbursements that FS Investments had agreed to pay, including an offset against management fees and subordinated income incentive fees payable by the Company to FS Advisor. As of December 31, 2019 and 2018, the Company had no reimbursements due from FS Investments. As of December 31, 2017, the Company had $5,945 of reimbursements due from FS Investments, which the Company offset against management fees payable by the Company to FS Advisor.

As discussed above, under the expense reimbursement agreement, amounts reimbursed to the Company by FS Investments may become subject to repayment by the Company in the future. During the year ended December 31, 2019, the Company did not pay any amounts in expense recoupments to FS Investments. As of December 31, 2019, $28,104 of reimbursements may become subject to repayment by the Company to FS Investments in the future.

The following table reflects the expense reimbursement payments from FS Investments to the Company as of December 31, 2019 that may become subject to repayment by the Company to FS Investments:

For the Three Months Ended	Amount of Expense Reimbursement Payment	Annualized “Other Operating Expenses” Ratio as of the Date of Expense Reimbursement	Annualized Rate of Distributions Per Share(1)	Reimbursement Eligibility Expiration
March 31, 2017	$15,362(2)	0.40%	9.14%	March 31, 2020
September 30, 2017	7,095	0.36%	9.91%	September 30, 2020
December 31, 2017	5,647	0.36%	10.57%	December 31, 2020
Total	$28,104			

(1) The annualized rate of distributions per share is expressed as a percentage equal to the projected annualized distribution amount as of the end of the applicable period (which is calculated by annualizing the regular monthly cash distribution per share as of such date without compounding), divided by the Company’s distribution reinvestment price per share as of such date.

(2) Amount has been reduced by $2,858, which was paid during the year ended December 31, 2017 for expense recoupments payable to FS Investments.

On November 14, 2018, FS/EIG Advisor announced that for any calendar quarter ending on or prior to September 30, 2019 it will defer the receipt of base management fees under the FS/EIG investment advisory

(in thousands, except share and per share amounts)

Note 4. Related Party Transactions (Continued)

agreement if, and to the extent that, the Company's distributions paid to the Company's shareholders in the calendar quarter exceeds the sum of the Company's investment company taxable income (as defined in Section 852 of the Internal Revenue Code of 1986, as amended, or the Code), net capital gains (as defined in Section 1222 of the Code) and dividends and other distributions paid to the Company on account of preferred and common equity investments in portfolio companies (to the extent such amounts were not included in net investment company taxable income or net capital gains) in the calendar quarter, or collectively, the Company's distributable funds on a tax basis. FS/EIG Advisor will only receive any deferred fees in a future calendar quarter if, and to the extent that, the Company's distributable funds on a tax basis in the future calendar quarter exceeds the Company's distributions paid to the Company's shareholders in such quarter. In light of this commitment by FS/EIG Advisor, the FS/EIG expense reimbursement agreement was terminated on November 12, 2018.

For the period from January 1, 2018 to November 12, 2018, the Company did not accrue any expense reimbursements from FS/EIG Advisor under the FS/EIG expense reimbursement agreement. During the year ended December 31, 2019, FS/EIG Advisor did not defer the receipt of any base management fees under the FS/EIG investment advisory agreement. As of December 31, 2019, there were no deferred base management fees subject to future payment by the Company.

Note 5. Distributions

The following table reflects the cash distributions per share that the Company has declared and paid on its common shares during the years ended December 31, 2019, 2018 and 2017:

	Distribution	
For the Year Ended December 31,	**Per Share**	**Amount**
2017	$0.7085	$312,694
2018	$0.5000	$219,047
2019	$0.5000	$218,187

Subject to applicable legal restrictions and the sole discretion of the Company's board of trustees, the Company intends to declare regular cash distributions on a quarterly basis and pay such distributions on a monthly basis. On January 27, 2020, the Company's board of trustees declared a regular monthly cash distribution for January 2020 in the amount of $0.041667 per share. On February 7, 2020, the Company's board of trustees declared regular monthly cash distributions for February through March 2020 in the amount of $0.020833 per share. These distributions have been or will be paid monthly to shareholders of record as of monthly record dates previously determined by the Company's board of trustees. The timing and amount of any future distributions to shareholders are subject to applicable legal restrictions and the sole discretion of the Company's board of trustees.

The Company has adopted an "opt in" distribution reinvestment plan for its shareholders. As a result, if the Company makes a cash distribution, its shareholders will receive distributions in cash unless they specifically "opt in" to the distribution reinvestment plan so as to have their cash distributions reinvested in additional common shares. However, certain state authorities or regulators may impose restrictions from time to time that may prevent or limit a shareholder's ability to participate in the distribution reinvestment plan.

On October 13, 2016, the Company further amended and restated its distribution reinvestment plan, or the amended distribution reinvestment plan, which first applied to the reinvestment of cash distributions paid on or after November 30, 2016. Under the original plan, cash distributions to participating shareholders were reinvested in additional common shares at a purchase price equal to 90% of the public offering price

Note 5. Distributions (Continued)

per share in effect as of the date of issuance. Under the amended distribution reinvestment plan, cash distributions to participating shareholders will be reinvested in additional common shares at a purchase price determined by the Company's board of trustees, or a committee thereof, in its sole discretion, that is (i) not less than the net asset value per common share as determined in good faith by the Company's board of trustees or a committee thereof, in its sole discretion, immediately prior to the payment of the distribution and (ii) not more than 2.5% greater than the net asset value per common share as of such date. Any distributions reinvested under the plan will remain taxable to a U.S. shareholder.

The Company may fund its cash distributions to shareholders from any sources of funds legally available to it, including proceeds from the sale of the Company's common shares, borrowings, net investment income from operations, capital gains proceeds from the sale of assets, non-capital gains proceeds from the sale of assets, dividends or other distributions paid to the Company on account of preferred and common equity investments in portfolio companies and expense reimbursements from FS Investments. The Company has not established limits on the amount of funds it may use from available sources to make distributions.

No portion of the distributions paid during the years ended December 31, 2019 and 2018 were funded through the reimbursement of operating expenses by FS Investments, EIG or FS/EIG Advisor. For the year ended December 31, 2017, portions of the Company's distributions were funded through the reimbursement of expenses by FS Investments and its affiliates, including through the offset of certain investment advisory fees by FS Advisor, that are, if certain conditions are met, subject to repayment by the Company within three years. The Company's future repayments of amounts reimbursed or offset by FS Investments or its affiliates will reduce the distributions that shareholders would otherwise receive in the future. Any distributions funded through expense reimbursements or the offset or waiver of advisory fees are not based on the Company's investment performance, and can only be sustained if the Company achieves positive investment performance in future periods and/or FS/EIG Advisor continues to offset or waive such fees. During the years ended December 31, 2019 and 2018, the Company did not repay any amounts to FS Investments or its affiliates for expenses previously reimbursed, offset or waived. During the year ended December 31, 2017, the Company paid $2,858 in expense recoupments to FS Investments or its affiliates for expenses previously reimbursed or offset. There can be no assurance that the Company will continue to achieve the performance necessary to sustain its distributions or that the Company will be able to pay distributions at a specific rate or at all. FS Investments and FS/EIG Advisor have no obligation to offset or waive advisory fees or otherwise reimburse expenses in future periods. If FS Investments had not reimbursed certain of the Company's expenses, 9% of the aggregate amount of distributions paid during the year ended December 31, 2017 would have been funded from offering proceeds or borrowings.

(in thousands, except share and per share amounts)

Note 5. Distributions (Continued)

The following table reflects the sources of the cash distributions on a tax basis that the Company paid on its common shares during the years ended December 31, 2019, 2018 and 2017:

	Year Ended December 31,					
	2019		2018		2017	
Source of Distribution	Distribution Amount	Percentage	Distribution Amount	Percentage	Distribution Amount	Percentage
Offering proceeds	$ —	—	$ —	—	$ —	—
Borrowings	—	—	—	—	—	—
Net investment income (prior to expense reimbursement)(1)	217,484	100%	219,047	100%	282,701	90%
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 investments in portfolio companies	—	—	—	—	1,591	1%
Expense reimbursement from sponsor	—	—	—	—	28,402	9%
Total	$217,484	100%	$219,047	100%	$312,694	100%

(1) During the years ended December 31, 2019, 2018 and 2017, 82.4%, 92.8% and 87.5%, respectively, of the Company's gross investment income was attributable to cash income earned, 9.6%, 3.0% and 7.9%, respectively, was attributable to paid-in-kind, or PIK, interest and 8.0%, 4.2% and 4.6%, respectively, was attributable to non-cash accretion of discount.

The Company's net investment income on a tax basis for the years ended December 31, 2019, 2018 and 2017 was $210,714, $225,559 and $311,103, respectively. As of December 31, 2019 and 2018, the Company had $0 and $6,770, respectively, of undistributed ordinary income on a tax basis.

The Company has in the past and may experience additional restructurings or defaults in the future. Any restructuring or default may have an impact on the level of income received by the Company.

The difference between the Company's GAAP-basis net investment income and its tax-basis net investment income was primarily due to the reclassification of unamortized original issue discount, certain amendment fees and prepayment fees recognized upon prepayment of loans from income for GAAP purposes to realized gains for tax purposes, the impact of certain subsidiaries that are consolidated for purposes of computing GAAP-basis net investment income but are not consolidated for purposes of computing tax-basis net investment income and income recognized for tax purposes on certain transactions but not recognized for GAAP purposes.

(in thousands, except share and per share amounts)

Note 5. Distributions (Continued)

The following table sets forth a reconciliation between GAAP-basis net investment income and tax-basis net investment income during the years ended December 31, 2019, 2018 and 2017:

	Year Ended December 31,		
	2019	2018	2017
GAAP-basis net investment income	$201,784	$185,223	$286,574
Reclassification of unamortized original issue discount, amendment fees and prepayment fees	(7,407)	(11,451)	(22,840)
GAAP vs. tax-basis consolidation of certain subsidiaries	21,789	25,434	29,972
Income subject to tax not recorded for GAAP (income recorded for GAAP not subject to tax)	(10,863)	25,211	17,419
Other miscellaneous differences	5,411	1,142	(22)
Tax-basis net investment income	$210,714	$225,559	$311,103

The Company may make certain adjustments to the classification of shareholders' equity as a result of permanent book-to-tax differences. During the year ended December 31, 2019, the Company increased accumulated earnings (deficit) and reduced capital in excess of par value by $122,990. During the year ended December 31, 2018, the Company increased accumulated earnings (deficit) and reduced capital in excess of par value by $29,050.

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

As of December 31, 2019 and 2018, the components of accumulated earnings on a tax basis were as follows:

	December 31,	
	2019	2018
Distributable ordinary income	$ —	$ 6,770
Accumulated capital losses[(1)]	(550,067)	(550,356)
Other temporary differences	(861)	(179)
Net unrealized appreciation (depreciation) on investments, swap contracts and unrealized gain/loss on foreign currency[(2)]	(680,438)	(555,281)
Total	$(1,231,366)	$(1,099,046)

(1) Net capital losses may be carried forward indefinitely, and their character is retained as short-term or long-term. As of December 31, 2019, the Company had short-term and long-term capital loss carryforwards available to offset future realized capital gains of $21,884 and $528,183, respectively.

(2) As of December 31, 2019 and 2018, the gross unrealized appreciation on the Company's investments, swap contracts and unrealized gain on foreign currency was $109,735 and $101,726, respectively, and the gross unrealized depreciation on the Company's investments, swap contracts and unrealized loss on foreign currency was $790,173 and $657,007, respectively.

Note 5. Distributions (Continued)

The aggregate cost of the Company's investments for federal income tax purposes totaled $4,169,633 and $4,296,888 as of December 31, 2019 and 2018, respectively. The aggregate net unrealized appreciation (depreciation) on a tax basis was $(680,438) and $(555,281) as of December 31, 2019 and 2018, respectively.

As of December 31, 2019 and 2018, the Company had deferred tax assets of $135,803 and $82,246, respectively, resulting primarily from net operating losses of the Company's wholly-owned taxable subsidiaries. As of December 31, 2019 and 2018, certain wholly-owned taxable subsidiaries anticipated that they would be unable to fully utilize their deferred tax assets, therefore the deferred tax assets were offset by valuation allowances of $135,803 and $82,246, respectively. For the years ended December 31, 2019 and 2018, the Company did not record a provision for taxes related to its wholly-owned taxable subsidiaries.

Note 6. Financial Instruments

The Company may trade in financial instruments with off-balance sheet risk in the normal course of its investing activities. During the years ended December 31, 2019 and 2018, the Company utilized swap contracts to economically hedge certain risks against natural gas and crude oil price exposure related to certain investments in the Company's portfolio. While the use of these derivative instruments limits the downside risk of adverse price movements, their use also limits future revenues from upward price movements.

The Company's fixed price swaps are settled monthly based on differences between the fixed price specified in the contract and the referenced settlement price. When the referenced settlement price is less than the price specified in the contract, the Company receives an amount from the counterparty based on the price difference multiplied by the volume. Similarly, when the referenced settlement price exceeds the price specified in the contract, the Company pays the counterparty an amount based on the price difference multiplied by the volume. The prices contained in these fixed price swaps are based on the NYMEX Henry Hub for natural gas and the NYMEX West Texas Intermediate, or NYMEX WTI, for oil. Gas volumes are measured in one million British thermal units, or MMBtus, and oil volumes are measured in barrels, or Bbls. Below is a summary of the Company's open fixed price swap positions as of December 31, 2019.

(in thousands, except share and per share amounts)

Note 6. Financial Instruments (Continued)

Swap Contracts—Crude Oil

Counterparty	Strike Price	Quantity	Units	Contract Start Date	Contract End Date	Market Price	Appreciation	Depreciation
BP Energy Co.	$66.74	11,679	Bbls	01/01/20	01/31/20	$60.95	$ 67	$ —
BP Energy Co.	66.63	17,519	Bbls	01/01/20	01/31/20	60.95	99	—
BP Energy Co.	66.63	5,840	Bbls	01/01/20	01/31/20	60.95	33	—
BP Energy Co.	66.63	11,679	Bbls	01/01/20	01/31/20	60.95	66	—
BP Energy Co.	66.46	11,490	Bbls	02/01/20	02/29/20	60.66	66	—
BP Energy Co.	66.33	17,235	Bbls	02/01/20	02/29/20	60.66	97	—
BP Energy Co.	66.33	5,745	Bbls	02/01/20	02/29/20	60.66	32	—
BP Energy Co.	66.33	11,490	Bbls	02/01/20	02/29/20	60.66	65	—
BP Energy Co.	66.17	11,254	Bbls	03/01/20	03/31/20	60.27	66	—
BP Energy Co.	65.98	16,881	Bbls	03/01/20	03/31/20	60.27	96	—
BP Energy Co.	65.98	5,627	Bbls	03/01/20	03/31/20	60.27	32	—
BP Energy Co.	65.98	11,254	Bbls	03/01/20	03/31/20	60.27	64	—
BP Energy Co.	65.90	11,002	Bbls	04/01/20	04/30/20	59.79	67	—
BP Energy Co.	65.78	16,504	Bbls	04/01/20	04/30/20	59.79	98	—
BP Energy Co.	65.78	5,501	Bbls	04/01/20	04/30/20	59.79	33	—
BP Energy Co.	65.78	11,002	Bbls	04/01/20	04/30/20	59.79	65	—
BP Energy Co.	65.62	10,838	Bbls	05/01/20	05/31/20	59.24	69	—
BP Energy Co.	65.48	16,258	Bbls	05/01/20	05/31/20	59.24	101	—
BP Energy Co.	65.48	5,419	Bbls	05/01/20	05/31/20	59.24	34	—
BP Energy Co.	65.48	10,838	Bbls	05/01/20	05/31/20	59.24	67	—
BP Energy Co.	65.32	10,687	Bbls	06/01/20	06/30/20	58.72	70	—
BP Energy Co.	65.08	16,031	Bbls	06/01/20	06/30/20	58.72	102	—
BP Energy Co.	65.08	5,344	Bbls	06/01/20	06/30/20	58.72	34	—
BP Energy Co.	65.08	10,687	Bbls	06/01/20	06/30/20	58.72	67	—
BP Energy Co.	64.98	10,542	Bbls	07/01/20	07/31/20	58.11	72	—
BP Energy Co.	64.83	15,813	Bbls	07/01/20	07/31/20	58.11	105	—
BP Energy Co.	64.83	5,271	Bbls	07/01/20	07/31/20	58.11	35	—
BP Energy Co.	64.83	10,542	Bbls	07/01/20	07/31/20	58.11	70	—
BP Energy Co.	64.70	10,383	Bbls	08/01/20	08/31/20	57.61	73	—
BP Energy Co.	64.73	15,575	Bbls	08/01/20	08/31/20	57.61	110	—
BP Energy Co.	64.73	5,192	Bbls	08/01/20	08/31/20	57.61	37	—
BP Energy Co.	64.73	10,383	Bbls	08/01/20	08/31/20	57.61	73	—
BP Energy Co.	64.44	10,208	Bbls	09/01/20	09/30/20	57.16	73	—
BP Energy Co.	64.36	15,311	Bbls	09/01/20	09/30/20	57.16	109	—
BP Energy Co.	64.36	5,104	Bbls	09/01/20	09/30/20	57.16	36	—
BP Energy Co.	64.36	10,208	Bbls	09/01/20	09/30/20	57.16	73	—
BP Energy Co.	64.16	10,054	Bbls	10/01/20	10/31/20	56.70	74	—
BP Energy Co.	63.96	15,080	Bbls	10/01/20	10/31/20	56.70	108	—
BP Energy Co.	63.96	5,027	Bbls	10/01/20	10/31/20	56.70	36	—
BP Energy Co.	63.96	10,054	Bbls	10/01/20	10/31/20	56.70	72	—
BP Energy Co.	63.93	9,910	Bbls	11/01/20	11/30/20	56.34	74	—
BP Energy Co.	63.83	14,864	Bbls	11/01/20	11/30/20	56.34	110	—
BP Energy Co.	63.83	4,955	Bbls	11/01/20	11/30/20	56.34	37	—
BP Energy Co.	63.83	9,910	Bbls	11/01/20	11/30/20	56.34	73	—
BP Energy Co.	63.57	9,793	Bbls	12/01/20	12/31/20	55.91	74	—
BP Energy Co.	63.43	14,690	Bbls	12/01/20	12/31/20	55.91	109	—
BP Energy Co.	63.43	4,897	Bbls	12/01/20	12/31/20	55.91	36	—
BP Energy Co.	63.43	9,793	Bbls	12/01/20	12/31/20	55.91	72	—
BP Energy Co.	63.22	2,981	Bbls	01/01/21	01/31/21	55.54	22	—
BP Energy Co.	62.75	4,472	Bbls	01/01/21	01/31/21	55.54	32	—

(in thousands, except share and per share amounts)

Note 6. Financial Instruments (Continued)

Counterparty	Strike Price	Quantity	Units	Contract Start Date	Contract End Date	Market Price	Appreciation	Depreciation
BP Energy Co.	$62.75	1,491	Bbls	01/01/21	01/31/21	$55.54	$11	$ —
BP Energy Co.	62.75	2,981	Bbls	01/01/21	01/31/21	55.54	21	—
BP Energy Co.	62.95	2,946	Bbls	02/01/21	02/28/21	55.25	22	—
BP Energy Co.	62.48	4,418	Bbls	02/01/21	02/28/21	55.25	31	—
BP Energy Co.	62.48	1,473	Bbls	02/01/21	02/28/21	55.25	10	—
BP Energy Co.	62.48	2,946	Bbls	02/01/21	02/28/21	55.25	21	—
BP Energy Co.	62.60	2,911	Bbls	03/01/21	03/31/21	54.91	22	—
BP Energy Co.	62.13	4,367	Bbls	03/01/21	03/31/21	54.91	31	—
BP Energy Co.	62.13	1,456	Bbls	03/01/21	03/31/21	54.91	10	—
BP Energy Co.	62.13	2,911	Bbls	03/01/21	03/31/21	54.91	21	—
BP Energy Co.	62.28	2,845	Bbls	04/01/21	04/30/21	54.60	21	—
BP Energy Co.	61.81	4,268	Bbls	04/01/21	04/30/21	54.60	30	—
BP Energy Co.	61.81	1,423	Bbls	04/01/21	04/30/21	54.60	10	—
BP Energy Co.	61.81	2,845	Bbls	04/01/21	04/30/21	54.60	20	—
BP Energy Co.	62.00	2,814	Bbls	05/01/21	05/31/21	54.35	21	—
BP Energy Co.	61.53	4,220	Bbls	05/01/21	05/31/21	54.35	30	—
BP Energy Co.	61.53	1,407	Bbls	05/01/21	05/31/21	54.35	10	—
BP Energy Co.	61.53	2,814	Bbls	05/01/21	05/31/21	54.35	20	—
BP Energy Co.	61.68	2,784	Bbls	06/01/21	06/30/21	54.08	21	—
BP Energy Co.	61.21	4,175	Bbls	06/01/21	06/30/21	54.08	29	—
BP Energy Co.	61.21	1,392	Bbls	06/01/21	06/30/21	54.08	10	—
BP Energy Co.	61.21	2,784	Bbls	06/01/21	06/30/21	54.08	19	—
BP Energy Co.	61.34	2,759	Bbls	07/01/21	07/31/21	53.79	20	—
BP Energy Co.	60.87	4,139	Bbls	07/01/21	07/31/21	53.79	29	—
BP Energy Co.	60.87	1,380	Bbls	07/01/21	07/31/21	53.79	10	—
BP Energy Co.	60.87	2,759	Bbls	07/01/21	07/31/21	53.79	19	—
BP Energy Co.	61.06	2,729	Bbls	08/01/21	08/31/21	53.57	20	—
BP Energy Co.	60.59	4,094	Bbls	08/01/21	08/31/21	53.57	28	—
BP Energy Co.	60.59	1,365	Bbls	08/01/21	08/31/21	53.57	9	—
BP Energy Co.	60.59	2,729	Bbls	08/01/21	08/31/21	53.57	19	—
BP Energy Co.	60.77	2,690	Bbls	09/01/21	09/30/21	53.37	19	—
BP Energy Co.	60.30	4,034	Bbls	09/01/21	09/30/21	53.37	27	—
BP Energy Co.	60.30	1,345	Bbls	09/01/21	09/30/21	53.37	9	—
BP Energy Co.	60.30	2,690	Bbls	09/01/21	09/30/21	53.37	18	—
BP Energy Co.	60.50	2,621	Bbls	10/01/21	10/31/21	53.18	19	—
BP Energy Co.	60.03	3,932	Bbls	10/01/21	10/31/21	53.18	26	—
BP Energy Co.	60.03	1,311	Bbls	10/01/21	10/31/21	53.18	9	—
BP Energy Co.	60.03	2,621	Bbls	10/01/21	10/31/21	53.18	17	—
BP Energy Co.	60.26	2,589	Bbls	11/01/21	11/30/21	53.01	18	—
BP Energy Co.	59.69	3,884	Bbls	11/01/21	11/30/21	53.01	25	—
BP Energy Co.	59.69	1,295	Bbls	11/01/21	11/30/21	53.01	8	—
BP Energy Co.	59.69	2,589	Bbls	11/01/21	11/30/21	53.01	17	—
BP Energy Co.	59.94	2,560	Bbls	12/01/21	12/31/21	52.78	18	—
BP Energy Co.	59.37	3,839	Bbls	12/01/21	12/31/21	52.78	24	—
BP Energy Co.	59.37	1,280	Bbls	12/01/21	12/31/21	52.78	8	—
BP Energy Co.	59.37	2,560	Bbls	12/01/21	12/31/21	52.78	16	—
BP Energy Co.	59.65	4,094	Bbls	01/01/22	01/31/22	52.59	28	—
BP Energy Co.	59.03	6,141	Bbls	01/01/22	01/31/22	52.59	38	—
BP Energy Co.	59.03	2,047	Bbls	01/01/22	01/31/22	52.59	13	—
BP Energy Co.	59.03	4,094	Bbls	01/01/22	01/31/22	52.59	25	—
BP Energy Co.	59.42	3,952	Bbls	02/01/22	02/28/22	52.45	27	—
BP Energy Co.	58.63	5,929	Bbls	02/01/22	02/28/22	52.45	35	—

