

UNITED STATES SECURITIES AND EXCHANGE COMMISSION

Washington, DC 20549

Form 10-Q

(Mark One)

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

For the quarterly period ended June 30, 2017

OR

- ☐ **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d)**

OF THE SECURITIES EXCHANGE ACT OF 1934

COMMISSION FILE NUMBER: 1-33901

Fifth Street Finance Corp.

(EXACT NAME OF REGISTRANT AS SPECIFIED IN ITS CHARTER)

DELAWARE

(State or jurisdiction of
incorporation or organization)

**777 West Putnam Avenue, 3rd Floor
Greenwich, CT**

(Address of principal executive office)

26-1219283

(I.R.S. Employer
Identification No.)

06830

(Zip Code)

**REGISTRANT'S TELEPHONE NUMBER, INCLUDING AREA CODE:
(203) 681-3600**

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 periods as 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 such shorter period that the registrant was required to submit and post such files). YES ☐ NO ☐

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company, or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company" and "emerging growth company" in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer ☒

Accelerated filer ☐

Non-accelerated filer ☐

Smaller reporting company ☐

(Do not check if a smaller reporting
company)

Emerging growth company ☐

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act ☐

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Act) YES ☐ NO ☒

The registrant had 140,960,651 shares of common stock outstanding as of August 8, 2017.

FIFTH STREET FINANCE CORP.
FORM 10-Q FOR THE QUARTER ENDED JUNE 30, 2017
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PART I — FINANCIAL INFORMATION

Item 1. Consolidated Financial Statements.

**Fifth Street Finance Corp.
Consolidated Statements of Assets and Liabilities
(in thousands, except per share amounts)
(unaudited)**

	June 30, 2017	September 30, 2016
ASSETS		
Investments at fair value:		
Control investments (cost June 30, 2017: \$436,549; cost September 30, 2016: \$456,493)	\$ 380,353	\$ 388,267
Affiliate investments (cost June 30, 2017: \$34,036; cost September 30, 2016: \$34,955)	37,349	39,769
Non-control/Non-affiliate investments (cost June 30, 2017: \$1,419,423; cost September 30, 2016: \$1,792,410)	1,372,836	1,737,455
Total investments at fair value (cost June 30, 2017: \$1,890,008; cost September 30, 2016: \$2,283,858)	1,790,538	2,165,491
Cash and cash equivalents	143,622	117,923
Restricted cash	15,053	12,439
Interest, dividends and fees receivable	8,158	15,568
Due from portfolio companies	6,487	4,077
Receivables from unsettled transactions	—	5,346
Deferred financing costs	1,305	2,234
Insurance recoveries receivable	—	19,729
Other assets	1,941	478
Total assets	\$ 1,967,104	\$ 2,343,285
LIABILITIES AND NET ASSETS		
Liabilities:		
Accounts payable, accrued expenses and other liabilities	\$ 2,983	\$ 2,533
Base management fee and Part I incentive fee payable	9,085	15,958
Due to FSC CT	1,370	2,204
Interest payable	8,229	3,912
Amounts payable to syndication partners	—	754
Director fees payable	204	566
Payables from unsettled transactions	23,749	6,234
Legal settlements payable	—	19,500
Credit facilities payable	345,495	516,295
SBA debentures payable (net of \$2,080 and \$3,289 of unamortized financing costs as of June 30, 2017 and September 30, 2016, respectively)	145,920	210,011
Unsecured notes payable (net of \$5,042 and \$5,956 of unamortized financing costs as of June 30, 2017 and September 30, 2016, respectively)	405,744	404,630
Secured borrowings at fair value (proceeds June 30, 2017: \$13,810; proceeds September 30, 2016: \$18,929)	13,575	18,400
Total liabilities	956,354	1,200,997
Commitments and contingencies (Note 16)		
Net assets:		
Common stock, \$0.01 par value, 250,000 shares authorized; 140,961 shares issued and outstanding at June 30, 2017; 143,259 shares issued and outstanding at September 30, 2016	1,409	1,433
Additional paid-in-capital	1,579,278	1,591,467
Net unrealized depreciation on investments and secured borrowings	(99,235)	(117,838)
Net realized loss on investments and secured borrowings	(457,517)	(306,228)
Accumulated overdistributed net investment income	(13,185)	(26,546)
Total net assets (equivalent to \$7.17 and \$7.97 per common share at June 30, 2017 and September 30, 2016, respectively) (Note 12)	1,010,750	1,142,288
Total liabilities and net assets	\$ 1,967,104	\$ 2,343,285

See notes to Consolidated Financial Statements.

Fifth Street Finance Corp.
Consolidated Statements of Operations
(in thousands, except per share amounts)
(unaudited)

	Three months ended June 30, 2017	Three months ended June 30, 2016	Nine months ended June 30, 2017	Nine months ended June 30, 2016
Interest income:				
Control investments	\$ 3,710	\$ 4,863	\$ 11,104	\$ 12,518
Affiliate investments	977	1,016	2,961	3,092
Non-control/Non-affiliate investments	33,892	43,650	106,409	134,265
Interest on cash and cash equivalents	214	111	497	262
Total interest income	38,793	49,640	120,971	150,137
PIK interest income:				
Control investments	1,523	1,517	5,445	3,577
Affiliate investments	195	203	592	618
Non-control/Non-affiliate investments	855	1,820	2,928	5,772
Total PIK interest income	2,573	3,540	8,965	9,967
Fee income:				
Control investments	307	1,183	929	2,402
Affiliate investments	12	37	741	308
Non-control/Non-affiliate investments	2,085	2,220	7,155	14,730
Total fee income	2,404	3,440	8,825	17,440
Dividend and other income:				
Control investments	1,080	2,255	3,384	6,373
Non-control/Non-affiliate investments	67	5,151	87	4,795
Total dividend and other income	1,147	7,406	3,471	11,168
Total investment income	44,917	64,026	142,232	188,712
Expenses:				
Base management fee	7,912	10,049	24,561	31,847
Part I incentive fee	3,482	7,864	10,713	15,689
Professional fees	952	1,971	3,739	13,395
Board of Directors fees	205	176	595	775
Interest expense	11,262	13,149	37,163	41,034
Administrator expense	407	488	1,557	1,602
General and administrative expenses	1,367	1,233	4,154	3,525
Loss on legal settlements	—	19,150	3	19,150
Total expenses	25,587	54,080	82,485	127,017
Base management fee waived	(60)	(81)	(182)	(258)
Insurance recoveries	—	(19,079)	(1,259)	(19,079)
Net expenses	25,527	34,920	81,044	107,680
Net investment income	19,390	29,106	61,188	81,032
Unrealized appreciation (depreciation) on investments:				
Control investments	(2,479)	(24,024)	12,030	(42,872)
Affiliate investments	(839)	1,237	(1,501)	901
Non-control/Non-affiliate investments	(9,953)	33,651	8,368	(32,204)
Net unrealized appreciation (depreciation) on investments	(13,271)	10,864	18,897	(74,175)
Net unrealized (appreciation) depreciation on secured borrowings	124	(374)	(294)	133
Realized gain (loss) on investments and secured borrowings:				
Control investments	(13,058)	—	(58,994)	(8,148)
Affiliate investments	—	3	—	3
Non-control/Non-affiliate investments	758	(44,817)	(92,295)	(61,968)
Net realized loss on investments and secured borrowings	(12,300)	(44,814)	(151,289)	(70,113)
Net decrease in net assets resulting from operations	\$ (6,057)	\$ (5,218)	\$ (71,498)	\$ (63,123)
Net investment income per common share — basic	\$ 0.14	\$ 0.20	\$ 0.43	\$ 0.55
Loss per common share — basic	\$ (0.04)	\$ (0.04)	\$ (0.50)	\$ (0.43)
Weighted average common shares outstanding — basic	140,961	145,569	141,599	148,354
Net investment income per common share — diluted	\$ 0.14	\$ 0.20	\$ 0.43	\$ 0.53
Loss per common share — diluted (Note 5)	\$ (0.04)	\$ (0.04)	\$ (0.50)	\$ (0.43)
Weighted average common shares outstanding — diluted	140,961	145,569	141,599	153,585
Distributions per common share	\$ 0.02	\$ 0.18	\$ 0.34	\$ 0.54

See notes to Consolidated Financial Statements.

Fifth Street Finance Corp.
Consolidated Statements of Changes in Net Assets
(in thousands, except per share amounts)
(unaudited)

	Nine months ended June 30, 2017	Nine months ended June 30, 2016
Operations:		
Net investment income	\$ 61,188	\$ 81,032
Net unrealized appreciation (depreciation) on investments	18,897	(74,175)
Net unrealized (appreciation) depreciation on secured borrowings	(294)	133
Net realized loss on investments and secured borrowings	(151,289)	(70,113)
Net decrease in net assets resulting from operations	(71,498)	(63,123)
Stockholder transactions:		
Contributions from stockholders (Note 11)	287	—
Distributions to stockholders	(47,827)	(80,503)
Net decrease in net assets from stockholder transactions	(47,540)	(80,503)
Capital share transactions:		
Issuance of common stock under dividend reinvestment plan	2,264	5,095
Repurchases of common stock under dividend reinvestment program	(2,264)	(5,095)
Repurchases of treasury shares under stock repurchase program	(12,500)	(25,092)
Net decrease in net assets from capital share transactions	(12,500)	(25,092)
Total decrease in net assets	(131,538)	(168,718)
Net assets at beginning of period	1,142,288	1,353,094
Net assets at end of period	\$ 1,010,750	\$ 1,184,376
Net asset value per common share	\$ 7.17	\$ 8.15
Common shares outstanding at end of period	140,961	145,304

See notes to Consolidated Financial Statements.

Fifth Street Finance Corp.
Consolidated Statements of Cash Flows
(in thousands)
(unaudited)

	Nine months ended June 30, 2017	Nine months ended June 30, 2016
Operating activities:		
Net decrease in net assets resulting from operations	\$ (71,498)	\$ (63,123)
Adjustments to reconcile net decrease in net assets resulting from operations to net cash provided by operating activities:		
Net unrealized (appreciation) depreciation on investments	(18,897)	74,175
Net unrealized appreciation (depreciation) on secured borrowings	294	(133)
Net realized loss on investments and secured borrowings	151,289	70,113
PIK interest income	(8,965)	(9,967)
Recognition of fee income	(8,825)	(17,440)
Accretion of original issue discount on investments	(10,077)	(2,821)
Accretion of original issue discount on unsecured notes payable	200	199
Amortization of deferred financing costs	3,234	3,706
Changes in operating assets and liabilities:		
Fee income received	8,636	16,874
Increase in restricted cash	(2,614)	(14,868)
(Increase) decrease in interest, dividends and fees receivable	7,410	(2,982)
Increase in due from portfolio companies	(2,410)	(2,353)
(Increase) decrease in receivables from unsettled transactions	5,346	(7,227)
(Increase) decrease in insurance recoveries receivable	19,729	(19,079)
Increase in other assets	(1,463)	(746)
Increase (decrease) in accounts payable, accrued expenses and other liabilities	450	(977)
Increase (decrease) in base management fee and Part I incentive fee payable	(6,873)	1,301
Decrease in due to FSC CT	(834)	(1,059)
Increase in interest payable	4,317	5,462
Increase (decrease) in payables from unsettled transactions	17,515	(3,648)
Decrease in director fees payable	(362)	—
Increase (decrease) in legal settlements payable	(19,500)	19,150
Increase (decrease) in amounts payable to syndication partners	(754)	13,292
Purchases of investments and net revolver activity	(400,295)	(633,561)
Principal payments received on investments (scheduled payments)	21,326	23,913
Principal payments received on investments (payoffs)	577,909	404,004
PIK interest income received in cash	3,999	1,480
Proceeds from the sale of investments	58,853	228,142
Net cash provided by operating activities	327,140	81,827
Financing activities:		
Contributions received in cash	287	—
Distributions paid in cash	(45,563)	(75,408)
Repayments of borrowings under SBA debentures payable	(65,300)	—
Borrowings under credit facilities	219,082	591,000
Repayments of borrowings under credit facilities	(389,882)	(450,000)
Repayments of secured borrowings	(5,119)	(2,498)
Repayments of unsecured convertible notes	—	(115,000)
Repurchases of common stock under stock repurchase program	(12,500)	(25,092)
Repurchases of common stock under dividend reinvestment plan	(2,264)	(5,095)
Deferred financing costs paid	(182)	—
Net cash used by financing activities	(301,441)	(82,093)
Net increase (decrease) in cash and cash equivalents	25,699	(266)
Cash and cash equivalents, beginning of period	117,923	138,377
Cash and cash equivalents, end of period	\$ 143,622	\$ 138,111
Supplemental information:		
Cash paid for interest	\$ 29,413	\$ 31,667
Non-cash operating activities:		
Purchases of investments from restructurings	\$ (165,759)	\$ (78,834)
Proceeds from investment restructurings	\$ 165,759	\$ 78,834
Non-cash financing activities:		

Issuance of shares of common stock under dividend reinvestment plan

\$

2,264

\$

5,095

See notes to Consolidated Financial Statements.

Fifth Street Finance Corp.
Consolidated Schedule of Investments
June 30, 2017
(dollar amounts in thousands)
(unaudited)

Portfolio Company/Type of Investment (1)(2)(5)(14)	Industry	Principal (8)	Cost	Fair Value
Control Investments (3)				
Traffic Solutions Holdings, Inc.	Construction and engineering			
First Lien Term Loan, LIBOR+7% (1% floor) cash 2% PIK due 4/1/2021 (13)		\$ 36,468	\$ 36,427	\$ 36,468
First Lien Revolver, LIBOR+7% (1% floor) cash due 4/1/2021 (13)		750	745	750
LC Facility, 6% cash due 4/1/2021		3,518	3,512	3,518
746,114 Series A Preferred Units			20,029	23,134
746,114 Shares of Common Stock			5,316	2,284
			66,029	66,154
TransTrade Operators, Inc. (9)	Air freight & logistics			
First Lien Term Loan, 11% cash 3% PIK due 12/31/2017		15,973	15,574	5,530
First Lien Revolver, 8% cash due 12/31/2017		7,582	7,582	—
596.67 Series A Common Units			—	—
4,000,000 Series A Preferred Units in TransTrade Holdings LLC			4,000	—
5,200,000 Series B Preferred Units in TransTrade Holdings LLC			5,200	—
			32,356	5,530
First Star Speir Aviation 1 Limited (11)(16)	Airlines			
First Lien Term Loan, 9% cash due 12/15/2020		41,395	35,069	40,093
2,058,411.64 Common Units (6)			—	—
			35,069	40,093
First Star Bermuda Aviation Limited (11)(16)	Airlines			
First Lien Term Loan, 9% cash 3% PIK due 8/19/2018		11,868	11,868	11,868
4,293,736 Common Units (6)			2,906	1,810
			14,774	13,678
Eagle Hospital Physicians, LLC	Healthcare services			
Earn-out (19)			7,851	7,851
			7,851	7,851
Senior Loan Fund JV I, LLC (11)(15)(17)(18)	Multi-sector holdings			
Class A Mezzanine Secured Deferrable Floating Rate Notes due 2036 in SLF Repack Issuer 2016 LLC (13)		101,030	101,030	101,030
Class B Mezzanine Secured Deferrable Fixed Rate Notes, 15% PIK due 2036 in SLF Repack Issuer 2016 LLC		26,642	26,642	26,642
87.5% LLC equity interest (6)			16,172	13,235
			143,844	140,907
Ameritox Ltd.	Healthcare services			
First Lien Term Loan, LIBOR+5% (1% floor) cash 3% PIK due 4/11/2021 (13)		40,107	40,046	40,108
14,090,126.4 Class A Preferred Units in Ameritox Holdings II, LLC			14,090	14,194
1,602,260.83 Class B Preferred Units in Ameritox Holdings II, LLC			1,602	—
4,930.03 Class A Units in Ameritox Holdings II, LLC			29,049	—
			84,787	54,302
New IPT, Inc.	Oil & gas equipment services			
First Lien Term Loan, LIBOR+5% (1% floor) cash due 3/17/2021 (13)		4,107	4,107	4,107
Second Lien Term Loan, LIBOR+5.1% (1% floor) cash due 9/17/2021 (13)		2,504	2,504	2,504
First Lien Revolver, LIBOR+5% (1% floor) cash due 3/17/2021 (13)		1,009	1,009	1,009
50.087 Class A Common Units in New IPT Holdings, LLC			—	—
			7,620	7,620
AdVenture Interactive, Corp.	Advertising			
9,073 shares of common stock			13,611	13,610
			13,611	13,610
Keypath Education, Inc. (20)	Advertising			
First Lien Term Loan, LIBOR+6.75% (1.25% floor) cash due 3/22/2018		19,960	19,960	19,960
First Lien Revolver, LIBOR+6.75% (1.25% floor) cash due 3/22/2018		—	—	—
9,073 Class A Units in FS AVI Holdco, LLC			10,648	10,648
			30,608	30,608
Total Control Investments (37.6% of net assets)			\$ 436,549	\$ 380,353
Affiliate Investments (4)				
Caregiver Services, Inc.	Healthcare services			
Second Lien Term Loan, 10% cash 2% PIK due 6/30/2019		9,669	\$ 9,669	\$ 9,589

1,080,399 Shares of Series A Preferred Stock	1,080	2,529
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See notes to Consolidated Financial Statements.

10,74912,118

Fifth Street Finance Corp.
Consolidated Schedule of Investments
June 30, 2017
(dollar amounts in thousands)
(unaudited)

Portfolio Company/Type of Investment (1)(2)(5)(14)	Industry	Principal (\$)	Cost	Fair Value
AmBath/ReBath Holdings, Inc.	Home improvement retail			
First Lien Term Loan B, 12.5% cash 2.5% PIK due 8/31/2018		\$ 23,309	\$ 23,287	\$ 23,280
4,668,788 Shares of Preferred Stock			—	1,951
			23,287	25,231
Total Affiliate Investments (3.7% of net assets)			\$ 34,036	\$ 37,349
Non-Control/Non-Affiliate Investments (7)				
Cenegenics, LLC (9)	Healthcare services			
First Lien Term Loan, 9.75% cash due 9/30/2019		28,754	\$ 28,306	\$ 17,259
First Lien Revolver, 15% cash due 9/30/2019		2,203	2,203	1,203
452,914.87 Common Units in Cenegenics, LLC			598	—
345,380.141 Preferred Units in Cenegenics, LLC			300	—
			31,407	18,462
Riverlake Equity Partners II, LP	Multi-sector holdings			
1.78% limited partnership interest (11)			871	720
			871	720
Riverside Fund IV, LP	Multi-sector holdings			
0.34% limited partnership interest (11)			219	389
			219	389
Bunker Hill Capital II (QP), L.P.	Multi-sector holdings			
0.51% limited partnership interest (11)			817	896
			817	896
Maverick Healthcare Group, LLC (9) (21)	Healthcare equipment			
First Lien Term Loan A, LIBOR+5.5% cash (1.75% floor) cash due 4/30/2017 (13)		16,309	16,204	14,753
First Lien Term Loan B, LIBOR+9% cash (1.75% floor) cash due 4/30/2017 (13)		41,739	39,110	21,052
CapEx Line, LIBOR+5.75% (1.75% floor) cash due 4/30/2017 (13)		1,272	1,261	1,041
First Lien Revolver, LIBOR+7.5% (1% floor) cash due 4/30/2017 (13)		55	40	55
			56,615	36,901
Refac Optical Group (9)	Specialty stores			
First Lien Term Loan A, LIBOR+7.5% cash due 9/30/2018 (13)		4,473	4,429	4,471
First Lien Term Loan B, LIBOR+8.5% cash, 1.75% PIK due 9/30/2018 (13)		34,537	34,422	34,452
First Lien Term Loan C, 12% cash due 9/30/2018		3,416	3,416	3,360
First Lien Revolver, LIBOR+7.5% cash due 9/30/2018 (13)		3,520	3,513	3,518
1,550.9435 Shares of Common Stock in Refac Holdings, Inc.			1	—
550.9435 Shares of Series A-2 Preferred Stock in Refac Holdings, Inc.			305	—
1,000 Shares of Series A Preferred Stock Units in Refac Holdings, Inc.			999	342
			47,085	46,143
Baird Capital Partners V, LP	Multi-sector holdings			
0.4% limited partnership interest (11)			994	601
			994	601
Milestone Partners IV, L.P.	Multi-sector holdings			
0.85% limited partnership interest (11)			1,784	2,246
			1,784	2,246
RCPDirect, L.P.	Multi-sector holdings			
0.91% limited partnership interest (11)			517	817
			517	817
Riverside Fund V, L.P.	Multi-sector holdings			
0.48% limited partnership interest (11)			1,452	1,412
			1,452	1,412

See notes to Consolidated Financial Statements.

Fifth Street Finance Corp.
Consolidated Schedule of Investments
June 30, 2017
(dollar amounts in thousands)
(unaudited)

Portfolio Company/Type of Investment (1)(2)(5)(14)	Industry	Principal (8)	Cost	Fair Value
ACON Equity Partners III, LP	Multi-sector holdings			
0.13% limited partnership interest (11)			\$ 801	\$ 981
			801	981
BMC Acquisition, Inc.	Other diversified financial services			
500 Series A Preferred Shares			500	748
50,000 Common Shares (6)			1	42
			501	790
Edmentum, Inc.	Education services			
Unsecured Senior PIK Note, 8.5% PIK due 6/9/2020		\$ 2,382	2,382	1,807
Unsecured Junior PIK Note, 10% PIK due 6/9/2020		11,023	10,227	2,164
Unsecured Revolver, 5% cash due 6/9/2020		2,664	2,664	2,664
126,127.80 Class A Common Units			126	—
			15,399	6,635
I Drive Safely, LLC	Education services			
125,079 Class A Common Units of IDS Investments, LLC			1,000	—
			1,000	—
Yeti Acquisition, LLC	Leisure products			
3,000,000 Common Stock Units of Yeti Holdings, Inc.			—	17,518
			—	17,518
Vitalyst Holdings, Inc.	IT consulting & other services			
Subordinated Term Loan, 12% cash 1.5% PIK due 9/5/2018		19,907	19,907	19,906
675 Series A Preferred Units of PCH Support Holdings, Inc.			675	458
7,500 Class A Common Stock Units of PCH Support Holdings, Inc.			75	—
			20,657	20,364
Beecken Petty O'Keefe Fund IV, L.P.	Multi-sector holdings			
0.5% limited partnership interest (11)			1,014	1,264
			1,014	1,264
Dexter Axle Company	Auto parts & equipment			
1,547 Common Shares in Dexter Axle Holding Company			1,643	9,591
			1,643	9,591
Comprehensive Pharmacy Services LLC	Pharmaceuticals			
Mezzanine Term Loan, 11.25% cash 1.5% PIK due 11/30/2019		14,965	14,965	14,964
20,000 Common Shares in MCP CPS Group Holdings, Inc.			2,000	2,789
			16,965	17,753
Garretson Firm Resolution Group, Inc.	Diversified support services			
First Lien Revolver, LIBOR+6.5% (1% floor) cash due 5/22/2020 (10)(13)		—	—	(8)
4,950,000 Preferred Units in GRG Holdings, LP			495	171
50,000 Common Units in GRG Holdings, LP			5	—
			500	163
Teaching Strategies, LLC	Education services			
Second Lien Term Loan, LIBOR+9.5% (1% floor) cash due 8/27/2023 (13)		33,500	33,500	33,944
			33,500	33,944
Omniplex World Services Corporation (9)	Security & alarm services			
Subordinated Term Loan, 12.25% cash 1.25% PIK due 8/19/2021		11,424	11,424	9,682
500 Class A Common Units in Omniplex Holdings Corp.			500	6
64,041 Class A-1 Common Units in Omniplex Holdings Corp.			104	—
			12,028	9,688

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Dominion Diagnostics, LLC (9)	Healthcare services			
Subordinated Term Loan, 11% cash 2% PIK due 10/8/2019		\$ 19,816	\$ 18,195	\$ 14,455
First Lien Term Loan, LIBOR+4.5% (1% floor) cash due 4/8/2019 (13)		50,159	37,262	46,575
First Lien Revolver, LIBOR+4.5% (1% floor) cash due 4/8/2019 (13)			—	—
			55,457	61,030
Sterling Capital Partners IV, L.P.	Multi-sector holdings			
0.2% limited partnership interest (11)			1,781	1,313
			1,781	1,313
Advanced Pain Management	Healthcare services			
First Lien Term Loan, LIBOR+8.5% (1.25% floor) cash due 2/26/2018 (13)		24,000	24,000	18,226
			24,000	18,226
TravelClick, Inc.	Internet software & services			
Second Lien Term Loan, LIBOR+7.75% (1% floor) cash due 11/6/2021 (13)		2,697	2,461	2,710
			2,461	2,710
Pingora MSR Opportunity Fund I-A, LP	Thrift & mortgage finance			
1.9% limited partnership interest (11)			7,574	6,690
			7,574	6,690
Credit Infonet, Inc. (9)	Data processing & outsourced services			
Subordinated Term Loan, 12.25% cash 1.25% PIK due 10/26/2020		13,914	13,914	13,774
			13,914	13,774
HealthEdge Software, Inc.	Application software			
482,453 Series A-3 Preferred Stock Warrants (exercise price \$1.450918) expiration date 9/30/2023			213	726
			213	726
InMotion Entertainment Group, LLC	Consumer electronics			
First Lien Term Loan A, LIBOR+7.75% (1.25% floor) cash due 10/1/2018 (13)		12,432	12,423	12,359
First Lien Term Loan B, LIBOR+7.75% (1.25% floor) cash due 10/1/2018 (13)		5,419	5,319	5,387
First Lien Revolver, LIBOR+6.75% (1.25% floor) cash due 10/1/2018 (13)		5,604	5,603	5,604
CapEx Line, LIBOR+7.75% (1.25% floor) cash due 10/1/2018 (13)		808	806	808
1,000,000 Class A Units in InMotion Entertainment Holdings, LLC			1,000	1,633
			25,151	25,791
Thing5, LLC (9)	Data processing & outsourced services			
First Lien Term Loan, LIBOR+7% (1% floor) cash due 10/11/2020 (12)(13)		47,794	47,783	47,033
First Lien Revolver, LIBOR+7% (1% floor) cash due 10/11/2020 (13)		1,000	999	1,000
2,000,000 Units in T5 Investment Vehicle, LLC			2,000	—
			50,782	48,033
Kason Corporation	Industrial machinery			
Mezzanine Term Loan, 11.5% cash 1.75% PIK due 10/28/2019		5,980	5,980	5,760
498.6 Class A Preferred Units in Kason Investment, LLC			499	430
5,540 Class A Common Units in Kason Investment, LLC			55	—
			6,534	6,190
SPC Partners V, L.P.	Multi-sector holdings			
0.571% limited partnership interest (11)			1,688	1,848
			1,688	1,848
P2 Upstream Acquisition Co.	Application software			
First Lien Revolver, LIBOR+4% (1% floor) cash due 10/31/2018 (10)(13)			—	(167)
			—	(167)

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Vandelay Industries Merger Sub, Inc.	Industrial machinery			
Second Lien Term Loan, 10.75% cash 1% PIK due 11/12/2019		\$ 39,265	\$ 39,144	\$ 39,178
2,500,000 Class A Common Units in Vandelay Industries, L.P.			958	5,902
			40,102	45,080
OmniSYS Acquisition Corporation	Diversified support services			
First Lien Term Loan, LIBOR+7.5% (1% floor) cash due 11/21/2018 (13)		5,500	5,485	5,459
First Lien Revolver, LIBOR+7.5% (1% floor) cash due 11/21/2018 (10)(13)			(2)	(18)
100,000 Common Units in OSYS Holdings, LLC			1,000	1,061
			6,483	6,502
Moelis Capital Partners Opportunity Fund I-B, LP	Multi-sector holdings			
1.0% limited partnership interest (11)			1,419	1,853
			1,419	1,853
Aden & Anais Merger Sub, Inc.	Apparel, accessories & luxury goods			
51,645 Common Units in Aden & Anais Holdings, Inc.			5,165	3,230
			5,165	3,230
Lift Brands, Inc.	Leisure facilities			
First Lien Term Loan, LIBOR+7.5% (1% floor) cash due 12/23/2019 (13)		21,521	21,487	21,455
First Lien Revolver, LIBOR+7.5% (1% floor) cash due 12/23/2019 (10)(13)			(8)	(46)
2,000,000 Class A Common Units in Snap Investments, LLC			2,004	2,797
			23,483	24,206
Tailwind Capital Partners II, L.P.	Multi-sector holdings			
0.3% limited partnership interest (11)			1,488	1,947
			1,488	1,947
Long's Drugs Incorporated (9)	Pharmaceuticals			
Second Lien Term Loan, LIBOR+11% cash due 2/19/2022 (13)		26,909	26,909	27,270
50 Series A Preferred Shares in Long's Drugs Incorporated			813	1,250
			27,722	28,520
Conviva Inc.	Application software			
417,851 Series D Preferred Stock Warrants (exercise price \$1.1966) expiration date 2/28/2021			105	116
			105	116
OnCourse Learning Corporation	Education services			
264,312 Class A Units in CIP OCL Investments, LLC			2,726	2,362
			2,726	2,362
ShareThis, Inc.	Internet software & services			
345,452 Series C Preferred Stock Warrants (exercise price \$3.0395) expiration date 3/4/2024			367	21
			367	21
Aptean, Inc.	Internet software & services			
Second Lien Term Loan, LIBOR+9.5% (1% floor) cash due 12/20/2023 (13)		5,900	5,818	5,917
			5,818	5,917
ExamSoft Worldwide, Inc.	Internet software & services			
First Lien Term Loan, LIBOR+8% (1% floor) cash due 5/1/2019 (13)		12,938	12,878	12,916
First Lien Revolver, LIBOR+8% (1% floor) cash due 5/1/2019 (13)		1,250	1,250	1,247
180,707 Class C Units in ExamSoft Investor LLC			181	132
			14,309	14,295
DigiCert, Inc.	Internet software & services			
Second Lien Term Loan, LIBOR+9% (1% floor) cash due 10/21/2022 (13)		61,500	60,933	61,606
			60,933	61,606
RCPDirect II, LP	Multi-sector holdings			
0.5% limited partnership interest (11)			447	549
			447	549

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Portfolio Company/Type of Investment (1)(2)(5)(14)	Industry	Principal (8)	Cost	Fair Value
Integral Development Corporation	Other diversified financial services			
First Lien Term Loan, LIBOR+9.5% (1% floor) cash due 7/10/2019 (13)		\$ 12,000	\$ 11,959	\$ 11,293
1,078,284 Common Stock Warrants (exercise price \$0.9274) expiration date 7/10/2024			113	—
			12,072	11,293
Loftware, Inc.	Internet software & services			
Mezzanine Term Loan, 11% cash 1% PIK due 7/18/2020		6,182	6,182	6,226
300,000 Class A Common Units in RPLF Holdings, LLC			300	194
			6,482	6,420
Webster Capital III, L.P.	Multi-sector holdings			
0.754% limited partnership interest (11)			957	1,222
			957	1,222
L Squared Capital Partners LLC	Multi-sector holdings			
2% limited partnership interest (11)			2,667	2,667
			2,667	2,667
ERS Acquisition Corp. (9)	Diversified support services			
Second Lien Term Loan, LIBOR+8.25% (1% floor) cash due 9/10/2018 (13)		41,564	38,062	3,709
			38,062	3,709
BeyondTrust Software, Inc.	Application software			
First Lien Term Loan, LIBOR+7% (1% floor) cash due 9/25/2019 (13)		26,723	26,229	26,656
First Lien Revolver, LIBOR+7% (1% floor) cash due 9/25/2019 (10)(13)			(56)	(15)
4,500,000 Class A membership interests in BeyondTrust Holdings LLC			4,500	5,264
			30,673	31,905
GOBP Holdings Inc.	Food retail			
Second Lien Term Loan, LIBOR+8.25% (1% floor) cash due 10/21/2022 (13)		4,214	4,174	4,251
			4,174	4,251
Kellermeyer Bergensons Services, LLC	Diversified support services			
Second Lien Term Loan, LIBOR+8.50% (1% floor) cash due 4/29/2022 (13)		6,105	5,896	5,876
			5,896	5,876
Dodge Data & Analytics LLC	Data processing & outsourced services			
First Lien Term Loan, LIBOR+8.75% (1% floor) cash due 10/31/2019 (13)		7,348	7,348	7,416
500,000 Class A Common Units in Skyline Data, News and Analytics LLC			500	360
			7,848	7,776
NAVEX Global, Inc.	Internet software & services			
Second Lien Term Loan, LIBOR+8.75% (1% floor) cash due 11/18/2022 (13)		28,370	28,234	28,228
			28,234	28,228
Metamorph US 3, LLC (9)	Internet software & services			
First Lien Term Loan, LIBOR+5.5% (1% floor) cash due 12/1/2020 (13)		9,996	9,833	5,732
First Lien Revolver, LIBOR+5.5% (1% floor) cash due 12/1/2020 (10)(13)		1,225	1,223	(343)
			11,056	5,389

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Portfolio Company/Type of Investment (1)(2)(5)(14)	Industry	Principal (\$)	Cost	Fair Value
Schulman Associates Institutional Board Review, Inc.	Research & consulting services			
Second Lien Term Loan, LIBOR+8% (1% floor) cash due 6/3/2021 (13)		\$ 17,000	\$ 17,000	\$ 16,920
			17,000	16,920
Janrain, Inc.	Internet software & services			
218,008 Common Stock Warrants (exercise price \$1.3761) expiration date 12/5/2024			45	—
			45	—
TigerText, Inc.	Internet software & services			
299,110 Series B Preferred Stock Warrants (exercise price \$1.3373) expiration date 12/8/2024			60	312
			60	312
Survey Sampling International, LLC	Research & consulting services			
Second Lien Term Loan, LIBOR+9% (1% floor) cash due 12/16/2021 (13)		18,700	18,461	18,420
			18,461	18,420
PSC Industrial Holdings Corp.	Diversified support services			
Second Lien Term Loan, LIBOR+8.25% (1% floor) cash due 12/3/2021 (13)		7,000	6,829	6,195
			6,829	6,195
EOS Fitness Opco Holdings, LLC	Leisure facilities			
First Lien Term Loan, LIBOR+8.75% (0.75% floor) cash due 12/30/2019 (13)		3,699	3,699	3,729
First Lien Revolver, LIBOR+8.75% (0.75% floor) cash due 12/30/2019 (13)			—	40
487.5 Class A Preferred Units			488	658
12,500 Class B Common Units			13	433
			4,200	4,860
Motion Recruitment Partners LLC	Human resources & employment services			
First Lien Revolver, LIBOR+6% (1% floor) cash due 2/13/2020 (10)(13)			(10)	(14)
			(10)	(14)
WeddingWire, Inc.	Internet software & services			
First Lien Term Loan, LIBOR+8.5% (1% floor) cash due 2/20/2020 (13)		26,125	26,125	26,244
First Lien Revolver, LIBOR+8.5% (1% floor) cash due 2/20/2020 (13)			—	14
483,645 Common Shares of WeddingWire, Inc.			1,200	1,521
			27,325	27,779
xMatters, Inc.	Internet software & services			
200,000 Common Stock Warrants (exercise price \$1.78) expiration date 2/26/2025			709	379
			709	379
Edge Fitness, LLC	Leisure facilities			
Delayed Draw Term Loan, LIBOR+7.75% (1% floor) cash due 12/31/2019 (13)		3,398	3,398	3,387
			3,398	3,387
Golden State Medical Supply, Inc.	Pharmaceuticals			
Mezzanine Term Loan, 10% cash 2.5% PIK due 4/24/2021		15,001	15,001	14,776
			15,001	14,776
My Alarm Center, LLC	Security & alarm services			
First Lien Term Loan D, LIBOR+8% (1% floor) cash due 1/9/2019 (13)		2,219	2,219	2,263
First Lien Term Revolver, LIBOR+8% (1% floor) cash due 1/9/2019 (13)		1,220	1,220	1,244
			3,439	3,507
AirStrip Technologies, Inc.	Internet software & services			
22,858.71 Series C-1 Preferred Stock Warrants (exercise price \$34.99757) expiration date 5/11/2025			90	—
			90	—

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Portfolio Company/Type of Investment (1)(2)(5)(14)	Industry	Principal (\$)	Cost	Fair Value
Access Medical Acquisition, Inc.	Healthcare services			
450,000 Shares of Class A Common Stock in CMG Holding Company, LLC (6)			\$ 151	\$ 1,133
			151	1,133
QuorumLabs, Inc.	Internet software & services			
2,045,954 Common Stock Warrants (exercise price \$0.0001) expiration date 7/8/2025			375	—
			375	—
Worley Claims Services, LLC	Internet software & services			
First Lien Term Loan, LIBOR+8% (1% floor) cash due 10/31/2020 (13)		\$ 6,953	6,881	6,884
			6,881	6,884
Poseidon Merger Sub, Inc.	Advertising			
Second Lien Term Loan, LIBOR+8.5% (1% floor) cash due 8/15/2023 (13)		30,000	29,092	30,468
			29,092	30,468
American Seafoods Group LLC	Food distributors			
Second Lien Term Loan, LIBOR+9% (1% floor) cash due 2/19/2022 (13)		12,000	11,916	11,640
			11,916	11,640
Valet Merger Sub, Inc.	Environmental & facilities services			
First Lien Term Loan, LIBOR+7% (1% floor) cash due 9/24/2021 (13)		50,791	50,105	51,243
First Lien Revolver, LIBOR+7% (1% floor) cash due 9/24/2021 (13)		5,596	5,474	5,679
			55,579	56,922
Swipely, Inc.	IT consulting & other services			
First Lien Term Loan, LIBOR+8.5% (1% floor) cash due 9/30/2019 (13)		12,500	12,500	12,750
252,119 Common Stock Warrants (exercise price \$1.77) expiration date 9/30/2025			—	944
			12,500	13,694
Argon Medical Devices, Inc.	Healthcare equipment			
Second Lien Term Loan, LIBOR+9.5% (1% floor) cash due 6/23/2022 (13)		43,000	43,000	43,730
			43,000	43,730
Lytix, Inc.	Research & consulting services			
First Lien Term Loan, LIBOR+8.5% (1% floor) cash due 3/15/2023 (13)		24,033	24,033	24,748
3,500 Class A Units in Lytx Holdings, LLC			3,603	4,367
3,500 Class B Units in Lytx Holdings, LLC			—	—
			27,636	29,115
Onvoy, LLC	Integrated telecommunication services			
Second Lien Term Loan, LIBOR+10.5% (1% floor) cash due 2/10/2025 (13)		16,750	16,750	16,791
19,666.67 Class A Units in GTCR Onvoy Holdings, LLC			1,967	2,057
13,664.73 Series 3 Class B Units in GTCR Onvoy Holdings, LLC			—	—
			18,717	18,848
Accruent, LLC	Internet software & services			
First Lien Term Loan, LIBOR+5.25% (1% floor) cash due 5/16/2022 (13)		4,950	4,910	4,980
First Lien Revolver, LIBOR+5.25% (1% floor) cash due 5/16/2022 (10)(13)		—	(15)	12
			4,895	4,992
4 Over International, LLC	Commercial printing			
First Lien Term Loan, LIBOR+6% (1% floor) cash due 6/7/2022 (13)		6,076	6,028	6,118
First Lien Revolver, LIBOR+6% (1% floor) cash due 6/7/2021 (10)(13)			(18)	15
			6,010	6,133
OBHG Management Services, LLC	Healthcare services			
First Lien Term Loan, LIBOR+5.25% (1% floor) cash due 6/28/2022 (13)		14,751	14,746	14,656
First Lien Revolver, LIBOR+5.25% (1% floor) cash due 6/28/2021 (10)(13)			(2)	(25)
			14,744	14,631

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Ping Identity Corporation				
Internet software & services				
First Lien Term Loan, LIBOR+9.25% (1% floor) cash due 6/30/2021 (13)		\$ 42,500	\$ 41,494	\$ 43,297
First Lien Revolver, LIBOR+9.25% (1% floor) cash due 6/30/2021 (10)(13)			(59)	47
			41,435	43,344
Ancile Solutions, Inc.				
Internet software & services				
First Lien Term Loan, LIBOR+7% (1% floor) cash due 6/30/2021 (13)		10,397	10,153	10,471
			10,153	10,471
Ministry Brands, LLC				
Internet software & services				
First Lien Term Loan, LIBOR+5% (1% floor) cash due 12/2/2022 (13)		3,900	3,865	3,932
First Lien Delayed Draw Term Loan, LIBOR+5% (1% floor) cash due 12/2/2022 (13)		1,077	1,068	1,086
Second Lien Term Loan, LIBOR+9.25% (1% floor) cash due 6/2/2023 (13)		7,056	6,960	7,226
Second Lien Delayed Draw Term Loan, LIBOR+9.25% (1% floor) cash due 6/2/2023 (13)		1,944	1,917	1,917
First Lien Revolver LIBOR+5% (1% floor) cash due 12/2/2022 (10)(13)		—	(9)	8
			13,801	14,169
Sailpoint Technologies, Inc. (9)				
Application software				
First Lien Term Loan, LIBOR+8% (1% floor) cash due 8/16/2021 (13)		20,870	20,507	20,452
First Lien Revolver, LIBOR+8% (1% floor) cash due 8/16/2021 (10)(13)			(26)	(30)
			20,481	20,422
California Pizza Kitchen, Inc.				
Restaurants				
First Lien Term Loan, LIBOR+6% (1% floor) cash due 8/23/2022 (13)		4,963	4,920	4,970
			4,920	4,970
Aptos, Inc.				
Data processing & outsourced services				
First Lien Term Loan B, LIBOR+6.75% (1% floor) cash due 9/1/2022 (13)		5,459	5,363	5,404
			5,363	5,404
SPC Partners VI, L.P.				
Multi-sector holdings				
0.39% limited partnership interest (11)			—	—
			—	—
Impact Sales, LLC				
Advertising				
First Lien Term Loan, LIBOR+7% (1% floor) cash due 12/30/2021 (13)		11,194	10,970	11,220
Delayed Draw Term Loan, LIBOR+7% (1% floor) cash due 12/30/2021 (13)		514	440	523
			11,410	11,743
DFT Intermediate LLC				
Specialized finance				
First Lien Term Revolver, LIBOR+5.5% (1% floor) cash due 3/1/2022 (13)		3,300	3,221	3,249
			3,221	3,249
Systems, Inc.				
Industrial machinery				
First Lien Term Loan, LIBOR+5.25% (1% floor) cash due 3/3/2022 (13)		9,000	8,874	8,955
First Lien Revolver, LIBOR+5.25% (1% floor) cash due 3/3/2022 (10)(13)			(42)	(40)
			8,832	8,915
TerSera Therapeutics, LLC				
Pharmaceuticals				
Second Lien Term Loan, LIBOR+9.25% (1% floor) cash due 3/30/2024 (13)		15,000	14,570	14,646
668,879 Common Units of TerSera Holdings LLC			1,500	1,569
			16,070	16,215
Cablevision Systems Corp.				
Integrated telecommunication services				
Fixed Rate Bond 10.875% cash due 10/15/2025		7,000	8,630	8,125
			8,630	8,125
Terraform Power Operating				
Multi-utilities				
Fixed Rate Bond 5.875% cash due 2/1/2023 (11)		6,000	6,298	6,285
			6,298	6,285
HC2 Holdings Inc.				
Multi-sector holdings				
Fixed Rate Bond 11% cash due 12/1/2019 (11)		7,500	7,670	7,650
			7,670	7,650

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Natural Resource Partners LP	Precious metals & minerals			
Fixed Rate Bond 10.5% cash due 3/15/2022 (11)		\$ 5,000	\$ 5,451	\$ 5,350
			5,451	5,350
Cobalt Intl. Energy Inc.	Oil & gas exploration & production			
Fixed Rate Bond 10.75% cash due 12/1/2021 (11)		3,000	2,972	2,835
			2,972	2,835
Virgin Media	Integrated telecommunication services			
Fixed Rate Bond 5.5% cash due 8/15/2026 (11)		5,000	5,172	5,269
			5,172	5,269
Scientific Games International, Inc.	Casinos & gaming			
First Lien Term Loan, LIBOR+4% cash due 10/1/2021 (13)		11,970	12,184	12,102
			12,184	12,102
ASHCO, LLC	Specialty stores			
First Lien Term Loan, LIBOR+5% (1% floor) cash due 12/15/2023 (13)		12,000	11,753	11,687
			11,753	11,687
Alliance One International Inc.	Tobacco			
Fixed Rate Bond 8.5% cash due 4/15/2021 (11)		5,000	5,276	5,200
			5,276	5,200
Salient CRGT Inc.	IT consulting & other services			
First Lien Term Loan, LIBOR+5.75% (1% floor) cash due 2/28/2022 (13)		3,478	3,411	3,469
			3,411	3,469
BJ's Wholesale Club, Inc.	Hypermarkets & super centers			
First Lien Term Loan, LIBOR+3.75% (1% floor) cash due 1/26/2024 (13)		12,000	12,010	11,660
			12,010	11,660
Everi Payments Inc.	Casinos & gaming			
First Lien Term Loan, LIBOR+4.5% (1% floor) cash due 5/9/2024 (13)		12,000	12,027	12,099
			12,027	12,099
LSF9 Atlantis Holdings, LLC	Computer & electronics retail			
First Lien Term Loan, LIBOR+6% (1% floor) cash due 5/1/2023 (13)		6,500	6,437	6,574
			6,437	6,574
Allied Universal Holdco LLC	Security & alarm services			
First Lien Term Loan, LIBOR+3.75% (1% floor) cash due 7/28/2022 (13)		12,000	12,077	12,053
Second Lien Term Loan, LIBOR+8.5% (1% floor) cash due 7/27/2023 (13)		1,149	1,172	1,167
			13,249	13,220
Truck Hero, Inc.	Auto parts & equipment			
Second Lien Term Loan, LIBOR+8.25% (1% floor) cash due 5/16/2025 (13)		21,500	21,181	21,487
			21,181	21,487
BMC Software Finance, Inc.	Internet software & services			
First Lien Term Loan, LIBOR+4% (1% floor) cash due 9/10/2022 (13)		11,919	12,008	11,961
			12,008	11,961
Internet Pipeline, Inc.	Internet software & services			
Incremental First Lien Term Loan, LIBOR+6.25% (1% floor) cash due 8/1/2022 (13)		5,000	4,951	4,798
			4,951	4,798
Almonde, Inc.	Internet software & services			
First Lien Term Loan, LIBOR+3.5% (1% floor) cash due 5/26/2024 (11)(13)		3,000	2,985	3,004
Second Lien Term Loan, LIBOR+7.25% (1% floor) cash due 4/28/2025 (11)(13)		500	495	511
			3,480	3,515
Alpha Topco Limited	Leisure facilities			
Second Lien Term Loan, LIBOR+6.75% (1% floor) cash due 7/29/2022 (11)(13)		3,000	3,041	3,027
			3,041	3,027
Asurion	Consumer electronics			
Second Lien Term Loan, LIBOR+7.5% (1% floor) cash due 3/3/2021 (13)		5,000	5,096	5,031
			5,096	5,031

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<u>Portfolio Company/Type of Investment (1)(2)(5)(14)</u>	<u>Industry</u>	<u>Principal (\$)</u>	<u>Cost</u>	<u>Fair Value</u>
CCC Information Services Inc	Internet software & services			
Second Lien Term Loan, LIBOR+6.75% (1% floor) cash due 3/13/2025 (13)		\$ 2,500	\$ 2,561	\$ 2,569
			<u>2,561</u>	<u>2,569</u>
Hyland Software Inc.	Internet software & services			
Second Lien Term Loan, LIBOR+7% (1% floor) cash due 5/31/2025 (13)		2,000	1,990	2,036
			<u>1,990</u>	<u>2,036</u>
Idera, Inc.	Internet software & services			
First Lien Term Loan B, LIBOR+5% (1% floor) cash due 6/27/2024 (13)		6,933	6,916	6,933
First Lien Delayed Draw Term Loan, LIBOR+5% (1% floor) cash due 6/27/2024 (10)(13)		—	(3)	—
			<u>6,913</u>	<u>6,933</u>
MHE Intermediate Holdings, LLC	Diversified support services			
First Lien Term Loan, LIBOR+5% (1% floor) cash due 3/11/2024 (13)		3,000	2,970	2,962
			<u>2,970</u>	<u>2,962</u>
PowerPlan Holdings, LLC	Internet software & services			
First Lien Term Loan, LIBOR+4.75% (1% floor) cash due 2/23/2022 (13)		5,000	4,951	4,997
			<u>4,951</u>	<u>4,997</u>
Total Non-Control/Non-Affiliate Investments (135.8% of net assets)			<u>\$ 1,419,423</u>	<u>\$ 1,372,836</u>
Total Portfolio Investments (177.1% of net assets)			<u>\$ 1,890,008</u>	<u>\$ 1,790,538</u>
Cash and Cash Equivalents				
JP Morgan Prime Money Market Fund			\$ 119,761	\$ 119,761
Other cash accounts			23,861	23,861
Total Cash and Cash Equivalents (14.2% of net assets)			<u>\$ 143,622</u>	<u>\$ 143,622</u>
Total Portfolio Investments, Cash and Cash Equivalents (191.4% of net assets)			<u><u>\$ 2,033,630</u></u>	<u><u>\$ 1,934,160</u></u>

See notes to Consolidated Financial Statements.

- (1) All debt investments are income producing unless otherwise noted. All equity investments are non-income producing unless otherwise noted.
- (2) See Note 3 to the Consolidated Financial Statements for portfolio composition by geographic region.
- (3) Control Investments generally are defined by the Investment Company Act of 1940, as amended ("1940 Act"), as investments in companies in which the Company owns more than 25% of the voting securities or maintains greater than 50% of the board representation.
- (4) Affiliate Investments generally are defined by the 1940 Act as investments in companies in which the Company owns between 5% and 25% of the voting securities.
- (5) Equity ownership may be held in shares or units of companies related to the portfolio companies.
- (6) Income producing through payment of dividends or distributions.
- (7) Non-Control/Non-Affiliate Investments are investments that are neither Control Investments nor Affiliate Investments.
- (8) Principal includes accumulated payment in kind ("PIK") interest and is net of repayments.
- (9) Interest rates have been adjusted on certain term loans and revolvers. These rate adjustments are temporary in nature due to tier pricing arrangements or financial or payment covenant violations in the original credit agreements, or permanent in nature per loan amendment or waiver

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documents. The table below summarizes these rate adjustments by portfolio company:

Portfolio Company	Effective date	Cash interest	PIK interest	Reason
Sailpoint Technologies, Inc.	June 28, 2017	- 1.0% on Term Loan and Revolver		Per loan amendment
Dominion Diagnostics, LLC	May 8, 2017	+ 0.5% on Term Loan and Revolver		Per loan amendment
	April 8, 2014		-1.0% on Mezzanine Term Loan	Per loan amendment
Thing5, LLC	March 31, 2017		+ 1.0% on Term Loan	Per loan amendment
	October 27, 2016	+ 0.5% on Term Loan and Revolver		Per loan amendment
Credit Infonet, Inc.	December 31, 2016		- 0.5% on Subordinated Term Loan	Per loan amendment
Refac Optical Group	October 24, 2016	+ 0.5% on Revolver, Term Loan A, Term Loan B and Term Loan C		Per loan amendment
Metamorph US 3, LLC	October 1, 2016	+ 1.0% on Revolver	+ 2.0% on First Lien Term Loan	Tier pricing per loan agreement
ERS Acquisition Corp.	August 3, 2016		+ 2.0% on Second Lien Term Loan	Per loan amendment
Long's Drugs Incorporated	June 9, 2016	+ 0.25% on Second Lien Term Loan		Per loan amendment
Maverick Healthcare Group, LLC	May 11, 2016		+ 2.0% on Term Loan A, Revolver, and Capex Line	Per loan amendment
	May 11, 2016	- 3.5% on Term Loan B	+ 5.5% on Term Loan B	Per loan amendment
Omniplex World Services Corporation	October 1, 2015		+ 1.0% on Term Loan	Per loan amendment
TransTrade Operators, Inc.	January 1, 2015	- 6.0% on Term Loan	- 3.0% on Term Loan	Per loan amendment
Cenegenics, LLC	August 14, 2014		+ 2.0% on Term Loan	Per loan amendment

- (10) Investment has undrawn commitments. Unamortized fees are classified as unearned income which reduces cost basis, which may result in a negative cost basis. A negative fair value may result from the unfunded commitment being valued below par.
- (11) Investment is not a "qualifying asset" as defined under Section 55(a) of the 1940 Act. Under the 1940 Act, the Company may not acquire any non-qualifying asset unless, at the time the acquisition is made, qualifying assets represent at least 70% of the Company's total assets. As of June 30, 2017, qualifying assets represented 85.6% of the Company's total assets and non-qualifying assets represented 14.4% of the Company's total assets.
- (12) The sale of a portion of this loan does not qualify for true sale accounting under Financial Accounting Standards Board ("FASB") Accounting Standards Codification ("ASC") Topic 860 - *Transfers and Servicing* ("ASC 860"), and therefore, the entire debt investment remains in the Consolidated Schedule of Investments. Accordingly, the fair value of the Company's debt investments includes \$13.6 million related to the Company's secured borrowings. (See Note 15 in the accompanying notes to the Consolidated Financial Statements.)
- (13) The interest rate on the principal balance outstanding for all floating rate loans is indexed to LIBOR and/or an alternate base rate (e.g., prime rate), which typically resets semi-annually, quarterly, or monthly at the borrower's option. The borrower may also elect to have multiple interest reset periods for each loan. For each of these loans, the Company has provided the applicable margin over LIBOR or the alternate based rate based on each respective credit agreement.
- (14) With the exception of investments held by the Company's wholly-owned subsidiaries that have each received a license from the U.S. Small Business Administration ("SBA") to operate as a small business investment company ("SBIC"), each of the Company's investments is pledged as collateral under one or more of its credit facilities. A single investment may be divided into parts that are individually pledged as collateral to separate credit facilities.
- (15) As defined in the 1940 Act, the Company is deemed to be both an "Affiliated Person" of and to "Control" this portfolio company as the Company owns more than 25% of the portfolio company's outstanding voting securities or has the power to exercise control over management or policies of such portfolio company (including through a management agreement). See Schedule 12-14 in the accompanying notes to the Consolidated Financial Statements for transactions during the nine months ended June 30, 2017 in which the issuer was both an Affiliated Person and a portfolio company that the Company is deemed to control.
- (16) First Star Bermuda Aviation Limited and First Star Speir Aviation 1 Limited are wholly-owned holding companies formed by the Company in order to facilitate its investment strategy. In accordance with Accounting Standards Update ("ASU") 2013-08, the Company has deemed the holding companies to be investment companies under GAAP and therefore deemed it appropriate to consolidate the financial results and financial position of the holding companies and to recognize dividend income versus a combination of interest income and dividend income. Accordingly, the debt and equity investments in the wholly-owned holding companies are disregarded for accounting purposes since the economic substance of these instruments are equity investments in the operating entities.
- (17) See Note 3 to the Consolidated Financial Statements for portfolio composition.

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- (18) In December 2016, the Company restructured its investment in Senior Loan Fund JV I, LLC. As part of the restructuring, the Company exchanged its subordinated notes for Class A Mezzanine Secured Deferrable Floating Rate Notes and Class B Mezzanine Secured Deferrable Fixed Rate Notes issued by a newly formed, wholly owned subsidiary, SLF Repack Issuer 2016 LLC. The Class A Mezzanine Secured Deferrable Floating Rate Notes bear interest at a rate of LIBOR plus the applicable margin as defined in the indenture, which was 6.55% as of June 30, 2017. The Class A Mezzanine Secured Deferrable Floating Rate Notes and Class B Mezzanine Secured Deferrable Fixed Rate Notes are collectively referred to as the "mezzanine notes".
- (19) In June 2017, the Company sold all of its investments in Eagle Hospital Physicians, LLC ("Eagle Physicians") in exchange for cash and the right to receive contingent payments in the future based on the performance of Eagle Physicians, which is referred to as an "earn-out" in the consolidated schedule of investments. Prior to the sale of its investments in Eagle Physicians, the Company may have been deemed to control Eagle Physicians within the meaning of the 1940 Act due to the fact that the Company owned greater than 25% of the voting securities in Eagle Physicians. After the sale and as of June 30, 2017, the Company no longer owns any of the voting securities in Eagle Physicians and is not deemed to control Eagle Physicians within the meaning of the 1940 Act.
- (20) In June 2017, AdVenture Interactive, Corp. reorganized its business to separate its marketing services business from its online program management business. In connection with the reorganization, FS AVI Holdco LLC was formed as the new parent to Keypath Education, Inc., which represents AdVenture Interactive, Corp's former marketing services business, and the Company's first lien term loan and revolver with AdVenture Interactive, Corp. was assigned to Keypath Education, Inc.
- (21) The Company's investment in Maverick Healthcare Group, LLC ("Maverick Healthcare") is currently past due. In May 2017, the Company entered into a forbearance agreement with Maverick Healthcare in which the Company has temporarily agreed not to take action against Maverick Healthcare.

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<u>Portfolio Company/Type of Investment (1)(2)(5)(14)</u>	<u>Industry</u>	<u>Principal (8)</u>	<u>Cost</u>	<u>Fair Value</u>
Control Investments (3)				
Traffic Solutions Holdings, Inc.	Construction and engineering			
First Lien Term Loan, LIBOR+7% (1% floor) cash 2% PIK due 4/1/2021 (13)		\$ 36,180	\$ 36,152	\$ 36,328
First Lien Revolver, LIBOR+7% (1% floor) cash due 4/1/2021 (13)		2,800	2,797	2,800
LC Facility, 6.0% cash due 4/1/2021		3,518	3,514	3,518
746,114 Series A Preferred Units			18,558	20,094
746,114 Shares of Common Stock			5,316	—
			66,337	62,740
TransTrade Operators, Inc. (9)	Air freight & logistics			
First Lien Term Loan, 11% cash 3% PIK due 12/31/2017		15,973	15,572	7,046
First Lien Revolver, 8% cash due 12/31/2017		6,885	6,885	—
596.67 Series A Common Units			—	—
4,000 Series A Preferred Units in TransTrade Holdings LLC			4,000	—
5,200,000 Series B Preferred Units in TransTrade Holdings LLC			5,200	—
			31,657	7,046
First Star Aviation, LLC (16)	Airlines			
10,104,401 Common Units (6)			5,533	2,413
			5,533	2,413
First Star Speir Aviation 1 Limited (11)(16)	Airlines			
First Lien Term Loan, 9% cash due 12/15/2020		55,395	50,305	54,214
2,058,411.64 Common Units (6)			—	2,839
			50,305	57,053
First Star Bermuda Aviation Limited (11)(16)	Airlines			
First Lien Term Loan, 9% cash 3% PIK due 8/19/2018		11,868	11,868	11,851
4,293,736 Common Units (6)			3,360	5,729
			15,228	17,580
Eagle Hospital Physicians, LLC	Healthcare services			
First Lien Term Loan A, 8% PIK due 4/30/2017		13,889	13,889	13,875
First Lien Term Loan B, 8.1% PIK due 4/30/2017		3,889	3,889	3,887
First Lien Revolver, 8% cash due 4/30/2017		1,913	1,913	1,913
4,100,000 Class A Common Units			4,100	7,421
			23,791	27,096
Senior Loan Fund JV I, LLC (11)(15)(17)	Multi-sector holdings			
Subordinated Notes, LIBOR+8% cash due 5/2/2021 (13)		144,841	144,841	129,004
87.5% LLC equity interest (6)			16,094	13,708
			160,935	142,712
Express Group Holdings LLC (18)	Oil & gas equipment services			
First Lien Term Loan, LIBOR+6% (1% floor) cash due 9/3/2019 (13)		12,073	12,073	1,193
First Lien Revolver, LIBOR+4.5% (1% floor) cash due 3/4/2019 (13)		6,090	6,090	6,090
Last-In Revolver, PRIME+3.5% (3.5% floor) cash due 10/7/2016		3,000	3,000	3,000
14,033,391 Series B Preferred Units			3,982	—
280,668 Series A Preferred Units			1,593	—
1,456,344 Common Stock Units			—	—
			26,738	10,283
Ameritox Ltd. (19)	Healthcare services			
First Lien Term Loan, LIBOR+5% (1% floor) cash 3% PIK due 4/11/2021 (13)		31,258	31,228	31,039
14,090,126.4 Class A Preferred Units in Ameritox Holdings II, LLC			14,090	15,437
1,602,260.83 Class B Preferred Units in Ameritox Holdings II, LLC			1,602	1,755
4,930.03 Class A Units in Ameritox Holdings II, LLC			29,049	13,113
			75,969	61,344
Total Control Investments (34.0% of net assets)			\$ 456,493	\$ 388,267
Affiliate Investments (4)				
Caregiver Services, Inc.	Healthcare services			
Second Lien Term Loan, 10% cash 2% PIK due 6/30/2019		9,524	\$ 9,524	\$ 9,549

1,080,399 Shares of Series A Preferred Stock	1,080	4,079
	10,604	13,628

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Portfolio Company/Type of Investment (1)(2)(5)(14)	Industry	Principal (8)	Cost	Fair Value
AmBath/ReBath Holdings, Inc.				
	Home improvement retail			
First Lien Term Loan B, 12.5% cash 2.5% PIK due 8/31/2017		\$ 24,364	\$ 24,351	\$ 24,268
4,668,788 Shares of Preferred Stock			—	1,873
			24,351	26,141
Total Affiliate Investments (3.5% of net assets)			\$ 34,955	\$ 39,769
Non-Control/Non-Affiliate Investments (7)				
HealthDrive Corporation (9)				
	Healthcare services			
First Lien Term Loan A, 10% cash due 12/31/2016		3,958	\$ 3,958	\$ 3,958
First Lien Term Loan B, 12% cash 1% PIK due 12/31/2016		11,938	11,938	11,938
First Lien Revolver, 12% cash due 12/31/2016		466	466	466
			16,362	16,362
Cenegenics, LLC (9)				
	Healthcare services			
First Lien Term Loan, 9.75% cash due 9/30/2019		29,662	29,629	29,812
First Lien Revolver, 15% cash due 9/30/2019		1,000	1,000	1,000
452,914.87 Common Units in Cenegenics, LLC			598	613
345,380.141 Preferred Units in Cenegenics, LLC			300	300
			31,527	31,725
Riverlake Equity Partners II, LP				
	Multi-sector holdings			
1.78% limited partnership interest (11)			823	755
			823	755
Riverside Fund IV, LP				
	Multi-sector holdings			
0.34% limited partnership interest (11)			456	302
			456	302
Bunker Hill Capital II (QP), L.P.				
	Multi-sector holdings			
0.51% limited partnership interest (11)			810	739
			810	739

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Portfolio Company/Type of Investment (1)(2)(5)(14)	Industry	Principal (8)	Cost	Fair Value
Maverick Healthcare Group, LLC (9)				
	Healthcare equipment			
First Lien Term Loan A, LIBOR+5.5% cash (1.75% floor) cash due 4/30/2017 (13)		\$ 16,151	\$ 16,108	\$ 15,993
First Lien Term Loan B, LIBOR+9% cash (1.75% floor) cash due 4/30/2017 (13)		39,159	39,110	38,900
CapEx Line, LIBOR+5.75% (1.75% floor) cash due 4/30/2017 (13)		1,259	1,252	1,242
First Lien Revolver, LIBOR+7.5% (1% floor) cash due 4/30/2017 (13)		4,401	4,401	4,401
			60,871	60,536
Refac Optical Group				
	Specialty stores			
First Lien Term Loan A, LIBOR+7.5% cash due 9/30/2018 (13)		6,198	6,150	6,190
First Lien Term Loan B, LIBOR+8.5% cash, 1.75% PIK due 9/30/2018 (13)		34,290	34,149	33,967
First Lien Term Loan C, 12% cash due 9/30/2018		3,416	3,416	3,339
First Lien Revolver, LIBOR+7.5% cash due 9/30/2018 (13)		1,600	1,596	1,600
1,550.9435 Shares of Common Stock in Refac Holdings, Inc.			1	—
550.9435 Shares of Series A-2 Preferred Stock in Refac Holdings, Inc.			305	—
1,000 Shares of Series A Preferred Stock Units in Refac Holdings, Inc.			999	136
			46,616	45,232
Baird Capital Partners V, LP				
	Multi-sector holdings			
0.4% limited partnership interest (11)			1,000	558
			1,000	558
Discovery Practice Management, Inc. (9)				
	Healthcare services			
Senior Term Loan, LIBOR+7.5% cash due 11/4/2018 (13)		30,698	30,651	30,698
Senior Revolver, LIBOR+7% cash due 11/4/2018 (10) (13)		—	(4)	—
Capex Line A, LIBOR+7% cash due 11/4/2018 (13)		938	938	938
Capex Line B, LIBOR+7% cash due 11/4/2018 (13)		2,000	2,000	2,000
			33,585	33,636
Milestone Partners IV, L.P.				
	Multi-sector holdings			
0.85% limited partnership interest (11)			1,739	2,005
			1,739	2,005
National Spine and Pain Centers, LLC				
	Healthcare services			
Mezzanine Term Loan, 11% cash 1.6% PIK due 9/27/2020		30,720	30,679	30,750
317,282.97 Class A Units			317	608
			30,996	31,358
RCPDirect, L.P.				
	Multi-sector holdings			
0.91% limited partnership interest (11)			764	927
			764	927
Riverside Fund V, L.P.				
	Multi-sector holdings			
0.48% limited partnership interest (11)			1,147	766
			1,147	766

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<u>Portfolio Company/Type of Investment (1)(2)(5)(14)</u>	<u>Industry</u>	<u>Principal (8)</u>	<u>Cost</u>	<u>Fair Value</u>
ACON Equity Partners III, LP				
0.13% limited partnership interest (11)	Multi-sector holdings	\$ 796	\$ 482	
		796	482	
BMC Acquisition, Inc.				
	Other diversified financial services			
500 Series A Preferred Shares		500	698	
50,000 Common Shares (6)		1	—	
		501	698	
Ansira Partners, Inc.				
	Advertising			
Second Lien Term Loan, LIBOR+8.5% (1% floor) cash due 4/5/2021 (13)		\$ 38,000	38,000	37,840
209 Preferred Units of Ansira Holdings, LLC (6)			209	234
250 Class A Common Units of Ansira Holdings, LLC			—	368
		38,209	38,442	
Edmentum, Inc.				
	Education services			
Unsecured Senior PIK Note, 8.5% PIK due 6/9/2020		2,235	2,235	2,153
Unsecured Junior PIK Note, 10% PIK due 6/9/2020		10,227	10,227	8,064
Unsecured Revolver, 5% cash due 6/9/2020			—	—
126,127.80 Class A Common Units			126	—
		12,588	10,217	
I Drive Safely, LLC				
	Education services			
125,079 Class A Common Units of IDS Investments, LLC			1,000	391
		1,000	391	
Yeti Acquisition, LLC				
	Leisure products			
3,000,000 Common Stock Units of Yeti Holdings, Inc. (6)			—	34,981
			—	34,981
Vitalyst Holdings, Inc.				
	IT consulting & other services			
Subordinated Term Loan, 12% cash 1.5% PIK due 9/5/2018		19,681	19,682	19,697
675 Series A Preferred Units of PCH Support Holdings, Inc.			675	418
7,500 Class A Common Stock Units of PCH Support Holdings, Inc.			75	—
		20,432	20,115	
Beecken Petty O'Keefe Fund IV, L.P.				
	Multi-sector holdings			
0.5% limited partnership interest (11)			1,187	1,254
			1,187	1,254
First American Payment Systems, LP				
	Diversified support services			
Second Lien Term Loan, LIBOR+9.5% (1.25% floor) cash due 4/12/2019 (13)		23,304	23,304	22,546
First Lien Revolver, LIBOR+4.5% (1.25% floor) cash due 10/12/2017 (13)		2,000	2,000	1,975
		25,304	24,521	
Dexter Axle Company				
	Auto parts & equipment			
1,547 Common Shares in Dexter Axle Holding Company			1,643	3,719
			1,643	3,719
Comprehensive Pharmacy Services LLC				
	Pharmaceuticals			
Mezzanine Term Loan, 11.25% cash 1.5% PIK due 11/30/2019		14,798	14,798	14,811
20,000 Common Shares in MCP CPS Group Holdings, Inc.			2,000	2,435
		16,798	17,246	

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Garretson Firm Resolution Group, Inc.					
	Diversified support services				
First Lien Revolver, LIBOR+6.5% (1% floor) cash due 5/22/2020 (13)		\$	—	\$	—
4,950,000 Preferred Units in GRG Holdings, LP			495		611
50,000 Common Units in GRG Holdings, LP			5		—
			500		611
Teaching Strategies, LLC					
	Education services				
Senior Term Loan, LIBOR+5.5% (0.5% floor) cash due 10/1/2019 (13)		\$	7,253	7,253	7,246
Senior Revolver, LIBOR+5.5% (0.5% floor) cash due 10/1/2019 (13)			—		—
			7,253		7,246
Omniplex World Services Corporation (9)					
	Security & alarm services				
Subordinated Term Loan, 12.25% cash 1.25% PIK due 8/19/2021		11,231	11,231		11,469
500 Class A Common Units in Omniplex Holdings Corp.			500		643
64.041 Class A-1 Common Units in Omniplex Holdings Corp.			104		—
			11,835		12,112
Dominion Diagnostics, LLC (9)					
	Healthcare services				
Subordinated Term Loan, 11% cash 2% PIK due 10/8/2019		16,318	16,195		3,365
			16,195		3,365
AdVenture Interactive, Corp. (9)					
	Advertising				
First Lien Term Loan, LIBOR+6.75% (1.25% floor) cash due 3/22/2018 (13)		89,814	89,782		69,151
First Lien Revolver, LIBOR+6.75% (1.25% floor) cash due 3/22/2018 (10)(13)			(1)		—
2,599.32 Preferred Units of AVI Holdings, L.P.			1,820		—
			91,601		69,151
Sterling Capital Partners IV, L.P.					
	Multi-sector holdings				
0.2% limited partnership interest (11)			1,515		1,314
			1,515		1,314
RP Crown Parent, LLC					
	Application software				
First Lien Revolver, LIBOR+5.5% (1.25% floor) cash due 12/21/2017 (13)			—		—
			—		—
Advanced Pain Management					
	Healthcare services				
First Lien Term Loan, LIBOR+8.5% (1.25% floor) cash due 2/26/2018 (13)		24,000	24,000		24,019
			24,000		24,019

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Portfolio Company/Type of Investment (1)(2)(5)(14)	Industry	Principal (8)	Cost	Fair Value
TravelClick, Inc.	Internet software & services			
Second Lien Term Loan, LIBOR+7.75% (1% floor) cash due 11/6/2021 (13)		\$ 4,450	\$ 3,978	\$ 3,986
			3,978	3,986
Pingora MSR Opportunity Fund I-A, LP	Thrift & mortgage finance			
1.9% limited partnership interest (11)			7,946	5,846
			7,946	5,846
Credit Infonet, Inc. (9)	Data processing & outsourced services			
Subordinated Term Loan, 12.25% cash 1.25% PIK due 10/26/2018		13,795	13,795	13,260
			13,795	13,260
Bracket Holding Corp. (9)	Healthcare services			
Second Lien Term Loan, LIBOR+8.25% (1% floor) cash due 2/15/2020 (13)		32,000	32,000	32,061
50,000 Common Units in AB Group Holdings, LP			500	896
			32,500	32,957
HealthEdge Software, Inc.	Application software			
482,453 Series A-3 Preferred Stock Warrants (exercise price \$1.450918) expiration date 9/30/2023			213	650
			213	650
InMotion Entertainment Group, LLC	Consumer electronics			
First Lien Term Loan A, LIBOR+7.75% (1.25% floor) cash due 10/1/2018 (13)		12,950	12,950	12,846
First Lien Term Loan B, LIBOR+7.75% (1.25% floor) cash due 10/1/2018 (13)		5,645	5,476	5,571
First Lien Revolver, LIBOR+6.75% (1.25% floor) cash due 10/1/2018 (13)		4,605	4,604	4,605
CapEx Line, LIBOR+7.75% (1.25% floor) cash due 10/1/2018 (13)		839	839	839
1,000,000 Class A Units in InMotion Entertainment Holdings, LLC			1,000	1,319
			24,869	25,180
Thing5, LLC (9)	Data processing & outsourced services			
First Lien Term Loan, LIBOR+7% (1% floor) cash due 10/11/2018 (12)(13)		53,680	53,680	52,093
First Lien Revolver, LIBOR+7% (1% floor) cash due 10/11/2018 (13)		1,000	1,000	1,000
2,000,000 Units in T5 Investment Vehicle, LLC			2,000	292
			56,680	53,385
Epic Health Services, Inc.				
Second Lien Term Loan, LIBOR+8.25% (1% floor) cash due 8/17/2021 (13)	Healthcare services	24,667	24,316	24,714
			24,316	24,714

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Portfolio Company/Type of Investment (1)(2)(3)(14)	Industry	Principal (8)	Cost	Fair Value
Kason Corporation				
	Industrial machinery			
Mezzanine Term Loan, 11.5% cash 1.75% PIK due 10/28/2019		\$ 5,901	\$ 5,901	\$ 5,813
498.6 Class A Preferred Units in Kason Investment, LLC			499	566
5,540 Class A Common Units in Kason Investment, LLC			55	1
			6,455	6,380
SPC Partners V, L.P.				
	Multi-sector holdings			
0.571% limited partnership interest (11)			1,398	1,515
			1,398	1,515
Systems Maintenance Services Holdings, Inc.				
	IT consulting & other services			
Second Lien Term Loan, LIBOR+8.25% (1% floor) cash due 10/18/2020 (13)		19,000	18,936	18,810
			18,936	18,810
P2 Upstream Acquisition Co.				
	Application software			
First Lien Revolver, LIBOR+4% (1% floor) cash due 10/31/2018 (13)			—	—
			—	—
Vandelay Industries Merger Sub, Inc.				
	Industrial machinery			
Second Lien Term Loan, 10.75% cash 1% PIK due 11/12/2019		39,265	39,104	39,300
2,500,000 Class A Common Units in Vandelay Industries, L.P.			958	5,902
			40,062	45,202
Vitera Healthcare Solutions, LLC				
	Healthcare technology			
Second Lien Term Loan, LIBOR+8.25% (1% floor) cash due 11/4/2021 (13)		8,000	7,904	7,420
			7,904	7,420
The Active Network, Inc.				
	Internet software & services			
Second Lien Term Loan, LIBOR+8.5% (1% floor) cash due 11/15/2021 (13)		16,543	16,379	16,336
			16,379	16,336
OmniSYS Acquisition Corporation				
	Diversified support services			
First Lien Term Loan, LIBOR+7.5% (1% floor) cash due 11/21/2018 (13)		5,500	5,496	5,507
First Lien Revolver, LIBOR+7.5% (1% floor) cash due 11/21/2018 (13)			—	—
100,000 Common Units in OSYS Holdings, LLC			1,000	1,118
			6,496	6,625
Moelis Capital Partners Opportunity Fund I-B, LP				
	Multi-sector holdings			
1.0% limited partnership interest (11)			1,524	1,888
			1,524	1,888
Aden & Anais Merger Sub, Inc.				
	Apparel, accessories & luxury goods			
Mezzanine Term Loan, 10% cash 2% PIK due 6/23/2019		12,694	12,694	12,610
30,000 Common Units in Aden & Anais Holdings, Inc.			3,000	2,010
			15,694	14,620
Lift Brands, Inc. (9)				
	Leisure facilities			
First Lien Term Loan, LIBOR+7.5% (1% floor) cash due 12/23/2019 (13)		22,268	22,255	22,186
First Lien Revolver, LIBOR+7.5% (1% floor) cash due 12/23/2019 (13)		2,000	1,997	2,000
2,000,000 Class A Common Units in Snap Investments, LLC			2,000	2,732
			26,252	26,918
Tailwind Capital Partners II, L.P.				
	Multi-sector holdings			
0.3% limited partnership interest (11)			995	1,128
			995	1,128

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Portfolio Company/Type of Investment (1)(2)(5)(14)	Industry	Principal (8)	Cost	Fair Value
Long's Drugs Incorporated	Pharmaceuticals			
Second Lien Term Loan, LIBOR+11% cash due 2/19/2022 (13)		\$ 26,909	\$ 26,909	\$ 26,890
50 Series A Preferred Shares in Long's Drugs Incorporated (6)			813	1,037
			27,722	27,927
Five9, Inc.	Internet software & services			
118,577 Common Stock Warrants (exercise price \$10.12) expiration date 2/20/2024			321	780
			321	780
Conviva Inc.	Application software			
417,851 Series D Preferred Stock Warrants (exercise price \$1.1966) expiration date 2/28/2021			105	110
			105	110
OnCourse Learning Corporation	Education services			
264,312 Class A Units in CIP OCL Investments, LLC			2,726	1,891
			2,726	1,891
ShareThis, Inc.	Internet software & services			
345,452 Series C Preferred Stock Warrants (exercise price \$3.0395) expiration date 3/4/2024			367	194
			367	194
Aptean, Inc.	Internet software & services			
Second Lien Term Loan, LIBOR+7.5% (1% floor) cash due 2/26/2021 (13)		3,000	3,000	2,957
			3,000	2,957
Integrated Petroleum Technologies, Inc.	Oil & gas equipment services			
First Lien Term Loan, LIBOR+7.5% (1% floor) cash due 3/31/2019 (13)		18,929	18,911	6,500
First Lien Revolver, LIBOR+7.5% (1% floor) cash due 3/31/2019 (10)(13)			(3)	—
			18,908	6,500
ExamSoft Worldwide, Inc.	Internet software & services			
First Lien Term Loan, LIBOR+8% (1% floor) cash due 5/1/2019 (13)		14,250	14,157	14,061
First Lien Revolver, LIBOR+8% (1% floor) cash due 5/1/2019 (13)			—	—
180,707 Class C Units in ExamSoft Investor LLC			181	12
			14,338	14,073
DigiCert, Inc.	Internet software & services			
Second Lien Term Loan, LIBOR+8.25% (1% floor) cash due 6/2/2020 (13)		61,500	60,801	62,500
			60,801	62,500

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Portfolio Company/Type of Investment (1)(2)(5)(14)	Industry	Principal (8)	Cost	Fair Value
RCPDirect II, LP	Multi-sector holdings			
0.5% limited partnership interest (11)			\$ 346	\$ 353
			346	353
PR Wireless, Inc. (11)	Integrated telecommunication services			
First Lien Term Loan, LIBOR+9% (1% floor) cash due 6/27/2020 (13)		\$ 12,715	12,424	8,788
118.4211 Common Stock Warrants (exercise price \$0.01) expiration date 6/27/2024			—	430
			12,424	9,218
Integral Development Corporation	Other diversified financial services			
First Lien Term Loan, LIBOR+9.5% (1% floor) cash due 7/10/2019 (13)		14,250	14,182	14,079
1,078,284 Common Stock Warrants (exercise price \$0.9274) expiration date 7/10/2024			113	—
			14,295	14,079
Loftware, Inc.	Internet software & services			
Mezzanine Term Loan, 11% cash 1% PIK due 7/18/2020		6,135	6,136	6,208
300,000 Class A Common Units in RPLF Holdings, LLC			300	311
			6,436	6,519
Tectum Holdings, Inc.	Auto parts & equipment			
Second Lien Term Loan, LIBOR+8.75% (1% floor) cash due 1/28/2021 (13)		15,000	15,000	14,969
			15,000	14,969
TV Borrower US, LLC	Integrated telecommunication services			
Second Lien Term Loan, LIBOR+8.5% (1% floor) cash due 7/8/2021 (11) (13)		30,000	29,386	29,100
			29,386	29,100
Webster Capital III, L.P.	Multi-sector holdings			
0.754% limited partnership interest (11)			987	1,157
			987	1,157
L Squared Capital Partners LLC	Multi-sector holdings			
2% limited partnership interest (11)			1,692	1,692
			1,692	1,692
ERS Acquisition Corp. (9)	Diversified support services			
Second Lien Term Loan, LIBOR+8.25% (1% floor) cash due 9/10/2018 (13)		40,940	40,187	31,548
			40,187	31,548
BeyondTrust Software, Inc.	Application software			
First Lien Term Loan, LIBOR+7% (1% floor) cash due 9/25/2019 (13)		29,929	29,152	29,814
First Lien Revolver, LIBOR+7% (1% floor) cash due 9/25/2019 (10)(13)			(79)	—
4,500,000 Class A membership interests in BeyondTrust Holdings LLC			4,500	5,525
			33,573	35,339
Answers Corporation	Internet software & services			
First Lien Term Loan, LIBOR+5.25% (1% floor) cash due 10/3/2021 (13)		4,925	4,906	2,659
Second Lien Term Loan, LIBOR+9% (1% floor) cash due 10/3/2022 (13)		37,000	35,190	3,577
			40,096	6,236
Idera, Inc.	Internet software & services			
First Lien Term Loan, LIBOR+5.5% (1% floor) cash due 4/9/2021 (13)		26,035	24,962	25,319
			24,962	25,319
GOBP Holdings Inc.	Food retail			
Second Lien Term Loan, LIBOR+8.25% (1% floor) cash due 10/21/2022 (13)		4,214	4,169	4,214
			4,169	4,214
Kellermeyer Bergensons Services, LLC	Diversified support services			
Second Lien Term Loan, LIBOR+8.50% (1% floor) cash due 4/29/2022 (13)		6,105	5,864	5,800
			5,864	5,800