(in thousands, except share and per share amounts)

Note 6. Financial Instruments (Continued)

Counterparty	Strike Price	Quantity	Units	Contract Start Date	Contract End Date	Market Price	Appreciation	Depreciation
BP Energy Co.	$58.63	1,976	Bbls	02/01/22	02/28/22	$52.45	$12	$—
BP Energy Co.	58.63	3,952	Bbls	02/01/22	02/28/22	52.45	24	—
BP Energy Co.	59.13	3,903	Bbls	03/01/22	03/31/22	52.30	26	—
BP Energy Co.	58.66	5,855	Bbls	03/01/22	03/31/22	52.30	36	—
BP Energy Co.	58.66	1,952	Bbls	03/01/22	03/31/22	52.30	12	—
BP Energy Co.	58.66	3,903	Bbls	03/01/22	03/31/22	52.30	24	—
BP Energy Co.	58.86	3,840	Bbls	04/01/22	04/30/22	52.17	25	—
BP Energy Co.	58.39	5,759	Bbls	04/01/22	04/30/22	52.17	34	—
BP Energy Co.	58.39	1,920	Bbls	04/01/22	04/30/22	52.17	11	—
BP Energy Co.	58.39	3,840	Bbls	04/01/22	04/30/22	52.17	23	—
BP Energy Co.	58.63	3,806	Bbls	05/01/22	05/31/22	52.06	24	—
BP Energy Co.	58.16	5,708	Bbls	05/01/22	05/31/22	52.06	33	—
BP Energy Co.	58.16	1,903	Bbls	05/01/22	05/31/22	52.06	11	—
BP Energy Co.	58.16	3,806	Bbls	05/01/22	05/31/22	52.06	22	—
BP Energy Co.	58.38	3,774	Bbls	06/01/22	06/30/22	51.94	23	—
BP Energy Co.	57.91	5,661	Bbls	06/01/22	06/30/22	51.94	32	—
BP Energy Co.	57.91	1,887	Bbls	06/01/22	06/30/22	51.94	11	—
BP Energy Co.	57.91	3,774	Bbls	06/01/22	06/30/22	51.94	22	—
BP Energy Co.	58.14	3,740	Bbls	07/01/22	07/31/22	51.83	23	—
BP Energy Co.	57.67	5,611	Bbls	07/01/22	07/31/22	51.83	31	—
BP Energy Co.	57.67	1,870	Bbls	07/01/22	07/31/22	51.83	10	—
BP Energy Co.	57.67	3,740	Bbls	07/01/22	07/31/22	51.83	21	—
BP Energy Co.	57.93	3,696	Bbls	08/01/22	08/31/22	51.74	22	—
BP Energy Co.	57.46	5,544	Bbls	08/01/22	08/31/22	51.74	30	—
BP Energy Co.	57.46	1,848	Bbls	08/01/22	08/31/22	51.74	10	—
BP Energy Co.	57.46	3,696	Bbls	08/01/22	08/31/22	51.74	20	—
BP Energy Co.	57.70	3,664	Bbls	09/01/22	09/30/22	51.66	21	—
BP Energy Co.	57.23	5,497	Bbls	09/01/22	09/30/22	51.66	30	—
BP Energy Co.	57.23	1,832	Bbls	09/01/22	09/30/22	51.66	10	—
BP Energy Co.	57.23	3,664	Bbls	09/01/22	09/30/22	51.66	20	—
BP Energy Co.	57.50	3,632	Bbls	10/01/22	10/31/22	51.61	20	—
BP Energy Co.	57.03	5,448	Bbls	10/01/22	10/31/22	51.61	28	—
BP Energy Co.	57.03	1,816	Bbls	10/01/22	10/31/22	51.61	9	—
BP Energy Co.	57.03	3,632	Bbls	10/01/22	10/31/22	51.61	19	—
BP Energy Co.	57.30	3,585	Bbls	11/01/22	11/30/22	51.55	20	—
BP Energy Co.	56.83	5,378	Bbls	11/01/22	11/30/22	51.55	27	—
BP Energy Co.	56.83	1,793	Bbls	11/01/22	11/30/22	51.55	9	—
BP Energy Co.	56.83	3,585	Bbls	11/01/22	11/30/22	51.55	18	—
BP Energy Co.	57.08	3,545	Bbls	12/01/22	12/31/22	51.45	19	—
BP Energy Co.	56.61	5,318	Bbls	12/01/22	12/31/22	51.45	26	—
BP Energy Co.	56.61	1,773	Bbls	12/01/22	12/31/22	51.45	9	—
BP Energy Co.	56.61	3,545	Bbls	12/01/22	12/31/22	51.45	17	—
BP Energy Co.	56.88	3,766	Bbls	01/01/23	01/31/23	51.38	20	—
BP Energy Co.	56.41	5,650	Bbls	01/01/23	01/31/23	51.38	28	—
BP Energy Co.	56.41	1,883	Bbls	01/01/23	01/31/23	51.38	9	—
BP Energy Co.	56.41	3,766	Bbls	01/01/23	01/31/23	51.38	18	—
BP Energy Co.	56.71	3,736	Bbls	02/01/23	02/28/23	51.34	19	—
BP Energy Co.	56.24	5,605	Bbls	02/01/23	02/28/23	51.34	26	—
BP Energy Co.	56.24	1,868	Bbls	02/01/23	02/28/23	51.34	9	—
BP Energy Co.	56.24	3,736	Bbls	02/01/23	02/28/23	51.34	17	—
BP Energy Co.	56.51	3,705	Bbls	03/01/23	03/31/23	51.31	18	—
BP Energy Co.	56.04	5,558	Bbls	03/01/23	03/31/23	51.31	25	—

(in thousands, except share and per share amounts)

Note 6. Financial Instruments (Continued)

Counterparty	Strike Price	Quantity	Units	Contract Start Date	Contract End Date	Market Price	Appreciation	Depreciation
BP Energy Co.	$56.04	1,853	Bbls	03/01/23	03/31/23	$51.31	$ 8	$ —
BP Energy Co.	56.04	3,705	Bbls	03/01/23	03/31/23	51.31	17	—
BP Energy Co.	56.33	3,656	Bbls	04/01/23	04/30/23	51.30	17	—
BP Energy Co.	55.86	5,484	Bbls	04/01/23	04/30/23	51.30	24	—
BP Energy Co.	55.86	1,828	Bbls	04/01/23	04/30/23	51.30	8	—
BP Energy Co.	55.86	3,656	Bbls	04/01/23	04/30/23	51.30	16	—
BP Energy Co.	56.17	3,622	Bbls	05/01/23	05/31/23	51.29	17	—
BP Energy Co.	55.70	5,434	Bbls	05/01/23	05/31/23	51.29	23	—
BP Energy Co.	55.70	1,811	Bbls	05/01/23	05/31/23	51.29	8	—
BP Energy Co.	55.70	3,622	Bbls	05/01/23	05/31/23	51.29	15	—
BP Energy Co.	55.99	3,502	Bbls	06/01/23	06/30/23	51.26	16	—
BP Energy Co.	55.52	5,253	Bbls	06/01/23	06/30/23	51.26	21	—
BP Energy Co.	55.52	1,751	Bbls	06/01/23	06/30/23	51.26	7	—
BP Energy Co.	55.52	3,502	Bbls	06/01/23	06/30/23	51.26	14	—
BP Energy Co.	55.83	3,473	Bbls	07/01/23	07/31/23	51.25	15	—
BP Energy Co.	55.36	5,210	Bbls	07/01/23	07/31/23	51.25	20	—
BP Energy Co.	55.36	1,737	Bbls	07/01/23	07/31/23	51.25	7	—
BP Energy Co.	55.36	3,473	Bbls	07/01/23	07/31/23	51.25	13	—
BP Energy Co.	55.69	3,446	Bbls	08/01/23	08/31/23	51.25	14	—
BP Energy Co.	55.22	5,169	Bbls	08/01/23	08/31/23	51.25	19	—
BP Energy Co.	55.22	1,723	Bbls	08/01/23	08/31/23	51.25	6	—
BP Energy Co.	55.22	3,446	Bbls	08/01/23	08/31/23	51.25	13	—
BP Energy Co.	55.55	3,399	Bbls	09/01/23	09/30/23	51.27	14	—
BP Energy Co.	55.08	5,099	Bbls	09/01/23	09/30/23	51.27	18	—
BP Energy Co.	55.08	1,700	Bbls	09/01/23	09/30/23	51.27	6	—
BP Energy Co.	55.08	3,399	Bbls	09/01/23	09/30/23	51.27	12	—
BP Energy Co.	55.42	3,310	Bbls	10/01/23	10/31/23	51.29	13	—
BP Energy Co.	54.95	4,965	Bbls	10/01/23	10/31/23	51.29	17	—
BP Energy Co.	54.95	1,655	Bbls	10/01/23	10/31/23	51.29	6	—
BP Energy Co.	54.95	3,310	Bbls	10/01/23	10/31/23	51.29	11	—
BP Energy Co.	55.28	3,271	Bbls	11/01/23	11/30/23	51.30	12	—
BP Energy Co.	54.81	4,906	Bbls	11/01/23	11/30/23	51.30	16	—
BP Energy Co.	54.81	1,635	Bbls	11/01/23	11/30/23	51.30	5	—
BP Energy Co.	54.81	3,271	Bbls	11/01/23	11/30/23	51.30	11	—
BP Energy Co.	55.13	3,242	Bbls	12/01/23	12/31/23	51.29	12	—
BP Energy Co.	54.66	4,864	Bbls	12/01/23	12/31/23	51.29	15	—
BP Energy Co.	54.66	1,621	Bbls	12/01/23	12/31/23	51.29	5	—
BP Energy Co.	54.66	3,242	Bbls	12/01/23	12/31/23	51.29	10	—
Total							$5,988	$ —

(in thousands, except share and per share amounts)

Note 6. Financial Instruments (Continued)

Swap Contracts—Natural Gas

Counterparty	Strike Price	Quantity	Units	Contract Start Date	Contract End Date	Market Price	Appreciation	Depreciation
Macquarie Bank Ltd.	$2.92	138,756	MMBtu	02/01/20	02/29/20	$2.19	$100	$ —
Macquarie Bank Ltd.	2.77	137,876	MMBtu	03/01/20	03/31/20	2.16	84	—
Macquarie Bank Ltd.	2.51	134,201	MMBtu	04/01/20	04/30/20	2.15	48	—
Macquarie Bank Ltd.	2.48	132,985	MMBtu	05/01/20	05/31/20	2.19	37	—
Macquarie Bank Ltd.	2.50	130,848	MMBtu	06/01/20	06/30/20	2.25	33	—
Macquarie Bank Ltd.	2.53	129,579	MMBtu	07/01/20	07/31/20	2.30	29	—
Macquarie Bank Ltd.	2.54	129,223	MMBtu	08/01/20	08/31/20	2.32	28	—
Macquarie Bank Ltd.	2.52	126,704	MMBtu	09/01/20	09/30/20	2.31	26	—
Macquarie Bank Ltd.	2.54	120,875	MMBtu	10/01/20	10/31/20	2.35	23	—
Macquarie Bank Ltd.	2.59	110,373	MMBtu	11/01/20	11/30/20	2.43	18	—
Macquarie Bank Ltd.	2.73	106,275	MMBtu	12/01/20	12/31/20	2.60	13	—
Macquarie Bank Ltd.	2.82	29,703	MMBtu	01/01/21	01/31/21	2.72	3	—
Macquarie Bank Ltd.	2.77	29,545	MMBtu	02/01/21	02/28/21	2.67	3	—
Macquarie Bank Ltd.	2.66	29,148	MMBtu	03/01/21	03/31/21	2.55	3	—
Macquarie Bank Ltd.	2.42	29,406	MMBtu	04/01/21	04/30/21	2.29	4	—
Macquarie Bank Ltd.	2.40	29,183	MMBtu	05/01/21	05/31/21	2.26	4	—
Macquarie Bank Ltd.	2.43	28,963	MMBtu	06/01/21	06/30/21	2.29	4	—
Macquarie Bank Ltd.	2.46	28,915	MMBtu	07/01/21	07/31/21	2.33	4	—
Macquarie Bank Ltd.	2.47	28,795	MMBtu	08/01/21	08/31/21	2.33	4	—
Macquarie Bank Ltd.	2.46	28,192	MMBtu	09/01/21	09/30/21	2.32	4	—
Macquarie Bank Ltd.	2.48	26,658	MMBtu	10/01/21	10/31/21	2.34	4	—
Macquarie Bank Ltd.	2.54	24,932	MMBtu	11/01/21	11/30/21	2.41	3	—
Macquarie Bank Ltd.	2.68	23,734	MMBtu	12/01/21	12/31/21	2.58	2	—
Macquarie Bank Ltd.	2.78	37,160	MMBtu	01/01/22	01/31/22	2.69	3	—
Macquarie Bank Ltd.	2.74	36,951	MMBtu	02/01/22	02/28/22	2.65	3	—
Macquarie Bank Ltd.	2.65	37,097	MMBtu	03/01/22	03/31/22	2.52	5	—
Macquarie Bank Ltd.	2.42	31,458	MMBtu	04/01/22	04/30/22	2.27	5	—
Macquarie Bank Ltd.	2.39	31,428	MMBtu	05/01/22	05/31/22	2.25	4	—
Macquarie Bank Ltd.	2.42	31,285	MMBtu	06/01/22	06/30/22	2.29	4	—
Macquarie Bank Ltd.	2.45	31,397	MMBtu	07/01/22	07/31/22	2.34	3	—
Macquarie Bank Ltd.	2.47	31,493	MMBtu	08/01/22	08/31/22	2.34	4	—
Macquarie Bank Ltd.	2.46	31,096	MMBtu	09/01/22	09/30/22	2.33	4	—
Macquarie Bank Ltd.	2.49	30,299	MMBtu	10/01/22	10/31/22	2.36	4	—
Macquarie Bank Ltd.	2.55	28,625	MMBtu	11/01/22	11/30/22	2.42	3	—
Macquarie Bank Ltd.	2.69	27,619	MMBtu	12/01/22	12/31/22	2.59	3	—
Macquarie Bank Ltd.	2.78	28,884	MMBtu	01/01/23	01/31/23	2.71	2	—
Macquarie Bank Ltd.	2.75	28,907	MMBtu	02/01/23	02/28/23	2.68	2	—
Macquarie Bank Ltd.	2.67	28,974	MMBtu	03/01/23	03/31/23	2.55	3	—
Macquarie Bank Ltd.	2.46	29,395	MMBtu	04/01/23	04/30/23	2.29	5	—
Macquarie Bank Ltd.	2.44	29,354	MMBtu	05/01/23	05/31/23	2.28	5	—
Macquarie Bank Ltd.	2.47	28,972	MMBtu	06/01/23	06/30/23	2.32	4	—
Macquarie Bank Ltd.	2.50	29,293	MMBtu	07/01/23	07/31/23	2.36	4	—
Macquarie Bank Ltd.	2.52	29,578	MMBtu	08/01/23	08/31/23	2.38	4	—
Macquarie Bank Ltd.	2.52	29,292	MMBtu	09/01/23	09/30/23	2.37	4	—
Macquarie Bank Ltd.	2.55	28,427	MMBtu	10/01/23	10/31/23	2.40	4	—
Macquarie Bank Ltd.	2.61	26,744	MMBtu	11/01/23	11/30/23	2.47	3	—
Macquarie Bank Ltd.	2.76	25,882	MMBtu	12/01/23	12/31/23	2.65	3	—
Total							$569	$ —

(in thousands, except share and per share amounts)

Note 6. Financial Instruments (Continued)

In addition, the Company has entered into oil basis swap positions, which settle on the pricing index to basis differential of Argus Light Louisiana Sweet Crude Oil, or Argus LLS, to NYMEX WTI. As of December 31, 2019, the Company had the following oil basis swap positions for Argus LLS.

Swap Contracts—Crude Oil

Counterparty	Strike Price	Quantity	Units	Contract Start Date	Contract End Date	Market Price	Appreciation	Depreciation
BP Energy Co.	$3.81	11,679	Bbls	01/01/20	01/31/20	$3.75	$ 1	$ —
BP Energy Co.	3.67	35,037	Bbls	01/01/20	01/31/20	3.75	—	3
BP Energy Co.	3.81	11,490	Bbls	02/01/20	02/29/20	3.42	4	—
BP Energy Co.	3.67	34,470	Bbls	02/01/20	02/29/20	3.42	9	—
BP Energy Co.	3.81	11,254	Bbls	03/01/20	03/31/20	3.27	6	—
BP Energy Co.	3.67	33,761	Bbls	03/01/20	03/31/20	3.27	14	—
BP Energy Co.	3.81	11,002	Bbls	04/01/20	04/30/20	3.22	6	—
BP Energy Co.	3.67	33,007	Bbls	04/01/20	04/30/20	3.22	15	—
BP Energy Co.	3.81	10,838	Bbls	05/01/20	05/31/20	3.19	7	—
BP Energy Co.	3.67	32,515	Bbls	05/01/20	05/31/20	3.19	16	—
BP Energy Co.	3.81	10,687	Bbls	06/01/20	06/30/20	3.14	7	—
BP Energy Co.	3.67	32,062	Bbls	06/01/20	06/30/20	3.14	17	—
BP Energy Co.	3.81	10,542	Bbls	07/01/20	07/31/20	3.10	7	—
BP Energy Co.	3.67	31,625	Bbls	07/01/20	07/31/20	3.10	18	—
BP Energy Co.	3.81	10,383	Bbls	08/01/20	08/31/20	3.06	8	—
BP Energy Co.	3.67	31,148	Bbls	08/01/20	08/31/20	3.06	19	—
BP Energy Co.	3.81	10,208	Bbls	09/01/20	09/30/20	3.02	8	—
BP Energy Co.	3.67	30,623	Bbls	09/01/20	09/30/20	3.02	20	—
BP Energy Co.	3.81	10,054	Bbls	10/01/20	10/31/20	2.97	8	—
BP Energy Co.	3.67	30,161	Bbls	10/01/20	10/31/20	2.97	21	—
BP Energy Co.	3.81	9,910	Bbls	11/01/20	11/30/20	2.96	8	—
BP Energy Co.	3.67	29,729	Bbls	11/01/20	11/30/20	2.96	21	—
BP Energy Co.	3.81	9,793	Bbls	12/01/20	12/31/20	2.85	9	—
BP Energy Co.	3.67	29,379	Bbls	12/01/20	12/31/20	2.85	24	—
BP Energy Co.	2.85	2,981	Bbls	01/01/21	01/31/21	2.86	—	—
BP Energy Co.	2.85	8,942	Bbls	01/01/21	01/31/21	2.86	—	—
BP Energy Co.	2.85	2,946	Bbls	02/01/21	02/28/21	2.85	—	—
BP Energy Co.	2.85	8,837	Bbls	02/01/21	02/28/21	2.85	—	—
BP Energy Co.	2.85	2,911	Bbls	03/01/21	03/31/21	2.84	—	—
BP Energy Co.	2.85	8,734	Bbls	03/01/21	03/31/21	2.84	—	—
BP Energy Co.	2.85	2,845	Bbls	04/01/21	04/30/21	2.84	—	—
BP Energy Co.	2.85	8,535	Bbls	04/01/21	04/30/21	2.84	—	—
BP Energy Co.	2.85	2,814	Bbls	05/01/21	05/31/21	2.85	—	—
BP Energy Co.	2.85	8,441	Bbls	05/01/21	05/31/21	2.85	—	—
BP Energy Co.	2.85	2,784	Bbls	06/01/21	06/30/21	2.83	—	—
BP Energy Co.	2.85	8,351	Bbls	06/01/21	06/30/21	2.83	—	—
BP Energy Co.	2.85	2,759	Bbls	07/01/21	07/31/21	2.83	—	—
BP Energy Co.	2.85	8,277	Bbls	07/01/21	07/31/21	2.83	—	—
BP Energy Co.	2.85	2,729	Bbls	08/01/21	08/31/21	2.83	—	—
BP Energy Co.	2.85	8,188	Bbls	08/01/21	08/31/21	2.83	—	—
BP Energy Co.	2.85	2,690	Bbls	09/01/21	09/30/21	2.82	—	—
BP Energy Co.	2.85	8,069	Bbls	09/01/21	09/30/21	2.82	—	—
BP Energy Co.	2.85	2,621	Bbls	10/01/21	10/31/21	2.83	—	—
BP Energy Co.	2.85	7,864	Bbls	10/01/21	10/31/21	2.83	—	—
BP Energy Co.	2.85	2,589	Bbls	11/01/21	11/30/21	2.82	—	—
BP Energy Co.	2.85	7,766	Bbls	11/01/21	11/30/21	2.82	—	—