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Portfolio Company/Type of Investment (1)(2)(5)(14)	Industry	Principal (8)	Cost	Fair Value
Dodge Data & Analytics LLC	Data processing & outsourced services			
First Lien Term Loan, LIBOR+8.75% (1% floor) cash due 10/31/2019 (13)		\$ 7,623	\$ 7,623	\$ 7,719
500,000 Class A Common Units in Skyline Data, News and Analytics LLC			500	627
			8,123	8,346
NAVEX Global, Inc.	Internet software & services			
Second Lien Term Loan, LIBOR+8.75% (1% floor) cash due 11/18/2022 (13)		44,837	44,587	43,492
			44,587	43,492
GTCR Valor Companies, Inc.	Advertising			
First Lien Term Loan, LIBOR+6% (1% floor) cash due 6/16/2023 (13)		12,219	11,751	11,689
			11,751	11,689
Tecomet Inc.	Healthcare equipment			
Second Lien Term Loan, LIBOR+8.5% (1% floor) cash due 12/5/2022 (13)		17,000	15,835	16,150
			15,835	16,150
Metamorph US 3, LLC (9)	Internet software & services			
First Lien Term Loan, LIBOR+5.5% (1% floor) cash due 12/1/2020 (13)		10,078	10,074	8,391
First Lien Revolver, LIBOR+5.5% (1% floor) cash due 12/1/2020 (13)		1,225	1,224	1,225
			11,298	9,616
Schulman Associates Institutional Board Review, Inc.	Research & consulting services			
Second Lien Term Loan, LIBOR+8% (1% floor) cash due 6/3/2021 (13)		17,000	17,000	17,333
			17,000	17,333
Janrain, Inc.	Internet software & services			
218,008 Common Stock Warrants (exercise price \$1.3761) expiration date 12/5/2024			45	—
			45	—
TigerText, Inc.	Internet software & services			
Second Lien Term Loan, LIBOR+9.75% (1% floor) cash due 12/8/2017 (13)		5,000	4,977	4,854
299,110 Series B Preferred Stock Warrants (exercise price \$1.3373) expiration date 12/8/2024			60	268
			5,037	5,122
Survey Sampling International, LLC	Research & consulting services			
Second Lien Term Loan, LIBOR+9% (1% floor) cash due 12/16/2021 (13)		18,700	18,422	18,326
			18,422	18,326

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Portfolio Company/Type of Investment (1)(2)(5)(14)	Industry	Principal (8)	Cost	Fair Value
PSC Industrial Holdings Corp.				
	Diversified support services			
Second Lien Term Loan, LIBOR+8.25% (1% floor) cash due 12/3/2021 (13)		\$ 7,000	\$ 6,800	\$ 6,615
			6,800	6,615
TIBCO Software, Inc.				
	Internet software & services			
First Lien Revolver, LIBOR+4% cash due 11/25/2020 (13)		—	—	—
			—	—
EOS Fitness Opco Holdings, LLC				
	Leisure facilities			
First Lien Term Loan, LIBOR+8.75% (0.75% floor) cash due 12/30/2019 (13)		3,832	3,832	3,734
First Lien Revolver, LIBOR+8.75% (0.75% floor) cash due 12/30/2019 (13)			—	—
487.5 Class A Preferred Units			488	446
12,500 Class B Common Units			13	—
			4,333	4,180
TrialCard Incorporated (9)				
	Healthcare services			
First Lien Revolver, LIBOR+5.25% (1% floor) cash due 12/31/2019 (10)(13)			(32)	—
			(32)	—
Motion Recruitment Partners LLC				
	Human resources & employment services			
First Lien Revolver, LIBOR+6% (1% floor) cash due 2/13/2020 (10)(13)		—	(6)	—
			(6)	—
WeddingWire, Inc.				
	Internet software & services			
First Lien Term Loan, LIBOR+8.5% (1% floor) cash due 2/20/2020 (13)		26,984	26,984	27,247
First Lien Revolver, LIBOR+8.5% (1% floor) cash due 2/20/2020 (13)			—	—
483,645 Common Shares of WeddingWire, Inc.			1,200	1,044
			28,184	28,291
xMatters, Inc. (9)				
	Internet software & services			
200,000 Common Stock Warrants (exercise price \$1.78) expiration date 2/26/2025			709	347
			709	347
Edge Fitness, LLC (9)				
	Leisure facilities			
Delayed Draw Term Loan, LIBOR+7.75% (1% floor) cash due 12/31/2019 (13)		3,398	3,398	3,388
			3,398	3,388
Golden State Medical Supply, Inc.				
	Pharmaceuticals			
Mezzanine Term Loan, 10% cash 2.5% PIK due 4/24/2021		15,001	15,001	15,345
			15,001	15,345
My Alarm Center, LLC				
	Security & alarm services			
First Lien Term Loan D, LIBOR+8% (1% floor) cash due 1/9/2019 (13)		1,505	1,505	1,484
First Lien Term Revolver, LIBOR+8% (1% floor) cash due 1/9/2019 (13)		180	180	180
			1,685	1,664
AirStrip Technologies, Inc.				
	Internet software & services			
First Lien Term Loan, LIBOR+10% (1% floor) cash due 5/12/2018 (13)		16,000	15,950	15,982
22,858.71 Series C-1 Preferred Stock Warrants (exercise price \$34.99757) expiration date 5/11/2025			90	66
			16,040	16,048

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Portfolio Company/Type of Investment (1)(2)(5)(14)	Industry	Principal (8)	Cost	Fair Value
Legalzoom.com, Inc.				
	Specialized consumer services			
First Lien Term Loan, LIBOR+7% (1% floor) cash due 5/13/2020 (13)		\$ 6,400	\$ 6,376	\$ 6,459
First Lien Revolver, LIBOR+7% (1% floor) cash due 5/13/2020 (10)(13)			(7)	—
Delayed Draw Term Loan, LIBOR+7% (1% floor) cash due 5/13/2020 (13)			2,645	2,623
			9,014	9,082
Access Medical Acquisition, Inc.				
	Healthcare services			
Mezzanine Term Loan, 10% cash 2% PIK due 1/2/2022		12,476	12,476	12,728
450,000 Shares of Class A Common Stock in CMG Holding Company, LLC			450	1,132
			12,926	13,860
QuorumLabs, Inc.				
	Internet software & services			
2,045,954 Common Stock Warrants (exercise price \$0.0001) expiration date 7/8/2025			375	—
			375	—
Worley Claims Services, LLC				
	Internet software & services			
First Lien Term Loan, LIBOR+8% (1% floor) cash due 10/31/2020 (13)		7,664	7,566	7,625
			7,566	7,625
Poseidon Merger Sub, Inc.				
	Advertising			
Second Lien Term Loan, LIBOR+8.5% (1% floor) cash due 8/15/2023 (13)		30,000	28,956	30,055
			28,956	30,055
American Seafoods Group LLC				
	Food distributors			
Second Lien Term Loan, LIBOR+9% (1% floor) cash due 2/19/2022 (13)		12,000	11,903	11,400
			11,903	11,400
Valet Merger Sub, Inc.				
	Environmental & facilities services			
First Lien Term Loan, LIBOR+7% (1% floor) cash due 9/24/2021 (13)		49,422	48,600	50,256
First Lien Revolver, LIBOR+7% (1% floor) cash due 9/24/2021 (13)		5,596	5,454	5,596
			54,054	55,852
Swipely, Inc.				
	IT consulting & other services			
First Lien Term Loan, LIBOR+8.5% (1% floor) cash due 9/30/2019 (13)		12,500	12,500	12,389
252,119 Common Stock Warrants (exercise price \$1.77) expiration date 9/30/2025			—	146
			12,500	12,535
Baart Programs, Inc.				
	Healthcare services			
First Lien Term Loan, LIBOR+7.75% cash due 10/9/2021 (13)		32,175	31,714	32,055
First Lien Revolver, LIBOR+7.75% cash due 10/9/2021 (10)(13)			(60)	—
			31,654	32,055
Argon Medical Devices, Inc.				
	Healthcare equipment			
Second Lien Term Loan, LIBOR+9.5% (1% floor) cash due 6/23/2022 (13)		43,000	43,000	44,140
			43,000	44,140
Lytix, Inc.				
	Research & consulting services			
First Lien Term Loan, LIBOR+8.5% (1% floor) cash due 3/15/2023 (13)		24,215	24,215	24,215
3,500 Class A Units in Lytx Holdings, LLC			3,500	3,529
			27,715	27,744
Onvoy, LLC				
	Integrated telecommunication services			
First Lien Term Loan, LIBOR+6.25% (1% floor) cash due 4/29/2021 (13)		14,813	14,533	14,773
			14,533	14,773

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Portfolio Company/Type of Investment (1)(2)(5)(14)	Industry	Principal (8)	Cost	Fair Value
Accruent, LLC	Internet software & services			
First Lien Term Loan, LIBOR+5.25% (1% floor) cash due 5/16/2022 (13)		\$ 4,988	\$ 4,941	\$ 4,997
First Lien Revolver, LIBOR+5.25% (1% floor) cash due 5/16/2022 (10)(13)		—	(18)	—
			4,923	4,997
4 Over International, LLC	Commercial printing			
First Lien Term Loan, LIBOR+6% (1% floor) cash due 6/7/2022 (13)		6,169	6,111	6,127
First Lien Revolver, LIBOR+6% (1% floor) cash due 6/7/2021 (10)(13)		—	(21)	—
			6,090	6,127
OBHG Management Services, LLC	Healthcare services			
First Lien Term Loan, LIBOR+5.25% (1% floor) cash due 6/28/2022 (13)		14,863	14,858	14,820
First Lien Revolver, LIBOR+5.25% (1% floor) cash due 6/28/2021 (10)(13)		—	(2)	—
			14,856	14,820
Ping Identity Corporation	Internet software & services			
First Lien Term Loan, LIBOR+9.25% (1% floor) cash due 6/30/2021 (13)		42,500	41,305	41,225
First Lien Revolver, LIBOR+9.25% (1% floor) cash due 6/30/2021 (10)(13)		—	(70)	—
			41,235	41,225
Ancile Solutions, Inc.	Internet software & services			
First Lien Term Loan, LIBOR+7% (1% floor) cash due 6/30/2021 (13)		11,500	11,178	11,328
			11,178	11,328
Ministry Brands, LLC	Internet software & services			
First Lien Term Loan, LIBOR+7% (1% floor) cash due 11/20/2021 (13)		19,874	19,683	19,675
Delayed Draw Term Loan, LIBOR+7% (1% floor) cash due 11/20/2021 (10)(13)			(143)	—
			19,540	19,675
HSW RR, Inc.	Environmental & facilities services			
First Lien Term Loan B, LIBOR+9% (1% floor) cash due 7/13/2020 (13)		45,000	45,000	45,000
			45,000	45,000
Sailpoint Technologies, Inc.				
First Lien Term Loan, LIBOR+8% (1% floor) cash due 8/16/2021 (13)	Application software	15,000	14,710	14,700
First Lien Revolver, LIBOR+8% (1% floor) cash due 8/16/2021 (10)(13)			(19)	—
			14,691	14,700
California Pizza Kitchen, Inc.	Restaurants			
First Lien Term Loan, LIBOR+6% (1% floor) cash due 8/23/2022 (13)		5,000	4,951	4,985
			4,951	4,985
Aptos, Inc.	Data processing & outsourced services			
First Lien Term Loan B, LIBOR+6.75% (1% floor) cash due 9/1/2022 (13)		5,500	5,390	5,445
			5,390	5,445
SPC Partners V, L.P.	Multi-sector holdings			
0.39% limited partnership interest (11)			—	—
			—	—
Total Non-Control/Non-Affiliate Investments (152.1% of net assets)			\$ 1,792,410	\$ 1,737,455
Total Portfolio Investments (189.6% of net assets)			\$ 2,283,858	\$ 2,165,491
Cash and Cash Equivalents				
JP Morgan Prime Money Market Fund			\$ 111,447	\$ 111,447
Other cash accounts			6,476	6,476
Total Cash and Cash Equivalents (10.3% of net assets)			117,923	117,923
Total Portfolio Investments, Cash and Cash Equivalents (199.9% of net assets)			\$ 2,401,781	\$ 2,283,414

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(dollar amounts in thousands)

- (1) All debt investments are income producing unless otherwise noted. All equity investments are non-income producing unless otherwise noted.
- (2) See Note 3 to the Consolidated Financial Statements for portfolio composition by geographic region.
- (3) Control Investments generally are defined by the 1940 Act, as investments in companies in which the Company owns more than 25% of the voting securities or maintains greater than 50% of the board representation.
- (4) Affiliate Investments generally are defined by the 1940 Act as investments in companies in which the Company owns between 5% and 25% of the voting securities.
- (5) Equity ownership may be held in shares or units of companies related to the portfolio companies.
- (6) Income producing through payment of dividends or distributions.
- (7) Non-Control/Non-Affiliate Investments are investments that are neither Control Investments nor Affiliate Investments.
- (8) Principal includes accumulated PIK interest and is net of repayments.
- (9) Interest rates have been adjusted on certain term loans and revolvers. These rate adjustments are temporary in nature due to tier pricing arrangements or financial or payment covenant violations in the original credit agreements, or permanent in nature per loan amendment or waiver documents. The table below summarizes these rate adjustments by portfolio company:

Portfolio Company	Effective date	Cash interest	PIK interest	Reason
Credit Infonet, Inc.	September 27, 2016	- 1.0% on Subordinated Term Loan	+ 0.5% on Subordinated Term Loan	Per loan amendment
Lift Brands, Inc.	August 15, 2016	+ 0.5% on Revolver and Term Loan		Per loan amendment
ERS Acquisition Corp.	August 3, 2016		+ 2.0% on Second Lien Term Loan	Per loan amendment
Edge Fitness, LLC	April 18, 2016	+ 1% on Term Loan		Per loan amendment
Metamorph US 3, LLC	March 29, 2016	+ 1% on Term Loan & Revolver		Per loan amendment
Maverick Healthcare Group, LLC	May 11, 2016		+ 2.0% on Term Loan A, Revolver, and Capex Line	Per loan amendment
	May 11, 2016	- 3.5% on Term Loan B	+ 5.5% on Term Loan B	Per loan amendment
TrialCard Incorporated	November 4, 2015	- 0.75% on Revolver		Tier pricing per loan agreement
Omniplex World Services Corporation	October 1, 2015		+ 1% on Term Loan	Per loan amendment
Thing5, LLC	January 20, 2015	+ 0.5% on Term Loan		Per loan amendment
AdVenture Interactive, Corp.	January 1, 2015	+ 0.75% on Term Loan & Revolver		Per loan amendment
TransTrade Operators, Inc.	January 1, 2015	- 6.0% on Term Loan	- 3.0% on Term Loan	Per loan amendment
HealthDrive Corporation	January 1, 2015	+ 3.0% on Term Loan A & B	- 3.0% on Term Loan A & B	Per loan amendment
Cenegenics, LLC	August 14, 2014		+ 2.0% on Term Loan	Per loan amendment
Dominion Diagnostics, LLC	April 1, 2016	- 11.0% on Term Loan	+ 11.0% on Term Loan	Per loan amendment
Discovery Practice Management, Inc.	November 4, 2013	+ 2.25% on Term Loan A - 1.0% on Revolver		Per loan amendment

- (10) Investment has undrawn commitments. Unamortized fees are classified as unearned income which reduces cost basis, which may result in a negative cost basis.
- (11) Investment is not a "qualifying asset" as defined under Section 55(a) of the 1940 Act. Under the 1940 Act, the Company may not acquire any non-qualifying asset unless, at the time the acquisition is made, qualifying assets represent at least 70% of the Company's total assets. As of September 30, 2016, qualifying assets represented 85.8% of the Company's total assets and non-qualifying assets represented 14.2% of the Company's total assets.
- (12) The sale of a portion of this loan does not qualify for true sale accounting under ASC 860, and therefore, the entire debt investment remains in the Consolidated Schedule of Investments. Accordingly, the fair value of the Company's debt investments includes \$13.6 million related to the Company's secured borrowings. (See Note 15 in the accompanying notes to the Consolidated Financial Statements.)
- (13) The interest rate on the principal balance outstanding for all floating rate loans is indexed to LIBOR and/or an alternate base rate (e.g., prime rate), which typically resets semi-annually, quarterly, or monthly at the borrower's option. The borrower may also elect to have multiple interest reset

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periods for each loan. For each of these loans, the Company has provided the applicable margin over LIBOR or the alternate base rate based on each respective credit agreement.

- (14) With the exception of investments held by the Company's wholly-owned subsidiaries that have each received a license from the SBA to operate as an SBIC, each of the Company's investments is pledged as collateral under one or more of its credit facilities. A single investment may be divided into parts that are individually pledged as collateral to separate credit facilities.
- (15) As defined in the 1940 Act, the Company is deemed to be both an "Affiliated Person" of and to "Control" this portfolio company as the Company owns more than 25% of the portfolio company's outstanding voting securities or has the power to exercise control over management or policies of such portfolio company (including through a management agreement).
- (16) First Star Aviation, LLC, First Star Bermuda Aviation Limited and First Star Speir Aviation 1 Limited are wholly-owned holding companies formed by the Company in order to facilitate its investment strategy. In accordance with ASU 2013-08, the Company has deemed the holding companies to be investment companies under GAAP and therefore deemed it appropriate to consolidate the financial results and financial position of the holding companies and to recognize dividend income versus a combination of interest income and dividend income. Accordingly, the debt and equity investments in the wholly-owned holding companies are disregarded for accounting purposes since the economic substance of these instruments are equity investments in the operating entities.
- (17) See Note 3 to the Consolidated Financial Statements for portfolio composition.
- (18) In March 2016, the Company restructured its investment in CCCG, LLC. As part of the restructuring, the Company exchanged cash and its debt securities for debt and equity securities in a newly restructured entity, Express Group Holdings LLC.
- (19) In April 2016, the Company restructured its debt investment in Ameritox Ltd. As a part of the restructuring, the Company exchanged cash and its debt securities for debt and equity securities in the newly restructured entity.

See notes to Consolidated Financial Statements.

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(in thousands, except share and per share amounts, percentages and as otherwise indicated)

Note 1. Organization

Fifth Street Finance Corp. (together with its consolidated subsidiaries, the "Company") is a specialty finance company that is a closed-end, non-diversified management investment company. The Company has elected to be regulated as a business development company under the 1940 Act. The Company has qualified and elected to be treated as a regulated investment company ("RIC") under the Internal Revenue Code of 1986, as amended (the "Code"), for tax purposes.

The Company's investment objective is to produce current income from investing primarily in small and middle-market companies in the form of senior secured loans and subordinated debt investments. The Company also has a joint venture that invests in senior secured loans. To a lesser extent, the Company also makes equity investments, including those in connection with certain debt transactions. The Company's investments are generally made in connection with investments by private equity sponsors.

The Company is externally managed by Fifth Street Management LLC (the "Investment Adviser"), an indirect, partially-owned subsidiary of Fifth Street Asset Management Inc. ("FSAM"), a publicly traded alternative asset manager, pursuant to an investment advisory agreement. FSC CT LLC ("FSC CT"), a subsidiary of the Investment Adviser, also provides certain administrative and other services necessary for the Company to operate.

Note 2. Significant Accounting Policies***Basis of Presentation:***

The Consolidated Financial Statements of the Company have been prepared in accordance with accounting principles generally accepted in the United States of America ("GAAP") and pursuant to the requirements for reporting on Form 10-Q and Regulation S-X. In the opinion of management, all adjustments of a normal recurring nature considered necessary for the fair presentation of the Consolidated Financial Statements have been made. All intercompany balances and transactions have been eliminated. The Company is an investment company following the accounting and reporting guidance in FASB ASC Topic 946, *Financial Services - Investment Companies* ("ASC 946").

Use of Estimates:

The preparation of the financial statements in conformity with GAAP requires management to make certain estimates and assumptions affecting amounts reported in the financial statements and accompanying notes. These estimates are based on the information that is currently available to the Company and on various other assumptions that the Company believes to be reasonable under the circumstances. Changes in the economic and political environments, financial markets and any other parameters used in determining these estimates could cause actual results to differ and such differences could be material. Significant estimates include the valuation of investments and revenue recognition.

Consolidation:

The accompanying Consolidated Financial Statements include the accounts of Fifth Street Finance Corp. and its consolidated subsidiaries. Each consolidated subsidiary is wholly-owned and, as such, consolidated into the Consolidated Financial Statements. Certain subsidiaries that hold investments are treated as pass through entities for tax purposes. The assets of certain of the Company's consolidated subsidiaries are not directly available to satisfy the claims of the creditors of the Company or any of its other subsidiaries. As of June 30, 2017, the Company's consolidated subsidiaries were Fifth Street Fund of Funds LLC ("Fund of Funds"), Fifth Street Funding II, LLC ("Funding II"), Fifth Street Mezzanine Partners IV, L.P. ("FSMP IV"), Fifth Street Mezzanine Partners V, L.P. ("FSMP V" and together with FSMP IV, the "SBIC Subsidiaries"), and FSFC Holdings, Inc. ("Holdings"). In addition, the Company consolidates various holding companies held in connection with its equity investments in certain portfolio investments.

Since the Company is an investment company, portfolio investments held by the Company are not consolidated into the Consolidated Financial Statements. The portfolio investments held by the Company are included on the Statements of Assets and Liabilities as investments at fair value.

Fair Value Measurements:

The Company values its investments in accordance with FASB ASC Topic 820, *Fair Value Measurements and Disclosures* ("ASC 820"), which defines fair value as the amount that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. A liability's fair value is defined as the amount that would be paid to transfer the liability to a new obligor, not the amount that would be paid to settle the liability with the creditor. ASC 820 prioritizes the use of observable market prices derived from such prices over entity-specific inputs. Where observable prices or inputs are not

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
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available or reliable, valuation techniques are applied. These valuation techniques involve some level of management estimation and judgment, the degree of which is dependent on the price transparency for the investments or market and the investments' complexity.

Hierarchical levels, defined by ASC 820 and directly related to the amount of subjectivity associated with the inputs to fair valuation of these assets and liabilities, are as follows:

- Level 1 — Unadjusted, quoted prices in active markets for identical assets or liabilities at the measurement date.
- Level 2 — Observable inputs other than Level 1 prices, such as quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data at the measurement date for substantially the full term of the assets or liabilities.
- Level 3 — Unobservable inputs that reflect management's best estimate of what market participants would use in pricing the asset or liability at the measurement date. Consideration is given to the risk inherent in the valuation technique and the risk inherent in the inputs to the model.

In certain cases, the inputs used to measure fair value may fall into different levels of the fair value hierarchy. In such cases, an investment's level within the fair value hierarchy is based on the lowest level of input that is significant to the fair value measurement. The Company's assessment of the significance of a particular input to the fair value measurement in its entirety requires judgment, and considers factors specific to the investment. This includes investment securities that are valued using "bid" and "ask" prices obtained from independent third party pricing services or directly from brokers. These investments are generally classified as Level 3 because the quoted prices may be indicative in nature for securities that are in an inactive market, may be for similar securities or may require adjustments for investment-specific factors or restrictions.

Financial instruments with readily available quoted prices generally will have a higher degree of market price observability and a lesser degree of judgment inherent in measuring fair value. As such, the Investment Adviser's capital markets group obtains and analyzes readily available market quotations provided by independent pricing services for all of the Company's senior secured debt investments for which quotations are available. In determining the fair value of a particular investment, pricing services use observable market information, including both binding and non-binding indicative quotations.

The Investment Adviser evaluates the prices obtained from independent pricing services based on available market information and company specific data that could affect the credit quality and/or fair value of the investment. Investments for which market quotations are readily available may be valued at such market quotations. In order to validate market quotations, the Investment Adviser looks at a number of factors to determine if the quotations are representative of fair value, including the source and nature of the quotations. The Investment Adviser does not adjust the prices unless it has a reason to believe any such market quotations are not reflective of the fair value of an investment. Examples of events that would cause market quotations to not reflect fair value could include cases when a security trades infrequently causing a quoted purchase or sale price to become stale or in the event of a "fire sale" by a distressed seller. In these instances, the Company values such investments by using the valuation procedure that it uses with respect to assets for which market quotations are not readily available (as discussed below).

If the quotation provided by the pricing service is based on only one or two market sources, the Investment Adviser performs a review of the portfolio company to validate the quotes. This review generally includes a quantitative and qualitative assessment of the credit quality and market trends affecting the portfolio company. If the Investment Adviser deems the quote to not be indicative of fair value, the Company values such investments by using the valuation procedure that it uses with respect to assets for which market quotations are not readily available (as discussed below).

The Company performs detailed valuations of its debt and equity investments for which market quotations are not readily available or are deemed not to represent fair value of the investments. The Company typically uses three different valuation techniques. The first valuation technique is the transaction precedent approach, which utilizes recent or expected future transactions of the investment to determine fair value, to the extent applicable. The second valuation technique is an analysis of the enterprise value ("EV") of the portfolio company. EV means the entire value of the portfolio company to a market participant, including the sum of the values of debt and equity securities used to capitalize the enterprise at a point in time. The EV analysis is typically performed to determine the value of equity investments, to determine if there is credit impairment for debt investments and to determine the value for debt investments that the Company is deemed to control under the 1940 Act. To estimate the enterprise value of a portfolio company, the Investment Adviser analyzes various factors including, but not limited to, the portfolio company's historical and projected financial results, macroeconomic impacts on the company, and competitive dynamics in the company's industry. The Investment Adviser also utilizes some or all of the following information based on the individual circumstances of the portfolio company in order to reach its estimate of a portfolio company's enterprise value, including: (i) valuations of comparable public companies, (ii) recent sales of private and public comparable companies in similar industries or having similar business or earnings characteristics, (iii) purchase price multiples as a multiple of their earnings or cash flow, (iv) the portfolio company's ability to meet its forecasts and its business prospects, (v) a discounted cash flow analysis whereby future expected cash flows of the portfolio company are discounted to

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determine a present value using estimated discount rates (typically a weighted average cost of capital based on costs of debt and equity consistent with current market conditions), (vi) estimated liquidation or collateral value of the portfolio company's assets and (vii) offers from third parties to buy the portfolio company. The Company may probability weight potential sale outcomes with respect to a portfolio company due to the uncertainty that exists as of the valuation date. The third valuation technique is a market yield approach, which is typically performed for non-credit impaired debt investments. To determine fair value using a market yield approach, a current price is imputed for the investment based upon an assessment of the expected market yield for a similarly structured investment with a similar level of risk. In the market yield approach, the Company considers the current contractual interest rate, the capital structure and other terms of the investment relative to risk of the company and the specific investment. A key determinant of risk, among other things, is the leverage through the investment relative to the EV of the portfolio company. As debt investments held by the Company are substantially illiquid with no active transaction market, the Company depends on primary market data, including newly funded transactions and industry specific market movements, as well as secondary market data with respect to high yield debt instruments and syndicated loans, as inputs in determining the appropriate market yield, as applicable.

In accordance with ASC 820-10, certain investments that qualify as investment companies in accordance with ASC 946 may be valued using net asset value as a practical expedient for fair value. Consistent with FASB guidance under ASC 820, these investments are excluded from the hierarchical levels.

The Company estimates the fair value of privately held warrants using a Black Scholes pricing model, which includes an analysis of various factors and subjective assumptions including the current stock price (by analyzing the portfolio company's operating performance and financial condition and general market conditions), the expected period until exercise, expected volatility of the underlying stock price, expected dividends and the risk free rate. Changes in the subjective input assumptions can materially affect the fair value estimates.

The Company's Board of Directors undertakes a multi-step valuation process each quarter in connection with determining the fair value of the Company's investments:

- The quarterly valuation process begins with each portfolio company or investment being initially valued by the Investment Adviser's valuation team in conjunction with the Investment Adviser's portfolio management and capital markets teams;
- Preliminary valuations are then reviewed and discussed with management of the Investment Adviser;
- Separately, independent valuation firms engaged by the Board of Directors prepare valuations of the Company's investments, on a selected basis, for which market quotations are not readily available or are readily available but deemed not reflective of the fair value of the investment, and submit the reports to the Company and provide such reports to the Investment Adviser and the Audit Committee of the Board of Directors;
- The Investment Adviser compares and contrasts its preliminary valuations to the valuations of the independent valuation firms and prepares a valuation report for the Audit Committee of the Board of Directors;
- The Audit Committee of the Board of Directors reviews the preliminary valuations with the Investment Adviser, and the Investment Adviser responds and supplements the preliminary valuations to reflect any discussions between the Investment Adviser and the Audit Committee;
- The Audit Committee of the Board of Directors makes a recommendation to the Board of Directors regarding the fair value of the investments in the Company's portfolio; and
- The Board of Directors discusses valuations and determines the fair value of each investment in the Company's portfolio.

The fair value of each of the Company's investments as of June 30, 2017 and September 30, 2016 was determined in good faith by the Board of Directors. The Board of Directors has authorized the engagement of independent valuation firms to provide valuation assistance. The Company will continue to engage independent valuation firms to provide assistance regarding the determination of the fair value of a portion of the Company's portfolio securities for which market quotations are not readily available or are readily available but deemed not reflective of the fair value of the investment each quarter. As of June 30, 2017, 82.8% of the Company's portfolio at fair value was valued either using market quotations or by independent valuation firms. The percentage of our portfolio valued by independent valuation firms may vary from period to period based on the availability of market quotations for our portfolio investments during the respective periods. However, the Board of Directors is ultimately and solely responsible for the valuation of the portfolio investments at fair value as determined in good faith pursuant to the Company's valuation policy and a consistently applied valuation process.

Investment Income:

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Interest Income

Interest income, adjusted for accretion of original issue discount ("OID"), is recorded on an accrual basis to the extent that such amounts are expected to be collected. The Company stops accruing interest on investments when it is determined that interest is no longer collectible. Investments that are expected to pay regularly scheduled interest in cash are generally placed on non-accrual status when there is reasonable doubt that principal or interest cash payments will be collected. Cash interest payments received on investments may be recognized as income or applied to principal depending upon management's judgment. Such non-accrual investments are restored to accrual status if past due principal and interest are paid in cash, and in management's judgment, the portfolio company is likely to continue timely payment of its remaining interest.

In connection with its investment, the Company sometimes receives nominal cost equity that is valued as part of the negotiation process with the particular portfolio company. When the Company receives nominal cost equity, the Company allocates its cost basis in its investment between its debt securities and its nominal cost equity at the time of origination. Any resulting discount from recording the loan, or otherwise purchasing a security at a discount, is accreted into interest income over the life of the loan.

For the Company's secured borrowings, the interest earned on the entire loan balance is recorded within interest income and the interest earned by the buyer from the partial loan sales is recorded within interest expense in the Consolidated Statements of Operations.

PIK Interest Income

The Company has investments in debt securities which contain PIK interest provisions. PIK interest is computed at the contractual rate specified in each investment agreement and added to the principal balance of the investment and recorded as income. PIK interest on certain of the Company's debt investments, which represents contractually deferred interest added to the loan balance that is generally due at the end of the loan term, is generally recorded on the accrual basis to the extent such amounts are expected to be collected. The Company generally ceases accruing PIK interest if there is insufficient value to support the accrual or if the Company does not expect the portfolio company to be able to pay all principal and interest due. The Company's decision to cease accruing PIK interest involves subjective judgments and determinations based on available information about a particular portfolio company, including whether the portfolio company is current with respect to its payment of principal and interest on its loans and debt securities; monthly and quarterly financial statements and financial projections for the portfolio company; the Company's assessment of the portfolio company's business development success, including product development, profitability and the portfolio company's overall adherence to its business plan; information obtained by the Company in connection with periodic formal update interviews with the portfolio company's management and, if appropriate, the private equity sponsor; and information about the general economic and market conditions in which the portfolio company operates. Based on this and other information, the Company determines whether to cease accruing PIK interest on a loan or debt security. The Company's determination to cease accruing PIK interest on a loan or debt security is generally made well before the Company's full write-down of such loan or debt security.

Fee Income

Fee income consists of the monthly servicing fees, advisory fees, amendment fees, structuring fees and prepayment fees that the Company receives in connection with its debt investments. These fees are recognized as earned.

The Company has also structured exit fees across certain of its portfolio investments to be received upon the future exit of those investments. These fees are to be paid to the Company upon the sooner to occur of (i) a sale of the borrower or substantially all of the assets of the borrower, (ii) the maturity date of the loan or (iii) the date when full prepayment of the loan occurs. The receipt of such fees is contingent upon the occurrence of one of the events listed above for each of the investments. A percentage of these fees is included in net investment income over the life of the loan.

Dividend Income

The Company generally recognizes dividend income on the ex-dividend date. Distributions received from equity investments are evaluated to determine if the distribution should be recorded as dividend income or a return of capital. Generally, the Company will not record distributions from equity investments as dividend income unless there are sufficient earnings at the portfolio company prior to the distribution. Distributions that are classified as a return of capital are recorded as a reduction in the cost basis of the investment.

Cash and Cash Equivalents and Restricted Cash:

Cash and cash equivalents and restricted cash consist of demand deposits and highly liquid investments with maturities of three months or less, when acquired. The Company places its cash and cash equivalents with financial institutions and, at times, cash held in

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bank accounts may exceed the Federal Deposit Insurance Corporation ("FDIC") insured limit. Cash and cash equivalents are classified as Level 1 assets and are included on the Company's Consolidated Schedule of Investments.

As of June 30, 2017 and September 30, 2016, included in cash and cash equivalents was \$119.8 million and \$107.4 million, respectively, held in bank accounts of the SBIC Subsidiaries. These cash and cash equivalents are permitted only for certain uses, including funding portfolio company investments to be held at the SBIC Subsidiaries, repaying SBA-guaranteed debentures and funding operating expenses of the SBIC Subsidiaries. This cash is not permitted to be used to fund the Company's investments that are held outside the SBIC Subsidiaries or for other corporate purposes of the Company.

As of June 30, 2017, included in restricted cash was \$14.9 million that was held at U.S. Bank, National Association in connection with the Company's Sumitomo Facility (as defined in Note 6). As of September 30, 2016, included in restricted cash was \$12.4 million that was held at U.S. Bank, National Association in connection with the Company's Sumitomo Facility. Pursuant to the terms of the Sumitomo Facility, the cash is restricted until the Company submits its required monthly reporting schedules.

Due from Portfolio Companies:

Due from portfolio companies consists of amounts payable to the Company from its portfolio companies, excluding those amounts attributable to interest, dividends or fees receivable. These amounts are recognized as they become payable to the Company (*e.g.*, principal payments on the scheduled amortization payment date).

Receivables/Payables From Unsettled Transactions:

Receivables/payables from unsettled transactions consists of amounts receivable to or payable by the Company for transactions that have not settled at the reporting date.

Insurance Recoveries Receivable:

Insurance recoveries receivable consists of amounts receivable to the Company from insurance recoveries in connection with settlement costs and professional fees. Claims for loss recoveries are generally recognized when a loss event has occurred and recovery is considered probable.

Deferred Financing Costs:

In April 2015, the FASB issued ASU 2015-03, *Interest-Imputation of Interest (Subtopic 835-30): Simplifying the Presentation of Debt Issuance Costs* which requires debt financing costs related to a recognized debt liability to be presented on the balance sheet as a direct deduction from the related debt liability, similar to the presentation of debt discounts. Additionally, the FASB issued ASU 2015-15, *Interest - Imputation of Interest: Presentation and Subsequent Measurement of Debt Issuance Costs Associated with Line-of-Credit Arrangements*, which provides further clarification on the same topic and states that the Securities and Exchange Commission ("SEC") would not object to the deferral and presentation of debt issuance costs as an asset and subsequent amortization of the deferred costs over the term of the line-of-credit arrangement, regardless of whether there are any outstanding borrowings on the line-of-credit arrangement. The Company adopted the guidance for debt arrangements that are not line-of-credit arrangements for the three months ended December 31, 2016 and applied a retrospective approach. As a result of the adoption, the Company reclassified \$9.2 million of deferred financing costs assets to a direct deduction from the related debt liability on the Statement of Assets and Liabilities as of September 30, 2016. The adoption of this guidance had no impact on net assets or the Consolidated Statement of Operations.

Deferred financing costs consist of fees and expenses paid in connection with the closing or amending of credit facilities and debt offerings. Deferred financing costs in connection with credit facilities are capitalized as an asset at the time of payment. Deferred financing costs in connection with all other debt arrangements are a direct deduction from the related debt liability at the time of payment. Deferred financing costs are amortized using the straight line method over the terms of the respective credit facilities and the effective interest method for debt securities. This amortization expense is included in interest expense in the Company's Consolidated Statements of Operations. Upon early termination of a credit facility, the remaining balance of unamortized fees related to such facility is accelerated into interest expense.

Offering Costs:

Offering costs consist of fees and expenses incurred in connection with the offer and sale of the Company's securities, including legal, accounting and printing fees. The Company charges offering costs to capital at the time of an offering. There were no offering costs charged to capital during the nine months ended June 30, 2017 and June 30, 2016.

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Income Taxes:

The Company has elected to be treated as a RIC under Subchapter M of the Code and operates in a manner so as to qualify for the tax treatment applicable to RICs. In order to be subject to tax as a RIC, among other things, the Company is required to meet certain source of income and asset diversification requirements and timely distribute dividends to its stockholders of an amount generally at least equal to 90% of investment company taxable income, as defined by the Code and determined without regard to any deduction for dividends paid, for each taxable year. As a RIC, the Company is not subject to federal income tax on the portion of its taxable income and gains distributed currently to stockholders as a dividend. Depending on the level of taxable income earned during a taxable year, the Company may choose to retain taxable income in excess of current year dividend distributions and would distribute such taxable income in the next taxable year. The Company would then incur a 4% excise tax on such income, as required. To the extent that the Company determines that its estimated current year annual taxable income, determined on a calendar year basis, could exceed estimated current calendar year dividend distributions, the Company accrues excise tax, if any, on estimated excess taxable income as taxable income is earned. The Company anticipates timely distribution of its taxable income within the tax rules under Subchapter M of the Code. The Company did not incur a U.S. federal excise tax for calendar years 2014 and 2015 and does not expect to incur a U.S. federal excise tax for calendar year 2016. The Company may incur a U.S. federal excise tax in future years.

The Company holds certain portfolio investments through taxable subsidiaries, including Funds of Funds and Holdings. The purpose of the Company's taxable subsidiaries is to permit the Company to hold equity investments in portfolio companies which are "pass through" entities for U.S. federal income tax purposes in order to comply with the RIC tax requirements. The taxable subsidiaries are consolidated for financial reporting purposes, and portfolio investments held by them are included in the Company's consolidated financial statements as portfolio investments and recorded at fair value. The taxable subsidiaries are not consolidated with the Company for U.S. federal income tax purposes and may generate income tax expense, or benefit, and the related tax assets and liabilities, as a result of their ownership of certain portfolio investments. This income tax expense, if any, would be reflected in the Company's Consolidated Statements of Operations. The Company uses the asset and liability method to account for its taxable subsidiaries' income taxes. Using this method, the Company recognizes deferred tax assets and liabilities for the estimated future tax effects attributable to temporary differences between financial reporting and tax bases of assets and liabilities. In addition, the Company recognizes deferred tax benefits associated with net operating loss carry forwards that it may use to offset future tax obligations. The Company measures deferred tax assets and liabilities using the enacted tax rates expected to apply to taxable income in the years in which it expects to recover or settle those temporary differences.

FASB ASC Topic 740 *Accounting for Uncertainty in Income Taxes* ("ASC 740") provides guidance for how uncertain tax positions should be recognized, measured, presented, and disclosed in the Company's Consolidated Financial Statements. ASC 740 requires the evaluation of tax positions taken or expected to be taken in the course of preparing the Company's tax returns to determine whether the tax positions are "more-likely-than-not" of being sustained by the applicable tax authority. Tax positions not deemed to meet the more-likely-than-not threshold are recorded as a tax benefit or expense in the current year. Management's determinations regarding ASC 740 may be subject to review and adjustment at a later date based upon factors including, but not limited to, an ongoing analysis of tax laws, regulations and interpretations thereof. The Company recognizes the tax benefits of uncertain tax positions only where the position is "more-likely-than-not" to be sustained assuming examination by tax authorities. Management has analyzed the Company's tax positions, and has concluded that no liability for unrecognized tax benefits should be recorded related to uncertain tax positions taken on returns filed for open tax years 2013, 2014 or 2015. The Company identifies its major tax jurisdictions as U.S. Federal and Connecticut, and the Company is not aware of any tax positions for which it is reasonably possible that the total amounts of unrecognized tax benefits will change materially in the next 12 months.

Secured Borrowings:

The Company follows the guidance in ASC 860 when accounting for loan participations and other partial loan sales. Such guidance provides accounting and reporting standards for transfers and servicing of financial assets and requires a participation or other partial loan sale to meet the definition of a "participating interest," as defined in the guidance, in order for sale treatment to be allowed. Participations or other partial loan sales which do not meet the definition of a participating interest or which are not eligible for sale accounting remain on the Company's Consolidated Statements of Assets and Liabilities and the proceeds are recorded as a secured borrowing until the definition is met. Secured borrowings are carried at fair value to correspond with the related investments, which are carried at fair value. See Note 15 for additional information.

Amounts Payable to Syndication Partners:

The Company acts as administrative agent for certain loans it originates and then syndicates. As administrative agent, the Company receives interest, principal and/or other payments from borrowers that is redistributed to syndication partners. If not redistributed by the reporting date, such amounts are classified in restricted cash and a payable is recorded to syndication partners on the Consolidated Statements of Assets and Liabilities.

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Fair Value Option:

The Company adopted certain principles under FASB ASC Topic 825 *Financial Instruments – Fair Value Option* ("ASC 825") and elected the fair value option for its secured borrowings, which had a cost basis of \$13.8 million and \$18.9 million in the aggregate as of June 30, 2017 and September 30, 2016, respectively. The Company believes that by electing the fair value option for these financial instruments, it provides consistent measurement of the assets and liabilities which relate to the partial loan sales mentioned above.

However, the Company has not elected the fair value option to report other selected financial assets and liabilities at fair value. With the exception of the line items entitled "deferred financing costs", "credit facilities payable", "SBA debentures payable", and "unsecured notes payable," which are reported at amortized cost, all assets and liabilities approximate fair value on the Consolidated Statement of Assets and Liabilities. The carrying value of the line items titled "interest, dividends, and fees receivable," "due from portfolio companies," "receivables from unsettled transactions," "insurance recoveries receivable," "accounts payable, accrued expenses and other liabilities," "base management fee and part I incentive fee payable," "due to FSC CT," "interest payable," "amounts payable to syndication partners," "director fees payable," "payables from unsettled transactions" and "legal settlements payable" approximate fair value due to their short maturities.

Recent Accounting Pronouncements:

In May 2014, the FASB issued *ASU 2014-09, Revenue from Contracts with Customers* ("ASU 2014-09"), which requires an entity to recognize the amount of revenue to which it expects to be entitled for the transfer of promised goods or services to customers. ASU 2014-09 will replace most existing revenue recognition guidance in GAAP when it becomes effective. In March 2016, the FASB issued *ASU 2016-08, Revenue from Contracts with Customers (Topic 606) - Principal versus Agent Considerations*. This ASU is intended to clarify revenue recognition accounting when a third party is involved in providing goods or services to a customer. In April 2016, the FASB issued *ASU 2016-10, Revenue from Contracts with Customers (Topic 606) - Identifying Performance Obligations and Licensing*. This ASU is intended to clarify two aspects of Topic 606: identifying performance obligations and licensing implementation guidance. In May 2016, the FASB issued *ASU 2016-12, Revenue from Contracts with Customers (Topic 606) - Narrow-Scope Improvements and Practical Expedients*. This ASU amends certain aspects of ASU 2014-09, addresses certain implementation issues identified and clarifies the new revenue standards' core revenue recognition principles. The new standards will be effective for the Company on October 1, 2018 and early adoption is permitted on the original effective date of January 1, 2017. The standard permits the use of either the retrospective or cumulative effect transition method. The Company has not yet selected a transition method nor has it determined the effect of this standard on its consolidated financial statements and related disclosures and its ongoing financial reporting.

In August 2014, the FASB issued *ASU 2014-15, Presentation of Financial Statements - Going Concern*, which requires management to evaluate, at each annual and interim reporting period, a company's ability to continue as a going concern within one year of the date the financial statements are issued and provide related disclosures. This accounting guidance is effective for the Company on a prospective basis beginning for the annual fiscal 2017 period and is not expected to have a material effect on its consolidated financial statements.

In May 2015, the FASB issued *ASU 2015-07, Disclosures for Investments in Certain Entities That Calculate Net Asset Value per Share (or Its Equivalent)*. The update eliminates the requirement to categorize investments in the fair value hierarchy if their fair value is measured at net asset value (NAV) per share (or its equivalent) using the practical expedient in the FASB's fair value measurement guidance. Public companies are required to apply ASU 2015-07 retrospectively for interim and annual reporting periods beginning after December 15, 2015. Accordingly, the Company adopted ASU 2015-07 during the three months ended December 31, 2016 and determined that the adoption did not have a material impact on its consolidated financial statements.

In January 2016, the FASB issued *ASU 2016-01, Financial Instruments - Overall* ("ASU 2016-01"), which makes limited amendments to the guidance in GAAP on the classification and measurement of financial instruments. The new standard significantly revises an entity's accounting related to (1) the classification and measurement of investments in equity securities and (2) the presentation of certain fair value changes for financial liabilities measured at fair value. It also amends certain disclosure requirements associated with the fair value of financial instruments. ASU 2016-01 is effective for fiscal years beginning after December 15, 2017, including interim periods therein. Early adoption is permitted specifically for the amendments pertaining to the presentation of certain fair value changes for financial liabilities measured at fair value. Early adoption of all other amendments is not permitted. Upon adoption, the Company will be required to make a cumulative-effect adjustment to the Consolidated Statement of Assets and Liabilities as of the beginning of the first reporting period in which the guidance is effective. The Company did not early adopt the new guidance during the three months ended June 30, 2017. The Company is evaluating the effect that ASU 2016-01 will have on its consolidated financial statements and related disclosures.

In November 2016, the FASB issued *ASU 2016-18, Statement of Cash Flows (Topic 230)* which requires that a statement of cash flows explain the change during the period in the total of cash, cash equivalents, and amounts generally described as restricted cash or restricted cash equivalents. Therefore, amounts generally described as restricted cash and restricted cash equivalents should be included within cash and cash equivalents when reconciling the beginning-of-period and end-of-period total amounts shown on the statement of

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cash flows. The new guidance is effective for interim and annual periods beginning after December 15, 2017 and early adoption is permitted. The amendment should be adopted retrospectively. The Company did not early adopt the new guidance during the three months ended June 30, 2017. The new guidance is not expected to have a material effect on the Company's consolidated financial statements.

Note 3. Portfolio Investments

At June 30, 2017, 177.1% of net assets, or \$1.8 billion, was invested in 133 portfolio investments, including the Company's investment in Class A mezzanine secured deferrable floating rate notes and Class B mezzanine secured deferrable fixed rate notes and limited liability company ("LLC") equity interests in Senior Loan Fund JV I, LLC (together with its consolidated subsidiaries, "SLF JV I"), which had a fair value of \$101.0 million, \$26.6 million and \$13.2 million, respectively. At June 30, 2017, 15.7% of net assets, or \$158.7 million, was invested in cash and cash equivalents (including restricted cash). In comparison, at September 30, 2016, 189.6% of net assets, or \$2.2 billion, was invested in 129 portfolio investments, including the Company's investment in subordinated notes and LLC equity interests in SLF JV I, which had a fair value of \$129.0 million and \$13.7 million, respectively, and 11.4% of net assets, or \$130.4 million, was invested in cash and cash equivalents (including restricted cash). As of June 30, 2017, 74.1% of the Company's portfolio at fair value consisted of senior secured debt investments that were secured by priority liens on the assets of the portfolio companies and 15.3% consisted of subordinated notes, including debt investments in SLF JV I. As of September 30, 2016, 78.0% of the Company's portfolio at fair value consisted of senior secured debt investments that were secured by priority liens on the assets of the portfolio companies and 13.2% consisted of subordinated notes, including debt investments in SLF JV I.

Moreover, the Company held equity investments in certain of its portfolio companies consisting of common stock, preferred stock, limited partnership interests or LLC equity interests. These instruments generally do not produce a current return but are held for potential investment appreciation and capital gain.

During the three and nine months ended June 30, 2017, the Company recorded net realized losses on investments and secured borrowings of \$12.3 million and \$151.3 million, respectively. During the three and nine months ended June 30, 2016, the Company recorded net realized losses on investments and secured borrowings of \$44.8 million and \$70.1 million, respectively. During the three and nine months ended June 30, 2017, the Company recorded net unrealized appreciation (depreciation) on investments and secured borrowings of \$(13.1) million and \$18.6 million, respectively. During the three and nine months ended June 30, 2016, the Company recorded net unrealized appreciation (depreciation) on investments and secured borrowings of \$10.5 million and \$(74.0) million, respectively.

The composition of the Company's investments as of June 30, 2017 and September 30, 2016 at cost and fair value was as follows:

	June 30, 2017		September 30, 2016	
	Cost	Fair Value	Cost	Fair Value
Investments in debt securities	\$ 1,562,267	\$ 1,473,692	\$ 1,960,581	\$ 1,845,808
Investments in equity securities	183,897	175,939	162,343	176,970
Debt investments in SLF JV I	127,672	127,672	144,841	129,004
Equity investment in SLF JV I	16,172	13,235	16,093	13,709
Total	\$ 1,890,008	\$ 1,790,538	\$ 2,283,858	\$ 2,165,491

The composition of the Company's debt investments as of June 30, 2017 and September 30, 2016 at fixed rates and floating rates was as follows:

	June 30, 2017		September 30, 2016	
	Fair Value	% of Debt Portfolio	Fair Value	% of Debt Portfolio
Fixed rate debt securities	\$ 328,413	20.51%	\$ 376,207	19.05%
Floating rate debt securities, including debt investments in SLF JV I	1,272,951	79.49	1,598,605	80.95
Total	\$ 1,601,364	100.00%	\$ 1,974,812	100.00%

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The following table presents the financial instruments carried at fair value as of June 30, 2017 on the Company's Consolidated Statement of Assets and Liabilities for each of the three levels of hierarchy established by ASC 820:

	Level 1	Level 2	Level 3	Measured at Net Asset Value (a)	Total
Investments in debt securities (senior secured)	\$ —	\$ 58,982	\$ 1,267,818	\$ —	\$ 1,326,800
Investments in debt securities (subordinated, including debt investments in SLF JV I)	—	40,713	233,851	—	274,564
Investments in equity securities (preferred)	—	—	45,865	—	45,865
Investments in equity securities (common, including LLC equity interests of SLF JV I)	—	—	102,658	40,651	143,309
Total investments at fair value	—	99,695	1,650,192	40,651	1,790,538
Cash and cash equivalents	143,622	—	—	—	143,622
Total assets at fair value	\$ 143,622	\$ 99,695	\$ 1,650,192	\$ 40,651	\$ 1,934,160
Secured borrowings relating to senior secured debt investments	—	—	13,575	—	13,575
Total liabilities at fair value	\$ —	\$ —	\$ 13,575	\$ —	\$ 13,575

- (a) In accordance with ASC 820-10, certain investments that are measured using the net asset value per share (or its equivalent) as a practical expedient for fair value have not been classified in the fair value hierarchy. These investments are generally not redeemable. The fair value amounts presented in this table are intended to permit reconciliation of the fair value hierarchy to the amounts presented in the Consolidated Statements of Assets and Liabilities.

The following table presents the financial instruments carried at fair value as of September 30, 2016 on the Company's Consolidated Statement of Assets and Liabilities for each of the three levels of hierarchy established by ASC 820:

	Level 1	Level 2	Level 3	Measured at Net Asset Value (a)	Total
Investments in debt securities (senior secured)	\$ —	\$ —	\$ 1,689,535	\$ —	\$ 1,689,535
Investments in debt securities (subordinated, including debt investments in SLF JV I)	—	—	285,277	—	285,277
Investments in equity securities (preferred)	—	—	47,749	—	47,749
Investments in equity securities (common, including LLC equity interests of SLF JV I)	—	—	106,540	36,390	142,930
Total investments at fair value	—	—	2,129,101	36,390	2,165,491
Cash and cash equivalents	117,923	—	—	—	117,923
Total assets at fair value	\$ 117,923	\$ —	\$ 2,129,101	\$ 36,390	\$ 2,283,414
Secured borrowings relating to senior secured debt investments	—	—	18,400	—	18,400
Total liabilities at fair value	\$ —	\$ —	\$ 18,400	\$ —	\$ 18,400

- (a) In accordance with ASC 820-10, certain investments that are measured using the net asset value per share (or its equivalent) as a practical expedient for fair value have not been classified in the fair value hierarchy. These investments are generally not redeemable. The fair value amounts presented in this table are intended to permit reconciliation of the fair value hierarchy to the amounts presented in the Consolidated Statements of Assets and Liabilities.

When a determination is made to classify a financial instrument within Level 3 of the valuation hierarchy, the determination is based upon the fact that the unobservable factors are significant to the overall fair value measurement. However, Level 3 financial instruments typically include, in addition to the unobservable or Level 3 components, observable components (i.e. components that are actively quoted and can be validated by external sources). Accordingly, the appreciation (depreciation) in the tables below includes changes in fair value due in part to observable factors that are part of the valuation methodology.

FIFTH STREET FINANCE CORP.

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The following table provides a roll-forward in the changes in fair value from March 31, 2017 to June 30, 2017 for all investments and secured borrowings for which the Company determined fair value using unobservable (Level 3) factors:

	Investments					Liabilities
	Senior Secured Debt	Subordinated Debt (including debt investments in SLF JV I)	Preferred Equity	Common Equity	Total	Secured Borrowings
Fair value as of March 31, 2017	\$ 1,334,882	\$ 259,431	\$ 50,794	\$ 103,420	\$ 1,748,527	\$ 14,008
New investments & net revolver activity	87,640	2,441	—	7,856	97,937	—
Redemptions/repayments	(147,504)	(30,495)	—	(1,220)	(179,219)	(309)
Net accrual of PIK interest income	854	1,352	83	—	2,289	—
Accretion of OID	4,897	—	—	—	4,897	—
Net change in unearned income	33	19	—	—	52	—
Net unrealized appreciation (depreciation) on investments	(4,026)	1,103	(5,012)	(3,991)	(11,926)	—
Net unrealized appreciation on secured borrowings	—	—	—	—	—	(124)
Realized loss on investments	(8,958)	—	—	(3,407)	(12,365)	—
Fair value as of June 30, 2017	\$ 1,267,818	\$ 233,851	\$ 45,865	\$ 102,658	\$ 1,650,192	\$ 13,575
Net unrealized appreciation (depreciation) relating to Level 3 assets & liabilities still held as of June 30, 2017 and reported within net unrealized appreciation (depreciation) on investments and net unrealized (appreciation) depreciation on secured borrowings in the Consolidated Statement of Operations for the three months ended June 30, 2017	\$ (5,771)	\$ (473)	\$ (3,095)	\$ (4,521)	\$ (13,860)	\$ (124)

The following table provides a roll-forward in the changes in fair value from March 31, 2016 to June 30, 2016 for all investments for which the Company determined fair value using unobservable (Level 3) factors:

	Investments					Liabilities
	Senior Secured Debt	Subordinated Debt (including subordinated notes of SLF JV I)	Preferred Equity	Common Equity	Total	Secured Borrowings
Fair value as of March 31, 2016	\$ 1,800,988	\$ 292,195	\$ 36,437	\$ 125,513	\$ 2,255,133	\$ 18,521
New investments & net revolver activity	222,892	1,251	16,129	28,876	269,148	—
Redemptions/repayments	(242,531)	(2,000)	—	(1,978)	(246,509)	(344)
Net accrual of PIK interest income	1,298	778	578	—	2,654	—
Accretion of original issue discount	870	—	—	—	870	—
Net change in unearned income	96	13	—	—	109	—
Net unrealized appreciation (depreciation) on investments	33,008	(6,280)	(3,217)	(12,647)	10,864	—
Net unrealized appreciation on secured borrowings	—	—	—	—	—	374
Realized gain (loss) on investments	(44,980)	—	—	166	(44,814)	—
Fair value as of June 30, 2016	\$ 1,771,641	\$ 285,957	\$ 49,927	\$ 139,930	\$ 2,247,455	\$ 18,551
Net unrealized appreciation (depreciation) relating to Level 3 assets & liabilities still held at June 30, 2016 and reported within net unrealized appreciation (depreciation) on investments and net unrealized (appreciation) depreciation on secured borrowings in the Consolidated Statement of Operations for the three months ended June 30, 2016	\$ (12,863)	\$ (5,233)	\$ (3,217)	\$ (12,647)	\$ (33,960)	\$ 374

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The following table provides a roll-forward in the changes in fair value from September 30, 2016 to June 30, 2017 for all investments and secured borrowings for which the Company determined fair value using unobservable (Level 3) factors:

	Investments					Liabilities
	Senior Secured Debt	Subordinated Debt (including debt investments in SLF JV I)	Preferred Equity	Common Equity	Total	Secured Borrowings
Fair value as of September 30, 2016	\$ 1,689,535	\$ 285,277	\$ 47,749	\$ 106,540	\$ 2,129,101	\$ 18,400
New investments & net revolver activity	296,724	130,508	—	37,272	464,504	—
Redemptions/repayments	(637,317)	(180,538)	(652)	(6,197)	(824,704)	(5,119)
Net accrual of PIK interest income	1,026	2,470	1,470	—	4,966	—
Accretion of OID	10,167	—	—	—	10,167	—
Net change in unearned income	146	41	—	—	187	—
Net unrealized appreciation (depreciation) on investments	27,429	15,950	4,250	(30,204)	17,425	—
Net unrealized appreciation on secured borrowings	—	—	—	—	—	294
Realized loss on investments	(119,892)	(19,857)	(6,952)	(4,753)	(151,454)	—
Fair value as of June 30, 2017	\$ 1,267,818	\$ 233,851	\$ 45,865	\$ 102,658	\$ 1,650,192	\$ 13,575
Net unrealized appreciation (depreciation) relating to Level 3 assets & liabilities still held as of June 30, 2017 and reported within net unrealized appreciation (depreciation) on investments and net unrealized (appreciation) depreciation on secured borrowings in the Consolidated Statement of Operations for the nine months ended June 30, 2017	\$ (85,327)	\$ (1,296)	\$ (903)	\$ (25,842)	\$ (113,368)	\$ 294

The following table provides a roll-forward in the changes in fair value from September 30, 2015 to June 30, 2016 for all investments and secured borrowings for which the Company determined fair value using unobservable (Level 3) factors:

	Investments					Liabilities
	Senior Secured Debt	Subordinated Debt (including subordinated notes of SLF JV I)	Preferred Equity	Common Equity	Total	Secured Borrowings
Fair value as of September 30, 2015	\$ 1,893,135	\$ 359,028	\$ 30,806	\$ 119,526	\$ 2,402,495	\$ 21,182
New investments & net revolver activity	634,122	17,146	22,074	39,053	712,395	—
Redemptions/repayments	(670,496)	(56,355)	(761)	(7,281)	(734,893)	(2,498)
Net accrual of PIK interest income	4,229	2,637	1,621	—	8,487	—
Accretion of original issue discount	2,821	—	—	—	2,821	—
Net change in unearned income	378	60	—	—	438	—
Net unrealized depreciation on investments	(27,134)	(36,559)	(3,813)	(6,669)	(74,175)	—
Net unrealized depreciation on secured borrowings	—	—	—	—	—	(133)
Realized loss on investments	(65,414)	—	—	(4,699)	(70,113)	—
Fair value as of June 30, 2016	\$ 1,771,641	\$ 285,957	\$ 49,927	\$ 139,930	\$ 2,247,455	\$ 18,551
Net unrealized depreciation relating to Level 3 assets and liabilities still held at June 30, 2016 and reported within net unrealized appreciation (depreciation) on investments and net unrealized (appreciation) depreciation on secured borrowings in the Consolidated Statement of Operations for the nine months ended June 30, 2016	\$ (88,271)	\$ (35,697)	\$ (3,813)	\$ (6,189)	\$ (133,970)	\$ (133)

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Significant Unobservable Inputs for Level 3 Investments

The following tables provide quantitative information related to the significant unobservable inputs for Level 3 investments and secured borrowings, which are carried at fair value, as of June 30, 2017:

Asset	Fair Value	Valuation Technique	Unobservable Input	Range	Weighted Average (c)
Senior secured debt	\$ 820,759	Market yield approach	Capital structure premium	(a) 0.0% - 2.0%	0.8%
			Tranche specific risk premium/(discount)	(a) (3.5)% - 15.0%	2.4%
			Size premium	(a) 0.5% - 2.0%	1.0%
			Industry premium/(discount)	(a) (1.3)% - 2.9%	0.3%
	232,756	Enterprise value approach	EBITDA/Revenue multiple	(b) 0.9x - 6.2x	3.1x
	36,680	Transactions precedent approach	Transaction price	(d) N/A - N/A	N/A
	177,623	Market quotations	Broker quoted price	(e) N/A - N/A	N/A
Subordinated debt	85,089	Market yield approach	Capital structure premium	(a) 2.0% - 2.0%	2.0%
			Tranche specific risk premium	(a) 1.8% - 12.0%	4.5%
			Size premium	(a) 1.0% - 2.0%	1.2%
			Industry premium/(discount)	(a) (0.4)% - 2.9%	1.0%
	21,089	Enterprise value approach	EBITDA multiple	(b) 7.0x - 7.0x	7.0x
SLF JV I debt investments	127,672	Enterprise value approach	N/A	(f) N/A - N/A	N/A
Preferred & common equity	137,989	Enterprise value approach	EBITDA/Revenue multiple	(b) 0.9x - 16.0x	6.8x
	10,535	Transactions precedent approach	Transaction price	(d) N/A - N/A	N/A
Total	\$ 1,650,192				
Secured borrowings	\$ 13,575	Market yield approach	Tranche specific risk premium (discount)	(a) (3.5)% - 3.5%	2.9%
			Size premium	(a) 2.0% - 2.0%	2.0%
			Industry premium	(a) 0.4% - 0.4%	0.4%
Total	\$ 13,575				

(a) Used when market participant would take into account this premium or discount when pricing the investment or secured borrowings.

(b) Used when market participant would use such multiples when pricing the investment.

(c) Weighted averages are calculated based on fair value of investments or secured borrowings.

(d) Used when there is an observable transaction or pending event for the investment.

(e) The Company generally uses prices provided by an independent pricing service which are non-binding indicative prices on or near the valuation date as the primary basis for the fair value determinations for quoted senior secured debt investments. Since these prices are non-binding, they may not be indicative of fair value. Each quoted price is evaluated by the Audit Committee of the Company's Board of Directors in conjunction with additional information compiled by the Company, including financial performance, recent business developments and various other factors.

(f) The Company determined the value based on the total assets less the liabilities senior to the mezzanine notes held at SLF JV 1.

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The following tables provide quantitative information related to the significant unobservable inputs for Level 3 investments and secured borrowings, which are carried at fair value, as of September 30, 2016:

Asset	Fair Value	Valuation Technique	Unobservable Input	Range				Weighted Average (c)
Senior secured debt	\$ 1,096,434	Market yield approach	Capital structure premium	(a)	0.0%	-	2.0%	0.8%
			Tranche specific risk premium/(discount)	(a)	(4.5)%	-	8.0%	1.2%
			Size premium	(a)	0.5%	-	2.0%	1.1%
			Industry premium/(discount)	(a)	(1.9)%	-	5.4%	(0.1)%
	107,745	Enterprise value approach	Weighted average cost of capital		16.0%	-	35.0%	20.5%
			Company specific risk premium	(a)	1.0%	-	20.0%	2.5%
			Revenue growth rate		(19.6)%	-	32.0%	(10.2)%
			EBITDA/Revenue multiple		0.7x	-	6.7x	5.6x
206,141	Transactions precedent approach	Transaction price	(d)	N/A	-	N/A	N/A	
279,215	Market quotations	Broker quoted price	(e)	N/A	-	N/A	N/A	
Subordinated debt	142,691	Market yield approach	Capital structure premium	(a)	2.0%	-	2.0%	2.0%
			Tranche specific risk premium/(discount)	(a)	1.0%	-	4.0%	2.8%
			Size premium	(a)	0.5%	-	2.0%	1.0%
			Industry premium/(discount)	(a)	(1.3)%	-	1.1%	0.1%
	13,582	Enterprise value approach	Weighted average cost of capital		19.0%	-	23.0%	20.0%
			Company specific risk premium	(a)	2.0%	-	15.0%	5.2%
			Revenue growth rate		(2.9)%	-	(2.9)%	(2.9)%
			Revenue multiple	(b)	1.4x	-	1.4x	1.4x
SLF JV I debt investments	129,004	Market yield approach	Capital structure premium	(a)	2.0%	-	2.0%	2.0%
			Tranche specific risk discount	(a)	(1.2)%	-	(1.2)%	(1.2)%
			Size premium	(a)	2.0%	-	2.0%	2.0%
			Industry premium	(a)	1.9%	-	1.9%	1.9%
Preferred & common equity	154,289	Enterprise value approach	Weighted average cost of capital		9.0%	-	35.0%	15.6%
			Company specific risk premium	(a)	1.0%	-	20.0%	2.2%
			Revenue growth rate		0.9%	-	156.0%	32.5%
			EBITDA/Revenue multiple	(b)	0.7x	-	18.0x	7.7x
Total	\$ 2,129,101							
Secured borrowings	\$ 18,400	Market yield approach	Capital structure premium	(a)	0.0%	-	1.0%	0.8%
			Tranche specific risk discount	(a)	(4.5)%	-	(0.5)%	(1.2)%
			Size premium	(a)	2.0%	-	2.0%	2.0%
			Industry premium	(a)	1.0%	-	1.0%	1.0%
Total	\$ 18,400							

(a) Used when market participant would take into account this premium or discount when pricing the investment or secured borrowings.

(b) Used when market participant would use such multiples when pricing the investment.

(c) Weighted averages are calculated based on fair value of investments or secured borrowings.

(d) Used when there is an observable transaction or pending event for the investment.

(e) The Company generally uses prices provided by an independent pricing service which are non-binding indicative prices on or near the valuation date as the primary basis for the fair value determinations for quoted senior secured debt investments. Since these prices are non-binding, they may not be indicative of fair value. Each quoted price is evaluated by the Audit Committee of the Company's Board of Directors in conjunction with additional information compiled by the Company, including financial performance, recent business developments and various other factors.

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Under the market yield approach, the significant unobservable inputs used in the fair value measurement of the Company's investments in debt securities and secured borrowings are capital structure premium, tranche specific risk premium (discount), size premium and industry premium (discount). Increases or decreases in any of those inputs in isolation may result in a lower or higher fair value measurement, respectively.

Under the enterprise value approach, the significant unobservable input used in the fair value measurement of the Company's investments in debt or equity securities is the EBITDA/Revenue multiple. Increases or decreases in the valuation multiples in isolation may result in a higher or lower fair value measurement, respectively.

Financial Instruments Disclosed, But Not Carried, At Fair Value

The following table presents the carrying value and fair value of the Company's financial liabilities disclosed, but not carried, at fair value as of June 30, 2017 and the level of each financial liability within the fair value hierarchy:

	Carrying Value	Fair Value	Level 1	Level 2	Level 3
Credit facilities payable	\$ 345,495	\$ 345,495	\$ —	\$ —	\$ 345,495
SBA debentures payable	145,920	135,701	—	—	135,701
Unsecured notes payable	405,744	415,553	—	163,178	252,375
Total	\$ 897,159	\$ 896,749	\$ —	\$ 163,178	\$ 733,571

The following table presents the carrying value and fair value of the Company's financial liabilities disclosed, but not carried, at fair value as of September 30, 2016 and the level of each financial liability within the fair value hierarchy:

	Carrying Value	Fair Value	Level 1	Level 2	Level 3
Credit facilities payable	\$ 516,295	\$ 516,295	\$ —	\$ —	\$ 516,295
SBA debentures payable	210,011	198,536	—	—	198,536
Unsecured notes payable	404,630	422,307	—	165,444	256,863
Total	\$ 1,130,936	\$ 1,137,138	\$ —	\$ 165,444	\$ 971,694

The carrying values of credit facilities payable approximates their fair values and are included in Level 3 of the hierarchy.

The Company utilizes the market yield approach to estimate the fair values of its SBA debentures payable, which are included in Level 3 of the hierarchy. Under the market yield approach, the Company uses market yield models to determine the present value of the future cash flows streams for the debentures. The Company reviews various sources of data involving investments with similar characteristics and assesses the information in the valuation process.

The Company uses the non-binding indicative quoted price as of the valuation date to estimate the fair value of its 4.875% unsecured notes due 2019, which are included in Level 3 of the hierarchy.

The Company uses the unadjusted quoted price as of the valuation date to calculate the fair value of its 5.875% unsecured notes due 2024 and its 6.125% unsecured notes due 2028, which trade under the symbol "FSCE" on the New York Stock Exchange and the symbol "FSCFL" on the NASDAQ Global Select Market, respectively. As such, these securities are included in Level 2 of the hierarchy.

FIFTH STREET FINANCE CORP.

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Portfolio Composition

Summaries of the composition of the Company's investment portfolio at cost and fair value as a percentage of total investments are shown in the following tables:

	June 30, 2017		September 30, 2016			
Cost:						
Senior secured debt	\$	1,399,957	74.06%	\$	1,789,532	78.36%
Subordinated debt		162,310	8.59		171,049	7.49
Debt investments in SLF JV I		127,672	6.76		144,841	6.34
LLC equity interests of SLF JV I		16,172	0.86		16,093	0.70
Purchased equity		108,603	5.75		82,516	3.61
Equity grants		48,805	2.58		54,702	2.40
Limited partnership interests		26,489	1.40		25,125	1.10
Total	\$	1,890,008	100.00%	\$	2,283,858	100.00%
Fair Value:						
Senior secured debt	\$	1,326,801	74.10%	\$	1,689,535	78.02%
Subordinated debt		146,891	8.20		156,273	7.22
Debt investments in SLF JV I		127,672	7.13		129,004	5.96
LLC equity interests of SLF JV I		13,235	0.74		13,709	0.63
Purchased equity		127,218	7.11		114,047	5.27
Equity grants		21,305	1.19		40,241	1.86
Limited partnership interests		27,416	1.53		22,682	1.04
Total	\$	1,790,538	100.00%	\$	2,165,491	100.00%

The Company primarily invests in portfolio companies located in North America. The geographic composition is determined by the location of the corporate headquarters of the portfolio company, which may not be indicative of the primary source of the portfolio company's business. The following tables show the portfolio composition by geographic region at cost and fair value as a percentage of total investments:

	June 30, 2017		September 30, 2016			
Cost:						
Northeast U.S.	\$	676,167	35.77%	\$	660,616	28.92%
West U.S.		344,159	18.21		470,700	20.61
Southwest U.S.		290,613	15.38		416,060	18.22
Southeast U.S.		262,077	13.87		308,770	13.52
Midwest U.S.		244,045	12.91		320,368	14.03
International		61,536	3.26		107,344	4.70
Northwest U.S.		11,411	0.60		—	—
Total	\$	1,890,008	100.00%	\$	2,283,858	100.00%
Fair Value:						
Northeast U.S.	\$	641,784	35.85%	\$	607,240	28.03%
West U.S.		332,171	18.55		452,078	20.88
Southwest U.S.		230,504	12.87		406,307	18.76
Southeast U.S.		270,948	15.13		323,481	14.94
Midwest U.S.		237,807	13.28		263,434	12.17
International		65,580	3.66		112,951	5.22
Northwest U.S.		11,744	0.66		—	—
Total	\$	1,790,538	100.00%	\$	2,165,491	100.00%

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The composition of the Company's portfolio by industry at cost and fair value as a percentage of total investments as of June 30, 2017 and September 30, 2016 was as follows:

	June 30, 2017		September 30, 2016		
Cost:					
Internet software & services	\$	272,285	14.43%	\$ 361,396	15.79%
Healthcare services		229,147	12.12	379,250	16.61
Multi-sector holdings		170,429	9.02	178,113	7.80
Healthcare equipment		99,615	5.27	119,705	5.24
Advertising		84,722	4.48	170,517	7.47
Data processing & outsourced services		77,907	4.12	83,988	3.68
Pharmaceuticals		75,759	4.01	59,521	2.61
Construction & engineering		66,028	3.49	66,337	2.90
Research & consulting services		63,098	3.34	63,137	2.76
Diversified support services		60,730	3.21	85,144	3.73
Specialty stores		58,838	3.11	46,618	2.04
Environmental & facilities services		55,579	2.94	99,054	4.34
Industrial machinery		55,468	2.93	46,517	2.04
Education services		52,625	2.78	23,568	1.03
Application software		51,472	2.72	48,581	2.13
Airlines		49,843	2.64	71,067	3.11
IT consulting & other services		36,568	1.93	51,868	2.27
Leisure facilities		34,121	1.81	33,981	1.49
Integrated telecommunication services		32,519	1.72	56,343	2.47
Air freight and logistics		32,355	1.71	31,657	1.39
Consumer electronics		30,246	1.60	24,870	1.09
Security & alarm services		28,716	1.52	13,520	0.59
Casinos & gaming		24,211	1.28	—	—
Home improvement retail		23,286	1.23	24,352	1.07
Auto parts & equipment		22,824	1.21	16,643	0.73
Other diversified financial services		12,572	0.67	14,794	0.65
Hypermarkets & super centers		12,010	0.64	—	—
Food distributors		11,916	0.63	11,903	0.52
Oil & gas equipment services		7,621	0.40	45,646	2.00
Thrift & mortgage finance		7,574	0.40	7,946	0.35
Computer & electronics retail		6,437	0.34	—	—
Multi-utilities		6,298	0.33	—	—
Commercial printing		6,010	0.32	6,090	0.27
Precious metals & minerals		5,451	0.29	—	—
Tobacco		5,276	0.28	—	—
Apparel, accessories & luxury goods		5,165	0.27	15,694	0.69
Restaurants		4,920	0.26	4,951	0.22
Food retail		4,174	0.22	4,169	0.18
Specialized finance		3,221	0.17	—	—
Oil & gas exploration & production		2,972	0.16	—	—
Specialized consumer services		—	—	9,014	0.39
Healthcare technology		—	—	7,904	0.35
Total	\$	1,890,008	100.00%	\$ 2,283,858	100.00%

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	June 30, 2017		September 30, 2016		
Fair Value:					
Internet software & services	\$	269,724	15.05%	\$ 326,665	15.06%
Healthcare services		187,753	10.49	360,937	16.67
Multi-sector holdings		169,282	9.45	159,549	7.37
Advertising		86,429	4.83	149,337	6.90
Healthcare equipment		80,631	4.50	120,827	5.58
Pharmaceuticals		77,263	4.32	60,517	2.79
Data processing & outsourced services		74,987	4.19	80,435	3.71
Construction & engineering		66,154	3.69	62,740	2.90
Research & consulting services		64,454	3.60	63,404	2.93
Industrial machinery		60,186	3.36	51,581	2.38
Specialty stores		57,830	3.23	45,233	2.09
Environmental & facilities services		56,921	3.18	100,852	4.66
Airlines		53,770	3.00	77,046	3.56
Application software		53,003	2.96	50,799	2.35
Education services		42,941	2.40	19,745	0.91
IT consulting & other services		37,527	2.10	51,460	2.38
Leisure facilities		35,480	1.98	34,486	1.59
Integrated telecommunication services		32,242	1.80	53,092	2.45
Auto parts & equipment		31,078	1.74	18,688	0.86
Consumer electronics		30,823	1.72	25,180	1.16
Security & alarm services		26,415	1.48	13,776	0.64
Diversified support services		25,392	1.42	75,720	3.50
Home improvement retail		25,231	1.41	26,141	1.21
Casinos & gaming		24,202	1.35	—	—
Leisure products		17,518	0.98	34,981	1.62
Other diversified financial services		12,083	0.67	14,777	0.68
Hypermarkets & super centers		11,660	0.65	—	0.00
Food distributors		11,640	0.65	11,400	0.53
Oil & gas equipment services		7,621	0.43	16,783	0.78
Thrift & mortgage finance		6,691	0.37	5,846	0.27
Computer & electronics retail		6,574	0.37	—	—
Multi-utilities		6,285	0.35	—	—
Commercial printing		6,133	0.34	6,127	0.28
Air freight and logistics		5,530	0.31	7,046	0.33
Precious metals & minerals		5,350	0.30	—	—
Tobacco		5,200	0.29	—	—
Restaurants		4,970	0.28	4,985	0.23
Food retail		4,251	0.24	4,214	0.19
Specialized finance		3,249	0.18	—	—
Apparel, accessories & luxury goods		3,230	0.18	14,620	0.68
Oil & gas exploration & production		2,835	0.16	—	—
Specialized consumer services		—	—	9,082	0.42
Healthcare technology		—	—	7,420	0.34
Total	\$	1,790,538	100.00%	\$ 2,165,491	100.00%

The Company's investments are generally in small and mid-sized companies in a variety of industries. As of June 30, 2017 and September 30, 2016, the Company had no single investment that represented greater than 10% of the total investment portfolio at fair

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value. Income, consisting of interest, dividends, fees, other investment income and realization of gains or losses, can fluctuate upon repayment or sale of an investment and in any given year can be highly concentrated among several investments. During the three and nine months ended June 30, 2017 and June 30, 2016, no individual investment produced investment income that exceeded 10% of total investment income.

Senior Loan Fund JV I LLC

In May 2014, the Company entered into an LLC agreement with Trinity Universal Insurance Company, a subsidiary of Kemper Corporation ("Kemper"), to form SLF JV I. On July 1, 2014, SLF JV I began investing in senior secured loans of middle market companies and other corporate debt securities. The Company co-invests in these securities with Kemper through its investment in SLF JV I. SLF JV I is managed by a four person Board of Directors, two of whom are selected by the Company and two of whom are selected by Kemper. As of June 30, 2017, SLF JV I is capitalized pro rata with LLC equity interests as transactions are completed and may be capitalized with additional mezzanine notes which mature on October 12, 2036. All portfolio decisions and investment decisions in respect of SLF JV I must be approved by the SLF JV I investment committee, which consists of one representative of the Company and one representative of Kemper (with approval from a representative of each required). As of June 30, 2017 and September 30, 2016, the Company and Kemper owned, in the aggregate, 87.5% and 12.5%, respectively, of the LLC equity interests. As of June 30, 2017 and September 30, 2016, the Company owned 87.5% of the outstanding mezzanine notes and subordinated notes, respectively, and Kemper owned 12.5% of the outstanding mezzanine notes and subordinated notes, respectively.

The Company has determined that SLF JV I is an investment company under ASC 946, however, in accordance with such guidance, the Company will generally not consolidate its investment in a company other than a wholly-owned investment company subsidiary or a controlled operating company whose business consists of providing services to the Company. Accordingly, the Company does not consolidate its noncontrolling interest in SLF JV I.

As of June 30, 2017 and September 30, 2016, SLF JV I had total assets of \$322.0 million. As of June 30, 2017, the Company's investment in SLF JV I consisted of LLC equity interests of \$13.2 million, at fair value, and Class A mezzanine secured deferrable floating rate notes and Class B mezzanine secured deferrable fixed rate notes of \$101.0 million and \$26.6 million, at fair value, respectively. As of September 30, 2016, the Company's investment in SLF JV I consisted of LLC equity interests of \$13.7 million and subordinated notes of \$129.0 million, at fair value. In connection with the restructuring in December 2016 of the Company's and Kemper's investment in SLF JV I, the Company and Kemper exchanged their holdings of subordinated notes of SLF JV I for the mezzanine notes issued by SLF Repack Issuer 2016 LLC, a newly formed, wholly owned special purpose issuer subsidiary of SLF JV I, which are secured by SLF JV I's LLC equity interests in the special purpose entities serving as borrowers under the Deutsche Bank I facility and Deutsche Bank II facility described below. The mezzanine notes are senior in right of payment to the SLF JV I LLC equity interests and any contributions made by the Company to fund investments of SLF JV I through SLF Repack Issuer 2016 LLC. SLF JV I's portfolio consisted of middle market and other corporate debt securities of 37 and 37 "eligible portfolio companies" (as defined in Section 2(a)(46) of the 1940 Act) as of June 30, 2017 and September 30, 2016, respectively. The portfolio companies in SLF JV I are in industries similar to those in which the Company may invest directly.