(in thousands, except share and per share amounts)

Note 6. Financial Instruments (Continued)

Counterparty	Strike Price	Quantity	Units	Contract Start Date	Contract End Date	Market Price	Appreciation	Depreciation
BP Energy Co.	$2.85	2,560	Bbls	12/01/21	12/31/21	$2.77	$ —	$ —
BP Energy Co.	2.85	7,679	Bbls	12/01/21	12/31/21	2.77	1	—
BP Energy Co.	2.12	4,094	Bbls	01/01/22	01/31/22	2.78	—	3
BP Energy Co.	2.05	12,282	Bbls	01/01/22	01/31/22	2.78	—	9
BP Energy Co.	2.12	3,952	Bbls	02/01/22	02/28/22	2.77	—	2
BP Energy Co.	2.05	11,857	Bbls	02/01/22	02/28/22	2.77	—	8
BP Energy Co.	2.12	3,903	Bbls	03/01/22	03/31/22	2.77	—	2
BP Energy Co.	2.05	11,708	Bbls	03/01/22	03/31/22	2.77	—	8
BP Energy Co.	2.12	3,840	Bbls	04/01/22	04/30/22	2.77	—	2
BP Energy Co.	2.05	11,519	Bbls	04/01/22	04/30/22	2.77	—	8
BP Energy Co.	2.12	3,806	Bbls	05/01/22	05/31/22	2.77	—	2
BP Energy Co.	2.05	11,417	Bbls	05/01/22	05/31/22	2.77	—	8
BP Energy Co.	2.12	3,774	Bbls	06/01/22	06/30/22	2.76	—	2
BP Energy Co.	2.05	11,322	Bbls	06/01/22	06/30/22	2.76	—	8
BP Energy Co.	2.12	3,740	Bbls	07/01/22	07/31/22	2.76	—	2
BP Energy Co.	2.05	11,221	Bbls	07/01/22	07/31/22	2.76	—	8
BP Energy Co.	2.12	3,696	Bbls	08/01/22	08/31/22	2.76	—	2
BP Energy Co.	2.05	11,087	Bbls	08/01/22	08/31/22	2.76	—	8
BP Energy Co.	2.12	3,664	Bbls	09/01/22	09/30/22	2.76	—	2
BP Energy Co.	2.05	10,993	Bbls	09/01/22	09/30/22	2.76	—	8
BP Energy Co.	2.12	3,632	Bbls	10/01/22	10/31/22	2.75	—	2
BP Energy Co.	2.05	10,895	Bbls	10/01/22	10/31/22	2.75	—	8
BP Energy Co.	2.12	3,585	Bbls	11/01/22	11/30/22	2.77	—	2
BP Energy Co.	2.05	10,755	Bbls	11/01/22	11/30/22	2.77	—	7
BP Energy Co.	2.12	3,545	Bbls	12/01/22	12/31/22	2.76	—	2
BP Energy Co.	2.05	10,634	Bbls	12/01/22	12/31/22	2.76	—	7
BP Energy Co.	1.83	3,766	Bbls	01/01/23	01/31/23	2.76	—	3
BP Energy Co.	1.76	11,299	Bbls	01/01/23	01/31/23	2.76	—	11
BP Energy Co.	1.83	3,736	Bbls	02/01/23	02/28/23	2.76	—	3
BP Energy Co.	1.76	11,209	Bbls	02/01/23	02/28/23	2.76	—	11
BP Energy Co.	1.83	3,705	Bbls	03/01/23	03/31/23	2.76	—	3
BP Energy Co.	1.76	11,116	Bbls	03/01/23	03/31/23	2.76	—	11
BP Energy Co.	1.83	3,656	Bbls	04/01/23	04/30/23	2.75	—	3
BP Energy Co.	1.76	10,967	Bbls	04/01/23	04/30/23	2.75	—	10
BP Energy Co.	1.83	3,622	Bbls	05/01/23	05/31/23	2.76	—	3
BP Energy Co.	1.76	10,867	Bbls	05/01/23	05/31/23	2.76	—	10
BP Energy Co.	1.83	3,502	Bbls	06/01/23	06/30/23	2.76	—	3
BP Energy Co.	1.76	10,505	Bbls	06/01/23	06/30/23	2.76	—	10
BP Energy Co.	1.83	3,473	Bbls	07/01/23	07/31/23	2.75	—	3
BP Energy Co.	1.76	10,420	Bbls	07/01/23	07/31/23	2.75	—	10
BP Energy Co.	1.83	3,446	Bbls	08/01/23	08/31/23	2.75	—	3
BP Energy Co.	1.76	10,337	Bbls	08/01/23	08/31/23	2.75	—	10
BP Energy Co.	1.83	3,399	Bbls	09/01/23	09/30/23	2.74	—	3
BP Energy Co.	1.76	10,196	Bbls	09/01/23	09/30/23	2.74	—	10
BP Energy Co.	1.83	3,310	Bbls	10/01/23	10/31/23	2.75	—	3
BP Energy Co.	1.76	9,929	Bbls	10/01/23	10/31/23	2.75	—	10
BP Energy Co.	1.83	3,271	Bbls	11/01/23	11/30/23	2.76	—	3
BP Energy Co.	1.76	9,812	Bbls	11/01/23	11/30/23	2.76	—	9
BP Energy Co.	1.83	3,242	Bbls	12/01/23	12/31/23	2.75	—	3
BP Energy Co.	1.76	9,727	Bbls	12/01/23	12/31/23	2.75	—	9
Total							$274	$280

(in thousands, except share and per share amounts)

Note 6. Financial Instruments (Continued)

The fair value of swap contracts (which are not considered to be hedging instruments for accounting disclosure purposes) as of December 31, 2019 and 2018 are as follows:

Instrument	December 31, 2019		December 31, 2018	
	Asset(1)	Liability(2)	Asset(1)	Liability(2)
Swap Contracts – Crude Oil	$6,262	$280	$20,441	$672
Swap Contracts – Natural Gas	569	—	80	195
Total	$6,831	$280	$20,521	$867

(1) Reflected on the Company's consolidated balance sheets as: Unrealized appreciation on swap contracts.

(2) Reflected on the Company's consolidated balance sheets as: Unrealized depreciation on swap contracts.

The effect of swap contracts (which are not considered to be hedging instruments for accounting disclosure purposes) on the Company's statements of operations for the years ended December 31, 2019 and 2018 were as follows:

Instrument	Year Ended December 31, 2019		Year Ended December 31, 2018	
	Realized Gain (Loss) on Derivatives Recognized in Income(1)	Net Change in Unrealized Appreciation (Depreciation) on Derivatives Recognized in Income(2)	Realized Gain (Loss) on Derivatives Recognized in Income(1)	Net Change in Unrealized Appreciation (Depreciation) on Derivatives Recognized in Income(2)
Swap Contracts – Crude Oil	$5,078	$(13,787)	$1,383	$19,768
Swap Contracts – Natural Gas	375	684	(218)	(114)
Total	$5,453	$(13,103)	$1,165	$19,654

(1) Reflected on the Company's consolidated statements of operations as: Net realized gain (loss) on swap contracts.

(2) Reflected on the Company's consolidated statements of operations as: Net change in unrealized appreciation (depreciation) on swap contracts.

The following tables present the Company's derivative assets and liabilities by counterparty, net of amounts available for offset under a master netting agreement as of December 31, 2019 and 2018:

Counterparty	December 31, 2019		
	Derivative Assets Subject to Master Netting Agreement	Derivatives Available for Offset	Net Amount of Derivative Assets(1)
BP Energy Co.	$6,551	$280	$6,271
Macquarie Bank Ltd.	675	—	675
Total	$7,226	$280	$6,946

(in thousands, except share and per share amounts)

Note 6. Financial Instruments (Continued)

Counterparty	Derivative Liabilities Subject to Master Netting Agreement	Derivatives Available for Offset	Net Amount of Derivative Liabilities[(2)]
BP Energy Co.	$280	$280	$ —
Macquarie Bank Ltd.	—	—	—
Total	$280	$280	$ —

	December 31, 2018		
Counterparty	Derivative Assets Subject to Master Netting Agreement	Derivatives Available for Offset	Net Amount of Derivative Assets[(1)]
BP Energy Co.	$21,163	$672	$20,491
Macquarie Bank Ltd.	212	212	—
Total	$21,375	$884	$20,491

Counterparty	Derivative Liabilities Subject to Master Netting Agreement	Derivatives Available for Offset	Net Amount of Derivative Liabilities[(2)]
BP Energy Co.	$ 672	$672	$ —
Macquarie Bank Ltd.	420	212	208
Total	$1,092	$884	$208

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

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

Note 7. Investment Portfolio

The following table summarizes the composition of the Company's investment portfolio at cost and fair value as of December 31, 2019 and 2018:

	December 31, 2019			December 31, 2018		
	Amortized Cost[(1)]	Fair Value	Percentage of Portfolio	Amortized Cost[(1)]	Fair Value	Percentage of Portfolio
Senior Secured Loans – First Lien	$1,252,529	$1,134,571	33%	$1,231,279	$1,176,881	32%
Senior Secured Loans – Second Lien	752,528	564,813	16%	673,014	580,144	16%
Senior Secured Bonds	529,773	524,221	15%	497,970	491,916	13%
Unsecured Debt	398,233	323,220	9%	797,146	706,090	19%
Preferred Equity	711,883	721,842	21%	554,652	502,594	13%
Equity/Other	480,760	213,970	6%	494,442	264,327	7%
	$4,125,706	$3,482,637	100%	$4,248,503	$3,721,952	100%

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

(in thousands, except share and per share amounts)

Note 7. Investment Portfolio (Continued)

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 a portfolio company, and would be an "affiliated person" of a portfolio company if it owned 5% or more of its voting securities.

As of December 31, 2019, the Company held investments in one portfolio company of which it is deemed to "control." As of December 31, 2019, 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 (z) and (aa) to the consolidated schedule of investments as of December 31, 2019.

As of December 31, 2018, the Company held investments in one portfolio company of which it is deemed to "control." As of December 31, 2018, the Company held investments in nine 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 (z) and (aa) to the consolidated schedule of investments as of December 31, 2018.

The Company's investment portfolio may contain loans or bonds that are in the form of lines of credit or revolving 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 December 31, 2019, the Company had nine senior secured loan investments with aggregate unfunded commitments of $75,494 and two preferred equity investments with aggregate unfunded commitments of $10,927. As of December 31, 2019, these unfunded preferred equity investments were Limetree Bay Ventures, LLC and Rosehill Resources, Inc. As of December 31, 2018, the Company had nine senior secured loan investments with aggregate unfunded commitments of $86,983 and two preferred equity and equity/other investments with aggregate unfunded commitments of $2,095. As of December 31, 2018, these preferred equity and equity/other investments were Altus Power America Holdings, LLC, preferred equity and Rosehill Resources, Inc. The Company maintains sufficient cash on hand, available borrowings and liquid securities to fund such unfunded commitments should the need arise.

The table below describes investments by industry classification and enumerates the percentage, by fair value, of the total portfolio assets in such industries as of December 31, 2019 and 2018:

	December 31, 2019		December 31, 2018	
Industry Classification	**Fair Value**	**Percentage of Portfolio**	**Fair Value**	**Percentage of Portfolio**
Upstream	$1,802,396	52%	$2,193,317	59%
Midstream	1,061,389	30%	831,722	22%
Power	421,388	12%	426,812	12%
Service & Equipment	178,586	5%	216,443	6%
Industrials	18,878	1%	53,658	1%
Total	$3,482,637	100%	$3,721,952	100%

Note 8. Fair Value of Financial Instruments

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

(in thousands, except share and per share amounts)

Note 8. Fair Value of Financial Instruments (Continued)

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.

As of December 31, 2019 and 2018, the Company's investments were categorized as follows in the fair value hierarchy:

Valuation Inputs	December 31, 2019	December 31, 2018
Level 1 – Price quotations in active markets	$ 46,522	$ 24,451
Level 2 – Significant other observable inputs	856,930	1,148,071
Level 3 – Significant unobservable inputs	2,579,185	2,549,430
Total	$3,482,637	$3,721,952

As of December 31, 2019 and 2018, the Company's swap contracts were categorized as follows in the table below.

	December 31, 2019		December 31, 2018	
Valuation Inputs	Assets	Liabilities	Assets	Liabilities
Level 1 – Price quotations in active markets	$ —	$ —	$ —	$ —
Level 2 – Significant other observable inputs	6,831	280	20,521	867
Level 3 – Significant unobservable inputs	—	—	—	—
Total	$6,831	$280	$20,521	$867

The Company's investments consist primarily of debt investments that were acquired directly from the issuer. Debt investments, for which broker quotes are not generally 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, call features, anticipated prepayments and other relevant terms of the investments. Except as described below, all of the Company's preferred equity and 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, PV-10 multiples 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 trustees 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

(in thousands, except share and per share amounts)

Note 8. Fair Value of Financial Instruments (Continued)

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. In determining the fair values of swap contracts, the Company utilized an industry-standard pricing model that considers various inputs including quoted forward prices for commodities, time value and current market and contractual prices for the underlying instruments. These assumptions are observable in the marketplace or can be corroborated by active markets or broker quotes and are typically classified as Level 2 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 an independent third-party pricing service and screened for validity by such service 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 service 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 board of trustees, or the valuation committee, and the board of trustees reviewed and approved the valuation determinations made with respect to these investments in a manner consistent with the Company's valuation policy.

The following is a reconciliation for the years ended December 31, 2019 and 2018 of investments for which significant unobservable inputs (Level 3) were used in determining fair value:

	For the Year Ended December 31, 2019						
	Senior Secured Loans – First Lien	Senior Secured Loans – Second Lien	Senior Secured Bonds	Unsecured Debt	Preferred Equity	Equity/ Other	Total
Fair value at beginning of period	$ 761,125	$539,172	$456,575	$ 55,906	$498,167	$238,485	$2,549,430
Accretion of discount (amortization of premium)	2,009	784	2,464	634	16,649	142	22,682
Net realized gain (loss)	167	2	36	(128)	(92,070)	(7,633)	(99,626)
Net change in unrealized appreciation (depreciation)	(30,512)	(91,992)	(3,476)	(3,287)	66,448	(28,823)	(91,642)
Purchases	234,257	160,405	18,877	757	242,227	14,607	671,130
Paid-in-kind interest	3,809	4,616	759	1,047	25,005	10	35,246
Sales and repayments	(415,198)	(79,753)	(37,474)	(629)	(34,584)	(49,518)	(617,156)
Net transfers in or out of Level 3[1]	14,121	—	—	95,000	—	—	109,121
Fair value at end of period	$ 569,778	$533,234	$437,761	$149,300	$721,842	$167,270	$2,579,185
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	$ (34,637)	$ (90,100)	$ (4,992)	$ (3,315)	$ (2,522)	$ (3,928)	$ (139,494)

(in thousands, except share and per share amounts)

Note 8. Fair Value of Financial Instruments (Continued)

	For the Year Ended December 31, 2018						
	Senior Secured Loans – First Lien	Senior Secured Loans – Second Lien	Senior Secured Bonds	Unsecured Debt	Preferred Equity	Equity/ Other	Total
Fair value at beginning of period[(2)]	$ 924,926	$ 796,524	$ 660,151	$ 1,203,524	$ 78,161	$294,974	$ 3,958,260
Accretion of discount (amortization of premium)	917	1,621	2,743	78	4,397	—	9,756
Net realized gain (loss)	(21,098)	731	55	—	(82)	(19)	(20,413)
Net change in unrealized appreciation (depreciation)	(2,177)	(48,020)	(13,769)	(3,719)	24,607	(55,597)	(98,675)
Purchases	312,733	104,801	—	12,948	415,370	7,403	853,255
Paid-in-kind interest	1,772	4,534	1,804	1,343	710	—	10,163
Sales and repayments	(190,033)	(84,904)	(22,978)	(65,000)	(10,978)	—	(373,893)
Net transfers in or out of Level 3[(1)]	(265,915)	(236,115)	(171,431)	(1,093,268)	(14,018)	(8,276)	(1,789,023)
Fair value at end of period	$ 761,125	$ 539,172	$ 456,575	$ 55,906	$498,167	$238,485	$ 2,549,430
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	$ (20,289)	$ (86,420)	$ (13,731)	$ (2,302)	$ 14,428	$ (51,567)	$ (159,881)

(1) Transfers in or out of Level 3 were deemed to have occurred at the beginning of the period.

(2) As of December 31, 2018, the Company determined to reclassify in the schedule of investments certain investments from equity/other to preferred equity. Transfers in or out were deemed to have occurred at the beginning of the period.

(in thousands, except share and per share amounts)

Note 8. Fair Value of Financial Instruments (Continued)

The valuation techniques and significant unobservable inputs used in recurring Level 3 fair value measurements as of December 31, 2019 and 2018 were as follows:

Type of Investment	Fair Value at December 31, 2019	Valuation Technique(1)	Unobservable Input	Range	Weighted Average
Senior Secured Loans – First Lien	$ 478,337	Market Comparables	Market Yield (%)	7.5% – 27.0%	13.8%
			EBITDA Multiples (x)	3.6x – 4.6x	4.1x
	63,646	Discounted Cash Flow	Discount Rate (%)	18.5% – 23.5%	21.0%
	27,795	Other(2)	Other(2)	N/A	N/A
Senior Secured Loans – Second Lien	533,234	Market Comparables	Market Yield (%)	8.5% – 19.1%	13.7%
			EBITDA Multiples (x)	3.6x – 4.6x	4.1x
Senior Secured Bonds	437,761	Market Comparables	Market Yield (%)	7.9% – 12.1%	10.1%
Unsecured Debt	121,300	Market Comparables	Market Yield (%)	10.2% – 12.5%	10.6%
			Net Aircraft Book Value Multiple (x)	1.0x – 1.0x	1.0x
	28,000	Other(2)	Other	N/A	N/A
Preferred Equity	13,187	Market Comparables	EBITDA Multiples (x)	6.8x – 8.8x	8.4x
	708,307	Discounted Cash Flow	Discount Rate (%)	9.3% – 19.0%	13.8%
	348	Other(2)	Other(2)	N/A	N/A
Equity/Other	144,465	Market Comparables	EBITDA Multiples (x)	3.5x – 10.3x	4.6x
			Production Multiples (Mboe/d)	$20,000.0 – $37,500.0	$28,364.1
			Proved Reserves Multiples (Mmboe)	$2.8 – $12.0	$ 7.2
			Production Multiples (MMcfe/d)	$3,050.0 – $3,550.0	$ 3,300.0
			Proved Reserves Multiples (Bcfe)	0.8x – 0.9x	0.9x
			PV-10 Multiples (x)	0.5x – 1.2x	0.8x
	1,354	Discounted Cash Flow	Discount Rate (%)	14.5% – 20.5%	17.5%
	9,371	Option Valuation Model	Volatility (%)	24.0% – 37.5%	30.7%
	12,080	Other(2)	Other(2)	N/A	N/A
Total	$2,579,185				

(in thousands, except share and per share amounts)

Note 8. Fair Value of Financial Instruments (Continued)

Type of Investment	Fair Value at December 31, 2018	Valuation Technique[1]	Unobservable Input	Range	Weighted Average
Senior Secured Loans – First Lien	$ 726,328	Market Comparables	Market Yield (%)	9.3% – 17.5%	11.6%
			EBITDA Multiples (x)	5.5x – 8.0x	6.1x
			Proved Reserves Multiples (Mmboe)	$5.7 – $7.3	$ 6.5
			PV-10 Multiples (x)	0.5x – 0.5x	0.5x
	34,797	Other[2]	Other[2]	N/A	N/A
Senior Secured Loans – Second Lien	519,478	Market Comparables	Market Yield (%)	8.9% – 13.8%	10.9%
	7,283	Discounted Cash Flow	Discount Rate (%)	10.0% – 11.0%	10.5%
	12,411	Other[2]	Other[2]	N/A	N/A
Senior Secured Bonds	456,575	Market Comparables	Market Yield (%)	9.4% – 13.6%	10.0%
Unsecured Debt	55,906	Market Comparables	Market Yield (%)	11.0% – 15.3%	13.2%
			PV-10 Multiples (x)	0.9x – 1.1x	1.0x
Preferred Equity	383,625	Market Comparables	Market Yield (%)	10.0% – 18.8%	10.5%
			EBITDA Multiples (x)	7.5x – 12.0x	10.8x
			Proved Reserves Multiples (Mmboe)	$6.7 – $6.7	$ 6.7
	108,018	Discounted Cash Flow	Discount Rate (%)	14.0% – 18.0%	15.8%
	6,524	Other[2]	Other[2]	N/A	N/A
Equity/Other	220,605	Market Comparables	EBITDA Multiples (x)	0.2x – 9.0x	6.5x
			Production Multiples (Mboe/d)	$25,000.0 – $38,750.0	$29,476.4
			Proved Reserves Multiples (Mmboe)	$3.5 – $13.8	$ 6.7
			Production Multiples (MMcfe/d)	$4,100.0 – $4,600.0	$ 4,350.0
			Proved Reserves Multiples (Bcfe)	1.2x – 1.3x	1.2x
			PV-10 Multiples (x)	0.5x – 2.3x	1.2x
			Capacity Multiple $(/kW)	$1,875.0 – $2,125.0	$ 2,000.0
	5,294	Discounted Cash Flow	Discount Rate (%)	11.8% – 31.0%	13.5%
	890	Option Valuation Model	Volatility (%)	26.0% – 34.0%	30.0%
	11,696	Other[2]	Other[2]	N/A	N/A
Total	$2,549,430				

(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 an independent third-party pricing service and screened for validity by such service. 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 valued based on expected outcome of proposed corporate transactions, the expected value of the liquidation preference of the investment or other factors.

(in thousands, except share and per share amounts)

Note 9. Financing Arrangements

The following tables present a summary of information with respect to the Company's outstanding financing arrangements as of December 31, 2019 and 2018:

	As of December 31, 2019				
Arrangement(1)	**Type of Arrangement**	**Rate**	**Amount Outstanding**	**Amount Available**	**Maturity Date**
Goldman Facility	Term	L+3.20%	$ 425,000	$ 50,000	December 2, 2022
JPMorgan Facility	Revolving/Term	L+2.75%	311,667	383,333	February 16, 2023
Senior Secured Notes(2)	Bond	7.50%	500,000	—	August 15, 2023
Total			$1,236,667	$433,333	

	As of December 31, 2018				
Arrangement(1)	**Type of Arrangement**	**Rate**	**Amount Outstanding**	**Amount Available**	**Maturity Date**
Goldman Facility	Term	L+3.72%	$ 425,000	$ —	September 15, 2019
JPMorgan Facility	Revolving/Term	L+2.75%	206,667	413,333	February 16, 2023
Senior Secured Notes(2)	Bond	7.50%	500,000	—	August 15, 2023
Total			$1,131,667	$413,333	

(1) The carrying amount outstanding under the facility approximates its fair value, unless otherwise noted.

(2) As of December 31, 2019 and 2018, the fair value of the Senior Secured Notes was approximately $507,500 and $480,702, respectively. These valuations are considered Level 2 valuations within the fair value hierarchy.

(in thousands, except share and per share amounts)

Note 9. Financing Arrangements (Continued)

For the years ended December 31, 2019, 2018 and 2017 the components of total interest expense for the Company's financing arrangements were as follows:

	Year Ended December 31,								
	2019			2018			2017		
Arrangement[1]	Direct Interest Expense[2]	Amortization of Deferred Financing Costs and Discount	Total Interest Expense	Direct Interest Expense[2]	Amortization of Deferred Financing Costs	Total Interest Expense	Direct Interest Expense[2]	Amortization of Deferred Financing Costs	Total Interest Expense
Goldman Facility	$26,343	$ 481	$26,824	$25,359	$ 587	$25,946	$14,251	$ 412	$14,663
JPMorgan Facility	18,398	1,591	19,989	4,686	543	5,229	—	—	—
Senior Secured Notes	37,500	4,051	41,551	14,063	1,483	15,546	—	—	—
Barclays Credit Facility	—	—	—	236	196	432	460	58	518
BNP Facility	—	—	—	5,016	—	5,016	6,696	—	6,696
Deutsche Bank Credit Facility	—	—	—	6,378	524	6,902	9,111	1,153	10,264
Fortress Facility	—	—	—	6,726	884	7,610	9,494	273	9,767
Goldman Repurchase Financing	—	—	—	—	—	—	4,305	91	4,396
Natixis Credit Facility	—	—	—	—	—	—	750	342	1,092
Wells Fargo Credit Facility	—	—	—	—	—	—	530	1,360	1,890
Total	$82,241	$6,123	$88,364	$62,464	$4,217	$66,681	$45,597	$3,689	$49,286

(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, administration fees and make-whole fees, if any.

For the years ended December 31, 2019, 2018 and 2017 the cash paid for interest expense, average borrowings, effective interest rate and weighted average interest rate for the Company's financing arrangements were as follows:

For the Years Ended December 31,	Cash Paid for Interest Expense	Average Borrowings	Effective Interest Rate[1]	Weighted Average Interest Rate[1]
2017	$43,892	$1,055,139	4.24%	4.32%
2018	$52,269	$1,063,699	6.81%	5.87%
2019	$81,902	$1,259,900	6.05%	6.53%

Note 9. Financing Arrangements (Continued)

(1) Effective interest rate and weighted average interest rate include the effect of non-usage fees, administration fees and make-whole fees, if any.

Under its financing arrangements, the Company has made certain representations and warranties and is required to comply with various covenants, reporting requirements and other customary requirements for similar financing arrangements. The Company was in compliance with all covenants required by its financing arrangements as of December 31, 2019 and 2018.

Goldman Facility

On April 19, 2017, Gladwyne Funding, LLC, or Gladwyne Funding, the Company's wholly-owned, special-purpose financing subsidiary, entered into a Credit Agreement with Goldman Sachs Bank U.S.A., or Goldman, as lender, sole lead arranger and administrative agent, Citibank, N.A., as collateral agent, and Virtus Group, LP, as collateral administrator, as amended, or the Goldman Facility. Under the Goldman Facility, as amended, Gladwyne Funding has borrowed $425,000 of term loans out of a maximum facility amount of $475,000. The Goldman Facility also includes an accordion option to increase the maximum facility amount up to $650,000, subject to certain specified conditions. The interest rate on borrowings under the Goldman Facility is three-month LIBOR plus 320 basis points per annum. Gladwyne Funding will pay unused fees quarterly in arrears in an amount equal to the spread over LIBOR (320 basis points per annum) on the daily undrawn portion of (i) prior to March 2, 2020, 75% of the maximum facility amount, and (ii) on and after March 2, 2020, the maximum facility amount. The Goldman Facility will mature, and all outstanding principal and accrued and unpaid interest thereunder, will be due and payable, on December 2, 2022.

Gladwyne Funding's obligations to Goldman under the Goldman Facility are secured by a first priority security interest in substantially all of the assets of Gladwyne Funding, including its portfolio of assets. The Company has provided a limited guarantee of Gladwyne Funding's obligations under the Goldman Facility, triggered only upon the occurrence of certain events, including willful bad acts by the Company or Gladwyne Funding. Otherwise, the obligations of Gladwyne Funding under the Goldman Facility are non-recourse to the Company, and the Company's exposure under the Goldman Facility is limited to the value of the Company's investment in Gladwyne Funding.

If, prior to June 2, 2022, the Goldman Facility is accelerated due to an event of default or all or a portion of the committed maximum facility amount are voluntarily reduced by Gladwyne Funding, then Gladwyne Funding must pay to Goldman a fee equal to the present value of the aggregate amount of the spread over LIBOR (320 basis points per annum) that would have been payable to Goldman on the subject borrowings through the facility's maturity date had the acceleration or voluntary commitment facility amount reduction not occurred.

Pursuant to the Goldman Facility, Gladwyne Funding has made certain representations and warranties and is required to comply with various covenants, reporting requirements and other customary requirements for similar transactions. The Goldman Facility contains events of default and termination events customary for similar financing transactions.

The Company incurred costs in connection with obtaining the Goldman Facility, which the Company recorded as deferred financing costs on its consolidated balance sheets and amortizes to interest expense over the life of the Goldman Facility. As of December 31, 2019, $761 of such deferred financing costs had yet to be amortized to interest expense.

Note 9. Financing Arrangements (Continued)

JPMorgan Facility

On August 16, 2018, the Company entered into that certain Senior Secured Credit Agreement, by and among the Company, the lenders party thereto, JPMorgan Chase Bank, N.A., or JPMorgan, as administrative agent and collateral agent, and the other parties signatory thereto, or the JPMorgan Facility. The JPMorgan Facility, as amended, provides for borrowings in an aggregate amount of up to $695,000, consisting of (i) up to $463,334 of revolving loans available in U.S. dollars and certain agreed upon foreign currencies and (ii) $231,667 of term loans in U.S. dollars. The JPMorgan Facility provides for a revolving period through February 16, 2022, during which the Company is permitted to borrow, repay and re-borrow the revolving loans. Obligations under the JPMorgan Facility mature on February 16, 2023.

The initial proceeds of the JPMorgan Facility, together with proceeds of the Notes, described under "—7.500% Senior Secured Notes due 2023," were used in part to prepay in full all loans outstanding as of August 16, 2018 under (i) the Barclays Credit Facility, described under "—Barclays Credit Facility," (ii) the BNP Facility, described under "—BNP Facility," (iii) the Deutsche Bank Credit Facility, described under "—Deutsche Bank Credit Facility," and (iv) the Fortress Facility, described under "—Fortress Facility."

The interest under the JPMorgan Facility (i) for loans bearing interest by reference to the eurocurrency rate is 275 basis points per annum plus the one-, two-, three- or six-month adjusted eurocurrency rate, as elected by the Company from time to time, and (ii) for loans bearing interest by reference to the base rate is 175 basis points per annum plus the greater of (a) the U.S. Prime Rate on such date, (b) the Federal Reserve Bank of New York Rate for such day plus 50 basis points per annum, (c) the adjusted eurocurrency rate for a one-month interest period on such day plus 100 basis points, and (d) 100 basis points per annum. Interest is payable in arrears at the end of each interest period (or at three-month intervals for interest periods longer than three months) for eurocurrency borrowings and quarterly for base rate borrowings. In addition, during the revolving period, the Company pays a commitment fee at a rate equal to 50 basis points on the average daily undrawn revolving commitment.

The Company's obligations under the JPMorgan Facility are secured, subject to certain exceptions, by (i) a first priority security interest in (a) the Credit Facility First Priority Collateral and (b) the Shared Collateral, and (ii) a second priority security interest in the Notes First Priority Collateral, each as defined in the Senior Secured Credit Agreement.

Pursuant to the JPMorgan Facility, the Company has made certain representations and warranties and must comply with various covenants and reporting requirements customary for facilities of this type, including the following financial covenants: (a) the Company must maintain a minimum shareholder's equity, measured as of each fiscal quarter end, and (b) the Company must maintain at all times a 200% asset coverage ratio.

The JPMorgan Facility provides for events of default customary for financings of this type. Upon the occurrence of certain events of default, JPMorgan, at the instruction of the lenders, may terminate any remaining commitments and declare the outstanding loans and other obligations under the JPMorgan Facility immediately due and payable. Upon the occurrence of events of default related to bankruptcy, insolvency and similar events, the commitments will automatically terminate and the outstanding loans and other obligations under the JPMorgan Facility will become immediately due and payable. During the continuation of certain events of default and subject, in certain cases, to the instructions of the Lenders, the Company must pay interest at a default rate.

The Company incurred costs in connection with obtaining the JPMorgan Facility, which the Company recorded as deferred financing costs on its consolidated balance sheets and amortizes to interest expense

Note 9. Financing Arrangements (Continued)

over the life of the facility. As of December 31, 2019, $5,609 of such deferred financing costs had yet to be amortized to interest expense.

7.500% Senior Secured Notes due 2023

On August 16, 2018, the Company, U.S. Bank National Association, or U.S Bank, as trustee, and certain subsidiaries of the Company, entered into an Indenture relating to the Company's issuance of $500,000 aggregate principal amount of its 7.500% Senior Secured Notes due 2023, or the Notes.

The proceeds of the Notes, together with the initial proceeds of JPMorgan Facility, were used in part to prepay in full all loans outstanding as of August 16, 2018 under (i) the Barclays Credit Facility, described under "—Barclays Credit Facility," (ii) the BNP Facility, described under "—BNP Facility," (iii) the Deutsche Bank Credit Facility, described under "—Deutsche Bank Credit Facility," and (iv) the Fortress Facility, described under "—Fortress Facility."

The Notes will mature on August 15, 2023, unless repurchased or redeemed in accordance with their terms prior to such date. The Notes bear interest at a rate of 750 basis points per annum, calculated on the basis of a 360-day year comprised of twelve 30-day periods, accruing from August 16, 2018. Interest on the Notes is payable semi-annually in arrears on February 15 and August 15 of each year, commencing on February 15, 2019.

The Notes are general senior secured obligations of the Company and rank *pari passu* in right of payment to all of the Company's existing and future unsubordinated indebtedness and other liabilities. The Notes are secured, subject to certain exceptions, by (i) a first priority security interest in (a) the Secured Notes First Priority Collateral and (b) the Shared Collateral, and (ii) a second priority security interest in the Credit Facility First Priority Collateral, each as defined in the Indenture.

The Indenture contains certain covenants, including the requirement that the Company maintain a debt-to-equity ratio of less than or equal to 1.0x. The Notes are subject to certain events of default customary for financings of this type. Upon the occurrence of certain events of default, U.S. Bank or the holders of at least 25% in the aggregate principal amount of the then-outstanding Notes may declare all of the Notes to be due and payable immediately. Upon the occurrence of certain events of default related to bankruptcy, insolvency and similar events, all of the outstanding Notes, including accrued and unpaid interest thereon and premiums, if any, shall become due and payable automatically.

The Company incurred costs in connection with obtaining the Notes, which the Company recorded as deferred financing costs on its consolidated balance sheets and amortizes to interest expense over the life of the Notes. As of December 31, 2019, $7,344 of such deferred financing costs had yet to be amortized to interest expense. In connection with issuing the Notes, the Company has charged a discount against the carrying amount of such notes. As of December 31, 2019, $7,343 of such discount had yet to be amortized to interest expense.

Barclays Credit Facility

On August 16, 2018, in connection with the Company entering into the JPMorgan Facility and issuing the Notes, Bryn Mawr Funding LLC, or Bryn Mawr Funding, the Company's wholly-owned subsidiary, repaid and terminated the revolving credit facility, or the Barclays Credit Facility, which Bryn Mawr Funding originally entered into on May 18, 2016, with Barclays Bank PLC, or Barclays, as administrative agent, and the lenders from time to time party thereto. The Barclays Credit Facility provided for revolving borrowings in U.S. dollars and certain agreed upon foreign currencies in an aggregate amount of up to $100,000. Prior to its termination, borrowings under the Barclays Credit Facility accrued interest at a rate equal to (i) for loans

Note 9. Financing Arrangements (Continued)

for which Bryn Mawr Funding elected the eurocurrency option, LIBOR plus 325 basis points per annum; and (ii) for loans for which Bryn Mawr Funding elected the base rate option, 225 basis points per annum plus the greatest of (a) the U.S. Prime Rate, (b) the federal funds effective rate for such day plus 50 basis points, (c) three-month LIBOR plus 100 basis points per annum and (d) zero.

BNP Facility

On August 16, 2018, in connection with the Company entering into the JPMorgan Facility and issuing the Notes, Berwyn Funding LLC, or Berwyn Funding, the Company's wholly-owned subsidiary, repaid and terminated the committed credit facility, or the BNP Facility, which Berwyn Funding originally entered into on December 11, 2013, with BNP Paribas Prime Brokerage International, Ltd, as assignee of BNP Paribas Prime Brokerage, Inc., or BNP. The BNP Facility provided for borrowings in an aggregate principal amount up to $300,000 on a committed basis. Prior to the termination of the BNP Facility, borrowings accrued interest at a rate equal to three-month LIBOR plus 135 basis points per annum.

Deutsche Bank Credit Facility

On August 16, 2018, in connection with the Company entering into the JPMorgan Facility and issuing the Notes, FSEP Term Funding, LLC, or FSEP Funding, the Company's wholly-owned subsidiary, repaid and terminated the committed credit facility, or the Deutsche Bank Credit Facility, which FSEP Funding originally entered into on June 24, 2011, with Deutsche Bank AG, New York Branch, or Deutsche Bank, as administrative agent and the lenders party thereto. The Deutsche Bank Credit Facility provided for borrowings in an aggregate principal amount up to $150,000 on a committed basis. Prior to the termination of the Deutsche Bank Credit Facility, borrowings accrued interest at a rate equal to three-month LIBOR plus 225 basis points per annum.

Fortress Facility

On August 16, 2018, in connection with the Company entering into the JPMorgan Facility and issuing the Notes, Foxfields Funding, LLC, or Foxfields Funding, the Company's wholly-owned subsidiary, repaid and terminated the senior secured multiple draw term loan facility, or the Fortress Facility, which Foxfields Funding originally entered into on November 6, 2015, with Fortress as administrative agent, the lenders from time to time party thereto and the other loan parties from time to time party thereto. The Fortress Facility provided for borrowings in an aggregate principal amount up to $155,000 on a committed basis. Prior to the termination of the Fortress Facility, borrowings accrued interest at a rate equal to (i) for loans bearing interest by reference to LIBOR, LIBOR (subject to a floor of 75 basis points) plus 500 basis points per annum, and (ii) for loans bearing interest by reference to the base rate, 400 basis points per annum plus the greater of: (a) the per annum rate of interest announced, from time to time, within Wells Fargo Bank, National Association, or Wells Fargo, at its principal office in San Francisco as its "prime rate," and (b) 175 basis points per annum.

Goldman Repurchase Financing

On September 11, 2014, through its two wholly-owned, special-purpose financing subsidiaries, Gladwyne Funding and Strafford Funding LLC, or Strafford Funding, the Company entered into a debt financing arrangement with Goldman, which was subsequently twice amended, or the Goldman Repurchase Financing. Prior to its termination on April 19, 2017, the amount borrowed under the Goldman Repurchase Financing was $325,000. On April 19, 2017, in connection with Gladwyne Funding entering into the Goldman Facility, (i) all of the floating rate notes issued by Gladwyne Funding to Strafford Funding were canceled and the indenture under which the floating rate notes were issued was discharged, (ii) the master

Note 9. Financing Arrangements (Continued)

repurchase agreement between Strafford Funding and Goldman and each transaction thereunder was terminated and (iii) accordingly, the Goldman Repurchase Financing was prepaid in full and terminated.

Natixis Credit Facility

On August 2, 2017, Energy Funding LLC, or Energy Funding, the Company's wholly-owned, special-purpose financing subsidiary, repaid and terminated the revolving credit facility, or the Natixis Credit Facility, which Energy Funding originally entered into on July 11, 2015 with Natixis, New York Branch, or Natixis, as administrative agent and lender, Wells Fargo, as collateral agent and custodian, and the other lenders from time to time party thereto. The Natixis Credit Facility provided for revolving borrowings through January 11, 2015 in an aggregate principal amount up to $150,000 on a committed basis. Prior to its termination, borrowings under the Natixis Credit Facility accrued interest at a rate equal to the applicable commercial paper rate plus 225 basis points per annum.

Wells Fargo Credit Facility

On July 27, 2017 and July 28, 2017, Wayne Funding LLC, or Wayne Funding, the Company's wholly-owned, special purpose financing subsidiary, repaid and terminated, respectively, the revolving credit facility, or the Wells Fargo Credit Facility, which Wayne Funding originally entered into on September 9, 2014 with Wells Fargo Securities, LLC, as administrative agent, each of the conduit lenders and institutional lenders from time to time party thereto and Wells Fargo, as the collateral agent, account bank and collateral custodian. The Wells Fargo Credit Facility provided for borrowings in an aggregate principal amount up to $60,000 on a committed basis. Prior to the termination of the Wells Fargo Credit Facility, borrowings accrued interest at a rate equal to three-month LIBOR plus a spread ranging between 250 and 275 basis points per annum, depending on the composition of the portfolio of assets for the relevant period.

Note 10. Commitments and Contingencies

The Company enters into contracts that contain a variety of indemnification provisions. The Company's maximum exposure under these arrangements is unknown; however, the Company has not had prior claims or losses pursuant to these contracts. FS/EIG 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 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 any 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 4 for a discussion of the Company's commitments to FS Advisor, FS/EIG Advisor and its affiliates (including FS Investments) and Note 7 for a discussion of the Company's unfunded commitments.

Note 11. Senior Securities Asset Coverage

Information about the Company's senior securities is shown in the table below for the years ended December 31, 2019, 2018, 2017, 2016 and 2015.

(in thousands, except share and per share amounts)

Note 11. Senior Securities Asset Coverage (Continued)

Year Ended December 31,	Total Amount Outstanding Exclusive of Treasury Securities	Asset Coverage Per Unit(1)	Involuntary Liquidation Preference per Unit(2)	Average Market Value per Unit (Exclude Bank Loans)(3)
2015	$1,040,494	3.32	—	N/A
2016	$ 873,665	4.83	—	N/A
2017	$1,220,000	3.43	—	N/A
2018	$1,131,667	3.34	—	N/A
2019	$1,236,667	2.92	—	N/A

(1) Asset coverage per unit is the ratio of the carrying value of the Company's total consolidated assets, less all liabilities and indebtedness not represented by senior securities, to the aggregate amount of senior securities representing indebtedness.

(2) The amount to which such class of senior security would be entitled upon the voluntary liquidation of the Company in preference to any security junior to it. The "—" in this column indicates that the SEC expressly does not require this information to be disclosed for certain types of senior securities.

(3) Not applicable because senior securities are not registered for public trading on an exchange.

(in thousands, except share and per share amounts)

Note 12. Financial Highlights

The following is a schedule of financial highlights of the Company for the years ended December 31, 2019, 2018, 2017, 2016 and 2015.