As of June 30, 2017 and September 30, 2016, the Company and Kemper had funded approximately \$184.8 million and \$183.9 million, respectively, to SLF JV I, of which \$161.7 million and \$160.9 million, respectively, was from the Company. As of September 30, 2016, the Company had commitments to fund subordinated notes to SLF JV I of \$157.5 million, of which \$12.0 million was unfunded. As of June 30, 2017, the Company and Kemper had the option to fund additional mezzanine notes, subject to additional equity funding to SLF JV I. As of June 30, 2017 and September 30, 2016, the Company had commitments to fund LLC equity interests in SLF JV I of \$17.5 million, of which \$1.3 million and \$1.4 million was unfunded, respectively.

SLF JV I has a senior revolving credit facility with Deutsche Bank AG, New York Branch ("Deutsche Bank I facility") with a stated maturity date of July 1, 2019, which permitted up to \$200.0 million of borrowings as of June 30, 2017 and September 30, 2016. Borrowings under the Deutsche Bank I facility bear interest at a rate equal to the 3-month LIBOR plus 2.50% per annum with no LIBOR floor. Under the Deutsche Bank I facility, \$100.0 million was outstanding as of June 30, 2017 and September 30, 2016.

SLF JV I also has an additional \$200.0 million credit facility with Deutsche Bank AG, New York Branch (the "Deutsche Bank II facility"). Prior to June 29, 2017, this credit facility was with Credit Suisse AG, Cayman Islands Branch. On June 29, 2017, this credit facility was assigned to Deutsche Bank AG, New York Branch. Accordingly, SLF JV I's total debt capacity was \$400.0 million as of June 30, 2017. The Deutsche Bank II facility has a maturity date of July 7, 2023 and borrowings under the facility bear interest at a rate equal to LIBOR plus 2.50% per annum with no LIBOR floor. As of June 30, 2017 and September 30, 2016, there were \$48.6 million and \$67.0 million of borrowings outstanding under the Deutsche Bank II facility, respectively.

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As of June 30, 2017, borrowings under the Deutsche Bank I facility and the Deutsche Bank II facility were secured by all of the assets of the respective special purpose financing vehicles of SLF JV I.

Below is a summary of SLF JV I's portfolio, followed by a listing of the individual loans in SLF JV I's portfolio as of June 30, 2017 and September 30, 2016:

	June 30, 2017	September 30, 2016
Senior secured loans (1)	\$279,232	\$324,406
Weighted average interest rate on senior secured loans (2)	7.65%	7.84%
Number of borrowers in SLF JV I	37	37
Largest exposure to a single borrower (1)	\$18,497	\$19,775
Total of five largest loan exposures to borrowers (1)	\$83,288	\$93,926

(1) At principal amount.

(2) Computed using the annual interest rate on accruing senior secured loans.

SLF JV I Portfolio as of June 30, 2017

Portfolio Company	Industry	Investment Type	Maturity Date	Current Interest Rate(1)(4)	Principal	Cost	Fair Value (2)
AdVenture Interactive, Corp. (3)	Advertising	9,073 Common Stock Shares				\$ 1,088	\$ 1,391
Allied Universal Holdco LLC (3)	Security & alarm services	First Lien	7/28/2022	LIBOR+3.75% (1% floor)	\$ 7,000	7,060	7,031
Ameritox Ltd. (3)	Healthcare services	First Lien	4/11/2021	LIBOR+5% (1% floor) 3% PIK	6,024	6,024	6,024
		301,913.06 Class B Preferred Units				302	—
		928.96 Class A Common Units				5,474	—
Total Ameritox, Ltd.					6,024	11,800	6,024
BeyondTrust Software, Inc. (3)	Application software	First Lien	9/25/2019	LIBOR+7% (1% floor)	15,356	15,244	15,317
BJ's Wholesale Club, Inc. (3)	Hypermarkets & super centers	First Lien	1/26/2024	LIBOR+3.75% (1% floor)	5,000	5,006	4,858
Compuware Corporation	Internet software & services	First Lien B3	12/15/2021	LIBOR+4.25% (1% floor)	11,182	11,062	11,280
DFT Intermediate LLC (3)	Specialized finance	First Lien	3/1/2024	LIBOR+5.5% (1% floor)	10,723	10,465	10,556
Digital River, Inc.	Internet software & services	First Lien	2/12/2021	LIBOR+6.5% (1% floor)	4,524	4,542	4,547
Dodge Data & Analytics LLC (3)	Data processing & outsourced services	First Lien	10/31/2019	LIBOR+8.75% (1% floor)	9,339	9,376	9,426
DTZ U.S. Borrower, LLC (3)	Real estate services	First Lien	11/4/2021	LIBOR+3.25% (1% floor)	6,982	7,017	6,982
Edge Fitness, LLC	Leisure facilities	First Lien	12/31/2019	LIBOR+8.75% (1% floor)	10,600	10,602	10,571
EOS Fitness Opco Holdings, LLC (3)	Leisure facilities	First Lien	12/30/2019	LIBOR+8.75% (0.75% floor)	18,497	18,282	18,646
Everi Payments Inc.(3)	Casinos & gaming	First Lien	5/1/2024	LIBOR+4.5% (1% floor)	5,000	4,976	5,041
Falmouth Group Holdings Corp.	Specialty chemicals	First Lien	12/13/2021	LIBOR+6.75% (1% floor)	4,925	4,889	4,886
Keypath Education, Inc. (3)	Advertising	First Lien	3/22/2018	LIBOR+7.75% (1% floor)	2,040	2,040	2,040
		9,073 Class A Units in FS AVI Holdco, LLC			—	1,390	1,088
					2,040	3,430	3,128
Garretson Resolution Group, Inc.	Diversified support services	First Lien	5/22/2021	LIBOR+6.5% (1% floor)	5,875	5,855	5,831
InMotion Entertainment Group, LLC (3)	Consumer electronics	First Lien	10/1/2018	LIBOR+7.75% (1.25% floor)	9,000	9,011	8,947

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Portfolio Company	Industry	Investment Type	Maturity Date	Current Interest Rate (1)(4)	Principal	Cost	Fair Value (2)
Total InMotion Entertainment Group, LLC		First Lien B	10/1/2018	LIBOR+7.75% (1.25% floor)	9,000	8,940	8,947
					18,000	17,951	17,894
Lift Brands, Inc. (3)	Leisure facilities	First Lien	12/23/2019	LIBOR+7.5% (1% floor)	18,404	18,383	18,348
Lytix, Inc (3)	Research & consulting services	First Lien	3/15/2023	LIBOR+8.5% (1% floor)	7,921	7,921	8,157
Metamorph US 3, LLC (3)	Internet software & services	First Lien	12/1/2020	LIBOR+5.5% (1% floor)	9,996	9,730	5,732
Motion Recruitment Partners LLC	Human resources & employment services	First Lien	2/13/2020	LIBOR+6% (1% floor)	4,361	4,307	4,340
My Alarm Center, LLC	Security & alarm services	First Lien A	1/9/2019	LIBOR+8% (1% floor)	3,000	2,996	3,060
		First Lien B	1/9/2019	LIBOR+8% (1% floor)	4,703	4,694	4,797
		First Lien C	1/9/2019	LIBOR+8% (1% floor)	1,297	1,291	1,323
Total My Alarm Center, LLC					9,000	8,981	9,180
NAVEX Global, Inc.	Internet software & services	First Lien	11/19/2021	LIBOR+4.75% (1% floor)	4,975	4,940	4,993
New IPT, Inc. (3)	Oil & gas equipment & services	First Lien	3/17/2021	LIBOR+5% (1% floor)	1,794	1,794	1,794
		Second Lien	9/17/2021	LIBOR+5.1% (1% floor)	1,094	1,094	1,094
		21.876 Class A Common Units			—	—	—
Total New IPT, Inc.					2,888	2,888	2,888
Novetta Solutions, LLC	Internet software & services	First Lien	9/30/2022	LIBOR+5% (1% floor)	6,134	6,076	5,939
OmniSYS Acquisition Corporation (3)	Diversified support services	First Lien	11/21/2018	LIBOR+7.5% (1% floor)	10,896	10,901	10,816
Refac Optical Group (3)	Specialty stores	First Lien A	9/30/2018	LIBOR+8%	5,136	5,110	5,133
Salient CRGT, Inc. (3)	IT consulting & other services	First Lien	2/28/2022	LIBOR+5.75% (1% floor)	2,484	2,436	2,478
Scientific Games International, Inc. (3)	Casinos & gaming	First Lien	10/1/2021	LIBOR+4% (1% floor)	6,982	7,102	7,060
SHO Holding I Corporation	Footwear	First Lien	10/27/2022	LIBOR+5% (1% floor)	8,616	8,586	8,638
TIBCO Software, Inc.	Internet software & services	First Lien	12/4/2020	LIBOR+4.5% (1% floor)	6,959	6,813	7,006
TravelClick, Inc. (3)	Internet software & services	Second Lien	11/8/2021	LIBOR+7.75% (1% floor)	5,127	5,127	5,153
TV Borrower US, LLC	Integrated telecommunications services	First Lien	2/22/2024	LIBOR+4.75% (1% floor)	3,591	3,574	3,616
Valet Merger Sub, Inc. (3)	Environmental & facilities services	First Lien	9/24/2021	LIBOR+7% (1% floor)	13,031	12,887	13,147
Vubiquity, Inc.	Application software	First Lien	8/12/2021	LIBOR+5.5% (1% floor)	2,660	2,641	2,620
Worley Claims Services, LLC (3)	Internet software & services	First Lien	10/31/2020	LIBOR+8% (1% floor)	9,004	8,973	8,914
					\$ 279,232	\$ 286,021	\$ 277,567

(1) Represents the interest rate as of June 30, 2017. All interest rates are payable in cash, unless otherwise noted.

(2) Represents the current determination of fair value as of June 30, 2017 utilizing a similar approach as the Company in accordance with ASC 820. However, the determination of such fair value is not included in the Company's Board of Directors' valuation process described elsewhere herein.

(3) This investment is held by both the Company and SLF JV I as of June 30, 2017.

(4) The interest rate on the principal balance outstanding for all floating rate loans is indexed to LIBOR and/or an alternate base rate (e.g., prime rate), which typically resets semi-annually, quarterly, or monthly at the borrower's option. The borrower may also elect to have multiple interest reset periods for each loan. For each of these loans, the Company has provided the applicable margin over LIBOR or the alternate base rate based on each respective credit agreement.

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SLF JV I Portfolio as of September 30, 2016

Portfolio Company	Industry	Investment Type	Maturity Date	Current Interest Rate (1)(4)	Principal	Cost	Fair Value (2)
AccentCare, Inc.	Healthcare services	First Lien	9/3/2021	LIBOR+5.75% (1% floor)	\$ 4,906	\$ 4,837	\$ 4,830
AdVenture Interactive, Corp. (3) (5)	Advertising	First Lien	3/22/2018	LIBOR+7.75% (1% floor)	9,178	9,150	7,066
AF Borrower, LLC	IT consulting & other services	First Lien	1/28/2022	LIBOR+5.25% (1% floor)	8,083	8,105	8,121
Ameritox Ltd. (3) (5)	Healthcare services	First Lien	4/11/2021	LIBOR+5% (1% floor) 3% PIK	5,890	5,884	5,848
		301,913.06 Class B Preferred Units				302	331
		928.96 Class A Common Units				5,474	2,471
Total Ameritox, Ltd.					5,890	11,660	8,650
BeyondTrust Software, Inc. (3)	Application software	First Lien	9/25/2019	LIBOR+7% (1% floor)	17,198	17,038	17,059
Compuware Corporation	Internet software & services	First Lien B1	12/15/2019	LIBOR+5.25% (1% floor)	3,194	3,164	3,206
		First Lien B2	12/15/2021	LIBOR+5.25% (1% floor)	9,825	9,689	9,806
Total Compuware Corporation					13,019	12,853	13,012
CRGT, Inc.	IT consulting & other services	First Lien	12/21/2020	LIBOR+6.5% (1% floor)	2,294	2,289	2,300
Digital River, Inc.	Internet software & services	First Lien	2/12/2021	LIBOR+6.5% (1% floor)	4,524	4,563	4,515
Dodge Data & Analytics LLC (3)	Data processing & outsourced services	First Lien	10/31/2019	LIBOR+8.75% (1% floor)	9,688	9,740	9,810
Edge Fitness, LLC	Leisure facilities	First Lien	12/31/2019	LIBOR+8.75% (1% floor)	10,600	10,602	10,565
EOS Fitness Opco Holdings, LLC (3)	Leisure facilities	First Lien	12/30/2019	LIBOR+8.75% (0.75% floor)	19,160	18,869	18,672
Falmouth Group Holdings Corp.	Specialty chemicals	First Lien	12/13/2021	LIBOR+6.75% (1% floor)	4,963	4,920	4,968
Garretson Resolution Group, Inc.	Diversified support services	First Lien	5/22/2021	LIBOR+6.5% (1% floor)	5,991	5,966	5,946
InMotion Entertainment Group, LLC (3)	Consumer electronics	First Lien	10/1/2018	LIBOR+7.75% (1.25% floor)	9,375	9,394	9,252
		First Lien B	10/1/2018	LIBOR+7.75% (1.25% floor)	9,375	9,270	9,252
Total InMotion Entertainment Group, LLC					18,750	18,664	18,504
Integrated Petroleum Technologies, Inc. (3)	Oil & gas equipment services	First Lien	3/31/2019	LIBOR+7.5% (1% floor)	8,267	8,267	2,839
Legalzoom.com, Inc. (3)	Specialized consumer services	First Lien	5/13/2020	LIBOR+7% (1% floor)	19,775	19,410	19,660
Lift Brands, Inc. (3)	Leisure facilities	First Lien	12/23/2019	LIBOR+7.5% (1% floor)	19,043	19,015	18,858
Lytix, Inc (3)	Research & consulting services	First Lien	3/15/2023	LIBOR+8.5% (1% floor)	7,981	7,981	7,981
MedTech Group, Inc.	Healthcare equipment	First Lien	1/1/2019	LIBOR+5.25% (1% floor)	11,910	11,910	11,696
Metamorph US 3, LLC (3)	Internet software & services	First Lien	12/1/2020	LIBOR+6.5% (1% floor)	10,078	9,945	8,390
Motion Recruitment Partners LLC	Human resources & employment services	First Lien	2/13/2020	LIBOR+6% (1% floor)	4,563	4,487	4,550
My Alarm Center, LLC	Security & alarm services	First Lien A	1/9/2019	LIBOR+8% (1% floor)	3,000	2,993	3,005
		First Lien B	1/9/2019	LIBOR+8% (1% floor)	4,506	4,493	4,514
		First Lien C	1/9/2019	LIBOR+8% (1% floor)	1,136	1,128	1,133
Total My Alarm Center, LLC					8,642	8,614	8,652
NAVEX Global, Inc.	Internet software & services	First Lien	11/19/2021	LIBOR+4.75% (1% floor)	995	943	990
Novetta Solutions, LLC	Internet software & services	First Lien	9/30/2022	LIBOR+5% (1% floor)	6,614	6,528	6,357

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Portfolio Company	Industry	Investment Type	Maturity Date	Current Interest Rate (1)(4)	Principal	Cost	Fair Value (2)
OmniSYS Acquisition Corporation (3)	Diversified support services	First Lien	11/21/2018	LIBOR+7.5% (1% floor)	10,896	10,903	10,743
Refac Optical Group (3)	Specialty stores	First Lien A	9/30/2018	LIBOR+7.5%	7,116	7,049	7,107
SHO Holding I Corporation	Footwear	First Lien	10/27/2022	LIBOR+5% (1% floor)	4,466	4,426	4,461
TIBCO Software, Inc.	Internet software & services	First Lien	12/4/2020	LIBOR+5.5% (1% floor)	4,748	4,548	4,691
Too Faced Cosmetics, LLC	Personal products	First Lien	7/7/2021	LIBOR+5% (1% floor)	1,135	1,028	1,140
TravelClick, Inc. (3)	Internet software & services	Second Lien	11/8/2021	LIBOR+7.75% (1% floor)	8,460	8,460	7,576
TrialCard Incorporated	Healthcare services	First Lien	12/31/2019	LIBOR+4.5% (1% floor)	13,319	13,222	13,255
TV Borrower US, LLC	Integrated telecommunications services	First Lien	1/8/2021	LIBOR+5% (1% floor)	9,800	9,633	9,763
Valet Merger Sub, Inc. (3)	Environmental & facilities services	First Lien	9/24/2021	LIBOR+7% (1% floor)	14,887	14,692	15,138
Vitera Healthcare Solutions, LLC	Healthcare technology	First Lien	11/4/2020	LIBOR+5% (1% floor)	4,863	4,863	4,747
Vubiquity, Inc.	Application software	First Lien	8/12/2021	LIBOR+5.5% (1% floor)	2,680	2,658	2,666
Worley Claims Services, LLC (3)	Internet software & services	First Lien	10/31/2020	LIBOR+8% (1% floor)	9,924	9,882	9,875
					<u>\$ 324,406</u>	<u>\$ 327,720</u>	<u>\$ 315,153</u>

(1) Represents the interest rate as of September 30, 2016. All interest rates are payable in cash, unless otherwise noted.

(2) Represents the current determination of fair value as of September 30, 2016 utilizing a similar approach as the Company in accordance with ASC 820. However, the determination of such fair value is not included in the Company's Board of Directors' valuation process described elsewhere herein.

(3) This investment is held by both the Company and SLF JV I as of September 30, 2016.

(4) The interest rate on the principal balance outstanding for all floating rate loans is indexed to LIBOR and/or an alternate base rate (e.g., prime rate), which typically resets semi-annually, quarterly, or monthly at the borrower's option. The borrower may also elect to have multiple interest reset periods for each loan. For each of these loans, the Company has provided the applicable margin over LIBOR or the alternate base rate based on each respective credit agreement.

(5) This investment was on cash non-accrual status as of September 30, 2016.

The cost and fair value of the subordinated notes of SLF JV I held by the Company was \$144.8 million and \$129.0 million as of September 30, 2016, respectively. Prior to their repayment, the subordinated notes bore interest at a rate of LIBOR plus 8.0% per annum and the Company earned interest income of \$3.1 million and \$8.8 million on its investments in these notes for the three and nine months ended June 30, 2016, respectively. The cost and fair value of the Class A mezzanine secured deferrable floating rate notes of SLF JV I held by the Company was \$101.0 million as of June 30, 2017. The Company earned interest of \$1.7 million and \$3.5 million on its investments in these notes for the three and nine months ended June 30, 2017, respectively. The cost and fair value of the Class B mezzanine secured deferrable fixed rate notes of SLF JV I held by the Company was \$26.6 million as of June 30, 2017, respectively. The Company earned PIK interest of \$1.0 million and \$2.0 million on its investments in these notes for the three and nine months ended June 30, 2017, respectively. The cost and fair value of the LLC equity interests in SLF JV I held by the Company was \$16.2 million and \$13.2 million, respectively, as of June 30, 2017, and \$16.1 million and \$13.7 million, respectively, as of September 30, 2016. The Company earned dividend income of \$0.4 million and \$1.1 million for the three and nine months ended June 30, 2017, respectively, with respect to its LLC equity interests. The Company earned dividend income of \$1.6 million and \$4.4 million for the three and nine months ended June 30, 2016, respectively, with respect to its LLC equity interests. The LLC equity interests are dividend producing to the extent SLF JV I has residual cash to be distributed on a quarterly basis.

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Below is certain summarized financial information for SLF JV I as of June 30, 2017 and September 30, 2016 and for the three and nine months ended June 30, 2017 and June 30, 2016:

	June 30, 2017	September 30, 2016
Selected Balance Sheet Information:		
Investments in loans at fair value (cost June 30, 2017: \$286,021; cost September 30, 2016: \$327,720)	\$ 277,567	\$ 315,153
Receivables from secured financing arrangements at fair value (cost June 30, 2017: \$9,766; cost September 30, 2016: \$10,014)	9,594	9,672
Cash and cash equivalents	26,687	1,878
Restricted cash	3,959	7,080
Other assets	4,195	4,700
Total assets	\$ 322,002	\$ 338,483
Senior credit facilities payable	\$ 148,553	\$ 167,012
Debt securities payable at fair value (proceeds June 30, 2017: \$145,910; proceeds September 30, 2016: \$165,533)	145,910	147,433
Other liabilities	12,413	8,371
Total liabilities	\$ 306,876	\$ 322,816
Members' equity	15,126	15,667
Total liabilities and members' equity	\$ 322,002	\$ 338,483

	Three months ended June 30, 2017	Three months ended June 30, 2016	Nine months ended June 30, 2017	Nine months ended June 30, 2016
Selected Statements of Operations Information:				
Interest income	\$ 5,489	\$ 7,855	\$ 17,945	\$ 22,722
Other income	61	36	389	472
Total investment income	5,550	7,891	18,334	23,194
Interest expense	5,348	6,085	16,720	17,163
Other expenses	84	120	579	364
Total expenses (1)	5,432	6,205	17,299	17,527
Net unrealized appreciation (depreciation)	(769)	7,446	(13,816)	5,774
Net realized gain (loss)	16	(7,755)	13,350	(7,755)
Net income (loss)	\$ (635)	\$ 1,377	\$ 569	\$ 3,686

(1) There are no management fees or incentive fees charged at SLF JV I.

SLF JV I has elected to fair value the debt securities issued to the Company and Kemper under ASC 825. The debt securities are valued based on the total assets less the liabilities senior to the mezzanine notes of SLF JV 1 under the enterprise value approach.

During the three months ended June 30, 2017, we did not sell any senior secured debt investments to SLF JV I. During the nine months ended June 30, 2017, we sold \$10.5 million of senior secured debt investments to SLF JV I at fair value in exchange for \$10.5 million cash consideration. No gain or loss was recognized by the Company on these transactions. During the three months ended June 30, 2016, the Company sold \$21.5 million of senior secured debt investments to SLF JV I at fair value in exchange for \$21.5 million cash consideration. The Company recognized a \$0.1 million realized loss on these transactions. During the nine months ended June 30, 2016, the Company sold \$91.4 million of senior secured debt investments at fair value to SLF JV I in exchange for \$84.8 million cash consideration, \$5.9 million of subordinated notes and \$0.7 million of LLC equity interests in SLF JV I. The Company recognized a \$0.9 million realized loss on these transactions.

Note 4. Fee Income

The Company receives a variety of fees in the ordinary course of business, including servicing, advisory, amendment, structuring and prepayment fees, which are classified as fee income and recognized as they are earned. The unearned fee income balance as of June 30, 2017 and September 30, 2016 was \$1.1 million and \$1.3 million, respectively.

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As of June 30, 2017, the Company had a receivable for \$1.5 million in aggregate exit fees of one portfolio investment upon the future exit of this investment. These fees are to be paid to the Company upon the sooner to occur of (i) a sale of the borrower or substantially all of the assets of the borrower, (ii) the maturity date of the loan or (iii) the date when full prepayment of the loan occurs. The receipt of such fees is contingent upon the occurrence of one of the events listed above for each of the investments. A percentage of these fees is included in net investment income over the life of the loan.

For the three months ended June 30, 2017, the Company recorded total fee income of \$2.4 million, \$0.6 million of which was recurring in nature. For the nine months ended June 30, 2017, the Company recorded total fee income of \$8.8 million, \$2.1 million of which was recurring in nature. For the three months ended June 30, 2016, the Company recorded total fee income of \$3.4 million, \$1.2 million of which was recurring in nature. Recurring fee income primarily consists of servicing fees and exit fees. For the nine months ended June 30, 2016, the Company recorded total fee income of \$17.4 million, \$2.7 million of which was recurring in nature.

Note 5. Share Data and Distributions*Earnings per Share*

The following table sets forth the computation of basic and diluted earnings per share, pursuant to FASB ASC Topic 260-10 *Earnings per Share*, for the three and nine months ended June 30, 2017 and June 30, 2016:

<i>(Share amounts in thousands)</i>	Three months ended June 30, 2017	Three months ended June 30, 2016	Nine months ended June 30, 2017	Nine months ended June 30, 2016 (1)
Earnings (loss) per common share — basic:				
Net decrease in net assets resulting from operations	\$ (6,057)	\$ (5,218)	\$ (71,498)	\$ (63,123)
Weighted average common shares outstanding — basic	140,961	145,569	141,599	148,354
Loss per common share — basic	\$ (0.04)	\$ (0.04)	\$ (0.50)	\$ (0.43)
Earnings (loss) per common share — diluted:				
Net decrease in net assets resulting from operations	\$ (6,057)	\$ (5,218)	\$ (71,498)	\$ (63,123)
Weighted average common shares outstanding — basic	140,961	145,569	141,599	148,354
Adjustments for dilutive effect of convertible notes	—	—	—	5,231
Weighted average common shares outstanding — diluted	140,961	145,569	141,599	153,585
Loss per common share — diluted	\$ (0.04)	\$ (0.04)	\$ (0.50)	\$ (0.43)

(1) Items relating to the Convertible Notes (as defined in Note 13) outstanding that were anti-dilutive to earnings per share have been excluded from the diluted earnings per share calculation. For the nine months ended June 30, 2016, anti-dilution would have totaled approximately \$0.02 per share.

Distributions

Distributions to common stockholders are recorded on the ex-dividend date. The Company is required to distribute dividends each taxable year to its stockholders of an amount generally at least equal to 90% of its investment company taxable income, determined without regard to any deduction for dividends paid, in order to be eligible for tax benefits allowed to a RIC under Subchapter M of the Code. The Company anticipates paying out as a distribution all or substantially all of those amounts. The amount to be paid out as a dividend is determined by the Board of Directors and is based on management's estimate of the Company's annual taxable income.

The Company has adopted a dividend reinvestment plan ("DRIP") that provides for reinvestment of any distributions the Company declares in cash on behalf of its stockholders, unless a stockholder elects to receive cash. As a result, if the Company's Board of Directors authorizes, and the Company declares, a cash distribution, then the Company's stockholders who have not "opted out" of the Company's DRIP will have their cash distribution automatically reinvested in additional shares of the Company's common stock, rather than receiving the cash distribution. If the Company's shares are trading at a premium to net asset value, the Company typically issues new shares to implement the DRIP. If the Company's shares are trading at a discount to net asset value, the Company typically purchases shares in the open market in connection with the Company's obligations under the DRIP.

For income tax purposes, the Company estimates that its distributions for the 2017 calendar year will be composed primarily of ordinary income and will be appropriately reported to the Internal Revenue Service and stockholders for the 2017 calendar year. To the extent that the Company's taxable earnings fall below the amount of distributions paid, a portion of the total amount of the Company's dividends for the fiscal year may be deemed a return of capital for tax purposes to the Company's stockholders.

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The following table reflects the distributions per share that the Company has paid, including shares issued under the DRIP, on its common stock during the nine months ended June 30, 2017 and June 30, 2016:

Date Declared	Record Date	Payment Date	Amount per Share	Cash Distribution (2)	DRIP Shares Issued	DRIP Shares Value (2)
August 3, 2016	October 14, 2016	October 31, 2016	\$ 0.06	\$ 8.2 million	81,391 (1)	\$ 0.4 million
August 3, 2016	November 15, 2016	November 30, 2016	0.06	8.2 million	80,962 (1)	0.4 million
October 18, 2016	December 15, 2016	December 30, 2016	0.06	7.7 million	70,316 (1)	0.4 million
October 18, 2016	January 13, 2017	January 31, 2017	0.06	8.0 million	73,940 (1)	0.4 million
October 18, 2016	February 15, 2017	February 28, 2017	0.06	8.0 million	86,120 (1)	0.4 million
February 6, 2017	March 15, 2017	March 31, 2017	0.02	2.7 million	27,891 (1)	0.1 million
February 6, 2017	June 15, 2017	June 30, 2017	0.02	2.7 million	20,502 (1)	0.1 million
Total for the nine months ended June 30, 2017			\$ 0.34	\$ 45.5 million	441,122	\$ 2.3 million

Date Declared	Record Date	Payment Date	Amount per Share	Cash Distribution	DRIP Shares Issued	DRIP Shares Value
August 4, 2015	October 15, 2015	October 30, 2015	\$ 0.06	\$ 8.4 million	106,185 (1)	\$ 0.6 million
August 4, 2015	November 16, 2015	November 30, 2015	0.06	8.4 million	91,335 (1)	0.6 million
November 30, 2015	December 15, 2015	December 30, 2015	0.06	8.4 million	99,673 (1)	0.6 million
November 30, 2015	January 15, 2016	January 28, 2016	0.06	8.3 million	113,905 (1)	0.7 million
November 30, 2015	February 12, 2016	February 26, 2016	0.06	8.4 million	123,342 (1)	0.6 million
February 8, 2016	March 15, 2016	March 31, 2016	0.06	8.6 million	86,806 (1)	0.4 million
February 8, 2016	April 15, 2016	April 29, 2016	0.06	8.2 million	112,569 (1)	0.6 million
February 8, 2016	May 13, 2016	May 31, 2016	0.06	8.4 million	76,432 (1)	0.4 million
May 5, 2016	June 15, 2016	June 30, 2016	0.06	8.2 million	108,629 (1)	0.5 million
Total for the nine months ended June 30, 2016			\$ 0.54	\$ 75.4 million	918,876	\$ 5.1 million

(1) Shares were purchased on the open market and distributed.

(2) Totals do not sum due to rounding.

Common Stock Offering

There were no common stock offerings during the three and nine months ended June 30, 2017 and June 30, 2016.

Stock Repurchase Program

On November 30, 2015, the Company's Board of Directors approved a common stock repurchase program authorizing the Company to repurchase up to \$100 million in the aggregate of its outstanding common stock through November 30, 2016. During the three and nine months ended June 30, 2016, the Company repurchased 1,879,386 and 4,958,702 shares respectively, of its common stock for \$10.0 million and \$25.1 million, net of commissions, respectively.

On November 28, 2016, the Company's Board of Directors approved a new common stock repurchase program authorizing the Company to repurchase up to \$12.5 million in the aggregate of its outstanding common stock through November 28, 2017. During the nine months ended June 30, 2017, the Company repurchased 2,298,247 shares of its common stock for \$12.5 million, including commissions, under the new common stock repurchase plan. This authorization has been fully utilized. During the three months ended June 30, 2017, the Company did not repurchase any shares of its common stock under the new common stock repurchase program.

Note 6. Borrowings

ING Facility

On May 27, 2010, the Company entered into a secured syndicated revolving credit facility (as subsequently amended, the "ING facility") pursuant to a Senior Secured Revolving Credit Agreement ("ING Credit Agreement") with certain lenders party thereto from time to time and ING Capital LLC, as administrative agent. The ING facility provides that the Company may use the proceeds and letters of credit under the facility for general corporate purposes, including acquiring and funding leveraged loans, mezzanine loans,

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high-yield securities, convertible securities, preferred stock, common stock and other investments. The ING facility allows the Company to request letters of credit from ING Capital LLC, as the issuing bank.

As of June 30, 2017, the ING facility permitted up to \$710 million of borrowings with an accordion feature allowing for future expansion of the facility up to a total of \$800 million, and borrowings under the facility bore interest at a rate equal to LIBOR (1-, 2-, 3- or 6-month, at the Company's option) plus 2.25% per annum, with no LIBOR floor. As of June 30, 2017, the period during which the Company may make and reinvest borrowings under the facility was scheduled to expire on August 6, 2017 and the maturity date of the facility is August 6, 2018. See "Note 17 - Subsequent Events."

The ING facility is secured by substantially all of the Company's assets, as well as the assets of the Company's wholly-owned subsidiary, Holdings, and its indirect wholly-owned subsidiary, Fund of Funds, subject to certain exclusions for, among other things, equity interests in the Company's SBIC subsidiaries, and equity interests in Funding II (as defined below) as set forth in a Guarantee, Pledge and Security Agreement ("ING Security Agreement") entered into in connection with the ING Credit Agreement, among Holdings, ING Capital LLC, as collateral agent, and the Company. Fund of Funds and Holdings were formed to hold certain of the Company's portfolio companies for tax purposes and have no other operations.

Pursuant to the ING Security Agreement, Holdings and Fund of Funds guaranteed the obligations under the ING Security Agreement, including the Company's obligations to the lenders and the administrative agent under the ING Credit Agreement. Additionally, the Company pledged its entire equity interest in Holdings, and Holdings pledged its entire equity interest in Fund of Funds to the collateral agent pursuant to the terms of the ING Security Agreement. None of the Company's SBIC subsidiaries, or Funding II, is party to the ING facility and their respective assets have not been pledged in connection therewith.

The ING Credit Agreement and related agreements governing the ING facility required Holdings, Fund of Funds and the Company to, among other things, (i) make representations and warranties regarding the collateral as well as each of the Company's portfolio companies' businesses, (ii) agree to certain indemnification obligations, and (iii) agree to comply with various affirmative and negative covenants and other customary requirements for similar credit facilities. The ING facility documents also include usual and customary default provisions such as the failure to make timely payments under the facility, the occurrence of a change in control, and the failure by the Company to materially perform under the ING Credit Agreement and related agreements governing the facility, which, if not complied with, could accelerate repayment under the facility. Any such non-compliance could materially and adversely affect the Company's liquidity, financial condition and results of operations. As of June 30, 2017, the Company was in compliance with all financial covenants under the ING facility.

Each loan or letter of credit originated under the ING facility is subject to the satisfaction of certain conditions. The Company cannot be assured that it will be able to borrow funds under the ING facility at any particular time or at all.

As of June 30, 2017, the Company had \$301.5 million of borrowings outstanding under the ING facility, which had a fair value of \$301.5 million. The Company's borrowings under the ING facility bore interest at a weighted average interest rate of 3.093% for the nine months ended June 30, 2017. For the three months and nine months ended June 30, 2017, the Company recorded interest expense of \$3.1 million and \$10.5 million, respectively, related to the ING facility. For the three months and nine months ended June 30, 2016, the Company recorded interest expense of \$4.2 million and \$10.6 million, respectively, related to the ING facility.

Sumitomo Facility

On September 16, 2011, Funding II, a consolidated wholly-owned bankruptcy remote, special purpose subsidiary, entered into a Loan and Servicing Agreement (as subsequently amended, the "Sumitomo Agreement"), as amended from time to time, with respect to a credit facility ("Sumitomo facility") with Sumitomo Mitsui Banking Corporation ("SMBC"), an affiliate of Sumitomo Mitsui Financial Group, Inc., as administrative agent, and each of the lenders from time to time party thereto.

As of June 30, 2017, the Sumitomo facility permitted up to \$125 million of borrowings (subject to collateral requirements), and borrowings under the facility bore interest at a rate of either (i) LIBOR (1-month) plus 2.00% per annum, with no LIBOR floor, if the borrowings under the Sumitomo facility are greater than 35% of the aggregate available borrowings under the Sumitomo facility or (ii) LIBOR (1-month) plus 2.25% per annum, if the borrowings under the Sumitomo Facility are less than or equal to 35% of the aggregate available borrowings under the Sumitomo facility. As of June 30, 2017, the period during which the Company may make and reinvest borrowings under the facility was scheduled to expire on September 16, 2017 and the maturity date of the facility is September 16, 2021. See "Note 17 - Subsequent Events."

In connection with the Sumitomo facility, the Company entered into a Purchase and Sale Agreement with Funding II, pursuant to which it has sold and will continue to sell to Funding II certain loan assets the Company has originated or acquired, or will originate or acquire.

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The Sumitomo Agreement and related agreements governing the Sumitomo facility required both Funding II and the Company to, among other things (i) make representations and warranties regarding the collateral as well as each of the Company's portfolio companies' businesses, (ii) agree to certain indemnification obligations, and (iii) comply with various covenants, servicing procedures, limitations on acquiring and disposing of assets, reporting requirements and other customary requirements for similar credit facilities, including a prepayment penalty in certain cases. The Sumitomo facility agreements also include usual and customary default provisions such as the failure to make timely payments under the facility, a change in control of Funding II, and the failure by Funding II or the Company to materially perform under the Sumitomo Agreement and related agreements governing the Sumitomo facility, which, if not complied with, could accelerate repayment under the facility. Any such non-compliance could materially and adversely affect the Company's liquidity, financial condition and results of operations. Funding II was formed for the sole purpose of entering into the Sumitomo facility and has no other operations. As of June 30, 2017, the Company was in compliance with all financial covenants under the Sumitomo facility.

The Sumitomo facility is secured by all of the assets of Funding II. Each loan origination under the facility is subject to the satisfaction of certain conditions. There is no assurance that Funding II will be able to borrow funds under the Sumitomo facility at any particular time or at all.

As of June 30, 2017, the Company had \$44.0 million of borrowings outstanding under the Sumitomo facility, which had a fair value of \$44.0 million. The Company's borrowings under the Sumitomo facility bore interest at a weighted average interest rate of 3.033% for the nine months ended June 30, 2017. For the three and nine months ended June 30, 2017, the Company recorded interest expense of \$0.7 million and \$1.9 million, respectively, related to the Sumitomo facility. For the three and nine months ended June 30, 2016, the Company recorded interest expense of \$0.5 million and \$1.4 million, respectively, related to the Sumitomo facility.

SBIC Subsidiaries

On February 3, 2010, the Company's consolidated, wholly-owned subsidiary, FSMP IV, received a license, effective February 1, 2010, from the SBA to operate as an SBIC under Section 301(c) of the Small Business Investment Act of 1958, as amended. On May 15, 2012, the Company's consolidated, wholly-owned subsidiary, FSMP V, received a license, effective May 10, 2012, from the SBA to operate as an SBIC. SBICs are designed to stimulate the flow of private equity capital to eligible small businesses. Under SBA regulations, SBICs may make loans to eligible small businesses and invest in the equity securities of small businesses.

The SBIC licenses allow the SBIC Subsidiaries to obtain leverage by issuing SBA-guaranteed debentures, subject to the satisfaction of certain customary procedures. SBA-guaranteed debentures are non-recourse, interest only debentures with interest payable semi-annually and have a 10-year maturity. The principal amount of SBA-guaranteed debentures is not required to be paid prior to maturity but may be prepaid at any time without penalty. The interest rate of SBA-guaranteed debentures is fixed at the time of issuance at a market-driven spread over U.S. Treasury Notes with 10-year maturities.

SBA regulations currently limit the amount of SBA-guaranteed debentures that an SBIC may issue to \$150 million when it has at least \$75 million in regulatory capital. Affiliated SBICs are permitted to issue up to a combined maximum amount of \$350 million of debentures when they have at least \$175 million in regulatory capital.

As of June 30, 2017, FSMP IV had \$75.0 million in regulatory capital and \$73.0 million in SBA-guaranteed debentures outstanding, which had a carrying value of \$72.3 million (net of unamortized financing costs) and a fair value of \$68.4 million. As of September 30, 2016, FSMP IV had \$75.0 million in regulatory capital and \$138.3 million in SBA-guaranteed debentures outstanding, which had a carrying value of \$136.6 million (net of unamortized financing costs) and a fair value of \$131.0 million. As of June 30, 2017, the outstanding debentures bore interest at a weighted average interest rate of 3.215% (excluding the SBA annual charge), as follows:

Rate Fix Date	Debenture Amount	Fixed Interest Rate	SBA Annual Charge
September 2010	\$ 73,000	3.215%	0.285%

As of June 30, 2017 and September 30, 2016, FSMP V had \$37.5 million in regulatory capital and \$75.0 million in SBA-guaranteed debentures outstanding, which had a carrying value of \$73.6 million (net of unamortized financing costs) and \$73.4 million, respectively. As of June 30, 2017 and September 30, 2016, the fair value of these debentures was \$67.3 million and \$67.5 million, respectively. As of June 30, 2017, these debentures bore interest at a weighted average interest rate of 2.835% (excluding the SBA annual charge), as follows:

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Rate Fix Date	Debt Amount	Fixed Interest Rate	SBA Annual Charge
March 2013	\$ 31,750	2.351%	0.804%
March 2014	43,250	3.191	0.804

As of June 30, 2017, the \$148.0 million of SBA-guaranteed debentures held by the SBIC subsidiaries carry a weighted average interest rate of 3.023% (excluding the SBA annual charge). During the nine months ended June 30, 2017, the Company repaid \$65.3 million of the SBA-guaranteed debentures outstanding.

For the three and nine months ended June 30, 2017, the Company recorded aggregate interest expense of \$1.4 million and \$6.3 million, respectively, related to the SBA-guaranteed debentures of both SBIC subsidiaries. For the three and nine months ended June 30, 2016, the Company recorded aggregate interest expense of \$2.3 million and \$7.0 million, respectively, related to the SBA-guaranteed debentures of both SBIC subsidiaries.