	Year Ended December 31,				
	2019	2018	2017	2016	2015
Per Share Data:[(1)]					
Net asset value, beginning of year	$ 6.01	$ 6.65	$ 7.61	$ 6.50	$ 8.57
Results of operations[(2)]					
Net investment income	0.46	0.42	0.65	0.57	0.67
Net realized and unrealized appreciation (depreciation) on investments, swaps and gain/loss on foreign currency	(0.54)	(0.56)	(0.90)	1.25	(2.18)
Net increase (decrease) in net assets resulting from operations	(0.08)	(0.14)	(0.25)	1.82	(1.51)
Shareholder distributions[(3)]					
Distributions from net investment income	(0.50)	(0.50)	(0.71)	(0.67)	(0.67)
Distributions from net realized gain on investments	—	—	—	—	(0.04)
Distributions representing return of capital	—	—	(0.00)	(0.04)	—
Net decrease in net assets resulting from shareholder distributions	(0.50)	(0.50)	(0.71)	(0.71)	(0.71)
Capital share transactions					
Issuance of common shares[(4)]	—	—	—	—	0.18
Repurchases of common shares[(5)]	—	—	—	—	—
Offering costs[(2)]	—	—	—	—	(0.03)
Net increase (decrease) in net assets resulting from capital share transactions	—	—	—	—	0.15
Net asset value, end of year	$ 5.43	$ 6.01	$ 6.65	$ 7.61	$ 6.50
Shares outstanding, end of year	438,477,007	440,451,167	446,045,135	440,162,095	372,210,264
Total return[(6)]	(1.83)%	(2.49)%	(3.65)%	29.53%	(17.34)%
Total return (without assuming reinvestment of distributions)[(6)]	(1.33)%	(2.11)%	(3.29)%	28.00%	(15.87)%
Ratio/Supplemental Data:					
Net assets, end of year	$ 2,379,605	$ 2,648,186	$ 2,966,042	$ 3,348,894	$ 2,417,861
Ratio of net investment income to average net assets[(7)]	7.76%	6.40%	8.82%	8.19%	8.31%
Ratio of total expenses to average net assets[(7)]	6.54%	5.19%	4.94%	4.88%	5.55%
Portfolio turnover	32.88%	51.25%	34.08%	35.85%	22.70%
Total amount of senior securities outstanding, exclusive of treasury securities[(8)]	$ 1,236,667	$ 1,131,667	$ 1,220,000	$ 873,665	$ 1,040,494
Asset coverage per unit[(9)]	2.92	3.34	3.43	4.83	3.32

(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 year.

(3) The per share data for distributions reflects the actual amount of distributions paid per share during the applicable year.

(4) The issuance of common shares on a per share basis reflects the incremental net asset value changes as a result of the issuance of common shares in the Company's continuous public offering and pursuant to the Company's distribution reinvestment plan. The issuance of common shares at an offering price, net of selling commissions and dealer manager fees, 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 issuance of common shares was an increase in net asset value of less than $0.01 per share during each year.

(5) The per share impact of the Company's repurchases of common shares is a reduction to net asset value of less than $0.01 per share during each year.

(6) The total return for each year presented was calculated based on the change in net asset value during the applicable year, including the impact of distributions reinvested in accordance with the Company's distribution reinvestment plan. The total return (without assuming reinvestment of distributions) for each year presented was calculated by taking the net asset value per share as of the end of the applicable year, adding the cash distributions per share which were declared during the applicable year

(in thousands, except share and per share amounts)

Note 12. Financial Highlights (Continued)

and dividing the total by the net asset value per share at the beginning of the applicable year. The total returns do not consider the effect of any sales commissions or charges that may be incurred in connection with the sale of the Company's common shares. The total returns include the effect of the issuance of common shares at a net offering price that is greater than net asset value per share, which causes an increase in net asset value per share. The historical calculations of total returns in the table should not be considered representations of the Company's future total returns, which may be greater or less than the returns 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 year should not be relied upon as being indicative of performance in future years. The total return calculations set forth above represent the total returns on the Company's investment portfolio during the applicable year and do not represent actual returns to shareholders.

(7) Weighted average net assets during the applicable years are used for this calculation. The following is a schedule of supplemental ratios for the years ended December 31, 2019, 2018, 2017, 2016 and 2015:

	Year Ended December 31,				
	2019	2018	2017	2016	2015
Ratio of subordinated income incentive fees to average net assets	—	—	0.32%	0.20%	1.13%
Ratio of interest expense to average net assets	3.40%	2.30%	1.52%	1.31%	1.12%

(8) Total amount of each class of senior securities outstanding at the end of the year presented.

(9) Asset coverage per unit is the ratio of the carrying value of the Company's total consolidated assets, less liabilities and indebtedness not represented by senior securities, to the aggregate amount of senior securities representing indebtedness.

Note 13. Selected Quarterly Financial Data (Unaudited)

The following is the quarterly results of operations for the years ended December 31, 2019 and 2018. The following information reflects all normal recurring adjustments necessary for a fair presentation of the information for the periods presented. The operating results for any quarter are not necessarily indicative of results for any future period.

	Quarter Ended			
	December 31, 2019	September 30, 2019	June 30, 2019	March 31, 2019
Investment income	$ 94,919	$ 96,474	$ 86,104	$ 88,413
Operating expenses				
Total expenses	42,848	44,280	41,356	41,634
Less: Management fee offset	(1,473)	(3,158)	(1,161)	(200)
Net expenses	41,375	41,122	40,195	41,434
Net investment income	53,544	55,352	45,909	46,979
Realized and unrealized gain (loss)	(140,097)	(149,121)	(10,565)	60,876
Net increase (decrease) in net assets resulting from operations	$ (86,553)	$ (93,769)	$ 35,344	$ 107,855
Per share information – basic and diluted				
Net investment income	$ 0.12	$ 0.13	$ 0.10	$ 0.11
Net increase (decrease) in net assets resulting from operations	$ (0.20)	$ (0.21)	$ 0.08	$ 0.25
Weighted average shares outstanding	436,460,589	437,324,544	437,249,452	437,647,716

(in thousands, except share and per share amounts)

Note 13. Selected Quarterly Financial Data (Unaudited) (Continued)

	Quarter Ended			
	December 31, 2018	September 30, 2018	June 30, 2018	March 31, 2018
Investment income	$ 85,592	$ 80,341	$ 78,072	$ 89,973
Operating expenses				
Total expenses	41,276	39,015	34,155	35,585
Less: Management fee offset	(1,276)	—	—	—
Net expenses	40,000	39,015	34,155	35,585
Net investment income	45,592	41,326	43,917	54,388
Realized and unrealized gain (loss)	(240,943)	45,969	43,004	(93,595)
Net increase (decrease) in net assets resulting from operations	$ (195,351)	$ 87,295	$ 86,921	$ (39,207)
Per share information – basic and diluted				
Net investment income	$ 0.10	$ 0.09	$ 0.10	$ 0.13
Net increase (decrease) in net assets resulting from operations	$ (0.45)	$ 0.20	$ 0.20	$ (0.09)
Weighted average shares outstanding	438,199,742	438,931,809	439,286,145	439,924,494

The sum of quarterly per share amounts does not necessarily equal per share amounts reported for the years ended December 31, 2019 and 2018. This is due to changes in the number of weighted average shares outstanding and the effects of rounding for each period.

Note 14. Subsequent Events

Recent Market Events

Recent market events such as the global outbreak of COVID-19 (more commonly known as the Coronavirus) and the ongoing failure of Saudi Arabia, Russia and other oil producing countries to reach an agreement around crude oil production have impacted the financial markets and significantly disrupted U.S. and global economies, including energy markets. The price of oil has also been severely impacted. Economists and major investment banks have expressed concern that these events could lead to a world-wide economic downturn and its economic impact is uncertain.

These events have challenged the viability of some of the Company's portfolio companies and the Company expects that if current market conditions, including the depressed price of oil, persist, some of the Company's portfolio companies will continue to face significant challenges, including potential insolvency, in the future. Therefore, if current market conditions persist or worsen, the operations, business, financial condition and results of operations of some of the Company's portfolio companies are likely to be further materially adversely affected in the future. In addition, any restructuring or default by the Company's portfolio companies is likely to have an impact on the level of income and principal recovery received by the Company from such portfolio companies.

Credit Facilities

The Company has also been, and may continue to be, directly impacted by these events, specifically as a result of the impact of the devaluation of the Company's portfolio companies on its financing arrangements. See Note 9 for a discussion of the Company's credit facilities and other financing arrangements. Depressed mark-to-market valuations of many of the Company's portfolio companies have materially reduced the value of collateral available to secure the Company's financing arrangements, and consequently have adversely

Note 14. Subsequent Events (Continued)

impacted the Company's liquidity and may continue to do so in the future. In particular, the Company has needed to sell certain investments to satisfy its margin obligations under the Goldman Facility. As a result, the Company received significantly less for these investments than the value at which the Company had such investments recorded as of December 31, 2019. The Company did not comply with covenants under certain of its financing arrangements relating to the Company's level of shareholder equity as of March 31, 2020. Accordingly, in early April 2020, the Company obtained waivers from the other parties to the applicable financing arrangements to satisfy those covenants.

Goldman Facility. On April 1, 2020, Gladwyne Funding, the Company, Goldman and Wells Fargo entered into a letter agreement, or the Goldman Letter Agreement, in respect of (i) the Goldman Facility and (ii) that certain Non-Recourse Carveout Guaranty Agreement, dated as of December 2, 2019, or the Limited Guaranty, by the Company and in favor of Goldman and Wells Fargo, as collateral agent. The Goldman Letter Agreement provides that through July 1, 2020, or the Standstill Period, certain provisions of the Goldman Facility, the Limited Guaranty and the related transaction documents shall not be operative and none of Goldman, Wells Fargo or any of the lenders party to the Goldman Facility shall exercise any remedies in connection with such provisions. In addition, the Goldman Letter Agreement provides for certain amendments to the Goldman Facility, including a suspension of all financial covenants during the Standstill Period. Pursuant to the Goldman Letter Agreement, the interest rate under the Goldman Facility has increased to LIBOR plus 750 basis points per annum (from LIBOR plus 320 basis points per annum) during the Standstill Period before decreasing to LIBOR plus 520 basis points per annum when the Standstill Period ends. In connection with the execution of the Goldman Letter Agreement, Gladwyne Funding prepaid $205,000 under the Goldman Facility and agreed to prepay an additional $20,000 after closing using cash proceeds from asset sales, principal proceeds and interest proceeds.

One of the purposes of the Goldman Letter Agreement is to allow the parties thereto to discuss proposals for addressing various credit matters, with a view to possibly entering into further modifications to the Goldman Facility and the Limited Guaranty. The Company is currently engaged in discussions with respect to such credit matters; however, there can be no assurance that the Company will reach any agreement with respect to those matters by the end of the Standstill Period, if at all.

Gladwyne Funding incurred certain customary costs and expenses in connection with the closing of the Goldman Letter Agreement.

JPMorgan Facility. On April 8, 2020, the Company entered into Amendment No. 1 and Waiver, or the JPMorgan Amendment, to the JPMorgan Facility. The JPMorgan Amendment reduces revolving loan commitments under the JPMorgan Facility to $185,000, which amount is equal to the amount of currently outstanding revolving loans under the JPMorgan Facility. Upon the occurrence of certain events and subject to certain specified thresholds, the JPMorgan Amendment would require the Company to make certain prepayments of outstanding loans and additional reductions of the revolving commitments. The JPMorgan Amendment also reduces the minimum shareholders' equity the Company is required to maintain as of the end of each fiscal quarter, to $900,000 for the fiscal quarters ending in March, June and September of 2020 and $1,150,000 for each fiscal quarter thereafter. Additionally, the JPMorgan Amendment restricts the ability of the Company to make most discretionary cash dividends and distributions and other restricted payments.

The Company incurred certain customary fees, costs and expenses in connection with the closing of the JPMorgan Amendment.

If current market conditions persist or worsen, the Company may need to sell additional investments at similarly or even more disadvantageous prices, or enter into other transactions on terms that are disadvantageous to the Company, to satisfy obligations under its financing arrangements. While the

Note 14. Subsequent Events (Continued)

Company currently has sufficient assets to cover its outstanding obligations and currently is not in breach of any of its financing arrangements, continuation or worsening of the current market environment may lead to covenant violations in the future and adversely impact the Company's ability to meet these obligations in the future.

Tender Offer and Distributions

In light of such difficult market conditions and in an effort to preserve liquidity in the Company, the Company's board of trustees determined to terminate the Company's previously announced quarterly tender offer pursuant to its share repurchase program, or Tender Offer, to purchase a portion of its issued and outstanding common shares. The Tender Offer was made pursuant to the Tender Offer Statement on Schedule TO that the Company originally filed with the SEC on February 24, 2020. As a result of this termination, no common shares will be purchased in the Tender Offer and all common shares previously tendered and not withdrawn will be promptly returned to tendering holders. The Company's board of trustees also determined to suspend for an indefinite period of time the Company's share repurchase program and will reassess the Company's ability to recommence such program in future periods.

Moreover, the Company's board of trustees has not declared regular cash distributions to shareholders for any period after March 31, 2020, and FS/EIG Advisor and the Company's board of trustees expect that future cash distributions to shareholders will be suspended until such time that the Company's board of trustees and FS/EIG Advisor believe that market conditions and the financial operations of the Company support the resumption of such distributions. There can be no assurance that the Company will be able to pay distributions in the future.

Net Asset Value

Effective March 31, 2020, the Company decreased the price at which it issues shares under its distribution reinvestment plan from $5.40 per share to $3.70 per share, or NAV Per Share. The purpose of this decrease was to ensure that the Company did not issue shares under the distribution reinvestment plan at a price per share that was more than 2.5% greater than the net asset value per share on March 31, 2020.

The NAV Per Share reflected a significant reduction in net asset value as of March 31, 2020 as compared to the Company's net asset value as of December 31, 2019. This reduction resulted primarily from decreases in the estimated fair value of some of the Company's portfolio company investments due to, among other things, the adverse economic effects of the COVID-19 pandemic, the continuing uncertainty surrounding its long-term impact and the ongoing failure of Saudi Arabia, Russia and other oil producing countries to reach an agreement around crude oil production.

The Company has not completed its financial closing procedures for the three months ended March 31, 2020. The actual net asset value as of March 31, 2020 may differ from the NAV Per Share as a result of the completion of its financial closing procedures, final adjustments and other developments arising between now and the time that the Company's financial results for the three months ended March 31, 2020 are finalized. The NAV Per Share was prepared by the Company's management.

Item 9. Changes in and Disagreements with Accountants on Accounting and Financial Disclosure.

None.

Item 9A. Controls and Procedures.

Evaluation of Disclosure Controls and Procedures

We maintain disclosure controls and procedures that are designed to ensure that information required to be disclosed in our reports filed under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the SEC's rules and forms and that such information is accumulated and communicated to our management, including our chief executive officer and chief financial officer, as appropriate, to allow for timely decisions regarding required disclosure. In designing and evaluating the disclosure controls and procedures, management recognizes that any controls and procedures, no matter how well designed and operated, can provide only reasonable assurance of achieving the desired control objectives, and management is required to apply its judgment in evaluating the cost-benefit relationship of possible controls and procedures.

As required by Exchange Act Rule 13(a)-15(b), we carried out an evaluation under the supervision and with the participation of our management, including our chief executive officer and chief financial officer, of the effectiveness of the design and operation of our disclosure controls and procedures as of December 31, 2019. Based on the foregoing, our chief executive officer and chief financial officer concluded that our disclosure controls and procedures were (a) designed to ensure that the information we are required to disclose in our reports under the Exchange Act is recorded, processed and reported in an accurate manner and on a timely basis and the information that we are required to disclose in our Exchange Act reports is accumulated and communicated to management to permit timely decisions with respect to required disclosure and (b) operating in an effective manner.

Management's Annual Report on Internal Control Over Financial Reporting

Our management is responsible for establishing and maintaining adequate internal control over financial reporting. As defined in Exchange Act Rules 13a-15(f) and 15d-15(f), internal control over financial reporting is a process designed by, or under the supervision of, the company's principal executive and principal financial officers, or persons performing similar functions, and effected by the company's board of directors, management and other personnel, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with GAAP.

Our internal control over financial reporting includes those policies and procedures that:

1. Pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the Company's transactions and the dispositions of assets of the Company;

2. Provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the Company are being made only in accordance with authorizations of our management and board of trustees; and

3. Provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of the Company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, a system of internal control over financial reporting can provide only reasonable assurance with respect to financial statement preparation and presentation and may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Management's report on internal control over financial reporting is set forth above under the heading "Management's Report on Internal Control over Financial Reporting" in Item 8 of this annual report on Form 10-K.

Attestation Report of the Registered Public Accounting Firm

Our registered public accounting firm has issued an attestation report on our internal control over financial reporting. This report appears on page 73.

Changes in Internal Control Over Financial Reporting

During our fourth quarter of 2019, there has been no change in our internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) or 15d-15(f)) that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

Item 9B. Other Information.

None.

PART III

Item 10. Trustees, Executive Officers and Corporate Governance.

Board of Trustees

The role of the Company's board of trustees (the "Board") is to provide general oversight of the Company's business affairs and to exercise all of the Company's powers except those reserved for the shareholders. The responsibilities of the Board also include, among other things, the oversight of the Company's investment activities, the quarterly valuation of the Company's assets, oversight of the Company's financing arrangements and corporate governance activities.

The Board is currently comprised of eight trustees, six of whom are not "interested persons," as defined in Section 2(a)(19) of the 1940 Act, of the Company or FS/EIG Advisor, and are "independent" as defined in Rule 5605(a)(2) of The NASDAQ Stock Market LLC. These individuals are referred to as the Company's independent trustees (the "Independent Trustees"). Section 2(a)(19) of the 1940 Act defines an "interested person" to include, among other things, any person who has, or within the last two years had, a material business or professional relationship with the Company. The members of the Board who are not Independent Trustees are referred to as interested trustees (the "Interested Trustees").

Trustees

Information regarding the Board is set forth below. We have divided the trustees into two groups-Interested Trustees and Independent Trustees. The address for each trustee is c/o FS Energy and Power Fund, 201 Rouse Boulevard, Philadelphia, Pennsylvania 19112.

Name	Age	Trustee Since	Expiration of Term
Interested Trustees(1)			
Michael C. Forman	59	2010	2020
R. Blair Thomas	57	2019	2020
Independent Trustees			
Sidney R. Brown	62	2011	2020
Stephen T. Burdumy	62	2018	2020
Gregory P. Chandler	53	2010	2020
Richard I. Goldstein	59	2011	2020
Kathleen A. McGinty	56	2020	2020
Charles P. Pizzi	69	2012	2020
Pedro A. Ramos	55	2018	2020

(1) "Interested person" of the Company as defined in Section 2(a)(19) of the 1940 Act. Messrs. Forman and Thomas are each an "interested person" because of their affiliation with FS/EIG Advisor.

Interested Trustees

Michael C. Forman is chairman and chief executive officer of FS Investments and has been leading the company since founding it in 2007. He has served as the chairman and chief executive officer of FS/EIG Advisor since its inception. Mr. Forman also currently serves as chairman and chief executive officer of the Company and has served in such capacity since the Company's inception. Mr. Forman previously served as President of the Company from inception through April 2018. Mr. Forman also serves as chairman, president and/or chief executive officer of certain other investment advisers affiliated with FS Investments and funds sponsored by FS Investments. Prior to founding FS Investments, Mr. Forman founded a private equity and real estate investment firm. He started his career as an attorney in the Corporate and Securities Department at the Philadelphia based law firm of Klehr Harrison Harvey Branzburg LLP. In addition to his career as an attorney and investor, Mr. Forman has been an active entrepreneur and has founded several companies, including companies engaged in the gaming, specialty finance and asset management industries. Mr. Forman is a member of a number of civic and charitable boards, including The Franklin Institute, Drexel University and the Philadelphia Center City District Foundation. He is also Chairman of Vetri Community Partnership. Mr. Forman received his B.A., summa cum laude, from the University of Rhode Island, where he was elected Phi Beta Kappa, and received his J.D. from Rutgers University.

Mr. Forman has extensive experience in corporate and securities law and has founded and served in a leadership role of various companies, including FS/EIG Advisor. The Board believes Mr. Forman's experience and his positions as the Company's and FS/EIG Advisor's chief executive officer make him a significant asset to the Company.

R. Blair Thomas is the chief executive officer of EIG, as well as chairman of the investment committee and executive committee of EIG. Mr. Thomas is also a member of the board of directors and the investment committee of FS/EIG Advisor. EIG was formerly part of Trust Company of the West, where Mr. Thomas was a Group Managing Director and a member of the Board of Directors of TCW Asset Management Company. Prior to joining EIG in 1998, Mr. Thomas was a senior investment officer with the Inter-American Development Bank and a project finance attorney at the law firm of Brown & Wood in New York. Mr. Thomas also served on the White House staff of President George H. W. Bush as an advisor on energy and budget policy. Mr. Thomas received a B.A. from the University of Virginia, a J.D. from New York Law School and an L.L.M. from Georgetown University Law Center. Mr. Thomas is also the chairman of the board of directors of Harbour Energy Ltd. and Prumo Logistica S.A. and is a member of the board of directors of Chrysaor Holdings Ltd.

Independent Trustees

Sidney R. Brown has served as the chief executive officer of NFI, Inc. (NFI), a premier integrated supply chain solutions company, since the late 1990s. NFI, founded in 1932 as National Hauling, has evolved from a trucking company in a regulated environment, into one of the largest privately-held third party logistics companies in the United States. Sidney is currently a Board Member of J&J Snack Foods (NASDAQ: JJSF) and Cooper Health System. From 1990 to 2017 Sidney served in various capacities with Sun National Bank, including Chairman, acting President, and CEO. He has also previously served on the Boards of Beth El Synagogue and Moorestown Friends. Sidney is a 2016 recipient of the Ernst & Young Entrepreneur of the Year Award. In 1979, Sidney graduated from Georgetown University with a Bachelor of Science in Business Administration. He began his career as a financial analyst with Morgan Stanley in New York City. In 1983, Sidney received his Master of Business Administration from Harvard University before joining NFI.

Stephen T. Burdumy is the executive vice president, chief operating officer, chief financial officer and chief legal officer of Transformative Pharmaceutical Solutions, and has also served as of counsel at the law firm of Faegre Drinker Biddle & Reath LLP ("Drinker Biddle") since April 2016. From 2002 to April 2016, Mr. Burdumy served as a partner at Drinker Biddle. Prior to joining Drinker Biddle, Mr. Burdumy was an attorney at Klehr Harrison Harvey Branzburg LLP ("Klehr Harrison") from 1982 to 2002, including as a partner from 1988 to 2002. Mr. Burdumy was a member of the board of directors of the Philadelphia Alliance for Capital and Technologies from June 2010 to July 2012. Mr. Burdumy received a B.S.F.S. in International Economics with a concentration in International Finance and Commerce, cum laude, from Georgetown University, and a J.D. from the University of San Francisco Law School. Mr. Burdumy has served as a member of the board and as an executive of various companies. In addition, his legal knowledge and background has provided him, in the opinion of the Board, with experience and insight which is beneficial to the Company.

Gregory P. Chandler currently serves as Chief Financial Officer and Chief Operating Officer of Avocado Systems, Inc., a cyber security software provider, and has served in such capacity since March 2020. Previously, he served as Chief Financial Officer of Emtec, Inc., a global information technology services provider, starting in May 2009. He was also a member of Emtec Inc.'s board of directors from 2005 through 2009 where he served as chairman of the audit committee. He presently serves as a director and chairman of the audit committee of the RBB Funds and the Wilmington Funds and previously served as a director of FS Investment Corporation. Prior to his tenure as CFO of Emtec, he served as managing director, Investment Banking, at Janney Montgomery Scott LLC from 1999 to 2009. From 1995 to 1999, he was with PricewaterhouseCoopers (PwC) and its predecessor Coopers and Lybrand where he assisted companies in the Office of the CFO Practice and also worked as a certified public accountant. During his tenure at PwC, Gregory spent the majority of his time in the Investment Company practice. Additionally, he held the position of logistics officer with the United States Army for four years. Gregory holds a master's degree in Business Administration from Harvard Business School and earned a Bachelor of Science in Engineering from the United States Military Academy at West Point. He is also a Certified Public Accountant (inactive).

Richard I. Goldstein is managing director of Liberty Associated Partners, LP (LAP) since 2000 and Associated Partners, LP (AP) since 2006, both investment funds that make private and public market investments in communications, media, Internet and energy companies. Prior to joining LAP and AP, Richard was vice president of The Associated Group, Inc. (AGI), a multi-billion dollar publicly traded owner and operator of communications-related businesses and assets. While at AGI, he assisted in establishing Teligent, Inc., of which he was a director, and was responsible for operating AGI's cellular telephone operations. Richard is currently a member of the board of directors of CURRENT Group, LLC and also served as a director of Intellon Corporation prior to its acquisition by Atheros Communications, Inc. He is a member of the board of trustees of The Shipley School and has counseled many early stage companies. Richard received a Bachelor of Science in Business and Economics from Carnegie Mellon University and received training at the Massachusetts Institute of Technology in Management Information Systems.

Kathleen A. McGinty is vice president of global government relations and regulatory affairs for Johnson Controls, a leading energy efficiency and buildings technology company. Prior to joining Johnson Controls, she served as Chair of the Pennsylvania Energy Development Authority from 2004 to 2008 and Pennsylvania Secretary of Environmental Protection from 2003 to 2008. Prior to this she was Chair of the White House Council on Environmental Quality and Deputy Assistant to the President from 1993 to 1998. Ms. McGinty has also served as an operating partner with a private equity fund, where she helped build successful growth strategies for mid-stage clean energy, water and efficiency companies, as well as served as a director of publicly traded and privately held businesses in the energy sector. Currently, Ms. McGinty serves on the boards of the Scott Institute for Energy Innovation at Carnegie Mellon University, the Energy Futures Initiative, the Alliance to Save Energy, the Keystone Policy Center, the American Council on Renewable Energy, and the Delaware River Port Authority. Ms. McGinty received a B.S. in chemistry from St. Joseph's University and J.D. from Columbia University. She has also received honorary doctorates from Muhlenberg University, Dickinson College, and Clarion State University.

Charlie P. Pizzi is the retired president, director and chief executive officer of Tasty Baking Company, manufacturer of Tastykake branded snack cakes. He served in these positions from 2002 to May 2011. Prior to leading Tasty Baking Company, Charlie served as president and chief executive officer of the Greater Philadelphia Chamber of Commerce, vice-chairman of the American Chamber of Commerce Executives, and chairman of the Metro Council of Presidents. He also serves on the boards of trustees of FS Global Credit Opportunities Fund, FS Global Credit Opportunities Fund—A and FS Global Credit Opportunities Fund—D, FS Global Credit Opportunities Fund—T, FS Global Credit Opportunities Fund—ADV and FS Global Credit Opportunities Fund—T2, and has served in such role since each fund's inception in January 2013, January 2013, March 2016, March 2016 and April 2017, respectively. Charlie is a member of FS Global Credit Opportunities Fund's valuation and audit committees and has presided in such roles since June 2013. His career also includes work with the transition teams for Pennsylvania Governor Tom Ridge and Philadelphia Mayor Ed Rendell. Charlie has also served as commerce director for the City of Philadelphia. He has been a trustee of Brandywine Realty Trust since 1996, serving on the audit and compensation committees, a director of Allied Security Holdings LLC since August 2011, a director of PHH Corporation since January 2012, a director of Independence Blue Cross since 1991, serving on the compensation committee, and a director of Drexel University since 1991. He was a director of the Federal Reserve Bank of Philadelphia from 2006 to December 2011, serving as chairman from January 2010 to December 2011. He also previously served as a director of the Philadelphia Stock Exchange from 1998 until it was acquired by NASDAQ in July 2008 and on the board of governors of NASDAQ OMX PHLX, Inc. from August 2008 to March 2009. Charlie earned a master's degree from the University of Pennsylvania and a bachelor's degree from LaSalle University.

Pedro A. Ramos has served as the president and chief executive officer of The Philadelphia Foundation ("TPS") since August 2015, a charitable foundation that builds, manages and distributes philanthropic resources to improve lives in the five-county Philadelphia region. Prior to joining TPS, he was a partner with the law firm of Schnader, Harrison, Segal & Lewis LLP ("Schnader") where he advised clients in the business, nonprofit and government sectors, focusing on transactions, financings, compliance, risk management and investigations. From June 2009 until the firm's attorneys joined Schnader in August 2013, Mr. Ramos was a partner with the law firm of Trujillo, Rodriguez & Richards, LLC and led the firm's government, education and social sector practice. From June 2007 to June 2009, Mr. Ramos was a partner with the law firm of Blank Rome LLP in its employment, benefits and labor group and its government relations practice. Mr. Ramos previously served as Managing Director of the City of Philadelphia from April 2005 to June 2007 and as City Solicitor from March 2004 to April 2005. Before working for the City of Philadelphia, Mr. Ramos served as vice president and chief of staff to the president of the University of Pennsylvania from January 2002 to March 2004. From September 1992 to January 2002, Mr. Ramos served as an attorney with the law firm of Ballard Spahr Andrews & Ingersoll, LLP in its employee benefits group. From November 2011 to October 2013, Mr. Ramos served as the chairman of the School Reform Commission, which oversees the School District of Philadelphia. Mr. Ramos served on the Board of the School District of Philadelphia from December 1995 through December 2001, with his last two years as president of that board. Mr. Ramos has served as manager and director of TPF Properties, LLC since October 2017, and as a member of the executive committee and a director of the Greater Philadelphia Chamber of Commerce since October 2017.

Executive Officers

The following persons currently serve as our executive officers in the following capacities:

Name	Age	Positions Held
Michael C. Forman	59	Chief Executive Officer
Eric Long	50	President
Edward T. Gallivan, Jr.	57	Chief Financial Officer and Treasurer
Sean Coleman	50	Chief Investment Officer
Stephen S. Sypherd	43	General Counsel and Secretary
James F. Volk	57	Chief Compliance Officer

The address for each executive officer is c/o FS Energy and Power Fund, 201 Rouse Boulevard, Philadelphia, Pennsylvania 19112. Each executive officer holds his office until his successor is chosen and qualified, or until his earlier resignation or removal.

Executive Officers Who are Not Trustees

Eric Long has served as our president since September 2019 and as the president of FS/EIG Advisor since June 2019. Mr. Long is a Managing Director of EIG, where he is the portfolio manager for the Company. He is also a member of the investment committee of FS/EIG Advisor. Prior to joining EIG in 2014, Mr. Long was a senior investment banker with Goldman Sachs. During his tenure, Mr. Long advised companies on a broad range of transactions including mergers, acquisitions, divestitures, debt and equity financings and other corporate finance functions. Prior to joining Goldman Sachs, Mr. Long was a Director in the Transaction Services Group of PricewaterhouseCoopers, where he managed a team of transaction professionals and supervised valuation and financial due diligence efforts in the energy sector. Mr. Long is a Chartered Financial Analyst (CFA). He holds a B.A. from the University of Vermont and an M.B.A. from the Wharton School at the University of Pennsylvania.

Edward T. Gallivan, Jr. has served as our chief financial officer since November 2012 and our Treasurer since April 2018. Mr. Gallivan also serves as chief financial officer of certain other funds sponsored by FS Investments. Prior to his appointment as chief financial officer, Mr. Gallivan was a director at BlackRock, Inc. from 2005 to October 2012, where he was head of financial reporting for over 350 mutual funds. From 1988 to 2005, Mr. Gallivan worked at State Street Research & Management Company, where he served as the assistant treasurer of mutual funds. Mr. Gallivan began his career as an auditor at the global accounting firm PwC where he practiced as a certified public accountant. Mr. Gallivan received his B.S. in Business Administration (Accounting) degree at Stonehill College in Massachusetts.

James F. Volk has served as our chief compliance officer since April 2015. Mr. Volk also serves as the chief compliance officer of certain of the other funds sponsored by FS Investments. He is responsible for all compliance and regulatory issues affecting the Company and the other FS funds. Before joining FS Investments and its affiliated investment advisers in October 2014, Mr. Volk was the chief compliance officer, chief accounting officer and head of traditional fund operations at SEI Investment Company's Investment Manager Services market unit. Mr. Volk was also formerly the assistant chief accountant at the SEC's Division of Investment Management and a senior manager for PricewaterhouseCoopers. Mr. Volk graduated from the University of Delaware with a B.S. in Accounting.

Sean Coleman has served as our chief investment officer and as chief investment officer of FS/EIG Advisor since April 2018. Mr. Coleman also currently serves as managing director and is the chief credit officer of FS Investments. Mr. Coleman serves on the investment committees of FS/EIG Advisor and certain other advisors which manage funds sponsored by FS Investments. Mr. Coleman previously worked at Golub Capital, where he served in various capacities, including as Managing Director in the direct lending group and as Chief Financial Officer and Treasurer of its business development company (BDC). Before he joined Golub Capital in 2005, Mr. Coleman worked in merchant and investment banking at Goldman, Sachs & Co. and Wasserstein Perella & Co. Mr. Coleman earned a BA in History from Princeton University and an MBA with Distinction from Harvard Business School, where he received the Loeb Award for academic excellence in finance.

Stephen S. Sypherd has served as our secretary since June 2013 and as our general counsel since April 2018. He previously served as our vice president and treasurer. Mr. Sypherd also currently serves as the general counsel, vice president, treasurer and/or secretary of certain other investment advisers and funds sponsored by FS Investments. Mr. Sypherd has also served in various senior officer capacities for FS Investments and its affiliated investment advisers, including as senior vice president from December 2011 to August 2014, general counsel since January 2013 and managing director since August 2014. He is responsible for legal and compliance matters across all entities and investment products of FS Investments. Prior to joining FS Investments, Mr. Sypherd served for eight years as an attorney at Skadden, Arps, Slate, Meagher & Flom LLP, where he practiced corporate and securities law. Mr. Sypherd received his B.A. in Economics from Villanova University and his J.D. from the Georgetown University Law Center, where he was an executive editor of the Georgetown Law Journal. He serves on the board of trustees of the University of the Arts (and on the advancement and governance committees of that board).

Section 16(a) Beneficial Ownership Reporting Compliance

Pursuant to Section 16(a) of the Exchange Act, the Company's trustees and executive officers, and any persons holding more than 10% of the Company's common shares of beneficial interest ("Shares"), are required to report their beneficial ownership and any changes therein to the SEC and the Company. Specific due dates for those reports have been established, and the Company is required to report herein any failure to file such reports by those due dates. Based on the Company's review of Forms 3, 4 and 5 filed by such persons and information provided by the Company's trustees and officers, the Company believes that during the fiscal year ended December 31, 2019, all Section 16(a) filing requirements applicable to such persons were timely filed with the exception of a late Form 3 filing for R. Blair Thomas upon his appointment as a trustee and a late Form 3 filing for Eric Long upon his appointment as an executive officer, each due to administrative errors.

Code of Business Conduct and Ethics

The Company has adopted a code of business conduct and ethics (as amended and restated, the "Code of Business Conduct and Ethics") pursuant to Rule 17j-1 promulgated under the 1940 Act, which applies to, among others, its officers, including its Chief Executive Officer and Chief Financial Officer, as well as the members of the Board. The Company's Code of Business Conduct and Ethics can be accessed on the Company's website at *https://www.fsinvestments.com* by clicking on "Corporate Governance" on the bottom of the Company web page. In addition, the Code of Business Conduct and Ethics is available on the EDGAR Database on the SEC's Internet site at www.sec.gov. Shareholders may also obtain a copy of the

Code of Business Conduct and Ethics, after paying a duplicating fee, by electronic request at the following e-mail address: publicinfo@sec.gov, or by writing the SEC's Public Reference Section at 100 F Street, N.E., Washington, D.C. 20549. The Company intends to disclose any amendments to or waivers of required provisions of the Code of Business Conduct and Ethics on Form 8-K, as required by the Exchange Act and the rules and regulations promulgated thereunder.

Audit Committee

The Board has established an Audit Committee that operates pursuant to a charter and consists of three members, including a Chairman of the Audit Committee. The Audit Committee members are Messrs. Chandler (Chairman), Pizzi and Ramos, each an Independent Trustee. The Board has determined that Mr. Chandler is an "audit committee financial expert" as defined by Item 407(d)(5)(ii) of Regulation S-K promulgated under the Exchange Act. The primary function of the Audit Committee is to oversee the integrity of the Company's accounting policies, financial reporting process and system of internal controls regarding finance and accounting policies. The Audit Committee is responsible for selecting, engaging and discharging the Company's independent accountants, reviewing the plans, scope and results of the audit engagement with the Company's independent accountants, approving professional services provided by the Company's independent accountants (including compensation therefor) and reviewing the independence of the Company's independent accountants. The Audit Committee charter can be accessed on the Company's website at *https://www.fsinvestments.com* by clicking on "Corporate Governance" on the bottom of the Company web page.

Item 11. Executive Compensation.

Compensation Discussion and Analysis

The Company's executive officers do not receive any direct compensation from the Company. The Company does not currently have any employees and does not expect to have any employees. As an externally managed business development company, or BDC, services necessary for the Company's business are provided by individuals who are employees of FS/EIG Advisor or its affiliates or by individuals who were contracted by the Company or FS/EIG Advisor or their respective affiliates to work on behalf of the Company, pursuant to the terms of the FS/EIG investment advisory agreement. Each of the Company's executive officers is an employee of FS/EIG Advisor or its affiliates or an outside contractor, and the day-to-day investment operations and administration of the Company's portfolio are managed by FS/EIG Advisor. In addition, the Company will reimburse FS/EIG Advisor for the Company's allocable portion of expenses incurred by FS/EIG Advisor in performing its obligations under the FS/EIG investment advisory agreement. Historically, the Company reimbursed FS Advisor pursuant to the FS Advisor investment advisory agreement.

Trustee Compensation

The Company does not pay compensation to its trustees who also serve in an executive officer capacity for the Company or FS/EIG Advisor. Trustees who do not also serve in an executive officer capacity for the Company or FS/EIG Advisor are entitled to receive annual cash retainer fees, fees for participating in quarterly Board and Board committee meetings and certain other Board and Board committee meetings and annual fees for serving as a committee chairperson, determined based on the Company's net assets as of the end of each fiscal quarter. These trustees are Messrs. Brown, Burdumy, Chandler, Goldstein, Pizzi, and Ramos. Mr. Goldstein also receives an annual retainer for his service as lead Independent Trustee.

Amounts payable under the trustee fee arrangement were determined and paid quarterly in arrears as follows:

Fee	Amount
Annual Board Retainer	$100,000
Board Meeting Fees	$ 2,500
Annual Committee Chair Retainers	
Audit and Valuation Committees	$ 20,000
Nominating and Governance Committee	$ 15,000
Other Committees	$ 10,000
Committee Meeting Fees	$ 1,000
Annual Lead Independent Trustee Retainer	$ 25,000

The Company also reimburses each of the above trustees for all reasonable and authorized business expenses in accordance with its policies as in effect from time to time, including reimbursement of reasonable out-of-pocket expenses incurred in connection with attending each in-person Board meeting and each in-person Board committee meeting not held concurrently with a Board meeting.

The table below sets forth the compensation received by each of the Company's trustees for service during the fiscal year ended December 31, 2019:

Name	Fees Earned or Paid in Cash by the Company	Total Compensation from the Company
Sidney R. Brown	$110,500	$110,500
Stephen T. Burdumy	$110,000	$110,000
Gregory P. Chandler	$138,000	$138,000
Michael C. Forman	$ —	$ —
Richard I. Goldstein	$159,000	$159,000
Kathleen A. McGinty(1)	$ —	$ —
Charles P. Pizzi	$127,125	$127,125
Pedro A. Ramos	$117,000	$117,000
William C. Sonneborn(2)	$ —	$ —
R. Blair Thomas(3)	$ —	$ —

(1) Ms. McGinty joined the board in March 2020 and has not yet received fees from the Company.

(2) Mr. Sonneborn resigned from the board effective as of June 7, 2019 and did not receive fees from the Company.

(3) Mr. Thomas joined the board in September 2019 and does not receive fees from the Company.

Item 12. Security Ownership of Certain Beneficial Owners and Management and Related Shareholder Matters.

Security Ownership of Certain Beneficial Owners

The following table sets forth, as of March 9, 2020, the beneficial ownership of the trustees, the Company's executive officers, each person known to the Company to beneficially own 5% or more of the outstanding Shares, and all of the Company's executive officers and trustees as a group.

Beneficial ownership is determined in accordance with Rule 13d-3 promulgated under the Securities Exchange Act of 1934, as amended (the "Exchange Act"), and includes voting or investment power with respect to the Shares. There are no Shares subject to options that are currently exercisable or exercisable within 60 days of March 9, 2020.

Name and Address of Beneficial Owner[(1)]	Shares Beneficially Owned as of March 9, 2020 Number of Shares	Percentage (%)[(2)]
Interested Trustees:		
Michael C. Forman[(3)]	446,068	*
R. Blair Thomas	—	*
Independent Trustees:		
Sidney R. Brown[(4)]	64,870	*
Stephen T. Burdumy	—	*
Gregory P. Chandler[(5)]	27,576	*
Richard I. Goldstein	43,993	*
Kathleen A. McGinty	—	*
Charles P. Pizzi	22,004	*
Pedro A. Ramos	—	*
Executive Officers:		
Sean Coleman	7,994	*
Eric Long	—	*
Edward T. Gallivan, Jr.	5,096	*
Stephen S. Sypherd[(6)]	7,920	*
James F. Volk	2,071	*
All Trustees and Executive Officers as a group (14 persons)	627,592	*

* Less than one percent.

(1) The address of each of the beneficial owners set forth above is c/o FS Energy and Power Fund, 201 Rouse Boulevard, Philadelphia, Pennsylvania 19112.

(2) Based on a total of 435,726,512 Shares issued and outstanding on March 9, 2020.

(3) Includes 270,905 Shares held through MCFDA SCV LLC, 10,617 Shares held for the benefit of minor children in trust and 164,546 Shares held by FSH Seed Capital Vehicle I LLC.

(4) Includes 28,056 Shares held by NFI International, Ltd., a company of which Mr. Brown is a principal interest holder.

(5) All Shares held in a 401(k) account.

(6) Includes 7,920 Shares held in a joint account with spouse.

Item 13. Certain Relationships and Related Transactions, and Trustee Independence.

Certain Relationships and Related Party Transactions (dollar amounts in thousands, excluding per share amounts, unless otherwise noted)

The Company has procedures in place for the review, approval and monitoring of transactions involving the Company and certain persons related to the Company. For example, the Company's Code of Business Conduct and Ethics generally prohibits any employee, officer or trustee from engaging in any transaction where there is a conflict between such individual's personal interest and the interests of the Company. Waivers to the Code of Business Conduct and Ethics for any executive officer or member of the Board must be approved by the Board and are publicly disclosed as required by applicable law and regulations.

In addition, the Audit Committee is required to review and approve all transactions with related persons (as defined in Item 404 of Regulation S-K promulgated under the Exchange Act). Prior to the occurrence of a liquidity event (which could include (1) a listing of the Company's Shares on a national securities exchange, (2) the sale of all or substantially all of the Company's assets either on a complete portfolio basis or individually followed by a liquidation or (3) a merger or another transaction approved by the Board in which the Company's shareholders likely will receive cash or shares of a publicly-traded company), all future transactions with affiliates of the Company will be on terms no less favorable than could be obtained from an unaffiliated third party and must be approved by a majority of the Board, including a majority of the Independent Trustees.