The SBA restricts the ability of SBICs to repurchase their capital stock. SBA regulations also include restrictions on a "change of control" or transfer of an SBIC and require that SBICs invest idle funds in accordance with SBA regulations. In addition, the SBIC subsidiaries may also be limited in their ability to make distributions to the Company if they do not have sufficient capital, in accordance with SBA regulations.

The SBIC Subsidiaries are subject to regulation and oversight by the SBA, including requirements with respect to maintaining certain minimum financial ratios and other covenants. Receipt of an SBIC license does not assure that the SBIC Subsidiaries will receive SBA-guaranteed debenture funding and is further dependent upon the SBIC Subsidiaries continuing to be in compliance with SBA regulations and policies.

The SBA, as a creditor, will have a superior claim to the SBIC Subsidiaries' assets over the Company's stockholders in the event the Company liquidates the SBIC Subsidiaries or the SBA exercises its remedies under the SBA-guaranteed debentures issued by the SBIC Subsidiaries upon an event of default.

The Company has received exemptive relief from the SEC to permit it to exclude the debt of the SBIC Subsidiaries guaranteed by the SBA from the definition of senior securities in the Company's 200% asset coverage test under the 1940 Act. This allows the Company increased flexibility under the 200% asset coverage test by permitting it, as of June 30, 2017, to borrow up to \$148.0 million more than it would otherwise be able to under the 1940 Act absent the receipt of this exemptive relief.

As of June 30, 2017, except for assets that were funded through the Company's SBIC subsidiaries, substantially all of the Company's assets were pledged as collateral under the ING facility or the Sumitomo facility. With respect to the assets funded through the Company's SBIC subsidiaries, the SBA, as a creditor, will have a superior claim to the SBIC subsidiaries' assets over the Company's stockholders.

See Notes 13 through 15 for discussion of additional debt obligations of the Company.

Note 7. Interest and Dividend Income

See Note 2 "Investment Income" for a description of the Company's accounting treatment of investment income.

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Accumulated PIK interest activity for the nine months ended June 30, 2017 and June 30, 2016 was as follows:

	Nine months ended June 30, 2017	Nine months ended June 30, 2016
PIK balance at beginning of period	\$ 62,631	\$ 50,678
Gross PIK interest accrued	15,934	15,143
PIK income reserves (1)	(6,969)	(5,176)
PIK interest received in cash	(3,999)	(1,480)
PIK balance at end of period	\$ 67,597	\$ 59,165

(1) PIK income is generally reserved for when a loan is placed on PIK non-accrual status.

As of June 30, 2017, there were seven investments on which the Company had stopped accruing cash and/or PIK interest or OID income. As of September 30, 2016, there were five investments on which the Company had stopped accruing cash and/or PIK interest or OID income. As of June 30, 2016, there were five investments on which the Company had stopped accruing cash and/or PIK interest or OID income.

The percentages of the Company's debt investments at cost and fair value by accrual status as of June 30, 2017, September 30, 2016 and June 30, 2016 were as follows:

	June 30, 2017				September 30, 2016				June 30, 2016			
	Cost	% of Debt Portfolio	Fair Value	% of Debt Portfolio	Cost	% of Debt Portfolio	Fair Value	% of Debt Portfolio	Cost	% of Debt Portfolio	Fair Value	% of Debt Portfolio
Accrual	\$ 1,499,457	88.73%	\$ 1,512,089	94.43%	\$ 1,890,606	89.80%	\$ 1,854,228	93.89%	\$ 2,104,327	95.19%	\$ 2,042,055	99.24%
PIK non-accrual (1)	72,650	4.30	43,134	2.69	40,187	1.91	31,548	1.60	66,579	3.01	5,550	0.27
Cash non-accrual (2)	117,832	6.97	46,141	2.88	174,629	8.29	89,036	4.51	39,829	1.80	9,993	0.49
Total	\$ 1,689,939	100.00%	\$ 1,601,364	100.00%	\$ 2,105,422	100.00%	\$ 1,974,812	100.00%	\$ 2,210,735	100.00%	\$ 2,057,598	100.00%

(1) PIK non-accrual status is inclusive of other non-cash income, where applicable.

(2) Cash non-accrual status is inclusive of PIK and other non-cash income, where applicable.

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The non-accrual status of the Company's portfolio investments as of June 30, 2017, September 30, 2016 and June 30, 2016 was as follows:

	June 30, 2017	September 30, 2016	June 30, 2016
Phoenix Brands Merger Sub LLC - subordinated term loan (2)	—	—	PIK non-accrual (1)
JTC Education, Inc. (2)	—	—	Cash non-accrual (1)
Answers Corporation (3)(4)	—	Cash non-accrual (1)	PIK non-accrual (1)
QuorumLabs, Inc. (2)	—	—	Cash non-accrual (1)
Dominion Diagnostics, LLC - subordinated term loan	PIK non-accrual (1)	Cash non-accrual (1)	Cash non-accrual (1)
Express Group Holdings LLC (4)	—	Cash non-accrual (1)	—
AdVenture Interactive, Corp. (5)	—	Cash non-accrual (1)	—
ERS Acquisition Corp.	Cash non-accrual (1)	PIK non-accrual (1)	—
TransTrade Operators, Inc.	Cash non-accrual (1)	—	—
Maverick Healthcare Group, LLC	Cash non-accrual (1)	—	—
Edmentum, Inc. - unsecured junior PIK note	PIK non-accrual (1)	—	—
Metamorph US 3, LLC	PIK non-accrual (1)	—	—
Cenegenics, LLC	PIK non-accrual (1)	—	—

- (1) PIK non-accrual status is inclusive of other non-cash income, where applicable. Cash non-accrual status is inclusive of PIK and other non-cash income, where applicable.
- (2) The Company no longer held this investment as of June 30, 2017 and September 30, 2016.
- (3) As of June 30, 2016, only the second lien term loan was on PIK non-accrual. As of September 30, 2016, both the first lien term loan and the second lien term loan were on cash non-accrual.
- (4) The Company no longer held this investment as of June 30, 2017.
- (5) In March 2017, the Company restructured its investment in AdVenture Interactive, Corp. As part of the restructuring, the Company exchanged a portion of its debt securities for equity securities in the restructured entity.

Income non-accrual amounts for the three and nine months ended June 30, 2017 and June 30, 2016 are presented in the following table. Income non-accrual amounts may include amounts for investments that were no longer held at the end of the period.

	Three months ended June 30, 2017	Three months ended June 30, 2016	Nine months ended June 30, 2017	Nine months ended June 30, 2016
Cash interest income	\$ 2,708	\$ 2,082	\$ 13,321	\$ 6,999
PIK interest income	2,345	1,713	6,969	5,176
OID income	7	6,987	154	20,971
Total	\$ 5,060	\$ 10,782	\$ 20,444	\$ 33,146

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Note 8. Taxable/Distributable Income and Dividend Distributions

Taxable income differs from net increase (decrease) in net assets resulting from operations primarily due to: (1) unrealized appreciation (depreciation) on investments and secured borrowings, as gains and losses are not included in taxable income until they are realized; (2) origination and exit fees received in connection with investments in portfolio companies; (3) organizational and deferred offering costs; (4) recognition of interest income on certain loans; (5) income or loss recognition on exited investments; and (6) related to investments in controlled foreign corporations.

As of September 30, 2016, the Company had net capital loss carryforwards of \$268.0 million to offset net capital gains, to the extent available and permitted by U.S. federal income tax law. Of the capital loss carryforwards, \$1.5 million will expire on September 30, 2017, \$10.3 million will expire on September 30, 2019, and \$256.2 million will not expire, of which \$55.3 million are available to offset future short-term capital gains and \$200.9 million are available to offset future long-term capital gains.

Listed below is a reconciliation of "net decrease in net assets resulting from operations" to taxable income for the three and nine months ended June 30, 2017.

	Three months ended June 30, 2017	Nine months ended June 30, 2017
Net increase (decrease) in net assets resulting from operations	\$ (6,057)	\$ (71,498)
Net unrealized appreciation (depreciation) on investments and secured borrowings	13,147	(18,603)
Book/tax difference due to loan fees	(152)	(17)
Book/tax difference due to exit fees	—	1,081
Book/tax difference due to organizational and deferred offering costs	(22)	(63)
Book/tax difference due to interest income on certain loans	—	(168)
Book/tax difference due to capital losses not recognized	14,010	154,444
Other book-tax differences	(2,439)	(5,489)
Taxable/Distributable Income(1)	\$ 18,487	\$ 59,687

(1) The Company's taxable income for the three and nine months ended June 30, 2017 is an estimate and will not be finally determined until the Company files its tax return for the Company's anticipated fiscal and taxable year ending September 30, 2017. Therefore, the final taxable income may be different than the estimate.

As of September 30, 2016, the components of accumulated undistributed income on a tax basis were as follows:

Undistributed ordinary income, net	\$ —
Net realized capital losses	(268,025)
Unrealized losses, net	(48,000)

The Company uses the asset and liability method to account for its taxable subsidiaries' income taxes. Using this method, the Company recognizes deferred tax assets and liabilities for the estimated future tax effects attributable to temporary differences between financial reporting and tax bases of assets and liabilities. In addition, the Company recognizes deferred tax benefits associated with net loss carry forwards that it may use to offset future tax obligations. The Company measures deferred tax assets and liabilities using the enacted tax rates expected to apply to taxable income in the years in which it expects to recover or settle those temporary differences. The Company has recorded a deferred tax asset for the difference in the book and tax basis of certain equity investments and tax net operating losses held by its taxable subsidiaries of \$0.3 million. However, this amount has been fully offset by a valuation allowance, since it is more-likely-than-not that this deferred tax asset will not be realized.

The Company is permitted to carry forward net capital losses, if any, incurred in taxable years beginning with the Company's taxable year ended September 30, 2011 for an unlimited period. However, any losses incurred during such taxable years will be required to be utilized prior to the losses incurred in taxable years ended prior to the Company's taxable year ended September 30, 2011, which are subject to an expiration date. As a result of the ordering rule, capital loss carryforwards from the Company's taxable year ended prior to its taxable year ended September 30, 2011 may be more likely to expire unused than under previous tax law.

As a RIC, the Company is also subject to a U.S. federal excise tax based on distributive requirements of its taxable income on a calendar year basis. The Company did not incur a U.S. federal excise tax for calendar years 2014 and 2015 and does not expect to incur a U.S. federal excise tax for calendar year 2016.

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Note 9. Realized Gains or Losses and Net Unrealized Appreciation or Depreciation on Investments and Secured Borrowings

Realized gains or losses are measured by the difference between the net proceeds from the sale or redemption and the cost basis of the investment without regard to unrealized appreciation or depreciation previously recognized, and include investments written-off during the period, net of recoveries. Realized losses may also be recorded in connection with the Company's determination that certain investments are considered worthless securities and/or meet the conditions for loss recognition per the applicable tax rules.

Net unrealized appreciation or depreciation reflects the net change in the valuation of the portfolio pursuant to the Company's valuation guidelines and the reclassification of any prior period unrealized appreciation or depreciation.

A summary of the Company's recorded investment realization events for the nine months ended June 30, 2017 is shown in the table below:

FIFTH STREET FINANCE CORP.

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Date	Portfolio Company	Investment Type	Consideration at Exit	Realized Gain (Loss)	Transaction
October 2016	Systems Maintenance Services Holdings, Inc.	Debt	\$ 19.0 million	\$ —	Full payoff
November 2016	First Star Aviation, LLC	Equity	2.5 million	(3.8 million)	Sale of equity investment
November 2016	HealthDrive Corporation	Debt	15.5 million	—	Full payoff
November 2016	The Active Network, Inc.	Debt	16.5 million	—	Full payoff
November 2016	Aden & Anais Merger Sub, Inc.	Debt	12.0 million	—	Full payoff
November 2016	Legalzoom.com, Inc.	Debt	9.0 million	—	Full payoff
December 2016	Discovery Practice Management, Inc.	Debt	33.7 million	—	Full payoff
December 2016	Ansira Partners, Inc.	Debt and Equity	38.6 million	0.4 million	Full payoff /sale of equity investment
December 2016	Aptean, Inc.	Debt	3.0 million	—	Full payoff
December 2016	Access Medical Acquisition, Inc.	Debt and Equity	12.6 million	—	Full payoff /sale of equity investment
December 2016	Ministry Brands, LLC	Debt	30.2 million	—	Full payoff
December 2016	Senior Loan Fund JV I, LLC	Debt	125.8 million	(19.9 million)	Restructuring
January 2017	First American Payment Systems, LP	Debt	18.3 million	—	Full payoff
January 2017	HSW RR, Inc.	Debt	45.0 million	—	Full payoff
February 2017	Teaching Strategies, LLC	Debt	7.2 million	—	Full payoff
February 2017	Vitera Healthcare Solutions, LLC	Debt	8.0 million	—	Full payoff
February 2017	TV Borrower US, LLC	Debt	30.0 million	—	Full payoff
February 2017	Onvoy, LLC	Debt	14.6 million	—	Full payoff
March 2017	Bracket Holding Corp.	Debt and Equity	32.5 million	1.7 million	Full payoff /sale of equity investment
March 2017	Epic Health Services, Inc.	Debt	31.9 million	—	Full payoff
March 2017	Five9, Inc.	Equity	0.3 million	0.5 million	Sale of equity investment
March 2017	Integrated Petroleum Technologies, Inc.	Debt	7.6 million	(11.1 million)	Restructuring
March 2017	NAVEX Global, Inc.	Debt	16.5 million	—	Full payoff
March 2017	Vention Medical, Inc.	Debt	2.3 million	—	Full payoff
March 2017	Express Group Holdings LLC	Debt and Equity	4.4 million	(22.3 million)	Partial payoff
March 2017	AdVenture Interactive, Corp.	Debt and Equity	24.3 million	(47.4 million)	Restructuring
April 2017	Tectum Holdings, Inc.	Debt	15.0 million	—	Full payoff
April 2017	TigerText, Inc.	Debt	5.0 million	—	Full payoff
April 2017	AirStrip Technologies, Inc.	Debt	16.0 million	—	Full payoff
April 2017	Cheddar's Casual Café, Inc.	Debt	10.0 million	—	Full payoff
May 2017	Tecomet Inc.	Debt	17.0 million	—	Full payoff
May 2017	Baart Programs, Inc.	Debt	35.2 million	—	Full payoff
June 2017	Eagle Hospital Physicians, LLC	Debt and Equity	13.5 million	(13.1 million)	Partial payoff
June 2017	National Spine and Pain Centers, LLC	Debt and Equity	31.4 million	0.7 million	Full payoff /sale of equity investment
June 2017	Idera, Inc.	Debt	25.9 million	—	Full payoff
				\$ (114.3 million)	

During the nine months ended June 30, 2017, the Company received payments of \$58.9 million primarily in connection with syndications of debt investments to other investors and sales of debt investments in the open market and recorded an aggregate net

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realized loss of \$37.0 million on these transactions, including a realized loss of \$37.3 million from the sale of the Company's investment in the first and second lien term loans of Answers Corporation.

A summary of the Company's recorded investment realization events for the nine months ended June 30, 2016 is shown in the table below:

Date	Portfolio Company	Investment Type	Consideration at Exit	Realized Gain (Loss)	Transaction
October 2015	Affordable Care, Inc.	Debt	\$ 23.3 million	\$ —	Full payoff
October 2015	CoAdvantage Corporation	Debt and Equity	16.4 million	0.7 million	Full payoff /sale of equity investment
October 2015	First Choice ER, LLC	Debt	119.0 million	—	Full payoff
October 2015	DigiCert, Inc.	Debt	33.3 million	—	Full payoff
October 2015	Idera, Inc.	Debt	7.4 million	—	Full payoff
December 2015	EducationDynamics, LLC	Debt	13.9 million	—	Full payoff
December 2015	World50, Inc.	Debt	14.2 million	—	Full payoff
January 2016	Crealta Pharmaceuticals LLC	Debt	20.0 million	—	Full payoff
February 2016	All Metro Health Care Services, Inc.	Debt	15.7 million	—	Full payoff
February 2016	Long's Drugs Incorporated	Debt	9.7 million	—	Full payoff
March 2016	Janrain, Inc.	Debt	4.5 million	—	Full payoff
March 2016	Miche Group, LLC	Debt and Equity	0.8 million	(8.1 million)	Full payoff /sale of equity investment
March 2016	CCCG, LLC	Debt and Equity	15.2 million	(17.2 million)	Restructuring
April 2016	Traffic Solutions Holdings, Inc.	Debt	17.2 million	—	Full payoff
April 2016	Ameritox Ltd.	Debt and Equity	61.1 million	(42.8 million)	Restructuring
May 2016	Yeti Acquisition, LLC.	Debt	54.9 million	—	Full payoff
May 2016	Conviva Inc.	Debt	4.6 million	—	Full payoff
June 2016	GTCR Valor Companies	Debt	3.7 million	—	Full payoff
				<u>(\$ 67.4 million)</u>	

During the nine months ended June 30, 2016, the Company received payments of \$228.1 million primarily in connection with syndications of debt investments to other investors and sales of debt investments in the open market and recorded an aggregate net realized loss of \$2.8 million on these transactions.

During the nine months ended June 30, 2017 and June 30, 2016, the Company recorded net unrealized appreciation (depreciation) on investments and secured borrowings of \$18.6 million and \$(74.0) million, respectively. For the nine months ended June 30, 2017, this consisted of \$86.2 million of net unrealized depreciation on debt investments, \$31.5 million of net unrealized depreciation on equity investments and \$0.3 million of net unrealized appreciation on secured borrowings, offset by \$136.6 million of net reclassifications to realized losses (resulting in unrealized appreciation).

For the nine months ended June 30, 2016, the Company's net unrealized depreciation consisted of \$124.0 million of net unrealized depreciation on debt investments and \$10.0 million of net unrealized depreciation on equity investments, offset by \$59.9 million of net reclassifications to realized losses (resulting in unrealized appreciation) and \$0.1 million of net unrealized depreciation on secured borrowings.

Note 10. Concentration of Credit Risks

The Company deposits its cash with financial institutions and at times such balances may be in excess of the FDIC insurance limit. The Company limits its exposure to credit loss by depositing its cash with high credit quality financial institutions and monitoring their financial stability.

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Note 11. Related Party Transactions

The Company has entered into an investment advisory agreement, subject to annual renewal, with the Investment Adviser. Under the investment advisory agreement, the Company pays the Investment Adviser a fee for its services consisting of two components - a base management fee and an incentive fee. At a special meeting of stockholders held on March 20, 2017, the stockholders of the Company approved a fourth amended and restated investment advisory agreement by and between the Company and the Investment Adviser, which was subsequently executed by the Company and the Investment Adviser and was effective beginning with the Company's fiscal quarter that commenced on January 1, 2017. The fourth amended and restated investment advisory agreement changed the structure of the subordinated incentive fee on income as described below. The other commercial terms of the Company's existing investment advisory relationship with Investment Adviser remained unchanged.

Base Management Fee

Prior to December 31, 2015, the base management fee was calculated at an annual rate of 2.0% of the Company's gross assets, including any borrowings for investment purposes but excluding cash and cash equivalents. The base management fee is payable quarterly in arrears and the fee for any partial month or quarter was appropriately prorated.

On January 20, 2016, the Company announced that the Investment Adviser agreed to an amendment to the investment advisory agreement to permanently reduce the base management fee. Beginning January 1, 2016, the base management fee on total gross assets (excluding cash and cash equivalents) was reduced from 2.0% to 1.75%. The other commercial terms of the Company's existing investment advisory arrangement with the Investment Adviser remained unchanged.

On July 14, 2015, the Company announced that its investment adviser voluntarily agreed to a revised base management fee arrangement (the "Revised Management Fee") for the period commencing on July 1, 2015 and remaining in effect until January 1, 2017 (the "Waiver Period").

The Revised Management Fee was intended to provide for a reduction in the base management fee payable by the Company to the Investment Adviser during the Waiver Period in connection with the issuance or sale of shares of the Company's common stock, including new shares issued as dividends or pursuant to the Company's dividend reinvestment plan, but excluding certain non-ordinary course transactions. Neither the prior waiver of base management fees nor the Revised Management Fee in any way implies that the Investment Adviser will agree to additional waivers of management or incentive fees in any future period. The Revised Management Fee did not result in any recalculations of the base management fee prior to the expiration of the Waiver Period.

For the three and nine months ended June 30, 2017, base management fees (net of waivers) were \$7.9 million and \$24.4 million, respectively. For the three and nine months ended June 30, 2016, base management fees (net of waivers) were \$10.0 million and \$31.6 million, respectively.

For the three and nine months ended June 30, 2017, the Investment Adviser voluntarily waived a portion of the base management fee which resulted in waivers of \$0.1 million and \$0.2 million, respectively. For the three and nine months ended June 30, 2016, the Investment Adviser voluntarily waived a portion of the base management fee which resulted in waivers of \$0.1 million and \$0.3 million, respectively.

Incentive Fee

The incentive fee consists of two parts. The first part ("Part I incentive fee," "income incentive fee" or "subordinated incentive fee on income") is calculated and payable quarterly in arrears based on the Company's "Pre-Incentive Fee Net Investment Income" for the immediately preceding fiscal quarter. For this purpose, "Pre-Incentive Fee Net Investment Income" means interest income, dividend income and any other income (including any other fees (other than fees for providing managerial assistance), such as commitment, origination, structuring, diligence and consulting fees or other fees that the Company receives from portfolio companies) accrued during the fiscal quarter, minus the Company's operating expenses for the quarter (including the base management fee, expenses payable under the Company's administration agreement, and any interest expense and dividends paid on any issued and outstanding preferred stock, but excluding the incentive fee). Pre-Incentive Fee Net Investment Income includes, in the case of investments with a deferred interest feature (such as OID, debt instruments with PIK interest and zero coupon securities), accrued income that the Company has not yet received in cash. Pre-Incentive Fee Net Investment Income does not include any realized capital gains, realized capital losses or unrealized capital appreciation or depreciation.

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Effective as of January 1, 2017, Pre-Incentive Fee Net Investment Income, expressed as a rate of return on the value of the Company's net assets at the end of the immediately preceding fiscal quarter, is compared to a "hurdle rate" of 1.75% per quarter, subject to a "catch-up" provision measured as of the end of each fiscal quarter. The Company's net investment income used to calculate this part of the incentive fee is also included in the amount of its gross assets used to calculate the base management fee. Effective as of January 1, 2017, the calculation of the subordinated incentive fee on income for each quarter is as follows:

- No subordinated incentive fee on income is payable to the Investment Adviser in any fiscal quarter in which the Company's Pre-Incentive Fee Net Investment Income does not exceed the preferred return rate of 1.75% (the "preferred return" or "hurdle");
- 100% of the Company's Pre-Incentive Fee Net Investment Income, if any, that exceeds the preferred return but is less than or equal to 2.1875% in any fiscal quarter is payable to the Investment Adviser. This portion of the Company's subordinated incentive fee on income is referred to as the "catch-up" provision, and it is intended to provide the Investment Adviser with an incentive fee of 20% on all of the Company's Pre-Incentive Fee Net Investment Income when the Company's Pre-Incentive Fee Net Investment Income reaches 2.1875% on net assets in any fiscal quarter; and
- For any quarter in which the Company's Pre-Incentive Fee Net Investment Income exceeds 2.1875% on net assets, the subordinated incentive fee on income is equal to 20% of the amount of the Company's Pre-Incentive Fee Net Investment Income, as the preferred return and catch-up will have been achieved.

Effective as of January 1, 2017, the subordinated incentive fee on income is subject to a total return hurdle. In the event the cumulative subordinated incentive fee on income accrued for the Lookback Period (after giving effect to any reduction(s) pursuant to this paragraph for any prior fiscal quarters of the Lookback Period but not the quarter of calculation) exceeds 20.0% of the cumulative net increase in net assets resulting from operations during the Lookback Period, then the subordinated incentive fee on income for the quarter shall be reduced by an amount equal to (1) 25% of the subordinated incentive fee on income calculated for such quarter (prior to giving effect to any reduction pursuant to this paragraph) less (2) any base management fees waived by the Investment Adviser for such fiscal quarter. For this purpose, the "cumulative net increase in net assets resulting from operations" is an amount, if positive, equal to the sum of Pre-Incentive Fee Net Investment Income, base management fees, realized gains and losses and unrealized capital appreciation and depreciation of the Company for the Lookback Period. "Lookback Period" means (1) through December 31, 2019, the period which commences on January 1, 2017 and ends on the last day of the fiscal quarter for which the subordinated incentive fee on income is being calculated, and (2) after December 31, 2019, the fiscal quarter for which the subordinated incentive fee on income is being calculated and the eleven preceding fiscal quarters.

There is no accumulation of amounts on the hurdle rate from quarter to quarter and accordingly there is no clawback of amounts previously paid if subsequent quarters are below the quarterly hurdle and there is no delay of payment if prior quarters are below the quarterly hurdle.

Prior to effectiveness of the fourth amended and restated investment advisory agreement on January 1, 2017, the Part I incentive fee was calculated and payable as follows:

- No Part I incentive fee was payable to the Investment Adviser in any fiscal quarter in which the Company's Pre-Incentive Fee Investment Income did not exceed a hurdle rate of 2.00%;
- 100% of the Company's Pre-Incentive Fee Net Investment Income, if any, that exceeded the 2.0% hurdle rate but was less than or equal to 2.5% was payable to the Investment Adviser. This portion of the Company's Part I incentive fee was referred to as the "catch-up" and was intended to provide the Investment Adviser with an incentive fee of 20% on all of the Company's Pre-Incentive Fee Net Investment Income when the Company's Pre-Incentive Fee Net Investment Income reaches 2.5% in any fiscal quarter; and
- 20% of the amount of the Company's Pre-Incentive Fee Net Investment Income, if any, that exceeded 2.5% in any fiscal quarter was payable to the Investment Adviser, as the preferred return and catch-up would have been achieved.

Prior to January 1, 2017, the Part I incentive fee was not subject to a total return hurdle.

The second part of the incentive fee ("Part II Incentive Fee" or "capital gain incentive fee") is determined and payable in arrears as of the end of each fiscal year (or upon termination of the investment advisory agreement, as of the termination date) and equals 20% of the Company's realized capital gains, if any, on a cumulative basis from inception through the end of each fiscal year, computed net of all realized capital losses and unrealized capital depreciation on a cumulative basis, less the aggregate amount of any previously paid capital gain incentive fees.

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GAAP requires the Company to accrue for the theoretical capital gain incentive fee that would be payable after giving effect to the net unrealized capital appreciation. A fee so calculated and accrued would not be payable under the investment advisory agreement, and may never be paid based upon the computation of capital gain incentive fees in subsequent periods. Amounts ultimately paid under the investment advisory agreement will be consistent with the formula reflected in the investment advisory agreement. The Company does not currently accrue for capital gain incentive fees due to the accumulated realized and unrealized losses in the portfolio.

For the three and nine months ended June 30, 2017, incentive fees were \$3.5 million (net of a \$1.1 million reduction due to the total return hurdle reduction) and \$10.7 million (net of a \$1.1 million reduction due to the total return hurdle), respectively. For the three and nine months ended June 30, 2016, incentive fees were \$7.9 million and \$15.7 million, respectively.

At June 30, 2017 and September 30, 2016, the Company had a liability on its Consolidated Statements of Assets and Liabilities in the amount of \$9.1 million and \$16.0 million, respectively, reflecting the unpaid portion of the base management fee and Part I incentive fee payable to the Investment Adviser.

Indemnification

The investment advisory agreement provides that, absent willful misfeasance, bad faith or gross negligence in the performance of their respective duties or by reason of the reckless disregard of their respective duties and obligations, the Investment Adviser 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 it, are entitled to indemnification from the Company for any damages, liabilities, costs and expenses (including reasonable attorneys' fees and amounts reasonably paid in settlement) arising from the rendering of the Investment Adviser's services under the investment advisory agreement or otherwise as the Investment Adviser. In this regard, FSAM may seek indemnification under the investment advisory agreement with respect to any losses and expenses it may incur in connection with settled lawsuits. There is no estimated range of potential claims at this time, and, to date, no amounts have been recorded in the consolidated financial statements.

Administration Agreement

On January 1, 2015, the Company entered into an administration agreement with its administrator, FSC CT, under substantially similar terms as its prior administration agreement with FSC CT, Inc. Under the administration agreement with FSC CT, administrative services are provided to the Company, including providing the Company with its principal executive offices and equipment, and clerical, bookkeeping and recordkeeping services at such facilities. Under the administration agreement, FSC CT also performs or oversees the performance of the Company's required administrative services, which includes being responsible for the financial records which the Company is required to maintain and preparing reports to the Company's stockholders and reports filed with the SEC. In addition, FSC CT assists the Company in determining and publishing the Company's net asset value, overseeing the preparation and filing of the Company's tax returns and the printing and dissemination of reports to the Company's stockholders, and generally overseeing the payment of the Company's expenses and the performance of administrative and professional services rendered to the Company by others. For providing these services, facilities and personnel, the Company reimburses FSC CT the allocable portion of overhead and other expenses incurred by FSC CT in performing its obligations under the administration agreement, including rent and the Company's allocable portion of the costs of compensation and related expenses of the Company's chief financial officer and chief compliance officer and their staffs. Such reimbursement is at cost with no profit to, or markup by, FSC CT. The Company utilizes office space in Greenwich, CT that is leased by FSC CT from an affiliate controlled by the chief executive officer of the Investment Adviser and FSC CT, Mr. Leonard M. Tannenbaum. The Company also utilizes additional office space that is leased by affiliates of the Investment Adviser and FSC CT in Chicago, IL. Any reimbursement for a portion of the rent at this location is at cost with no profit to, or markup by, FSC CT. FSC CT may also provide, on the Company's behalf, managerial assistance to the Company's portfolio companies. The administration agreement may be terminated by either party without penalty upon 60 days' written notice to the other party.

For the three months ended June 30, 2017, the Company accrued administrative expenses of \$0.6 million, including \$0.2 million of general and administrative expenses, which are due to FSC CT. For the nine months ended June 30, 2017, the Company accrued administrative expenses of \$2.7 million, including \$1.1 million of general and administrative expenses, which are due to FSC CT. For the three months ended June 30, 2016, the Company accrued administrative expenses of \$1.0 million, including \$0.5 million of general and administrative expenses, which are due to FSC CT. For the nine months ended June 30, 2016, the Company accrued administrative expenses of \$3.4 million, including \$1.8 million of general and administrative expenses, which are due to FSC CT. As of June 30, 2017 and September 30, 2016, \$1.4 million and \$2.2 million was included in "Due to FSC CT" in the Consolidated Statement of Assets and Liabilities, respectively.

Common Stock held by FSAM and Principals

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As of June 30, 2017, a subsidiary of FSAM held 8,399,520 shares of the Company's common stock, which represents approximately 6.0% of the Company's common stock outstanding.

Leonard M. Tannenbaum, a holder of greater than 10% of the Company's common stock, purchased shares of the Company's common stock on March 9, 2017 and March 10, 2017 at prices less than or equal to \$4.40 per share that were matchable under Section 16(b) of the Securities Exchange Act of 1934, as amended (the "Exchange Act"), to the extent of 242,289 shares, with his sale of an aggregate of 242,289 shares of the Company's common stock at prices ranging from \$5.55 to \$5.61 per share that occurred between December 13, 2016 and December 29, 2016. Upon settlement of the trades, Mr. Tannenbaum paid to the Company \$0.3 million, representing the full amount of the profit realized in connection with the short-swing transaction, less transaction costs. The Company recorded this transaction as capital contributions from stockholders on the Consolidated Statements of Changes in Net Assets. As of June 30, 2017, Mr. Tannenbaum directly and indirectly held 18,644,899 shares of the Company's common stock, which represents approximately 13.2% of the Company's common stock outstanding.

Note 12. Financial Highlights

	Three months ended June 30, 2017	Three months ended June 30, 2016	Nine months ended June 30, 2017	Nine months ended June 30, 2016
Net asset value at beginning of period	\$7.23	\$8.33	\$7.97	\$9.00
Net investment income (4)	0.14	0.20	0.43	0.55
Net unrealized appreciation (depreciation) on investments and secured borrowings (4)	(0.09)	0.07	0.13	(0.50)
Net realized loss on investments and secured borrowings (4)	(0.09)	(0.31)	(1.07)	(0.46)
Distributions to stockholders (4)	(0.02)	(0.18)	(0.34)	(0.54)
Net issuance/repurchases of common stock (4)	—	0.04	0.05	0.10
Net asset value at end of period	\$7.17	\$8.15	\$7.17	\$8.15
Per share market value at beginning of period	\$4.62	\$5.02	\$5.81	\$6.17
Per share market value at end of period	\$4.86	\$4.85	\$4.86	\$4.85
Total return (1)	5.63%	0.03%	(10.50)%	(13.28)%
Common shares outstanding at beginning of period	140,960,651	147,183,608	143,258,785	150,262,924
Common shares outstanding at end of period	140,960,651	145,304,222	140,960,651	145,304,222
Net assets at beginning of period	\$1,019,626	\$1,225,974	\$1,142,288	\$1,353,094
Net assets at end of period	\$1,010,750	\$1,184,376	\$1,010,750	\$1,184,376
Average net assets (2)	\$1,016,037	\$1,200,712	\$1,043,283	\$1,251,406
Ratio of net investment income to average net assets (5)	7.65%	9.72%	7.84%	8.63%
Ratio of total expenses to average net assets (excluding base management fee waiver and insurance recovery) (5)	10.10%	18.07%	10.57%	13.52%
Ratio of net expenses to average net assets (5)	10.08%	11.66%	10.39%	11.46%
Ratio of portfolio turnover to average investments at fair value	8.67%	4.34%	19.68%	17.24%
Weighted average outstanding debt (3)	\$905,994	\$1,192,572	\$1,032,076	\$1,177,606
Average debt per share (4)	\$6.43	\$8.19	\$7.29	\$7.94

- (1) Total return equals the increase or decrease of ending market value over beginning market value, plus distributions, divided by the beginning market value, assuming dividend reinvestment prices obtained under the Company's DRIP.
- (2) Calculated based upon the weighted average net assets for the period.
- (3) Calculated based upon the weighted average of loans payable for the period.
- (4) Calculated based upon weighted average shares outstanding for the period.
- (5) Interim periods are annualized.

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Note 13. Convertible Notes

On April 12, 2011, the Company issued \$152.0 million unsecured convertible notes (the "Convertible Notes"), including \$2.0 million issued to Leonard M. Tannenbaum, the Company's former Chief Executive Officer. The Convertible Notes were issued pursuant to an Indenture, dated April 12, 2011 (the "Indenture"), between the Company and the Deutsche Bank Trust Company Americas (the "Trustee").

The Convertible Notes matured on April 1, 2016 and the Company repaid in full the \$115.0 million of outstanding Convertible Notes on their maturity date. The Convertible Notes bore interest at a rate of 5.375% per annum and were repaid using cash on hand and borrowings under the ING facility.

The Convertible Notes bore interest that was payable semiannually in arrears on April 1 and October 1 of each year. The Convertible Notes were the Company's unsecured obligations and ranked senior in right of payment to the Company's indebtedness that was expressly subordinated in right of payment to the Convertible Notes; equal in right of payment to the Company's unsecured indebtedness that was not so subordinated; effectively junior in right of payment to any of the Company's secured indebtedness to the extent of the value of the assets securing such indebtedness; and structurally junior to all indebtedness (including trade payables) incurred by the Company's subsidiaries or financing vehicles.

On or after January 1, 2016 until the close of business on March 31, 2016, holders could have converted their Convertible Notes at any time. Upon conversion, the Company would have been obligated to deliver shares of its common stock based on a conversion rate that was subject to periodic adjustment.

The Company could not redeem the Convertible Notes prior to maturity. No sinking fund was provided for the Convertible Notes. In addition, if certain corporate events occurred in respect of the Company, holders of the Convertible Notes could have required the Company to repurchase for cash all or part of their Convertible Notes at a repurchase price equal to 100% of the principal amount of the Convertible Notes to be repurchased, plus accrued and unpaid interest through, but excluding, the required repurchase date.

For the nine months ended June 30, 2016, the Company recorded interest expense of \$3.4 million related to the Convertible Notes.

Note 14. Unsecured Notes*2019 Notes*

On February 26, 2014, the Company issued \$250.0 million in aggregate principal amount of its 4.875% unsecured notes due 2019 (the "2019 Notes") for net proceeds of \$244.4 million after deducting OID of \$1.4 million, underwriting commissions and discounts of \$3.7 million and offering costs of \$0.5 million. The OID on the 2019 Notes is amortized on a straight-line basis over the term of the notes.

The 2019 Notes were issued pursuant to an indenture, dated April 30, 2012, as supplemented by the supplemental indenture, dated February 26, 2014 (collectively, the "2019 Notes Indenture"), between the Company and the Trustee. The 2019 Notes are the Company's general unsecured obligations that rank senior in right of payment to all of the Company's existing and future indebtedness that is expressly subordinated in right of payment to the 2019 Notes. The 2019 Notes rank equally in right of payment with all of the Company's existing and future liabilities that are not so subordinated. The 2019 Notes effectively rank junior to any of the Company's secured indebtedness (including unsecured indebtedness that the Company later secures) to the extent of the value of the assets securing such indebtedness. The 2019 Notes rank structurally junior to all existing and future indebtedness (including trade payables) incurred by the Company's subsidiaries, financing vehicles or similar facilities.

Interest on the 2019 Notes is paid semi-annually on March 1 and September 1 at a rate of 4.875% per annum. The 2019 Notes mature on March 1, 2019 and may be redeemed in whole or in part at any time or from time to time at the Company's option prior to maturity.

The 2019 Notes Indenture contains certain covenants, including covenants requiring the Company's compliance with (regardless of whether the Company is subject to) the restrictions on dividends, distributions and purchase of capital stock set forth in Section 18(a)(1)(B) as modified by Section 61(a)(1) of the 1940 Act, as well as covenants requiring the Company to provide financial information to the holders of the 2019 Notes and the Trustee if the Company ceases to be subject to the reporting requirements of the Exchange Act. These covenants are subject to limitations and exceptions that are described in the 2019 Notes Indenture. The Company may repurchase the 2019 Notes in accordance with the 1940 Act and the rules promulgated thereunder. In addition, holders of the 2019 Notes can

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require the Company to repurchase the 2019 Notes at 100% of their principal amount upon the occurrence of certain change of control events as described in the 2019 Notes Indenture. The 2019 Notes were issued in minimum denominations of \$2,000 and integral multiples of \$1,000 in excess thereof. During the nine months ended June 30, 2017 and June 30, 2016, the Company did not repurchase any of the 2019 Notes in the open market.

For the three and nine months ended June 30, 2017, the Company recorded interest expense of \$3.3 million and \$10.0 million, respectively, related to the 2019 Notes. For the three and nine months ended June 30, 2016, the Company recorded interest expense of \$3.3 million and \$10.0 million, respectively, related to the 2019 Notes.

As of June 30, 2017, there were \$250.0 million of 2019 Notes outstanding, which had a carrying value and fair value of \$248.1 million and \$252.4 million, respectively.

2024 Notes

On October 18, 2012, the Company issued \$75.0 million in aggregate principal amount of its 5.875% unsecured notes due 2024 (the "2024 Notes") for net proceeds of \$72.5 million after deducting underwriting commissions of \$2.2 million and offering costs of \$0.3 million.

The 2024 Notes were issued pursuant to an indenture, dated April 30, 2012, as supplemented by the first supplemental indenture, dated October 18, 2012 (collectively, the "2024 Notes Indenture"), between the Company and the Trustee. The 2024 Notes are the Company's unsecured obligations and rank senior in right of payment to the Company's existing and future indebtedness that is expressly subordinated in right of payment to the 2024 Notes; equal in right of payment to the Company's existing and future unsecured indebtedness that is not so subordinated; effectively junior in right of payment to any of the Company's secured indebtedness (including existing unsecured indebtedness that the Company later secures) to the extent of the value of the assets securing such indebtedness; and structurally junior to all existing and future indebtedness (including trade payables) incurred by the Company's subsidiaries or financing vehicles.

Interest on the 2024 Notes is paid quarterly in arrears on January 30, April 30, July 30 and October 30, at a rate of 5.875% per annum. The 2024 Notes mature on October 30, 2024 and may be redeemed in whole or in part at any time or from time to time at the Company's option on or after October 30, 2017. The 2024 Notes are listed on the New York Stock Exchange under the trading symbol "FSCE" with a par value of \$25.00 per note.