Compensation of the Investment Adviser and Dealer Manager

Historically, we received investment advisory and administrative services from FS Advisor pursuant to the FS Advisor investment advisory agreement. The FS Advisor investment advisory agreement was replaced by the FS/EIG investment advisory agreement between the Company and FS/EIG Advisor. FS Advisor previously engaged GSO to act as the Company's investment sub-adviser pursuant to the GSO sub-advisory agreement. GSO resigned as the Company's investment sub-adviser and terminated the GSO sub-advisory agreement effective April 9, 2018.

Pursuant to the FS/EIG investment advisory agreement, FS/EIG Advisor is entitled to an annual base management fee based on the average weekly value of the Company's gross assets (equal to the total assets set forth on the Company's consolidated financial statements) and an incentive fee based on the Company's performance. The base management fee is calculated at an annual rate of 1.75% of the average weekly value of the Company's gross assets. The base management fee is payable quarterly in arrears and is calculated based on the average weekly value of the Company's gross assets during the most recently completed calendar quarter. The incentive fee consists of two parts. The first part of the incentive fee, which is referred to as the subordinated incentive fee on income, is calculated and payable quarterly in arrears, equals 20.0% of the Company's "pre-incentive fee net investment income" for the immediately preceding quarter and is subject to a hurdle rate, expressed as a rate of return on adjusted capital, equal to 1.625% per quarter, or an annualized hurdle rate of 6.5%. As a result, FS/EIG 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 1.625%. For purposes of the subordinated incentive fee on income, "adjusted capital" means cumulative gross proceeds generated from sales of the Company's Shares (including proceeds from the Company's distribution reinvestment plan) reduced for distributions from non-liquidating dispositions of the Company's investments paid to shareholders and amounts paid for share repurchases pursuant to the Company's share repurchase program. Once the Company's pre-incentive fee net investment income in any quarter exceeds the hurdle rate, FS/EIG 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 2.031%, or 8.125% annually, of adjusted capital. Thereafter, FS/EIG Advisor will be entitled to receive 20.0% of the Company's pre-incentive fee net investment income.

The second part of the incentive fee, which is referred to as 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/EIG 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 incentive fees on capital gains. The Company will accrue for the incentive fee on capital gains, which, if earned, will be paid annually. The Company will accrue the incentive fee on capital gains based on net realized and unrealized gains; however, under the terms of the FS/EIG investment advisory agreement, the fee payable to FS/EIG Advisor will be based on realized gains and no such fee will be payable with respect to unrealized gains unless and until such gains are actually realized.

Pursuant to the FS/EIG investment advisory agreement, FS/EIG 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/EIG

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 shareholders and reports filed with the SEC. Pursuant to the FS/EIG investment advisory agreement, the Company reimburses FS/EIG Advisor no less than quarterly for expenses necessary to perform services related to the Company's administration and operations. The amount of this reimbursement is set at the lesser of (1) FS/EIG Advisor's actual costs incurred in providing such services and (2) the amount that the Company estimates it would be required to pay alternative service providers for comparable services in the same geographic location. FS/EIG Advisor allocates the cost of such services to the Company based on factors such as time allocations and/or other reasonable metrics. The Company does not reimburse FS/EIG Advisor for any services for which it receives a separate fee, or for rent, depreciation, utilities, capital equipment or other administrative items allocated to a controlling person of FS/EIG Advisor.

Historically, pursuant to the FS Advisor investment advisory agreement, FS Advisor was entitled to an annual base management fee of 2.0% of the average weekly value of the Company's gross assets and an incentive fee based on the Company's performance. Pursuant to the GSO sub-advisory agreement, GSO was entitled to receive 50% of all management and incentive fees payable to FS Advisor, with respect to each year. Effective January 1, 2018, FS Advisor contractually agreed to permanently waive 0.25% of its base management fee to which it was entitled under the FS Advisor investment advisory agreement, so that the fee received equaled 1.75% of the average weekly value of the Company's gross assets.

The Company also reimbursed FS Advisor for expenses necessary to perform services related to the Company's administration and operations, including FS Advisor's allocable portion of the compensation and related expenses of certain personnel of FS Investments, providing administrative services to the Company on behalf of FS Advisor.

The following table describes the fees and expenses accrued under the FS Advisor investment advisory agreement and FS/EIG investment advisory agreement during the years ended December 31, 2019 and 2018:

Related Party	Source Agreement	Description	Year Ended December 31, 2019	Year Ended December 31, 2018
FS Advisor and FS/EIG Advisor . . .	FS Advisor investment advisory agreement and FS/EIG investment advisory agreement	Base Management Fee(1)	$62,534	$68,799
FS Advisor and FS/EIG Advisor . . .	FS Advisor investment advisory agreement and FS/EIG investment advisory agreement	Administrative Services Expenses(2)	$ 4,760	$ 3,717

(1) During the years ended December 31, 2019 and 2018, $63,358 and $68,282, respectively, in base management fees were paid to FS Advisor and/or FS/EIG Advisor and $0 and $5,945, respectively, in base management fees were applied to offset the liability of FS Investments under the expense reimbursement agreement (see "—Expense Reimbursement" below). The base management fee amount shown in the table above for the years ended December 31, 2019 and 2018 is shown net of $5,992 and $1,276, respectively, in structuring or other upfront fees received by FS/EIG Advisor and offset against base management fees. As of December 31, 2019, $15,582 in base management fees were payable to FS/EIG Advisor.

(2) During the years ended December 31, 2019 and 2018, $2,914 and $3,173, respectively, of the accrued administrative services expenses related to the allocation of costs of administrative personnel for services rendered to the Company by FS Advisor and/or FS/EIG Advisor and the remainder related to other reimbursable expenses. The Company paid $3,662 and $3,580, respectively, in administrative services expenses to FS Advisor and/or FS/EIG Advisor, or its affiliates, during the years ended December 31, 2019 and 2018.

Expense Reimbursement

Historically, pursuant to the expense support and conditional reimbursement agreement, dated as of May 16, 2013, by and between FS Investments and the Company, or the expense reimbursement agreement, FS Investments agreed to reimburse the Company for expenses in an amount that was sufficient to ensure that no portion of the Company's distributions to shareholders were paid from its offering proceeds or borrowings.

The expense reimbursement agreement was terminated on April 9, 2018, or the JV Effective Date. The Company's conditional obligation to reimburse FS Investments pursuant to the terms of the expense reimbursement agreement survived the termination of the agreement. As of the JV Effective Date, the Company entered into an expense support and conditional reimbursement agreement with FS/EIG Advisor, or the FS/EIG expense reimbursement agreement, on substantially similar terms.

During the years ended December 31, 2019 and 2018, the Company did not accrue any expense reimbursements from FS Investments. During the year ended December 31, 2017, the Company accrued \$31,260 for expense reimbursements that FS Investments had agreed to pay, including an offset against management fees and subordinated income incentive fees payable by the Company to FS Advisor. As of December 31, 2019 and 2018, the Company had no reimbursements due from FS Investments. As of December 31, 2017, the Company had \$5,945 of reimbursements due from FS Investments, which the Company offset against management fees payable by the Company to FS Advisor.

On November 14, 2018, FS/EIG Advisor announced that for any calendar quarter ending on or prior to September 30, 2019 it will defer the receipt of base management fees under the FS/EIG investment advisory agreement if, and to the extent that, the Company's distributions paid to the Company's shareholders in the calendar quarter exceeds the sum of the Company's investment company taxable income (as defined in Section 852 of the Internal Revenue Code of 1986, as amended, or the Code), net capital gains (as defined in Section 1222 of the Code) and dividends and other distributions paid to the Company on account of preferred and common equity investments in portfolio companies (to the extent such amounts were not included in net investment company taxable income or net capital gains) in the calendar quarter, or collectively, the Company's distributable funds on a tax basis. FS/EIG Advisor will only receive any deferred fees in a future calendar quarter if, and to the extent that, the Company's distributable funds on a tax basis in the future calendar quarter exceeds the Company's distributions paid to the Company's shareholders in such quarter. In light of this commitment by FS/EIG Advisor, the FS/EIG expense reimbursement agreement was terminated on November 12, 2018.

For the period from January 1, 2018 to November 12, 2018, the Company did not accrue any expense reimbursements from FS/EIG Advisor under the FS/EIG expense reimbursement agreement. During the year ended December 31, 2019, FS/EIG Advisor did not defer the receipt of any base management fees under the FS/EIG investment advisory agreement. As of December 31, 2019, there were no deferred base management fees subject to future payment by the Company.

See Note 4 to our consolidated financial statements contained in this annual report on Form 10-K for a detailed discussion of the expense reimbursement agreement and the FS/EIG expense reimbursement agreement, each of which has been terminated.

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 April 10, 2018, 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 funds managed by EIG Asset Management, LLC, or EIG, or its affiliates, or the Company's co-investment affiliates. The Company believes this relief will enhance its ability to further its investment objectives and strategy. The Company believes this relief may also increase favorable investment opportunities for it, in part, by allowing it to participate in larger investments, together with the Company's co-investment affiliates, than would be available to the Company if such relief had not been obtained. The Company had previously relied on an order dated June 4, 2013, pursuant to which 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 other BDC's sponsored by FS Investments.

Potential Conflicts of Interest

The members of the senior management and investment teams of FS/EIG 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, including in similar or other capacities for the investment advisers to future investment vehicles affiliated with FS Investments or EIG. 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 shareholders. The Company's investment objectives may overlap with the investment objectives of such investment funds, accounts or other investment vehicles. For example, the Company relies on FS/EIG Advisor to manage its day-to-day activities and to implement its investment strategy. FS/EIG Advisor, FS Investments, EIG and certain of their affiliates are presently, and plan in the future to continue to be, involved with activities which are unrelated to the Company. As a result of these activities, FS/EIG Advisor, FS Investments, EIG, their employees and certain of their affiliates will have conflicts of interest in allocating their time between the Company and other activities in which they are or may become involved, including the management of other investment vehicles.

FS/EIG Advisor's affiliates and its personnel are simultaneously providing investment advisory services to other affiliated entities. FS/EIG Advisor may determine that it is appropriate for the Company and one or more other investment accounts managed by FS/EIG Advisor's affiliates to participate in an investment opportunity. To the extent the Company is able to make co-investments with investment accounts managed by FS/EIG Advisor or its affiliates, these co-investment opportunities may give rise to conflicts of interest or perceived conflicts of interest among the Company and the other participating accounts. In addition, conflicts of interest or perceived conflicts of interest may also arise in determining which investment opportunities should be presented to the Company and other participating accounts. To mitigate these conflicts, FS/EIG Advisor will seek to execute such transactions on a fair and equitable basis and in accordance with its allocation policies.

Trustee Independence

A majority of the members of the Board are not "interested persons," as defined in Section 2(a)(19) of the 1940 Act, of the Company or FS/EIG Advisor, and are "independent" as defined in Rule 5605(a)(2) of The NASDAQ Stock Market LLC. Section 2(a)(19) of the 1940 Act defines an "interested person" to include, among other things, any person who has, or within the last two years had, a material business or professional relationship with the Company.

The Board is currently comprised of nine trustees, seven of whom are Independent Trustees. The Board has determined that the following trustees are Independent Trustees: Ms. McGinty, as well as Messrs. Brown, Burdumy, Chandler, Goldstein, Pizzi and Ramos. Based upon information requested from each trustee concerning his or her background, employment and affiliations, the Board has affirmatively determined that none of the Independent Trustee nominees has, or within the last two years had, a material business or professional relationship with the Company, other than in his or her capacity as a member of the Board or any Board committee or as a shareholder.

Item 14. Principal Accountant Fees and Services.

Set forth in the table below are audit fees, audit-related fees, tax fees and all other fees billed to the Company by RSM US LLP for professional services performed for the Company's fiscal years ended December 31, 2019 and 2018:

Fiscal Year	Audit Fees	Audit-Related Fees(1)	Tax Fees	All Other Fees(2)
2019	$450,625	—	—	—
2018	$399,700	$45,215	—	—

(1) "Audit-Related Fees" are those fees billed to the Company by RSM US LLP for services provided by RSM US LLP or fees billed for expenses relating to the review by RSM US LLP of the Company's registration statements filed with the SEC pursuant to the Securities Act of 1933, as amended (the "Securities Act").

(2) "All Other Fees" are those fees, if any, billed to the Company by RSM US LLP in connection with permitted non-audit services.

Pre-Approval Policies and Procedures

The Company's Audit Committee reviews, negotiates and approves in advance the scope of work, any related engagement letter and the fees to be charged by the Company's independent registered public accounting firm for audit services and permitted non-audit services for the Company and for permitted non-audit services for FS/EIG Advisor and any affiliates thereof that provide services to the Company if such non-audit services have a direct impact on the operations or financial reporting of the Company. Any requests for audit, audit-related, tax and other services that have not received general pre-approval must be submitted to the Audit Committee for specific pre-approval in accordance with its pre-approval policy, irrespective of the amount of fees associated with such services, and cannot commence until such approval has been granted. Normally, pre-approval is considered at regularly scheduled meetings of the Audit Committee. However, the Audit Committee may delegate pre-approval authority to one or more of its members. The member or members to whom such authority is delegated must report any pre-approval decisions to the Audit Committee at its next scheduled meeting. The Audit Committee does not delegate its responsibilities to pre-approve services performed by RSM US LLP to management. All of the audit and permitted non-audit services described above for which RSM US LLP billed the Company for the fiscal years ended December 31, 2019 and 2018 were pre-approved by the Audit Committee.

PART IV

Item 15. Exhibits, Financial Statement Schedules.

a. Documents Filed as Part of this Report

The following financial statements are set forth in Item 8:

b. Exhibits

Please note that the agreements included as exhibits to this annual report on Form 10-K are included to provide information regarding their terms and are not intended to provide any other factual or disclosure information about FS Energy and Power Fund or the other parties to the agreements. The agreements contain representations and warranties by each of the parties to the applicable agreement that have been made solely for the benefit of the other parties to the applicable agreement and may not describe the actual state of affairs as of the date they were made or at any other time.

The following exhibits are filed as part of this annual report or hereby incorporated by reference to exhibits previously filed with the SEC:

3.1	Third Amended and Restated Declaration of Trust of FS Energy and Power Fund. *(Incorporated by reference to Exhibit 3.1 to FS Energy and Power Fund's Quarterly Report on Form 10-Q filed on August 10, 2017.)*
3.2	Amendment No. 1 to the Third Amended and Restated Declaration of Trust of FS Energy and Power Fund. *(Incorporated by reference to Exhibit 3.2 to FS Energy and Power Fund's Quarterly Report on Form 10-Q filed on August 10, 2017.)*
3.3	Second Amended and Restated Bylaws of FS Energy and Power Fund. *(Incorporated by reference to Exhibit 3.1 to FS Energy and Power Fund's Current Report on Form 8-K filed on June 1, 2017.)*
4.1	Second Amended and Restated Distribution Reinvestment Plan of FS Energy and Power Fund. *(Incorporated by reference to Exhibit 4.1 to FS Energy and Power Fund's Current Report on Form 8-K filed on October 17, 2016.)*
10.1	Investment Advisory and Administrative Services Agreement, dated as of April 9, 2018, by and between FS Energy and Power Fund and FS/EIG Advisor, LLC. *(Incorporated by reference to Exhibit 10.1 to FS Energy and Power Fund's Current Report on Form 8-K filed on April 9, 2018.)*
10.2	Investment Advisory and Administrative Services Agreement, dated as of April 28, 2011, by and between FS Energy and Power Fund and FS Investment Advisor, LLC. *(Incorporated by reference to Exhibit (g)(1) filed with Amendment No. 3 to FS Energy and Power Fund's registration statement on Form N-2 (File No. 333-169679) filed on May 6, 2011.)*

10.3	Amendment No. 1 dated as of August 10, 2012, to Investment Advisory and Administrative Services Agreement, dated as of April 28, 2011, by and between FS Energy and Power Fund and FS Investment Advisor, LLC. *(Incorporated by reference to Exhibit 10.2 to FS Energy and Power Fund's Quarterly Report on Form 10-Q filed on August 14, 2012.)*
10.4	Investment Sub-advisory Agreement, dated as of April 28, 2011, by and between FS Investment Advisor, LLC and GSO Capital Partners LP. *(Incorporated by reference to Exhibit (g)(2) filed with Amendment No. 3 to FS Energy and Power Fund's registration statement on Form N-2 (File No. 333-169679) filed on May 6, 2011.)*
10.5	Custodian Agreement, dated as of November 14, 2011, by and between State Street Bank and Trust Company and FS Energy and Power Fund. *(Incorporated by reference to Exhibit 10.6 to FS Energy and Power Fund's Quarterly Report on Form 10-Q filed on November 14, 2011.)*
10.6	Escrow Agreement, dated as of March 29, 2011, by and between FS Energy and Power Fund and UMB Bank, N.A. *(Incorporated by reference to Exhibit (k) filed with Amendment No. 3 to FS Energy and Power Fund's registration statement on Form N-2 (File No. 333-169679) filed on May 6, 2011.)*
10.7	Amended and Restated Credit Agreement, dated as of June 11, 2014, by and among FSEP Term Funding, LLC and Deutsche Bank AG, New York Branch. *(Incorporated by reference to Exhibit 10.1 to FS Energy and Power Fund's Current Report on Form 8-K filed on June 17, 2014.)*
10.8	First Amendment to Amended and Restated Credit Agreement, dated as of June 11, 2015, by and among FSEP Term Funding, LLC and Deutsche Bank AG, New York Branch. *(Incorporated by reference to Exhibit 10.1 to FS Energy and Power Fund's Current Report on Form 8-K filed on June 15, 2015.)*
10.9	Second Amendment to Amended and Restated Credit Agreement, dated as of June 10, 2016, by and among FSEP Term Funding, LLC, as borrower, Deutsche Bank AG, New York Branch, as administrative agent and a lender, and the other lenders party thereto. *(Incorporated by reference to Exhibit 10.1 to FS Energy and Power Fund's Current Report on Form 8-K filed on June 16, 2016.)*
10.10	Third Amendment to Amended and Restated Credit Agreement, dated as of June 9, 2017, by and among FSEP Term Funding, LLC, as borrower, Deutsche Bank AG, New York Branch, as administrative agent and a lender, and the other lenders party thereto. *(Incorporated by reference to Exhibit 10.1 to FS Energy and Power Fund's Current Report on Form 8-K filed on June 14, 2017.)*
10.11	Fourth Amendment to Amended and Restated Credit Agreement, dated as of June 11, 2018, by and among FSEP Term Funding, LLC, as borrower, Deutsche Bank AG, New York Branch, as administrative agent and a lender, and the other lenders party thereto. *(Incorporated by reference to Exhibit 10.1 to FS Energy and Power Fund's Current Report on Form 8-K filed on June 15, 2018.)*
10.12	Asset Contribution Agreement, dated as of June 24, 2011, by and between FS Energy and Power Fund and FSEP Term Funding, LLC. *(Incorporated by reference to Exhibit 10.8 to FS Energy and Power Fund's Quarterly Report on Form 10-Q filed on June 27, 2011.)*
10.13	Investment Management Agreement, dated as of June 24, 2011, by and between FS Energy and Power Fund and FSEP Term Funding, LLC. *(Incorporated by reference to Exhibit 10.9 to FS Energy and Power Fund's Quarterly Report on Form 10-Q filed on June 27, 2011.)*
10.14	Security Agreement, dated as of June 24, 2011, by and between FSEP Term Funding, LLC and Deutsche Bank AG, New York Branch. *(Incorporated by reference to Exhibit 10.10 to FS Energy and Power Fund's Quarterly Report on Form 10-Q filed on June 27, 2011.)*
10.15	Termination and Release Acknowledgment, dated as of May 11, 2012, by Citibank N.A. in favor of FS Energy and Power Fund. *(Incorporated by reference to Exhibit 10.15 to FS Energy and Power Fund's Quarterly Report on Form 10-Q filed on May 15, 2012.)*

10.16 Termination Acknowledgment (TRS), dated as of May 24, 2013, by and between EP Investments LLC and Citibank, N.A. *(Incorporated by reference to Exhibit 10.1 to FS Energy and Power Fund's Current Report on Form 8-K filed on May 31, 2013.)*

10.17 Loan Agreement, dated as of May 24, 2013, by and among EP Funding LLC, the financial institutions and other lenders from time to time party thereto and Citibank, N.A., as administrative agent. *(Incorporated by reference to Exhibit 10.1 to FS Energy and Power Fund's Current Report on Form 8-K filed on May 29, 2013.)*

10.18 Account Control Agreement, dated as of May 24, 2013, by and among EP Funding LLC, Citibank, N.A. and Virtus Group, LP. *(Incorporated by reference to Exhibit 10.2 to FS Energy and Power Fund's Current Report on Form 8-K filed on May 29, 2013.)*

10.19 Security Agreement, dated as of May 24, 2013, by and between EP Funding LLC and Citibank, N.A. *(Incorporated by reference to Exhibit 10.3 to FS Energy and Power Fund's Current Report on Form 8-K filed on May 29, 2013.)*

10.20 Investment Management Agreement, dated as of May 24, 2013, by and between FS Energy and Power Fund and EP Funding LLC. *(Incorporated by reference to Exhibit 10.4 to FS Energy and Power Fund's Current Report on Form 8-K filed on May 29, 2013.)*

10.21 Credit Agreement, dated as of July 11, 2013, by and among Energy Funding LLC, Natixis, New York Branch, Wells Fargo Bank, National Association and the other lenders from time to time party thereto. *(Incorporated by reference to Exhibit 10.1 to FS Energy and Power Fund's Current Report on Form 8-K filed on July 16, 2013.)*

10.22 Securities Account Control Agreement, dated as of July 11, 2013, by and among Energy Funding LLC and Wells Fargo Bank, National Association. *(Incorporated by reference to Exhibit 10.2 to FS Energy and Power Fund's Current Report on Form 8-K filed on July 16, 2013.)*

10.23 Collateral Management Agreement, dated as of July 11, 2013, by and between FS Energy and Power Fund and Energy Funding LLC. *(Incorporated by reference to Exhibit 10.3 to FS Energy and Power Fund's Current Report on Form 8-K filed on July 16, 2013.)*

10.24 Amended and Restated Expense Support and Conditional Reimbursement Agreement, dated May 16, 2013, by and between FS Energy and Power Fund and Franklin Square Holdings, L.P. *(Incorporated by reference to Exhibit 99.1 to FS Energy and Power Fund's Current report on Form 8-K filed on May 17, 2013.)*

10.25 Expense Support and Conditional Reimbursement Agreement, dated as of April 9, 2018, by and between FS Energy and Power Fund and FS/EIG Advisor, LLC. *(Incorporated by reference to Exhibit 10.24 to FS Energy and Power Fund's Form 10-Q filed on May 14, 2018.)*

10.26 Committed Facility Agreement, dated as of December 11, 2013, by and between Berwyn Funding LLC and BNP Paribas Prime Brokerage, Inc. *(Incorporated by reference to Exhibit 10.1 to FS Energy and Power Fund's Current Report on Form 8-K filed on December 17, 2013.)*

10.27 First Amendment Agreement, dated as of August 18, 2014, between BNP Paribas Prime Brokerage, Inc., on behalf of itself and as agent for the BNPP Entities, and Berwyn Funding LLC. *(Incorporated by reference to Exhibit 10.1 to FS Energy and Power Fund's Current Report on Form 8-K filed on August 21, 2014.)*

10.28 Fifth Amendment to the Committed Facility Agreement, dated as of May 4, 2016 by and between Berwyn Funding LLC and BNP Paribas Prime Brokerage, Inc. *(Incorporated by reference to Exhibit 10.1 to FS Energy and Power Fund's Current Report on Form 8-K filed on May 10, 2016.)*

10.29 U.S. PB Agreement, dated as of December 11, 2013, by and between Berwyn Funding LLC and BNP Paribas Prime Brokerage, Inc. *(Incorporated by reference to Exhibit 10.2 to FS Energy and Power Fund's Current Report on Form 8-K filed on December 17, 2013.)*

10.30 First Amendment to the U.S. PB Agreement, dated as of May 4, 2016, by and between Berwyn Funding LLC and BNP Paribas Prime Brokerage, Inc. *(Incorporated by reference to Exhibit 10.2 to FS Energy and Power Fund's Current Report on Form 8-K filed on May 10, 2016.)*

10.31 Special Custody and Pledge Agreement, dated as of December 11, 2013, by and among State Street Bank and Trust Company, Berwyn Funding LLC and BNP Paribas Prime Brokerage, Inc. *(Incorporated by reference to Exhibit 10.3 to FS Energy and Power Fund's Current Report on Form 8-K filed on December 17, 2013.)*

10.32 Investment Management Agreement, dated as of December 11, 2013, by and between FS Energy and Power Fund and Berwyn Funding LLC. *(Incorporated by reference to Exhibit 10.4 to FS Energy and Power Fund's Current Report on Form 8-K filed on December 17, 2013.)*

10.33 Loan and Servicing Agreement, dated as of September 9, 2014, among Wayne Funding LLC, as borrower, Wells Fargo Securities, LLC, as administrative agent, Wells Fargo Bank, National Association, as collateral agent, account bank and collateral custodian, and the other lenders and lender agents from time to time party thereto. *(Incorporated by reference to Exhibit 10.1 to FS Energy and Power Fund's Current Report on Form 8-K filed on September 15, 2014.)*

10.34 First Amendment to the Loan and Servicing Agreement, dated as of October 13, 2016, among Wayne Funding LLC, as Borrower, Wells Fargo Securities, LLC, as Administrative Agent, Wells Fargo Bank, National Association, as institutional lender, and Wells Fargo Bank, National Association, as collateral agent, account bank and collateral custodian. *(Incorporated by reference to Exhibit 10.1 to FS Energy and Power Fund's Current Report on Form 8-K filed on October 14, 2016.)*

10.35 Purchase and Sale Agreement, dated as of September 9, 2014, by and between Wayne Funding LLC, as purchaser, and FS Energy and Power Fund, as seller. *(Incorporated by reference to Exhibit 10.2 to FS Energy and Power Fund's Current Report on Form 8-K filed on September 15, 2014.)*

10.36 Collateral Management Agreement, dated as of September 9, 2014, by and between Wayne Funding LLC and FS Energy and Power Fund, as collateral manager. *(Incorporated by reference to Exhibit 10.3 to FS Energy and Power Fund's Current Report on Form 8-K filed on September 15, 2014.)*

10.37 Securities Account Control Agreement, dated as of September 9, 2014, by and among Wayne Funding LLC, as pledgor, Wells Fargo Bank, National Association, as collateral agent, and Wells Fargo Bank, National Association, as securities intermediary. *(Incorporated by reference to Exhibit 10.4 to FS Energy and Power Fund's Current Report on Form 8-K filed on September 15, 2014.)*

10.38 Amended and Restated Sale and Contribution Agreement, dated as of September 11, 2014, by and between FS Energy and Power Fund and Gladwyne Funding LLC. *(Incorporated by reference to Exhibit 10.5 to FS Energy and Power Fund's Current Report on Form 8-K filed on September 15, 2014.)*

10.39 Indenture, dated as of September 11, 2014, by and between Gladwyne Funding LLC and Citibank, N.A., as trustee. *(Incorporated by reference to Exhibit 10.6 to FS Energy and Power Fund's Current Report on Form 8-K filed on September 15, 2014.)*

10.40 First Supplemental Indenture, dated as of December 15, 2014, by and between Gladwyne Funding LLC and Citibank, N.A., as trustee. *(Incorporated by reference to Exhibit 10.1 of FS Energy and Power Fund's Current Report on Form 8-K filed on December 19, 2014.)*

10.41 Second Supplemental Indenture, dated as of September 21, 2016, by and between Gladwyne Funding LLC and Citibank, N.A., as trustee. *(Incorporated by reference to Exhibit 10.1 to FS Energy and Power Fund's Current Report on Form 8-K filed on September 22, 2016.)*

10.42 Gladwyne Funding LLC Floating Rate Notes due 2024. *(Incorporated by reference to Exhibit 10.7 to FS Energy and Power Fund's Current Report on Form 8-K filed on September 15, 2014.)*

10.43 Amended and Restated September 1996 Version Master Repurchase Agreement between Goldman Sachs Bank USA and Strafford Funding LLC, dated as of September 21, 2016. *(Incorporated by reference to Exhibit 10.2 to the Registrant's Current Report on Form 8-K filed on September 22, 2016.)*

10.44 Second Amended and Restated Master Confirmation, dated as of September 21, 2016, by and between Goldman Sachs Bank USA and Strafford Funding LLC. *(Incorporated by reference to Exhibit 10.56 of FS Energy and Power Fund's Quarterly Report on Form 10-Q filed on November 9, 2016.)*

10.45 Amended and Restated Revolving Credit Agreement, dated as of December 15, 2014, by and between FS Energy and Power Fund and Strafford Funding LLC. *(Incorporated by reference to Exhibit 10.3 of FS Energy and Power Fund's Current Report on Form 8-K filed on December 19, 2014.)*

10.46 Amended and Restated Investment Management Agreement, dated as of September 11, 2014, by and between Gladwyne Funding LLC and FS Energy and Power Fund. *(Incorporated by reference to Exhibit 10.10 to FS Energy and Power Fund's Current Report on Form 8-K filed on September 15, 2014.)*

10.47 Collateral Administration Agreement, dated as of September 11, 2014, by and among Gladwyne Funding LLC, FS Energy and Power Fund and Virtus Group, LP. *(Incorporated by reference to Exhibit 10.11 to FS Energy and Power Fund's Current Report on Form 8-K filed on September 15, 2014.)*

10.48 Term Loan and Security Agreement, dated as of November 6, 2015, by and among Foxfields Funding LLC, Fortress Credit Co LLC, as administrative agent, the lenders from time to time party thereto and the other loan parties from time to time party thereto. *(Incorporated by reference to Exhibit 10.1 to FS Energy and Power Fund's Current Report on Form 8-K filed on November 12, 2015.)*

10.49 Contribution Agreement, dated as of November 6, 2015, by and between FS Energy and Power Fund and Foxfields Funding LLC. *(Incorporated by reference to Exhibit 10.2 to FS Energy and Power Fund's Current Report on Form 8-K filed on November 12, 2015.)*

10.50 Investment Management Agreement, dated as of November 6, 2015, by and between FS Energy and Power Fund and Foxfields Funding LLC. *(Incorporated by reference to Exhibit 10.3 to FS Energy and Power Fund's Current Report on Form 8-K filed on November 12, 2015.)*

10.51 Securities Account Control Agreement, dated as of November 6, 2015, by and among Foxfields Funding LLC, Fortress Credit Co LLC, as administrative agent and State Street Bank and Trust Company. *(Incorporated by reference to Exhibit 10.4 to FS Energy and Power Fund's Current Report on Form 8-K filed on November 12, 2015.)*

10.52 Guaranty, dated as of November 6, 2015, by and between FS Energy and Power Fund and Fortress Credit Co LLC. *(Incorporated by reference to Exhibit 10.5 to FS Energy and Power Fund's Current Report on Form 8-K filed on November 12, 2015.)*

10.53 Pledge Agreement, dated as of November 6, 2015, by and between FS Energy and Power Fund and Fortress Credit Co LLC. *(Incorporated by reference to Exhibit 10.6 to FS Energy and Power Fund's Current Report on Form 8-K filed on November 12, 2015.)*

10.54 First Amendment to Term Loan and Security Agreement, dated as of November 25, 2015, by and among Foxfields Funding LLC, Fortress Credit Co LLC, as administrative agent, the lenders signatory thereto. *(Incorporated by reference to Exhibit 10.1 to FS Energy and Power Fund's Current Report on Form 8-K filed on December 1, 2015.)*

10.55	Consent and Third Amendment to Term Loan and Security Agreement, dated as of March 16, 2018, among Foxfields Funding LLC, as borrower, Fortress Credit Co LLC, as administrative agent, and the lenders party thereto. *(Incorporated by reference to Exhibit 10.2 to FS Energy and Power Fund's Current Report on Form 8-K filed on March 19, 2018.)*
10.56	Senior Secured Revolving Credit Agreement, dated as of May 18, 2016, by and among Bryn Mawr Funding LLC, Barclays Bank PLC, as administrative agent, and the lenders from time to time party thereto. *(Incorporated by reference to Exhibit 10.1 to FS Energy and Power Fund's Current Report on Form 8-K filed on May 24, 2016.)*
10.57	Contribution Agreement, dated as of May 18, 2016, by and between FS Energy and Power Fund and Bryn Mawr Funding LLC. *(Incorporated by reference to Exhibit 10.2 to FS Energy and Power Fund's Current Report on Form 8-K filed on May 24, 2016.)*
10.58	Investment Management Agreement, dated as of May 18, 2016, by and between FS Energy and Power Fund and Bryn Mawr Funding LLC. *(Incorporated by reference to Exhibit 10.3 to FS Energy and Power Fund's Current Report on Form 8-K filed on May 24, 2016.)*
10.59	Control Agreement, dated as of May 18, 2016, by and among Bryn Mawr Funding LLC, Barclays Bank PLC, as collateral agent, and State Street Bank and Trust Company, as custodian. *(Incorporated by reference to Exhibit 10.4 to FS Energy and Power Fund's Current Report on Form 8-K filed on May 24, 2016.)*
10.60	Guaranty, dated as of May 18, 2016, by and between FS Energy and Power Fund and Barclays Bank PLC, as collateral agent. *(Incorporated by reference to Exhibit 10.5 to FS Energy and Power Fund's Current Report on Form 8-K filed on May 24, 2016.)*
10.61	Pledge Agreement, dated as of May 18, 2016, by and between FS Energy and Power Fund and Barclays Bank PLC, as collateral agent. *(Incorporated by reference to Exhibit 10.6 to FS Energy and Power Fund's Current Report on Form 8-K filed on May 24, 2016.)*
10.62	Guarantee, Pledge and Security Agreement, dated as of May 18, 2016, by and among Bryn Mawr Funding LLC, any subsidiary guarantors from time to time party thereto, Barclays Bank PLC, as revolving administrative agent, and Barclays Bank PLC, as collateral agent. *(Incorporated by reference to Exhibit 10.7 to FS Energy and Power Fund's Current Report on Form 8-K filed on May 24, 2016.)*
10.63	First Amendment to Senior Secured Revolving Credit Agreement, dated as of March 14, 2018, among Bryn Mawr Funding, LLC, the lenders party thereto, Barclays Bank PLC, as administrative agent, and FS Energy and Power Fund. *(Incorporated by reference to Exhibit 10.1 to FS Energy and Power Fund's Current Report on Form 8-K filed on March 19, 2018.)*
10.64	Credit Agreement, dated as of April 19, 2017, among Gladwyne Funding LLC, Goldman Sachs Bank USA, as lender, sole lead arranger and administrative agent, Citibank, N.A., as collateral agent, and Virtus Group, LP, as collateral administrator. *(Incorporated by reference to Exhibit 10.1 to FS Energy and Power Fund's Current Report on Form 8-K filed on April 25, 2017.)*
10.65	Indenture, dated August 16, 2018, by and between FS Energy and Power Fund, U.S. Bank National Association, as trustee, and the guarantors named therein. *(Incorporated by reference to Exhibit 4.1 to FS Energy and Power Fund's Current Report on Form 8-K filed on August 22, 2018.)*
10.66	Senior Secured Credit Agreement, dated August 16, 2018, by and among FS Energy and Power Fund, the Lenders party thereto, JPMorgan Chase Bank, N.A., as administrative agent and collateral agent and the other parties signatory thereto. *(Incorporated by reference to Exhibit 10.1 to FS Energy and Power Fund's Current Report on Form 8-K filed on August 22, 2018.)*
10.67	Guarantee and Security Agreement, dated August 16, 2018, made by FS Energy and Power Fund and certain of FS Energy and Power Fund's subsidiaries in favor of JPMorgan Chase Bank, N.A. as collateral agent. *(Incorporated by reference to Exhibit 10.2 to FS Energy and Power Fund's Current Report on Form 8-K filed on August 22, 2018.)*

10.68	Collateral Agency and Intercreditor Agreement, dated August 16, 2018, by and among FS Energy and Power Fund, FS Energy and Power Fund's subsidiaries parties thereto, JPMorgan Chase Bank, N.A., as the initial credit facility representative, U.S. Bank National Association as the initial secured notes representative and JPMorgan Chase Bank, N.A., as collateral agent. *(Incorporated by reference to Exhibit 10.3 to FS Energy and Power Fund's Current Report on Form 8-K filed on August 22, 2018.)*
10.69	First Amendment to Credit Agreement, dated as of September 6, 2019, among Gladwyne Funding LLC, Goldman Sachs Bank USA, as lender, sole lead arranger and administrative agent, Citibank, N.A., as collateral agent, and Virtus Group, LP, as collateral administrator. *(Incorporated by reference to Exhibit 10.1 to FS Energy and Power Fund's Current Report on Form 8-K filed on September 10, 2019.)*
10.70	Second Amendment to Credit Agreement, dated as of October 15, 2019, among Gladwyne Funding LLC, Goldman Sachs Bank USA, as lender, sole lead arranger and administrative agent, Citibank, N.A., as collateral agent, and Virtus Group, LP, as collateral administrator. *(Incorporated by reference to Exhibit 10.1 to FS Energy and Power Fund's Current Report on Form 8-K filed on October 17, 2019.)*
10.71	Third Amendment to Credit Agreement, dated as of November 14, 2019, among Gladwyne Funding LLC, Goldman Sachs Bank USA, as lender, sole lead arranger and administrative agent, Citibank, N.A., as collateral agent, and Virtus Group, LP, as collateral administrator. *(Incorporated by reference to Exhibit 10.1 to FS Energy and Power Fund's Current Report on Form 8-K filed on November 19, 2019.)*
10.72	Amended and Restated Credit Agreement, dated as of December 2, 2019, among Gladwyne Funding LLC, Goldman Sachs Bank USA, as lender, sole lead arranger and administrative agent, Citibank, N.A., as collateral agent, and Virtus Group, LP, as collateral administrator. *(Incorporated by reference to Exhibit 10.1 to FS Energy and Power Fund's Current Report on Form 8-K filed on December 6, 2019.)*
21.1*	Subsidiaries of FS Energy and Power Fund.
31.1*	Certification of Chief Executive Officer pursuant to Rule 13a-14 under the Securities Exchange Act of 1934, as amended.
31.2*	Certification of Chief Financial Officer pursuant to Rule 13a-14 under 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.

c. Financial statement schedules

No financial statement schedules are filed herewith because (1) such schedules are not required or (2) the information has been presented in the aforementioned consolidated financial statements.

Item 16. Form 10-K Summary.

None.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this annual report to be signed on its behalf by the undersigned, thereunto duly authorized.

FS ENERGY AND POWER FUND

Date: April 9, 2020

/s/ Michael C. Forman

Michael C. Forman
Chief Executive Officer

Pursuant to the requirements of the Securities Exchange Act of 1934, this annual report has been signed below by the following persons on behalf of the registrant and in the capacity and on the dates indicated.

Date: April 9, 2020	/s/ Michael C. Forman **Michael C. Forman** **Chief Executive Officer and Trustee** **(Principal Executive Officer)**
Date: April 9, 2020	/s/ Edward T. Gallivan, Jr. **Edward T. Gallivan, Jr.** **Chief Financial Officer** **(Principal Accounting and Financial Officer)**
Date: April 9, 2020	/s/ R. Blair Thomas **R. Blair Thomas** **Trustee**
Date: April 9, 2020	/s/ Sidney Brown **Sidney Brown** **Trustee**
Date: April 9, 2020	/s/ Stephen T. Burdumy **Stephen T. Burdumy** **Trustee**
Date: April 9, 2020	/s/ Gregory P. Chandler **Gregory P. Chandler** **Trustee**
Date: April 9, 2020	/s/ Richard Goldstein **Richard Goldstein** **Trustee**
Date: April 9, 2020	/s/ Kathleen A. McGinty **Kathleen A. McGinty** **Trustee**
Date: April 9, 2020	/s/ Charles P. Pizzi **Charles P. Pizzi** **Trustee**
Date: April 9, 2020	/s/ Pedro A. Ramos **Pedro A. Ramos** **Trustee**

Exhibit 21.1

Subsidiaries of FS Energy and Power Fund

Name of Subsidiary	State of Incorporation or Organization
EP Altus Investments, LLC	Delaware
EP American Energy Investments, Inc.	Delaware
EP Burnett Investments, Inc.	Delaware
EP Northern Investments, LLC	Delaware
EP Synergy Investments, Inc.	Delaware
FS Energy Investments, LLC	Delaware
FS Power Investments, LLC	Delaware
FSEP Investments, Inc.	Delaware
FS Power Investments II, LLC	Delaware
FSEP-BBH, Inc.	Delaware
Gladwyne Funding LLC	Delaware

Exhibit 31.1

CERTIFICATION

I, Michael C. Forman, certify that:

1. I have reviewed this annual report on Form 10-K of FS Energy and Power Fund;
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 trustees (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: April 9, 2020

/s/ MICHAEL C. FORMAN

Michael C. Forman
Chief Executive Officer

Exhibit 31.2

CERTIFICATION

I, Edward T. Gallivan, Jr. certify that:

1. I have reviewed this annual report on Form 10-K of FS Energy and Power Fund;

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 trustees (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: April 9, 2020

/s/ Edward T. Gallivan, Jr.

Edward T. Gallivan, Jr.
Chief Financial Officer

Exhibit 32.1

CERTIFICATION of CEO

Pursuant to

Section 906 of the Sarbanes-Oxley Act of 2002 (18 U.S.C. 1350)

In connection with the Annual Report on Form 10-K for the year ended December 31, 2019 (the “Report”) of FS Energy and Power Fund (the “Registrant”), as filed with the Securities and Exchange Commission on the date hereof, I, Michael C. Forman, the Chief Executive Officer of the Registrant, hereby certify, to the best of my knowledge, that:

(1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Registrant.

Dated: April 9, 2020

/s/ MICHAEL C. FORMAN

Michael C. Forman
Chief Executive Officer

CERTIFICATION of CFO

Pursuant to

Section 906 of the Sarbanes-Oxley Act of 2002 (18 U.S.C. 1350)

In connection with the Annual Report on Form 10-K for the year ended December 31, 2019 (the "Report") of FS Energy and Power Fund (the "Registrant"), as filed with the Securities and Exchange Commission on the date hereof, I, Edward T. Gallivan, Jr., the Chief Financial Officer of the Registrant, hereby certify, to the best of my knowledge, that:

(1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Registrant.

Dated: April 9, 2020

/s/ EDWARD T. GALLIVAN, JR.

Edward T. Gallivan, Jr.
Chief Financial Officer

An investment in FS Energy and Power Fund involves a high degree of risk and may be considered speculative. Investors are advised to read and carefully consider the risk factors and other important information found in FS Energy and Power Fund's reports filed with the U.S. Securities and Exchange Commission.

Our investment policy is to invest, under normal circumstances, at least 80% of our total assets in securities of energy and power companies. The revenues, income (or losses) and valuations of energy and power companies can fluctuate suddenly and dramatically due to a number of environmental, regulatory, political and general market risks, which have historically impacted our financial performance and may continue to in the future.

This is neither an offer to sell nor a solicitation of an offer to buy the securities described herein. FSEP closed to new investors in November 2016.

www.fsinvestments.com

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