The 2024 Notes Indenture contains certain covenants, including covenants requiring the Company's compliance with (regardless of whether the Company is subject to) the asset coverage requirements set forth in Section 18(a)(1)(A) as modified by Section 61(a)(1) of the 1940 Act and with the restrictions on dividends, distributions and purchase of capital stock set forth in Section 18(a)(1)(B) as modified by Section 61(a)(1) of the 1940 Act, as well as covenants requiring the Company to provide financial information to the holders of the 2024 Notes and the Trustee if the Company ceases to be subject to the reporting requirements of the Exchange Act. These covenants are subject to limitations and exceptions that are described in the 2024 Notes Indenture. The Company may repurchase the 2024 Notes in accordance with the 1940 Act and the rules promulgated thereunder. Any 2024 Notes repurchased by the Company may, at the Company's option, be surrendered to the Trustee for cancellation, but may not be reissued or resold by the Company. Any 2024 Notes surrendered for cancellation will be promptly canceled and no longer outstanding under the 2024 Notes Indenture. During the nine months ended June 30, 2017 and June 30, 2016, the Company did not repurchase any of the 2024 Notes in the open market.

For the three and nine months ended June 30, 2017, the Company recorded interest expense of \$1.2 million and \$3.5 million, respectively, related to the 2024 Notes. For the three and nine months ended June 30, 2016, the Company recorded interest expense of \$1.2 million and \$3.5 million, respectively, related to the 2024 Notes.

As of June 30, 2017, there were \$75.0 million of 2024 Notes outstanding, which had a carrying value and fair value of \$73.5 million and \$75.7 million, respectively.

2028 Notes

In April and May 2013, the Company issued \$86.3 million in aggregate principal amount of its 6.125% unsecured notes due 2028 (the "2028 Notes") for net proceeds of \$83.4 million after deducting underwriting commissions of \$2.6 million and offering costs of \$0.3 million.

The 2028 Notes were issued pursuant to an indenture, dated April 30, 2012, as supplemented by the second supplemental indenture, dated April 4, 2013 (collectively, the "2028 Notes Indenture"), between the Company and the Trustee. The 2028 Notes are the Company's unsecured obligations and rank senior in right of payment to the Company's existing and future indebtedness that is

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expressly subordinated in right of payment to the 2028 Notes; equal in right of payment to the Company's existing and future unsecured indebtedness that is not so subordinated; effectively junior in right of payment to any of the Company's secured indebtedness (including existing unsecured indebtedness that it later secures) to the extent of the value of the assets securing such indebtedness; and structurally junior to all existing and future indebtedness (including trade payables) incurred by the Company's subsidiaries or financing vehicles.

Interest on the 2028 Notes is paid quarterly in arrears on January 30, April 30, July 30 and October 30, at a rate of 6.125% per annum. The 2028 Notes mature on April 30, 2028 and may be redeemed in whole or in part at any time or from time to time at the Company's option on or after April 30, 2018. The 2028 Notes are listed on the NASDAQ Global Select Market under the trading symbol "FSCFL" with a par value of \$25.00 per note.

The 2028 Notes Indenture contains certain covenants, including covenants requiring the Company's compliance with (regardless of whether it is subject to) the asset coverage requirements set forth in Section 18(a)(1)(A) as modified by Section 61(a)(1) of the 1940 Act, as well as covenants requiring the Company to provide financial information to the holders of the 2028 Notes and the Trustee if it ceases to be subject to the reporting requirements of the Exchange Act. These covenants are subject to limitations and exceptions that are described in the 2028 Notes Indenture. The Company may repurchase the 2028 Notes in accordance with the 1940 Act and the rules promulgated thereunder. Any 2028 Notes repurchased by the Company may, at its option, be surrendered to the Trustee for cancellation, but may not be reissued or resold by the Company. Any 2028 Notes surrendered for cancellation will be promptly canceled and no longer outstanding under the 2028 Notes Indenture. During the nine months ended June 30, 2017 and June 30, 2016, the Company did not repurchase any of the 2028 Notes in the open market.

For each of the three and nine months ended June 30, 2017 and June 30, 2016, the Company recorded interest expense of \$1.4 million and \$4.1 million, respectively, related to the 2028 Notes.

As of June 30, 2017, there were \$86.3 million of 2028 Notes outstanding, which had a carrying value and fair value of \$84.2 million and \$87.5 million, respectively.

Note 15. Secured Borrowings

See Note 2 "Secured Borrowings" for a description of the Company's accounting treatment of secured borrowings.

As of June 30, 2017, secured borrowings at fair value totaled \$13.6 million and the fair value of the investment that is associated with these secured borrowings was \$47.0 million. These secured borrowings were the result of the Company's completion of partial loan sales totaling \$22.8 million of a senior secured debt investment during the fiscal year ended September 30, 2014 that did not meet the definition of a participating interest. As a result, sale treatment was not allowed and these partial loan sales were treated as secured borrowings. The Company receives loan servicing fees as it continues to serve as administrative agent for this investment. As a result, the Company earns servicing fees in connection with the loans that were partially sold. During the nine months ended June 30, 2017 and June 30, 2016, there were \$5.1 million and \$2.5 million of net repayments on secured borrowings, respectively.

For the nine months ended June 30, 2017 and June 30, 2016, the secured borrowings bore interest at a weighted average interest rate of 8.09% and 7.23%, respectively. For the three and nine months ended June 30, 2017, the Company recorded interest expense of \$0.3 million and \$0.9 million, respectively, related to the secured borrowings. For the three and nine months ended June 30, 2016, the Company recorded interest expense of \$0.4 million and \$1.1 million, respectively, related to the secured borrowings.

As of June 30, 2017, there were \$13.8 million of secured borrowings outstanding, which had a fair value of \$13.6 million.

Note 16. Commitments and Contingencies**SEC Examination and Investigation**

On March 23, 2016, the Division of Enforcement of the SEC sent document subpoenas and document preservation notices to the Company, FSAM, FSCO GP LLC - General Partner of Fifth Street Opportunities Fund, L.P., or FSOF, and FSFR. The subpoenas sought production of documents relating to a variety of issues, including those raised in an ordinary-course examination of the Investment Adviser by the SEC's Office of Compliance Inspections and Examinations that began in October 2015, and in the previous disclosed securities class actions and other previously disclosed litigation. The subpoenas were issued pursuant to a formal order of private investigation captioned In the Matter of the Fifth Street Group of Companies, No. HO-12925, dated March 23, 2016, which addresses (among other things) (i) the valuation of the Company's portfolio companies and investments, (ii) the expenses allocated or charged to the Company and FSFR, (iii) FSOF's trading in the securities of publicly traded business development companies, (iv) statements to the Board, other representatives of pooled investment vehicles, investors, or prospective investors concerning the fair value of the Company's portfolio companies or investments as well as expenses allocated or charged to the Company and FSFR, (v)

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various issues relating to adoption and implementation of policies and procedures under the Advisers Act, (vi) statements and/or potential omissions in the entities' SEC filings, (vii) the entities' books, records, and accounts and whether they fairly and accurately reflected the entities' transactions and dispositions of assets, and (viii) several other issues relating to corporate books and records. The formal order cites various provisions of the Securities Act, the Exchange Act and the Advisers Act, as well as rules promulgated under those Acts, as the bases of the investigation. The subpoenaed Fifth Street entities are cooperating with the Division of Enforcement investigation, have produced requested documents, and have been communicating with Division of Enforcement personnel.

Legal Costs

In connection with previously disclosed litigation, the Company incurred professional fees of \$0.1 million during the nine months ended June 30, 2017, respectively, and received insurance reimbursements related to previously incurred professional fees of \$1.3 million during the nine months ended June 30, 2017. The Company incurred professional fees of \$0.5 million and \$9.7 million during the three and nine months ended June 30, 2016, respectively, and received insurance reimbursements during each of the three and nine months ended June 30, 2016 of \$0.1 million, respectively. FSAM may seek indemnification under the Investment Advisory Agreement with respect to any losses and expenses it may incur in connection with these lawsuits.

Off-Balance Sheet Arrangements

The Company may be a party to financial instruments with off-balance sheet risk in the normal course of business to meet the financial needs of its companies. As of June 30, 2017, the Company's only off-balance sheet arrangements consisted of \$147.7 million of unfunded commitments, which was comprised of \$133.9 million to provide debt financing to certain of its portfolio companies, \$1.3 million to provide equity financing to SLF JV I and \$12.5 million related to unfunded limited partnership interests. As of September 30, 2016, the Company's only off-balance sheet arrangements consisted of \$215.7 million of unfunded commitments, which was comprised of \$191.7 million to provide debt financing to certain of its portfolio companies, \$14.1 million to provide debt and equity financing to SLF JV I and \$9.9 million related to unfunded limited partnership interests. Such commitments are subject to its portfolio companies' satisfaction of certain financial and nonfinancial covenants and may involve, to varying degrees, elements of credit risk in excess of the amount recognized in the Company's Consolidated Statements of Assets and Liabilities.

A list of unfunded commitments by investment (consisting of revolvers, term loans with delayed draw components, SLF JV I subordinated notes and LLC interests, and limited partnership interests) as of June 30, 2017 and September 30, 2016 is shown in the table below:

	June 30, 2017	September 30, 2016
Lift Brands Holdings, Inc.	\$ 15,000	\$ 13,000
TigerText, Inc.	15,000	10,000
P2 Upstream Acquisition Co.	10,000	10,000
Edge Fitness, LLC	8,353	8,353
BeyondTrust Software, Inc.	5,995	5,995
InMotion Entertainment Group, LLC	5,855	6,856
TIBCO Software, Inc.	5,800	5,800
Valet Merger Sub, Inc.	5,596	5,596
EOS Fitness Opco Holdings, LLC	5,000	5,000
Thing5, LLC	5,000	5,000
Baart Programs, Inc.	4,762	4,762
Traffic Solutions Holdings, Inc.	4,732	2,682
Eagle Hospital Physicians, Inc.	4,667	2,753
Refac Optical Group	4,480	6,400
OBHG Management Services, LLC	3,836	3,836
Metamorph US 3, LLC	3,675	3,675
Keypath Education, Inc. (formerly Adventure Interactive, Corp.)	3,000	4,846
WeddingWire, Inc.	3,000	3,000
Motion Recruitment Partners LLC	2,900	2,900
OmniSYS Acquisition Corporation	2,500	2,500
Ping Identity Corporation	2,500	2,500
Pingora MSR Opportunity Fund I, LP (limited partnership interest)	2,426	2,054
4 Over International, LLC	2,232	2,232
New IPT, Inc.	2,229	—
SPC Partners VI, L.P. (limited partnership interest)	2,000	—

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Accruent, LLC	1,900	1,900
TransTrade Operators, Inc.	1,568	424
Senior Loan Fund JV 1, LLC	1,328	14,065
My Alarm Center, LLC	1,186	2,940
Garretson Firm Resolution Group, Inc.	1,066	1,066
Webster Capital III, L.P. (limited partnership)	1,043	1,013
Baird Capital Partners V, LP (limited partnership interest)	1,006	—
Ministry Brands, LLC	1,000	15,000
Beecken Petty O'Keefe Fund IV, L.P. (limited partnership interest)	986	813
Riverside Fund IV, LP (limited partnership interest)	781	544
ExamSoft Worldwide, Inc.	750	2,000
Moelis Capital Partners Opportunity Fund I-B, L.P. (limited partnership interest)	581	476
RCP Direct II, LP (limited partnership interest)	553	654
Riverside Fund V, LP (limited partnership interest)	548	853
Tailwind Capital Partners II, L.P. (limited partnership interest)	512	1,005
RCP Direct, LP (limited partnership interest)	483	236
L Squared Capital Partners (limited partnership interest)	333	308
SPC Partners V, L.P. (limited partnership interest)	312	602
Cenegenics, LLC	297	1,001
Sterling Capital Partners IV, L.P. (limited partnership interest)	219	485
Milestone Partners IV, LP (limited partnership interest)	216	261
ACON Equity Partners III, LP (limited partnership interest)	199	204
Bunker Hill Capital II (QP), LP (limited partnership interest)	183	190
Riverlake Equity Partners II, LP (limited partnership interest)	129	177
Legalzoom.com, Inc.	—	15,427
RP Crown Parent, LLC	—	9,414
Integrated Petroleum Technologies, Inc.	—	5,397
Trialcard Incorporated	—	4,900
Discovery Practice Management, Inc.	—	3,958
First American Payment Systems, LP	—	3,000
Edmentum, Inc.	—	2,664
HealthDrive Corporation	—	2,534
Teaching Strategies, LLC	—	2,400
Total	\$ 147,717	\$ 215,651

Note 17. Subsequent Events

The Company's management evaluated subsequent events through the date of issuance of the Consolidated Financial Statements. There have been no subsequent events that occurred during such period that would require disclosure in, or would be required to be recognized in, the Consolidated Financial Statements as of and for the nine months ended June 30, 2017 except as discussed below:

Asset Purchase Agreement

On July 13, 2017, the Investment Adviser entered into an asset purchase agreement (the "Purchase Agreement"), with Oaktree Capital Management, L.P. ("Oaktree") and, for certain limited purposes, FSAM, and Fifth Street Holdings L.P. Upon closing of the transactions contemplated by the Purchase Agreement (the "Transaction"), Oaktree would become the investment adviser to each of the Company and Fifth Street Senior Floating Rate Corp. ("FSFR") and Oaktree would pay gross cash consideration of \$320 million to the Investment Adviser. The closing of the Transaction would result in an assignment for purposes of the 1940 Act of the current investment advisory agreement between the Company and the Investment Adviser and, as a result, its immediate termination.

The closing of the Transaction is conditioned on, among other things: (i) the approval of a new investment advisory agreement between the Company and Oaktree by the Company's stockholders; (ii) the approval of a new investment advisory agreement by the stockholders of FSFR; (iii) the election to the Company's Board of Directors of five new directors by the Company's stockholders; (iv) the election to the board of directors of FSFR of five new directors by FSFR's stockholders; (v) the approval of the Transaction by the stockholders of FSAM; and (vi) the receipt of any required regulatory and other approvals. The Company has scheduled a special meeting of its stockholders for September 7, 2017 to consider a proposal to approve a new investment advisory agreement between the Company and Oaktree and, contingent upon approval of such proposal, the election of five new director nominees to the Company's board of directors. Beneficial owners holding approximately 19.2% of the Company's outstanding stock, including Leonard M.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(in thousands, except share and per share amounts, percentages and as otherwise indicated)

Tannenbaum, the chief executive officer of the Investment Adviser, and a subsidiary of FSAM have agreed to vote in favor of the proposals at the special meeting and take certain other actions at the direction of Oaktree.

In connection with the Transaction and due to a closing condition related to the election of five new directors, on July 13, 2017, each of Messrs. Bernard D. Berman, James Castro-Blanco, Brian S. Dunn, Alexander C. Frank, Byron J. Haney and Douglas F. Ray executed resignation letters pursuant to which each will resign as a member of the Company's Board of Directors contingent upon and effective as of the closing of the Transaction. In addition, each of Mr. Berman, the Company's Chief Executive Officer, Mr. Steven Noreika, the Company's Chief Financial Officer, and Ms. Kerry Acocella, the Company's Secretary and Chief Compliance Officer, is expected to resign from his or her respective roles as officers of the Company effective upon closing of the Transaction.

In connection with the Transaction, each of the Company and Kemper, in their capacity as members of SLF JV I, consented to the assignment by FSC CT of the administrative and loan services agreement between SLF JV I and FSC CT to Oaktree Fund Administration, LLC, an affiliate of Oaktree, effective upon the closing of the Transaction.

ING Amendment

In connection with the Transaction, on July 14, 2017, the Company entered into an amendment (the "ING Amendment") to the ING facility that amends the ING Credit Agreement. Under the ING Amendment, the ING facility now contemplates the appointment of Oaktree as the Company's investment adviser; the covenant regarding minimum shareholders' equity under the ING Credit Agreement was reduced from the greater of 40% of assets or \$978 million to the greater of 40% of assets or \$900 million, the consolidated interest coverage ratio was reduced from 2.50 to 1.0 to 2.25 to 1.0, a new minimum net worth covenant of \$750 million was added; the lenders' commitments were reduced to \$525 million and the revolving period was extended to January 31, 2018. The stated maturity date of the ING facility was not extended by the ING Amendment and remains August 6, 2018.

Sumitomo Amendment

In connection with the Transaction, on July 13, 2017, the Company entered into a waiver and amendment (the "SMBC Amendment") to the Sumitomo facility, pursuant to which the stated maturity date of the Sumitomo facility was changed from September 16, 2021 to the earlier of (a) August 6, 2018 and (b) the date on which the ING facility is repaid, refinanced or terminated. In addition, under the SMBC Amendment, SMBC has agreed to waive the occurrence of the change of control under the Sumitomo facility and certain possible events of default that would result from the closing of the Transaction, including the proposed appointment of Oaktree as the Company's investment adviser, for a definite period of time, commencing on the date of the SMBC Amendment and ending on the earlier of January 1, 2018 and the date on which the Purchase Agreement is terminated or ceases to be effective.

Fifth Street Finance Corp.
Schedule of Investments in and Advances to Affiliates
(in thousands, except share and per share amounts, percentages and as otherwise indicated)
Nine months ended June 30, 2017
(unaudited)

Portfolio Company/Type of Investment (1)	Amount of Interest, Fees or Dividends Credited in Income (2)	Fair Value at October 1, 2016	Gross Additions (3)	Gross Reductions (4)	Fair Value at June 30, 2017
Control Investments					
Traffic Solutions Holdings, Inc.					
First Lien Term Loan, LIBOR+7% (1% floor) cash 2% PIK due 4/1/2021	\$ 3,151	\$ 36,328	\$ 985	\$ (845)	\$ 36,468
First Lien Revolver, LIBOR+7% (1% floor) cash due 4/1/2021	98	2,800	760	(2,810)	750
LC Facility, 6% cash due 4/1/2021	172	3,518	12	(12)	3,518
746,114 Series A Preferred Units	1,471	20,094	3,201	(161)	23,134
746,114 Common Stock Units	—	—	2,284	—	2,284
TransTrade Operators, Inc.					
First Lien Term Loan, 11% cash 3% PIK due 12/31/2017	8	7,046	644	(2,160)	5,530
First Lien Revolver, 8% cash due 12/31/2017	—	—	2,505	(2,505)	—
First Star Aviation, LLC (6)					
10,104,401 Common Units	—	2,413	87	(2,500)	—
First Star Speir Aviation 1 Limited (6)					
First Lien Term Loan, 9% cash due 12/15/2020	2,060	54,214	2,068	(16,189)	40,093
2,058,411.64 Common Units	—	2,839	—	(2,839)	—
First Star Bermuda Aviation Limited (6)					
First Lien Term Loan, 9% cash 3% PIK due 8/19/2018	729	11,851	138	(121)	11,868
4,293,756 Common Units	—	5,729	(455)	(3,464)	1,810
Eagle Hospital Physicians, LLC					
First Lien Term Loan A, 8% PIK due 4/30/2017	571	13,875	1,058	(14,933)	—
First Lien Term Loan B, 8.1% PIK due 4/30/2017	81	3,887	4,189	(8,076)	—
First Lien Revolver, 8% cash due 4/30/2017	183	1,913	2,185	(4,098)	—
4,100,000 Class A Common Units	—	7,421	4,100	(11,521)	—
Earn-out	—	—	7,851	—	7,851
Senior Loan Fund JV I, LLC (5)					
Subordinated Notes, LIBOR+8% cash due 5/2/2021	2,859	129,004	16,546	(145,550)	—
Class A Mezzanine Secured Deferrable Floating Rate Notes due 2036 in SLF Repack Issuer 2016 LLC	3,465	—	101,030	—	101,030
Class B Mezzanine Secured Deferrable Fixed Rate Notes, 15% PIK due 2036 in SLF Repack Issuer 2016 LLC	1,978	—	26,642	—	26,642
87.5% LLC equity interest	1,050	13,708	433	(906)	13,235
Express Group Holdings LLC					
First Lien Term Loan, LIBOR+6% (1% floor) cash due 9/3/2019	(110)	1,193	12,073	(13,266)	—
First Lien Revolver, LIBOR+4.5% (1% floor) cash due 3/4/2019	(2)	6,090	5,211	(11,301)	—
Last-In Revolver, PRIME+3.5% (3.5% floor) cash due 10/7/2016	106	3,000	—	(3,000)	—
14,033,391 Series B Preferred Units	—	—	3,982	(3,982)	—
280,668 Series A Preferred Units	—	—	1,593	(1,593)	—
1,456,344 Common Units	—	—	—	—	—
Ameritox Ltd.					
First Lien Term Loan, LIBOR+5% (1% floor) cash 3% PIK due 4/11/2021	2,435	31,039	9,151	(82)	40,108
14,090,126.4 Class A Preferred A Units in Ameritox Holdings II, LLC	—	15,437	1,424	(2,667)	14,194
1,602,260.83 Class B Preferred A Units in Ameritox Holdings II, LLC	—	1,755	162	(1,917)	—
4,930.03 Common Units in Ameritox Holdings II, LLC	—	13,113	—	(13,113)	—

New IPT, Inc.

First Lien Term Loan, LIBOR+5% (1% floor) cash due 3/17/2021	\$	72	\$	—	\$	4,107	\$	—	\$	4,107
Second Lien Term Loan, LIBOR+5.1% (1% floor) cash due 9/17/2021		46		—		2,504		—		2,504
First Lien Revolver, LIBOR+5% (1% floor) cash due 3/17/2021		21		—		1,009		—		1,009
50.087 Class A Common Units in New IPT Holdings, LLC		—		—		—		—		—

AdVenture Interactive, Corp.

First Lien Term Loan, LIBOR+6.75% (1.25% floor) cash due 3/22/2018		—		—		—		—		—
First Lien Revolver, LIBOR+6.75% (1.25% floor) cash due 3/22/2018		—		—		—		—		—
9,073 shares of common stock		—		—		24,258		(10,648)		13,610

Keypath Education, Inc.

First Lien Term Loan, LIBOR+6.75% (1.25% floor) cash due 3/22/2018		412		—		19,960		—		19,960
First Lien Revolver, LIBOR+6.75% (1.25% floor) cash due 3/22/2018		4		—		—		—		—
9,073 Class A Units in FS AVI Holdco, LLC		—		—		10,648		—		10,648
Total Control Investments	\$	20,860	\$	388,267	\$	272,345	\$	(280,259)	\$	380,353

Affiliate Investments**Caregiver Services, Inc.**

Second Lien Term Loan, 10% cash 2% PIK due 6/30/2019		873		9,549		156		(116)		9,589
1,080,399 shares of Series A Preferred Stock		—		4,079		—		(1,550)		2,529

AmBath/ReBath Holdings, Inc.

First Lien Term Loan B, 12.5% cash 2.5% PIK due 8/31/2018		3,422		24,268		818		(1,806)		23,280
4,668,788 shares of Preferred Stock		—		1,873		349		(271)		1,951
Total Affiliate Investments	\$	4,295	\$	39,769	\$	1,323	\$	(3,743)	\$	37,349
Total Control & Affiliate Investments	\$	25,155	\$	428,036	\$	273,668	\$	(284,002)	\$	417,702

This schedule should be read in connection with the Company's Consolidated Financial Statements, including the Consolidated Schedules of Investments and Notes to the Consolidated Financial Statements.

- (1) The principal amount and ownership detail are shown in the Company's Consolidated Schedules of Investments.
- (2) Represents the total amount of interest, fees and dividends credited to income for the portion of the year an investment was included in the Control or Affiliate categories.
- (3) Gross additions include increases in the cost basis of investments resulting from new portfolio investments, follow-on investments and accrued PIK interest, and the exchange of one or more existing securities for one or more new securities. Gross additions also include net increases in unrealized appreciation or net decreases in unrealized depreciation as well as the movement of an existing portfolio company into this category or out of a different category.
- (4) Gross reductions include decreases in the cost basis of investment resulting from principal payments or sales and exchanges of one or more existing securities for one or more new securities. Gross reductions also include net increases in unrealized depreciation or net decreases in unrealized appreciation as well as the movement of an existing portfolio company out of this category and into a different category.
- (5) Together with Kemper, the Company co-invests through SLF JV I. SLF JV I is capitalized as transactions are completed and all portfolio and investment decisions in respect to SLF JV I must be approved by the SLF JV I investment committee consisting of representatives of the Company and Kemper (with approval from a representative of each required).
- (6) First Star Aviation, LLC, First Star Bermuda Aviation Limited and First Star Speir Aviation 1 Limited are wholly-owned holding companies formed by the Company in order to facilitate its investment strategy. In accordance with ASU 2013-08, the Company has deemed the holding companies to be investment companies under GAAP and therefore deemed it appropriate to consolidate the financial results and financial position of the holding companies and to recognize dividend income versus a combination of interest income and dividend income. Accordingly, the debt and equity investments in the wholly-owned holding companies are disregarded for accounting purposes since the economic substance of these instruments are equity investments in the operating entities.

Fifth Street Finance Corp.
Schedule of Investments in and Advances to Affiliates
(in thousands, except share and per share amounts, percentages and as otherwise indicated)
Nine months ended June 30, 2016 (unaudited)

Portfolio Company/Type of Investment (1)	Amount of Interest, Fees or Dividends Credited in Income (2)	Fair Value at October 1, 2015	Gross Additions (3)	Gross Reductions (4)	Fair Value at June 30, 2016
Control Investments					
Traffic Solutions Holdings, Inc.					
First Lien Term Loan, LIBOR+7% (1% floor) cash 2% PIK due 4/1/2021	\$ 1,434	\$ —	\$ 36,910	\$ (827)	\$ 36,083
Second Lien Term Loan, 12% cash 3% PIK due 12/31/2016	1,458	16,878	341	(17,219)	—
First Lien Revolver, LIBOR+7% (1% floor) cash due 4/1/2021	106	—	1,589	(89)	1,500
LC Facility, 8.5% cash due 12/31/2016	203	1,444	111	(111)	1,444
746,114 Series A Preferred Units	1,621	19,414	1,621	(4,192)	16,843
746,114 Common Stock Units	—	5,930	—	(5,930)	—
TransTrade Operators, Inc.					
First Lien Term Loan, 11% cash 3% PIK due 5/31/2016	626	8,713	1,021	(2,797)	6,937
First Lien Revolver, 8% cash due 5/31/2016	279	1,555	4,765	(6,320)	—
596.67 Series A Common Units in TransTrade Holdings LLC	—	—	—	—	—
4,000,000 Series A Preferred Units in TransTrade Holdings LLC	—	—	—	—	—
5,200,000 Series B Preferred Units in TransTrade Holding LLC	—	—	—	—	—
First Star Aviation, LLC (6)					
First Lien Term Loan, 9% cash 3% PIK due 1/9/2018	480	5,313	190	(2,198)	3,305
10,104,401 Common Units	—	9,500	653	(3,262)	6,891
First Star Speir Aviation 1 Limited (6)					
First Lien Term Loan, 9% cash due 12/15/2020	2,401	47,824	12,477	(6,962)	53,339
2,058,411.64 Common Units	—	1,965	1,030	(1,632)	1,363
First Star Bermuda Aviation Limited (6)					
First Lien Term Loan, 9% cash 3% PIK due 8/19/2018	416	24,836	799	(13,813)	11,822
4,293,756 Common Units	—	2,773	1,702	(1,595)	2,880
Eagle Hospital Physicians, LLC					
First Lien Term Loan A, 8% PIK due 8/1/2016	817	13,066	859	(417)	13,508
First Lien Term Loan B, 8.1% PIK due 8/1/2016	227	3,574	238	(28)	3,784
First Lien Revolver, 8% cash due 8/1/2016	161	2,847	30	(964)	1,913
4,100,000 Class A Common Units	—	5,464	1,830	(604)	6,690
Senior Loan Fund JV I, LLC (5)					
Subordinated Notes, LIBOR+8% cash due 5/2/2021	8,824	128,917	14,963	(12,840)	131,040
87.5% equity interest	4,375	12,205	6,012	(5,920)	12,297
Miche Group, LLC					
First Lien Revolver, 8% cash due 12/18/2016	67	2,500	—	(2,500)	—
100 units in FSFC Miche, Inc.	—	4,175	500	(4,675)	—
Express Group Holdings LLC					
First Lien Term Loan, LIBOR+6% (1% floor) cash due 9/3/2019 (13)	682	—	12,073	(51)	12,022
First Lien Revolver, LIBOR+4.5% (1% floor) cash due 3/4/2019 (13)	50	—	5,979	(2,712)	3,267
14,033,391 Series B Preferred Units	—	—	3,982	(323)	3,659
280,668 Series A Preferred Units	—	—	1,593	(129)	1,464
1,456,344 Common Units	—	—	—	—	—
Ameritox Ltd.					
First Lien Term Loan, LIBOR+5% (1% floor) cash 3% PIK due 4/11/2021	643	—	31,082	(61)	31,021
14,090,126.4 Class A Preferred A Units	—	—	14,716	—	14,716
1,602,260.83 Class B Preferred A Units	—	—	1,673	—	1,673
4,930.03 Common Units	—	—	29,049	(12,488)	16,561
Total Control Investments	\$ 24,870	\$ 318,893	\$ 187,788	\$ (110,659)	\$ 396,022
Affiliate Investments					

Caregiver Services, Inc.

Second Lien Term Loan, 10% cash 2% PIK due 6/30/2019	\$	883	\$	9,389	\$	249	\$	(234)	\$	9,404
1,080,399 shares of Series A Preferred Stock		—		4,213		14		(174)		4,053

AmBath/ReBath Holdings, Inc.

First Lien Term Loan B, 12.5% cash 2.5% PIK due 4/30/2016		3,135		26,240		648		(2,407)		24,481
4,668,788 shares of Preferred Stock		—		764		1,715		(307)		2,172
Total Affiliate Investments	\$	4,018	\$	40,606	\$	2,626	\$	(3,122)	\$	40,110
Total Control & Affiliate Investments	\$	28,888	\$	359,499	\$	190,414	\$	(113,781)	\$	436,132

This schedule should be read in connection with the Company's Consolidated Financial Statements, including the Consolidated Schedules of Investments and Notes to the Consolidated Financial Statements.

- (1) The principal amount and ownership detail are shown in the Company's Consolidated Schedules of Investments.
- (2) Represents the total amount of interest, fees and dividends credited to income for the portion of the year an investment was included in the Control or Affiliate categories.
- (3) Gross additions include increases in the cost basis of investments resulting from new portfolio investments, follow-on investments and accrued PIK interest, and the exchange of one or more existing securities for one or more new securities. Gross additions also include net increases in unrealized appreciation or net decreases in unrealized depreciation as well as the movement of an existing portfolio company into this category or out of a different category.
- (4) Gross reductions include decreases in the cost basis of investment resulting from principal payments or sales and exchanges of one or more existing securities for one or more new securities. Gross reductions also include net increases in unrealized depreciation or net decreases in unrealized appreciation as well as the movement of an existing portfolio company out of this category and into a different category.
- (5) Together with Kemper, the Company co-invests through SLF JV I. SLF JV I is capitalized as transactions are completed and all portfolio and investment decisions in respect to SLF JV I must be approved by the SLF JV I investment committee consisting of representatives of the Company and Kemper (with approval from a representative of each required).
- (6) First Star Aviation, LLC, First Star Bermuda Aviation Limited and First Star Speir Aviation 1 Limited are wholly-owned holding companies formed by the Company in order to facilitate its investment strategy. In accordance with ASU 2013-08, the Company has deemed the holding companies to be investment companies under GAAP and therefore deemed it appropriate to consolidate the financial results and financial position of the holding companies and to recognize dividend income versus a combination of interest income and dividend income. Accordingly, the debt and equity investments in the wholly-owned holding companies are disregarded for accounting purposes since the economic substance of these instruments are equity investments in the operating entities.

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

The following discussion should be read in connection with our Consolidated Financial Statements and the notes thereto included elsewhere in this quarterly report on Form 10-Q.

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

- our future operating results and dividend projections;
- our business prospects and the prospects of our portfolio companies;
- the impact of the investments that we expect to make;
- the ability of our portfolio companies to achieve their objectives;
- our expected financings and investments;
- the adequacy of our cash resources and working capital;
- the timing of cash flows, if any, from the operations of our portfolio companies; and
- the cost or potential outcome of any litigation to which we may be a party.

In addition, words such as "anticipate," "believe," "expect," "seek," "plan," "should," "estimate," "project" and "intend" indicate forward-looking statements, although not all forward-looking statements include these words. The forward-looking statements contained in this quarterly report on Form 10-Q involve risks and uncertainties. Our actual results could differ materially from those implied or expressed in the forward-looking statements for any reason, including the factors set forth in "Item 1A. Risk Factors" in our annual report on Form 10-K for the year ended September 30, 2016 and elsewhere in this quarterly report on Form 10-Q. Other factors that could cause actual results to differ materially include:

- changes in the economy, financial markets and political environment;
- risks associated with possible disruption in our operations or the economy generally due to terrorism or natural disasters;
- the timing of any assignment of the current investment advisory agreement with Fifth Street Management LLC, or the Investment Adviser, and whether and when the new investment advisory agreement with Oaktree Capital Management, L.P., or Oaktree, will become effective;
- future changes in laws or regulations (including the interpretation of these laws and regulations by regulatory authorities) and conditions in our operating areas, particularly with respect to business development companies, small business investment companies, or SBICs, or regulated investment companies, or RICs; and
- other considerations that may be disclosed from time to time in our publicly disseminated documents and filings.

We have based the forward-looking statements included in this quarterly report on Form 10-Q on information available to us on the date of this quarterly report, and we assume no obligation to update any such forward-looking statements. Although we undertake no obligation to revise or update any forward-looking statements, whether as a result of new information, future events or otherwise, you are advised to consult any additional disclosures that we may make directly to you or through reports that we in the future may file with the SEC, including annual reports on Form 10-K, quarterly reports on Form 10-Q and current reports on Form 8-K.

Except as otherwise specified, references to the "Company," "we," "us," and "our," refer to Fifth Street Finance Corp. and its consolidated subsidiaries.

All dollar amounts in tables are in thousands, except share and per share amounts, percentages and as otherwise indicated.

Overview

We are a specialty finance company that is a closed-end, non-diversified management investment company. We have elected to be regulated as a business development company under the Investment Company Act of 1940, as amended, or the 1940 Act. We have qualified and elected to be treated as a RIC under the Internal Revenue Code of 1986, as amended, or the Code, for tax purposes.

We generally lend to and invest in small and mid-sized companies, primarily in connection with investments by private equity sponsors. We define small and mid-sized companies as those with annual EBITDA (generally defined as earnings before net interest expense, income tax expense, depreciation and amortization) between \$10 million and \$120 million. Our investment objective is to maximize our portfolio's total return by generating current income from our debt investments, and to a lesser extent, capital appreciation from our equity investments.

We are externally managed by the Investment Adviser, a subsidiary of Fifth Street Asset Management Inc., or FSAM, a publicly traded alternative asset manager, pursuant to an investment advisory agreement. FSC CT LLC, or FSC CT, a subsidiary of the Investment Adviser, also provides certain administrative and other services necessary for us to operate.

Asset Purchase Agreement

On July 13, 2017, the Investment Adviser, entered into an asset purchase agreement, or the Purchase Agreement, with Oaktree and, for certain limited purposes, FSAM, the indirect, partial owner of the Investment Adviser, and Fifth Street Holdings L.P. Upon closing of the transactions contemplated by the Purchase Agreement, or the Transaction, Oaktree would become the investment adviser to each of us and Fifth Street Senior Floating Rate Corp., or FSFR, and Oaktree would pay gross cash consideration of \$320 million to the Investment Adviser. The closing of the Transaction would result in an assignment for purposes of the 1940 Act of the current investment advisory agreement between us and the Investment Adviser and, as a result, its immediate termination.

The closing of the Transaction is conditioned on, among other things: (i) the approval of a new investment advisory agreement between us and Oaktree by our stockholders; (ii) the approval of a new investment advisory agreement by the stockholders of FSFR; (iii) the election to our Board of Directors of five new directors by our stockholders; (iv) the election to the board of directors of FSFR of five new directors by FSFR's stockholders; (v) the approval of the Transaction by the stockholders of FSAM; and (vi) the receipt of any required regulatory and other approvals. We have scheduled a special meeting of our stockholders for September 7, 2017 to consider a proposal to approve a new investment advisory agreement between us and Oaktree and, contingent upon approval of such proposal, the election of five new director nominees to our board of directors. Beneficial owners holding approximately 19.2% of our outstanding stock, including Leonard M. Tannenbaum, the chief executive officer of the Investment Adviser, and a subsidiary of FSAM have agreed to vote in favor of the proposals at the special meeting and take certain other actions at the direction of Oaktree.

In connection with the Transaction, on July 13, 2017, each of Messrs. Bernard D. Berman, James Castro-Blanco, Brian S. Dunn, Alexander C. Frank, Byron J. Haney and Douglas F. Ray executed resignation letters pursuant to which each will resign as a member of our Board of Directors contingent upon and effective as of the closing of the Transaction. In addition, each of Mr. Berman, our Chief Executive Officer, Mr. Steven Noreika, our Chief Financial Officer, and Ms. Kerry Acocella, our Secretary and Chief Compliance Officer, is expected to resign from his or her respective roles as officers of us effective upon closing of the Transaction.

In connection with the Transaction, we and Kemper, in our capacity as members of SLF JV I, consented to the assignment by FSC CT of the administrative and loan services agreement between SLF JV I and FSC CT to Oaktree Fund Administration, LLC, an affiliate of Oaktree, effective upon the closing of the Transaction.

Critical Accounting Policies

Basis of Presentation

Our Consolidated Financial Statements have been prepared in accordance with accounting principles generally accepted in the United States of America, or GAAP, and pursuant to the requirements for reporting on Form 10-Q and Regulation S-X. In the opinion of management, all adjustments of a normal recurring nature considered necessary for the fair presentation of the Consolidated Financial Statements have been made. All intercompany balances and transactions have been eliminated. We are an investment company following the accounting and reporting guidance in Financial Accounting Standards Board, or FASB, Accounting Standards Codification, or ASC, Topic 946, *Financial Services-Investment Companies*, or ASC 946.

Investment Valuation

We are required to report our investments that are not publicly traded or for which current market values are not readily available at fair value. The fair value is deemed to be the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

We value our investments in accordance with FASB ASC Topic 820, *Fair Value Measurements and Disclosures*, or ASC 820, which defines fair value as the amount that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. A liability's fair value is defined as the amount that would be paid to transfer the liability to a new obligor, not the amount that would be paid to settle the liability with the creditor. ASC 820 prioritizes the use of observable market prices derived from such prices over entity-specific inputs. Where observable prices or inputs are not available or reliable, valuation techniques are applied. These valuation techniques involve some level of management estimation and judgment, the degree of which is dependent on the price transparency for the investments or market and the investments' complexity.

Hierarchical levels, defined by ASC 820 and directly related to the amount of subjectivity associated with the inputs to fair valuation of these assets and liabilities, are as follows:

- Level 1 — Unadjusted, quoted prices in active markets for identical assets or liabilities at the measurement date.
- Level 2 — Observable inputs other than Level 1 prices, such as quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data at the measurement date for substantially the full term of the assets or liabilities.
- Level 3 — Unobservable inputs that reflect management's best estimate of what market participants would use in pricing the asset or liability at the measurement date. Consideration is given to the risk inherent in the valuation technique and the risk inherent in the inputs to the model.

In certain cases, the inputs used to measure fair value may fall into different levels of the fair value hierarchy established by ASC 820. In such cases, an investment's level within the fair value hierarchy is based on the lowest level of input that is significant to the fair value measurement. Our assessment of the significance of a particular input to the fair value measurement in its entirety requires judgment and considers factors specific to the investment. This includes investment securities that are valued using "bid" and "ask" prices obtained from independent third party pricing services or directly from brokers. These investments are generally classified as Level 3 because the quoted prices may be indicative in nature for securities that are in an inactive market, may be for similar securities or may require adjustments for investment-specific factors or restrictions.

Financial instruments with readily available quoted prices generally will have a higher degree of market price observability and a lesser degree of judgment inherent in measuring fair value. As such, our Investment Adviser's capital markets group obtains and analyzes readily available market quotations provided by independent pricing services for all of our senior secured debt investments for which quotations are available. In determining the fair value of a particular investment, pricing services use observable market information, including both binding and non-binding indicative quotations.

Our Investment Adviser evaluates the prices obtained from independent pricing services based on available market information and company specific data that could affect the credit quality and/or fair value of the investment. Investments for which market quotations are readily available may be valued at such market quotations. In order to validate market quotations, our Investment Adviser looks at a number of factors to determine if the quotations are representative of fair value, including the source and nature of the quotations. Our Investment Adviser does not adjust the prices unless it has a reason to believe any such market quotations are not reflective of the fair value of an investment. Examples of events that would cause market quotations to not reflect fair value could include cases when a security trades infrequently causing a quoted purchase or sale price to become stale or in the event of a "fire sale" by a distressed seller. In these instances, we value such investments by using the valuation procedure that it uses with respect to assets for which market quotations are not readily available (as discussed below).

If the quotation provided by the pricing service is based on only one or two market sources, we perform additional procedures to corroborate such information, which may include the market yield approach discussed below and a quantitative and qualitative assessment of the credit quality and market trends affecting the portfolio company.

We perform detailed valuations of our debt and equity investments for which market quotations are not readily available or are deemed not to represent fair value of the investments. We typically use three different valuation techniques. The first valuation technique is the transaction precedent approach, which utilizes recent or expected future transactions of the investment to determine fair value, to the extent applicable. The second valuation technique is an analysis of the enterprise value, or EV, of the portfolio company. EV means the entire value of the portfolio company to a market participant, including the sum of the values of debt and equity securities used to capitalize the enterprise at a point in time. The EV analysis is typically performed to determine the value of equity investments, to determine if there is credit impairment for debt investments and to determine the value for debt investments that we are deemed to control under the 1940 Act. To estimate the enterprise value of a portfolio company, the Investment Adviser analyzes various factors including, but not limited to, the portfolio company's historical and projected financial results, macroeconomic impacts on the company, and competitive dynamics in the company's industry. The Investment Adviser also utilizes some or all of the following information based on the individual circumstances of the portfolio company in order to reach its estimate of a portfolio company's enterprise value, including: (i) valuations of comparable public companies, (ii) recent sales of private and public comparable companies in similar industries or having similar business or earnings characteristics, (iii) purchase price multiples as a multiple of their earnings or cash flow, (iv) the portfolio company's ability to meet its forecasts and its business prospects, (v) a discounted cash flow analysis whereby future expected cash flows of the portfolio company are discounted to determine a present value using estimated discount rates (typically a weighted average cost of capital based on costs of debt and equity consistent with current market conditions), (vi) estimated liquidation or collateral value of the portfolio company's assets and (vii) offers from third parties to buy the portfolio company. We may probability weight potential sale outcomes with respect to a portfolio company due to the uncertainty that exists as of the valuation date. The third valuation technique is a market yield approach, which is typically performed for non-credit impaired debt investments. To determine fair value using a market yield approach, a current price is imputed for the investment based upon an assessment of the expected market yield for a similarly structured investment with a similar level of risk. In the market yield approach,

we consider the current contractual interest rate, the capital structure and other terms of the investment relative to risk of the company and the specific investment. A key determinant of risk, among other things, is the leverage through the investment relative to the EV of the portfolio company. As debt investments held by us are substantially illiquid with no active transaction market, we depend on primary market data, including newly funded transactions and industry specific market movements, as well as secondary market data with respect to high yield debt instruments and syndicated loans, as inputs in determining the appropriate market yield, as applicable.

In accordance with ASC 820-10, certain investments that qualify as investment companies in accordance with ASC 946 may be valued using net asset value as a practical expedient for fair value. Consistent with FASB guidance under ASC 820, these investments are excluded from the hierarchical levels.

We estimate the fair value of privately held warrants using a Black Scholes pricing model, which includes an analysis of various factors and subjective assumptions including, but not limited to, the current stock price (by analyzing the portfolio company's operating performance and financial condition and general market conditions), the expected period until exercise, expected volatility of the underlying stock price, expected dividends and the risk free rate. Changes in the subjective input assumptions can materially affect the fair value estimates.

Our Board of Directors undertakes a multi-step valuation process each quarter in connection with determining the fair value of our investments:

- The quarterly valuation process begins with each portfolio company or investment being initially valued by our Investment Adviser's valuation team in conjunction with the Investment Adviser's portfolio management and capital markets teams;
- Preliminary valuations are then reviewed and discussed with management of our Investment Adviser;
- Separately, independent valuation firms engaged by our Board of Directors prepare valuations of our investments, on a selected basis, for which market quotations are not readily available or are readily available but deemed not reflective of the fair value of the investment, and submit the reports to us and provide such reports to our Investment Adviser and the Audit Committee of our Board of Directors;
- The Investment Adviser compares and contrasts its preliminary valuations to the valuations of the independent valuation firms and prepares a valuation report for the Audit Committee of our Board of Directors;
- The Audit Committee of our Board of Directors reviews the preliminary valuations with the portfolio managers of the Investment Adviser and our Investment Adviser responds and supplements the preliminary valuations to reflect any discussions between our Investment Adviser and the Audit Committee;
- The Audit Committee of our Board of Directors makes a recommendation to our Board of Directors regarding the fair value of the investments in the Company's portfolio; and
- Our Board of Directors discusses valuations and determines the fair value of each investment in the Company's portfolio.

The fair value of our investments at June 30, 2017 and September 30, 2016 was determined in good faith by our Board of Directors. Our Board of Directors has authorized the engagement of independent valuation firms to provide valuation assistance. We will continue to engage independent valuation firms to provide assistance regarding the determination of the fair value of a portion of our portfolio securities for which market quotations are not readily available or are readily available but deemed not reflective of the fair value of the investment each quarter. As of June 30, 2017, 67.3% of our portfolio at fair value was valued by independent valuation firms. The percentage of our portfolio valued by independent valuation firms may vary from period to period based on the availability of market quotations for our portfolio investments during the respective periods. Typically, a higher percentage of our portfolio is valued by independent valuation firms in our fiscal fourth quarter due to additional year-end procedures. However, our Board of Directors is ultimately and solely responsible for the valuation of the portfolio investments at fair value as determined in good faith pursuant to our valuation policy and a consistently applied valuation process.

The percentages of our portfolio, at fair value, valued by independent valuation firms as of the end of each period during the current and two preceding fiscal years were as follows:

As of December 31, 2014	78.5%
As of March 31, 2015	72.9%
As of June 30, 2015	73.1%
As of September 30, 2015	88.3%
As of December 31, 2015	77.1%
As of March 31, 2016	69.2%
As of June 30, 2016	67.8%
As of September 30, 2016	89.8%
As of December 31, 2016	69.4%
As of March 31, 2017	68.6%
As of June 30, 2017	67.3%

As of June 30, 2017 and September 30, 2016, approximately 91.0% and 92.4%, respectively, of our total assets represented investments in portfolio companies valued at prices equal to fair value.

Revenue Recognition

Interest and Dividend Income

Interest income, adjusted for accretion of original issue discount, or OID, is recorded on the accrual basis to the extent that such amounts are expected to be collected. We stop accruing interest on investments when it is determined that interest is no longer collectible. Investments that are expected to pay regularly scheduled interest in cash are generally placed on non-accrual status when there is reasonable doubt that principal or interest cash payments will be collected. Cash interest payments received on investments may be recognized as income or applied to principal depending upon management's judgment. Such non-accrual investments are restored to accrual status if past due principal and interest are paid in cash, and the portfolio companies, in management's judgment, are likely to continue timely payment of their remaining interest. As of June 30, 2017, there were seven investments on which we had stopped accruing cash and/or payment in kind, or PIK interest or OID income.

In connection with our investment, we sometimes receive nominal cost equity that is valued as part of the negotiation process with the particular portfolio company. When we receive nominal cost equity, we allocate our cost basis in the investment between debt securities and the nominal cost equity at the time of origination. Any resulting discount from recording the loan, or otherwise purchasing a security at a discount, is accreted into interest income over the life of the loan.

We generally recognize dividend income on the ex-dividend date. Distributions received from equity investments are evaluated to determine if the distribution should be recorded as dividend income or a return of capital. Generally, we will not record distributions from equity investments as dividend income unless there are sufficient earnings at the portfolio company prior to the distribution. Distributions that are classified as a return of capital are recorded as a reduction in the cost basis of the investment.

Fee Income

We receive a variety of fees in the ordinary course of business, including servicing, advisory, amendment, structuring and prepayment fees, which are classified as fee income and recognized as they are earned.

We have also structured exit fees across certain of our portfolio investments to be received upon the future exit of those investments. Exit fees are payable upon the exit of a debt security. These fees are to be paid to us upon the sooner to occur of (i) a sale of the borrower or substantially all of the assets of the borrower, (ii) the maturity date of the loan or (iii) the date when full prepayment of the loan occurs. The receipt of such fees is contingent upon the occurrence of one of the events listed above for each of the investments. A percentage of these fees is included in net investment income over the life of the loan. As of June 30, 2017, we had a receivable for \$1.5 million in aggregate exit fees of one portfolio investment upon the future exit of this investment.

PIK Interest

Our loans may contain contractual PIK interest provisions. The PIK interest, which represents contractually deferred interest added to the loan balance that is generally due at the end of the loan term, is generally recorded on the accrual basis to the extent such amounts are expected to be collected. We generally cease accruing PIK interest if there is insufficient value to support the accrual or if we do not expect the portfolio company to be able to pay all principal and interest due. Our decision to cease accruing PIK interest involves subjective judgments and determinations based on available information about a particular portfolio company, including

whether the portfolio company is current with respect to its payment of principal and interest on its loans and debt securities; monthly and quarterly financial statements and financial projections for the portfolio company; our assessment of the portfolio company's business development success, including product development, profitability and the portfolio company's overall adherence to its business plan; information obtained by us in connection with periodic formal update interviews with the portfolio company's management and, if appropriate, the private equity sponsor; and information about the general economic and market conditions in which the portfolio company operates. Based on this and other information, we determine whether to cease accruing PIK interest on a loan or debt security when it is determined that PIK interest is no longer collectible. Our determination to cease accruing PIK interest on a loan or debt security is generally made well before our full write-down of such loan or debt security. In addition, if it is subsequently determined that we will not be able to collect any previously accrued PIK interest, the fair value of our loans or debt securities would decline by the amount of such previously accrued, but uncollectible, PIK interest. The accrual of PIK interest on our debt investments increases the recorded cost basis of these investments in our Consolidated Financial Statements and, as a result, increases the cost basis of these investments for purposes of computing the capital gains incentive fee payable by us to our Investment Adviser.

For a discussion of risks we are subject to as a result of our use of PIK interest in connection with our investments, see "Risk Factors — Risks Relating to Our Business and Structure — We may have difficulty paying our required distributions if we are required to recognize income for U.S. federal income tax purposes before or without receiving cash representing such income," "— We may in the future choose to pay distributions partly in our own stock, in which case you may be subject to tax in excess of the cash you receive" and "— Our incentive fee may induce our Investment Adviser to make speculative investments" in our annual report on Form 10-K for the year ended September 30, 2016.

To maintain our status as a RIC, income from PIK interest must be paid out to our stockholders as distributions, even though we have not yet collected the cash and may never collect the cash relating to the PIK interest. Accumulated PIK interest was \$67.6 million, or 3.8%, of the fair value of our portfolio of investments as of June 30, 2017 and \$62.6 million, or 2.9%, of fair value as of September 30, 2016. The net increases in loan balances as a result of contractual PIK arrangements are separately identified in our Consolidated Statements of Cash Flows.

Portfolio Composition

Our investments principally consist of loans, purchased equity investments and equity grants in privately-held companies and Senior Loan Fund JV I, LLC, or, together with its consolidated subsidiaries, SLF JV I. Our loans are typically secured by a first, second or subordinated lien on the assets of the portfolio company and generally have terms of up to seven years (but an expected average life of between three and four years). We are currently focusing our origination efforts on a prudent mix of senior secured and subordinated loans which we believe will provide attractive risk-adjusted returns while maintaining adequate credit protection. The mix may change over time based on market conditions and management's view of where the best risk-adjusted returns are available.

A summary of the composition of our investment portfolio at cost and fair value as a percentage of total investments is shown in the following tables:

	June 30, 2017	September 30, 2016
Cost:		
Senior secured debt	74.06%	78.36%
Subordinated debt	8.59	7.49
Debt investments in SLF JV I	6.76	6.34
LLC equity interests of SLF JV I	0.86	0.70
Purchased equity	5.75	3.61
Equity grants	2.58	2.40
Limited partnership interests	1.40	1.10
Total	100.00%	100.00%

	June 30, 2017	September 30, 2016
Fair value:		
Senior secured debt	74.10%	78.02%
Subordinated debt	8.20	7.22
Debt investments in SLF JV I	7.13	5.96
LLC equity interests of SLF JV I	0.74	0.63
Purchased equity	7.11	5.27
Equity grants	1.19	1.86
Limited partnership interests	1.53	1.04
Total	100.00%	100.00%

The industry composition of our portfolio at cost and fair value as a percentage of total investments was as follows:

	June 30, 2017	September 30, 2016
Cost:		
Internet software & services	14.43%	15.79%
Healthcare services	12.12	16.61
Multi-sector holdings	9.02	7.80
Healthcare equipment	5.27	5.24
Advertising	4.48	7.47
Data processing & outsourced services	4.12	3.68
Pharmaceuticals	4.01	2.61
Construction & engineering	3.49	2.90
Research & consulting services	3.34	2.76
Diversified support services	3.21	3.73
Specialty stores	3.11	2.04
Environmental & facilities services	2.94	4.34
Industrial machinery	2.93	2.04
Education services	2.78	1.03
Application software	2.72	2.13
Airlines	2.64	3.11
IT consulting & other services	1.93	2.27
Leisure facilities	1.81	1.49
Integrated telecommunication services	1.72	2.47
Air freight and logistics	1.71	1.39
Consumer electronics	1.60	1.09
Security & alarm services	1.52	0.59
Casinos & gaming	1.28	—
Home improvement retail	1.23	1.07
Auto parts & equipment	1.21	0.73
Other diversified financial services	0.67	0.65
Hypermarkets & super centers	0.64	—
Food distributors	0.63	0.52
Oil & gas equipment services	0.40	2.00
Thrift & mortgage finance	0.40	0.35
Computer & electronics retail	0.34	—
Multi-utilities	0.33	—
Commercial printing	0.32	0.27
Precious metals & minerals	0.29	—
Tobacco	0.28	—
Apparel, accessories & luxury goods	0.27	0.69
Restaurants	0.26	0.22
Food retail	0.22	0.18
Specialized finance	0.17	—
Oil & gas exploration & production	0.16	—
Specialized consumer services	—	0.39
Healthcare technology	—	0.35
Total	100.00%	100.00%

	June 30, 2017	September 30, 2016
Fair value:		
Internet software & services	15.05%	15.06%
Healthcare services	10.49	16.67
Multi-sector holdings	9.45	7.37
Advertising	4.83	6.90
Healthcare equipment	4.50	5.58
Pharmaceuticals	4.32	2.79
Data processing & outsourced services	4.19	3.71
Construction & engineering	3.69	2.90
Research & consulting services	3.60	2.93
Industrial machinery	3.36	2.38
Specialty stores	3.23	2.09
Environmental & facilities services	3.18	4.66
Airlines	3.00	3.56
Application software	2.96	2.35
Education services	2.40	0.91
IT consulting & other services	2.10	2.38
Leisure facilities	1.98	1.59
Integrated telecommunication services	1.80	2.45
Auto parts & equipment	1.74	0.86
Consumer electronics	1.72	1.16
Security & alarm services	1.48	0.64
Diversified support services	1.42	3.50
Home improvement retail	1.41	1.21
Casinos & gaming	1.35	0.00
Leisure products	0.98	1.62
Other diversified financial services	0.67	0.68
Hypermarkets & super centers	0.65	—
Food distributors	0.65	0.53
Oil & gas equipment services	0.43	0.78
Thrift & mortgage finance	0.37	0.27
Computer & electronics retail	0.37	—
Multi-utilities	0.35	—
Commercial printing	0.34	0.28
Air freight and logistics	0.31	0.33
Precious metals & minerals	0.30	—
Tobacco	0.29	—
Restaurants	0.28	0.23
Food retail	0.24	0.19
Specialized finance	0.18	—
Apparel, accessories & luxury goods	0.18	0.68
Oil & gas exploration & production	0.16	—
Specialized consumer services	—	0.42
Healthcare technology	—	0.34
Total	100.00%	100.00%

Portfolio Asset Quality

We employ a ranking system to assess and monitor the credit risk of our investment portfolio. We rank all debt investments on a scale from 1 to 4. The system is intended to reflect the performance of the borrower's business, the collateral coverage of the loan, and other factors considered relevant to making a credit judgment. We have determined that there should be an individual ranking assigned to each tranche of securities in the same portfolio company where appropriate. This may arise when the perceived risk of loss on the investment varies significantly between tranches due to their respective seniority in the capital structure.

- Investment Ranking 1 is used for debt investments that are performing above expectations and/or capital gains are expected.
- Investment Ranking 2 is used for debt investments that are performing substantially within our expectations, and whose risks remain materially consistent with the potential risks at the time of the original or restructured investment. All new debt investments are initially ranked 2.
- Investment Ranking 3 is used for debt investments that are performing below our expectations and for which risk has materially increased since the original or restructured investment. The portfolio company may be out of compliance with debt covenants and may require closer monitoring. To the extent that the underlying agreement has a PIK interest provision, debt investments with a ranking of 3 are generally those on which we are not accruing PIK interest.
- Investment Ranking 4 is used for debt investments that are performing substantially below our expectations and for which risk has increased substantially since the original or restructured investment. Debt investments with a ranking of 4 are those for which some loss of principal is expected and are generally those on which we are not accruing cash interest.

The following table shows the distribution of our debt investments on the 1 to 4 investment ranking scale at fair value as of June 30, 2017 and September 30, 2016:

Investment Ranking	June 30, 2017				September 30, 2016 (2)			
	Fair Value	% of Portfolio	Leverage Ratio		Fair Value	% of Portfolio	Leverage Ratio	
1	\$ 16,258	1.02%	NM	(1)	\$ 38,172	1.94%	3.47	
2	1,426,008	89.05	4.24		1,792,896	90.79	4.51	
3	100,127	6.25	NM	(1)	41,163	2.08	NM	(1)
4	58,971	3.68	NM	(1)	102,581	5.19	NM	(1)
Total	\$ 1,601,364	100.00%	4.24		\$ 1,974,812	100.00%	4.49	

(1) Due to operating performance this ratio is not measurable and, as a result, is excluded from the total portfolio calculation.

(2) Beginning as of December 31, 2016, we have revised our investment ranking scale to include only debt investments. Accordingly, in order to make the table comparative, we revised the investment ranking table as of September 30, 2016 to exclude equity investments.

We may from time to time modify the payment terms of our debt investments, either in response to current economic conditions and their impact on certain of our portfolio companies or in accordance with tier pricing provisions in certain loan agreements. As of June 30, 2017, we had modified the payment terms of our debt investments in 12 portfolio companies. Such modified terms may include increased PIK interest provisions and reduced cash interest rates. These modifications, and any future modifications to our loan agreements, may limit the amount of interest income that we recognize from the modified investments, which may, in turn, limit our ability to make distributions to our stockholders.

Loans and Debt Securities on Non-Accrual Status

As of June 30, 2017, there were seven investments on which we had stopped accruing cash and/or PIK interest or OID income. As of September 30, 2016, there were five investments on which we had stopped accruing cash and/or PIK interest or OID income. As of June 30, 2016, there were five investments on which we had stopped accruing cash and/or PIK interest or OID income.

The percentages of our debt investments at cost and fair value by accrual status as of June 30, 2017, September 30, 2016 and June 30, 2016 were as follows:

	June 30, 2017				September 30, 2016				June 30, 2016			
	Cost	% of Debt Portfolio	Fair Value	% of Debt Portfolio	Cost	% of Debt Portfolio	Fair Value	% of Debt Portfolio	Cost	% of Debt Portfolio	Fair Value	% of Debt Portfolio
Accrual	\$ 1,499,457	88.73%	\$ 1,512,089	94.43%	\$ 1,890,606	89.80%	\$ 1,854,228	93.89%	\$ 2,104,327	95.19%	\$ 2,042,055	99.24%
PIK non-accrual (1)	72,650	4.30	43,134	2.69	40,187	1.91	31,548	1.60	66,579	3.01	5,550	0.27
Cash non-accrual (2)	117,832	6.97	46,141	2.88	174,629	8.29	89,036	4.51	39,829	1.80	9,993	0.49
Total	\$ 1,689,939	100.00%	\$ 1,601,364	100.00%	\$ 2,105,422	100.00%	\$ 1,974,812	100.00%	\$ 2,210,735	100.00%	\$ 2,057,598	100.00%

(1) PIK non-accrual status is inclusive of other non-cash income, where applicable.

(2) Cash non-accrual status is inclusive of PIK and other non-cash income, where applicable.

The non-accrual status of our portfolio investments as of June 30, 2017, September 30, 2016 and June 30, 2016 was as follows:

	June 30, 2017	September 30, 2016	June 30, 2016
Phoenix Brands Merger Sub LLC - subordinated term loan (2)	—	—	PIK non-accrual (1)
JTC Education, Inc. (2)	—	—	Cash non-accrual (1)
Answers Corporation (3)(4)	—	Cash non-accrual (1)	PIK non-accrual (1)
QuorumLabs, Inc. (2)	—	—	Cash non-accrual (1)
Dominion Diagnostics, LLC - subordinated term loan	PIK non-accrual (1)	Cash non-accrual (1)	Cash non-accrual (1)
Express Group Holdings LLC (4)	—	Cash non-accrual (1)	—
AdVenture Interactive, Corp. (5)	—	Cash non-accrual (1)	—
ERS Acquisition Corp.	Cash non-accrual (1)	PIK non-accrual (1)	—
TransTrade Operators, Inc.	Cash non-accrual (1)	—	—
Maverick Healthcare Group, LLC	Cash non-accrual (1)	—	—
Edmentum, Inc. - unsecured junior PIK note	PIK non-accrual (1)	—	—
Metamorph US 3, LLC	PIK non-accrual (1)	—	—
Cenegenics, LLC	PIK non-accrual (1)	—	—

(1) PIK non-accrual status is inclusive of other non-cash income, where applicable. Cash non-accrual status is inclusive of PIK and other non-cash income, where applicable.

(2) The Company no longer held this investment as of June 30, 2017 and September 30, 2016.

(3) As of June 30, 2016, only the second lien term loan was on PIK non-accrual. As of September 30, 2016, both the first lien term loan and the second lien term loan were on cash non-accrual.

(4) The Company no longer held this investment as of June 30, 2017.

(5) In March 2017, the Company restructured its investment in AdVenture Interactive, Corp. As part of the restructuring, the Company exchanged a portion of its debt securities for equity securities in the restructured entity.

Income non-accrual amounts for the three and nine months ended June 30, 2017 and June 30, 2016 are presented in the following table. Income non-accrual amounts may include amounts for investments that were no longer held at the end of the period.

	Three months ended June 30, 2017	Three months ended June 30, 2016	Nine months ended June 30, 2017	Nine months ended June 30, 2016
Cash interest income	\$ 2,708	\$ 2,082	\$ 13,321	\$ 6,999
PIK interest income	2,345	1,713	6,969	5,176
OID income	7	6,987	154	20,971
Total	\$ 5,060	\$ 10,782	\$ 20,444	\$ 33,146

Senior Loan Fund JV I, LLC

In May 2014, we entered into a limited liability company, or LLC, agreement with Kemper to form SLF JV I. On July 1, 2014, SLF JV I began investing in senior secured loans of middle market companies and other corporate debt securities. We co-invest in these securities with Kemper through our investment in SLF JV I. SLF JV I is managed by a four person board of directors, two of whom are selected by us and two of whom are selected by Kemper. SLF JV I is capitalized pro rata with LLC equity interests as transactions are completed and may be capitalized with additional Class A mezzanine senior secured deferrable floating rate notes and Class B mezzanine senior secured deferrable fixed rate notes, or, collectively, the mezzanine notes, issued to the Company and Kemper by SLF Repack Issuer 2016 LLC, a wholly-owned subsidiary of SLF JV I. The mezzanine notes mature on October 12, 2036. All portfolio decisions and investment decisions in respect of SLF JV I must be approved by the SLF JV I investment committee, which consists of one representative from us and one representative of Kemper (with approval from a representative of each required). As of June 30, 2017 and September 30, 2016, we and Kemper owned, in the aggregate, 87.5% and 12.5%, respectively, of the LLC equity interests. As of June 30, 2017 and September 30, 2016, we owned 87.5% of the outstanding mezzanine notes and subordinated notes, respectively, and Kemper owned 12.5% of the outstanding mezzanine notes and subordinated notes, respectively.

SLF JV I has a \$200.0 million senior revolving credit facility with Deutsche Bank AG, New York Branch, or the Deutsche Bank I facility, with a maturity date of July 1, 2019. Borrowings under the Deutsche Bank I facility bear interest at a rate equal to LIBOR plus 2.50% per annum. \$100.0 million was outstanding under this facility as of each of June 30, 2017 and September 30, 2016.

SLF JV I also has an additional \$200.0 million credit facility with Deutsche Bank AG, New York Branch, or the Deutsche Bank II facility, bringing SLF JV I's total debt capacity to \$400.0 million. Prior to June 29, 2017, this credit facility was with Credit Suisse AG, Cayman Islands Branch. On June 29, 2017, this credit facility was assigned to Deutsche Bank AG, New York Branch. The Deutsche Bank II facility has a maturity date of July 7, 2023 and borrowings under the facility bear interest at a rate equal to LIBOR plus 2.50% per annum. There was \$48.6 million and \$67.0 million outstanding under this facility as of June 30, 2017 and September 30, 2016, respectively.

Borrowings under the Deutsche Bank I facility and Deutsche Bank II facility are secured by all of the assets of the respective special purpose financing vehicles of SLF JV I.

We have determined that SLF JV I is an investment company under ASC 946, however, in accordance with such guidance, we will generally not consolidate our investment in a company other than a wholly-owned investment company subsidiary or a controlled operating company whose business consists of providing services to us. Accordingly, we do not consolidate our noncontrolling interest in SLF JV I.

As of June 30, 2017 and September 30, 2016, SLF JV I had total assets of \$322.0 million. As of June 30, 2017, our investment in SLF JV I consisted of LLC equity interests of \$13.2 million, at fair value, and Class A mezzanine secured deferrable floating rate notes and Class B mezzanine secured deferrable fixed rate notes of approximately \$101.0 million and \$26.6 million, at fair value, respectively. As of September 30, 2016, our investment in SLF JV I consisted of LLC equity interests of \$13.7 million and subordinated notes of \$129.0 million, at fair value. In connection with the restructuring of our and Kemper's investment in SLF JV I, we and Kemper exchanged our holdings of subordinated notes of SLF JV I for the mezzanine notes issued by SLF Repack Issuer 2016 LLC, a newly formed, wholly-owned, special purpose issuer subsidiary of SLF JV I, which are secured by SLF JV I's LLC equity interests in the special purpose entities serving as borrowers under the Deutsche Bank I facility and Deutsche Bank II facility described above. The mezzanine notes are senior in right of payment to the SLF JV I LLC equity interests and any contributions we make to fund investments of SLF JV I through SLF Repack Issuer 2016 LLC. SLF JV I's portfolio consisted of middle market and other corporate debt securities of 37 and 37 "eligible portfolio companies" (as defined in the Section 2(a)(46) of the 1940 Act) as of June 30, 2017 and September 30, 2016, respectively. The portfolio companies in SLF JV I are in industries similar to those in which we may invest directly.

As of June 30, 2017 and September 30, 2016, we and Kemper had funded approximately \$184.8 million and \$183.9 million, respectively, to SLF JV I, of which \$161.7 million and \$160.9 million, respectively, was from us. As of September 30, 2016, we had commitments to fund subordinated notes to SLF JV I of \$157.5 million, of which \$12.0 million was unfunded. As of June 30, 2017, we and Kemper had the option to fund additional mezzanine notes, subject to additional equity funding to SLF JV I. As of June 30, 2017 and September 30, 2016, we had commitments to fund LLC equity interests in SLF JV I of \$17.5 million, of which \$1.3 million and \$1.4 million was unfunded, respectively.

Below is a summary of SLF JV I's portfolio, followed by a listing of the individual loans in SLF JV I's portfolio as of June 30, 2017 and September 30, 2016:

	June 30, 2017	September 30, 2016
Senior secured loans (1)	\$279,232	\$324,406
Weighted average interest rate on senior secured loans (2)	7.65%	7.84%
Number of borrowers in SLF JV I	37	37
Largest exposure to a single borrower (1)	\$18,497	\$19,775
Total of five largest loan exposures to borrowers (1)	\$83,288	\$93,926

(1) At principal amount.

(2) Computed using the annual interest rate on accruing senior secured loans.

SLF JV I Portfolio as of June 30, 2017

Portfolio Company	Industry	Investment Type	Maturity Date	Current Interest Rate(1)(4)	Principal	Cost	Fair Value (2)
AdVenture Interactive, Corp. (3)	Advertising	9,073 Common Stock Shares				\$ 1,088	\$ 1,391
Allied Universal Holdco LLC (3)	Security & alarm services	First Lien	7/28/2022	LIBOR+3.75% (1% floor)	\$ 7,000	7,060	7,031
Ameritox Ltd. (3)	Healthcare services	First Lien	4/11/2021	LIBOR+5% (1% floor) 3% PIK	6,024	6,024	6,024
		301,913.06 Class B Preferred Units				302	—
		928.96 Class A Common Units				5,474	—
Total Ameritox, Ltd.					6,024	11,800	6,024
BeyondTrust Software, Inc. (3)	Application software	First Lien	9/25/2019	LIBOR+7% (1% floor)	15,356	15,244	15,317
BJ's Wholesale Club, Inc. (3)	Hypermarkets & super centers	First Lien	1/26/2024	LIBOR+3.75% (1% floor)	5,000	5,006	4,858
Compuware Corporation	Internet software & services	First Lien B3	12/15/2021	LIBOR+4.25% (1% floor)	11,182	11,062	11,280
DFT Intermediate LLC (3)	Specialized finance	First Lien	3/1/2024	LIBOR+5.5% (1% floor)	10,723	10,465	10,556
Digital River, Inc.	Internet software & services	First Lien	2/12/2021	LIBOR+6.5% (1% floor)	4,524	4,542	4,547
Dodge Data & Analytics LLC (3)	Data processing & outsourced services	First Lien	10/31/2019	LIBOR+8.75% (1% floor)	9,339	9,376	9,426
DTZ U.S. Borrower, LLC (3)	Real estate services	First Lien	11/4/2021	LIBOR+3.25% (1% floor)	6,982	7,017	6,982
Edge Fitness, LLC	Leisure facilities	First Lien	12/31/2019	LIBOR+8.75% (1% floor)	10,600	10,602	10,571
EOS Fitness Opco Holdings, LLC (3)	Leisure facilities	First Lien	12/30/2019	LIBOR+8.75% (0.75% floor)	18,497	18,282	18,646
Everi Payments Inc.(3)	Casinos & gaming	First Lien	5/1/2024	LIBOR+4.5% (1% floor)	5,000	4,976	5,041
Falmouth Group Holdings Corp.	Specialty chemicals	First Lien	12/13/2021	LIBOR+6.75% (1% floor)	4,925	4,889	4,886
Keypath Education, Inc. (3)	Advertising	First Lien	3/22/2018	LIBOR+7.75% (1% floor)	2,040	2,040	2,040
		9,073 Class A Units in FS AVI Holdco, LLC			—	1,390	1,088
					2,040	3,430	3,128
Garretson Resolution Group, Inc.	Diversified support services	First Lien	5/22/2021	LIBOR+6.5% (1% floor)	5,875	5,855	5,831
InMotion Entertainment Group, LLC (3)	Consumer electronics	First Lien	10/1/2018	LIBOR+7.75% (1.25% floor)	9,000	9,011	8,947
		First Lien B	10/1/2018	LIBOR+7.75% (1.25% floor)	9,000	8,940	8,947

Total InMotion Entertainment Group, LLC					18,000	17,951	17,894
Portfolio Company (4)	Industry	Investment Type	Maturity Date	Current Interest Rate (1)	Principal	Cost	Fair Value (2)
Lift Brands, Inc. (3)	Leisure facilities	First Lien	12/23/2019	LIBOR+7.5% (1% floor)	18,404	18,383	18,348
Lytix, Inc (3)	Research & consulting services	First Lien	3/15/2023	LIBOR+8.5% (1% floor)	7,921	7,921	8,157
Metamorph US 3, LLC (3)	Internet software & services	First Lien	12/1/2020	LIBOR+5.5% (1% floor)	9,996	9,730	5,732
Motion Recruitment Partners LLC	Human resources & employment services	First Lien	2/13/2020	LIBOR+6% (1% floor)	4,361	4,307	4,340
My Alarm Center, LLC	Security & alarm services	First Lien A	1/9/2019	LIBOR+8% (1% floor)	3,000	2,996	3,060
		First Lien B	1/9/2019	LIBOR+8% (1% floor)	4,703	4,694	4,797
		First Lien C	1/9/2019	LIBOR+8% (1% floor)	1,297	1,291	1,323
Total My Alarm Center, LLC					9,000	8,981	9,180
NAVEX Global, Inc.	Internet software & services	First Lien	11/19/2021	LIBOR+4.75% (1% floor)	4,975	4,940	4,993
New IPT, Inc. (3)	Oil & gas equipment & services	First Lien	3/17/2021	LIBOR+5% (1% floor)	1,794	1,794	1,794
		Second Lien	9/17/2021	LIBOR+5.1% (1% floor)	1,094	1,094	1,094
		21.876 Class A Common Units			—	—	—
Total New IPT, Inc.					2,888	2,888	2,888
Novetta Solutions, LLC	Internet software & services	First Lien	9/30/2022	LIBOR+5% (1% floor)	6,134	6,076	5,939
OmniSYS Acquisition Corporation (3)	Diversified support services	First Lien	11/21/2018	LIBOR+7.5% (1% floor)	10,896	10,901	10,816
Refac Optical Group (3)	Specialty stores	First Lien A	9/30/2018	LIBOR+8%	5,136	5,110	5,133
Salient CRGT, Inc. (3)	IT consulting & other services	First Lien	2/28/2022	LIBOR+5.75% (1% floor)	2,484	2,436	2,478
Scientific Games International, Inc. (3)	Casinos & gaming	First Lien	10/1/2021	LIBOR+4% (1% floor)	6,982	7,102	7,060
SHO Holding I Corporation	Footwear	First Lien	10/27/2022	LIBOR+5% (1% floor)	8,616	8,586	8,638
TIBCO Software, Inc.	Internet software & services	First Lien	12/4/2020	LIBOR+4.5% (1% floor)	6,959	6,813	7,006
TravelClick, Inc. (3)	Internet software & services	Second Lien	11/8/2021	LIBOR+7.75% (1% floor)	5,127	5,127	5,153
TV Borrower US, LLC	Integrated telecommunications services	First Lien	2/22/2024	LIBOR+4.75% (1% floor)	3,591	3,574	3,616
Valet Merger Sub, Inc. (3)	Environmental & facilities services	First Lien	9/24/2021	LIBOR+7% (1% floor)	13,031	12,887	13,147
Vubiquity, Inc.	Application software	First Lien	8/12/2021	LIBOR+5.5% (1% floor)	2,660	2,641	2,620
Worley Claims Services, LLC (3)	Internet software & services	First Lien	10/31/2020	LIBOR+8% (1% floor)	9,004	8,973	8,914
					\$ 279,232	\$ 286,021	\$ 277,567

(1) Represents the current interest rate as of June 30, 2017. All interest rates are payable in cash, unless otherwise noted.

(2) Represents the current determination of fair value as of June 30, 2017 utilizing a similar approach as us in accordance with ASC 820. However, the determination of such fair value is not included in our Board of Directors' valuation process described elsewhere herein.

(3) This investment is held by both us and SLF JV I as of June 30, 2017.

(4) The interest rate on the principal balance outstanding for all floating rate loans is indexed to LIBOR and an alternate base rate (e.g., prime rate), which typically resets semi-annually, quarterly, or monthly at the borrower's option. The borrower may also elect to have multiple interest reset periods for each loan. For each of these loans, we have provided the applicable margin over LIBOR based on each respective credit agreement.

SLF JV I Portfolio as of September 30, 2016

Portfolio Company (4)	Industry	Investment Type	Maturity Date	Current Interest Rate (1)	Principal	Cost	Fair Value (2)
AccentCare, Inc.	Healthcare services	First Lien	9/3/2021	LIBOR+5.75% (1% floor)	\$ 4,906	\$ 4,837	\$ 4,830
AdVenture Interactive, Corp. (3) (5)	Advertising	First Lien	3/22/2018	LIBOR+7.75% (1% floor)	9,178	9,150	7,066
AF Borrower, LLC	IT consulting & other services	First Lien	1/28/2022	LIBOR+5.25% (1% floor)	8,083	8,105	8,121
Ameritox Ltd. (3) (5)	Healthcare services	First Lien	4/11/2021	LIBOR+5% (1% floor) 3% PIK	5,890	5,884	5,848
		301,913.06 Class B Preferred Units				302	331
		928.96 Class A Common Units				5,474	2,471
Total Ameritox, Ltd.					5,890	11,660	8,650
BeyondTrust Software, Inc. (3)	Application software	First Lien	9/25/2019	LIBOR+7% (1% floor)	17,198	17,038	17,059
Compuware Corporation	Internet software & services	First Lien B1	12/15/2019	LIBOR+5.25% (1% floor)	3,194	3,164	3,206
		First Lien B2	12/15/2021	LIBOR+5.25% (1% floor)	9,825	9,689	9,806
Total Compuware Corporation					13,019	12,853	13,012
CRGT, Inc.	IT consulting & other services	First Lien	12/21/2020	LIBOR+6.5% (1% floor)	2,294	2,289	2,300
Digital River, Inc.	Internet software & services	First Lien	2/12/2021	LIBOR+6.5% (1% floor)	4,524	4,563	4,515
Dodge Data & Analytics LLC (3)	Data processing & outsourced services	First Lien	10/31/2019	LIBOR+8.75% (1% floor)	9,688	9,740	9,810
Edge Fitness, LLC	Leisure facilities	First Lien	12/31/2019	LIBOR+8.75% (1% floor)	10,600	10,602	10,565
EOS Fitness Opco Holdings, LLC (3)	Leisure facilities	First Lien	12/30/2019	LIBOR+8.75% (0.75% floor)	19,160	18,869	18,672
Falmouth Group Holdings Corp.	Specialty chemicals	First Lien	12/13/2021	LIBOR+6.75% (1% floor)	4,963	4,920	4,968
Garretson Resolution Group, Inc.	Diversified support services	First Lien	5/22/2021	LIBOR+6.5% (1% floor)	5,991	5,966	5,946
InMotion Entertainment Group, LLC (3)	Consumer electronics	First Lien	10/1/2018	LIBOR+7.75% (1.25% floor)	9,375	9,394	9,252
		First Lien B	10/1/2018	LIBOR+7.75% (1.25% floor)	9,375	9,270	9,252
Total InMotion Entertainment Group, LLC					18,750	18,664	18,504
Integrated Petroleum Technologies, Inc. (3)	Oil & gas equipment services	First Lien	3/31/2019	LIBOR+7.5% (1% floor)	8,267	8,267	2,839
Legalzoom.com, Inc. (3)	Specialized consumer services	First Lien	5/13/2020	LIBOR+7% (1% floor)	19,775	19,410	19,660
Lift Brands, Inc. (3)	Leisure facilities	First Lien	12/23/2019	LIBOR+7.5% (1% floor)	19,043	19,015	18,858
Lytix, Inc (3)	Research & consulting services	First Lien	3/15/2023	LIBOR+8.5% (1% floor)	7,981	7,981	7,981
MedTech Group, Inc.	Healthcare equipment	First Lien	1/1/2019	LIBOR+5.25% (1% floor)	11,910	11,910	11,696
Metamorph US 3, LLC (3)	Internet software & services	First Lien	12/1/2020	LIBOR+6.5% (1% floor)	10,078	9,945	8,390
Motion Recruitment Partners LLC	Human resources & employment services	First Lien	2/13/2020	LIBOR+6% (1% floor)	4,563	4,487	4,550
My Alarm Center, LLC	Security & alarm services	First Lien A	1/9/2019	LIBOR+8% (1% floor)	3,000	2,993	3,005
		First Lien B	1/9/2019	LIBOR+8% (1% floor)	4,506	4,493	4,514

		First Lien C	1/9/2019	LIBOR+8% (1% floor)	1,136	1,128	1,133
Total My Alarm Center, LLC					8,642	8,614	8,652
Portfolio Company (4)	Industry	Investment Type	Maturity Date	Current Interest Rate (1)	Principal	Cost	Fair Value (2)
NAVEX Global, Inc.	Internet software & services	First Lien	11/19/2021	LIBOR+4.75% (1% floor)	995	943	990
Novetta Solutions, LLC	Internet software & services	First Lien	9/30/2022	LIBOR+5% (1% floor)	6,614	6,528	6,357
OmniSYS Acquisition Corporation (3)	Diversified support services	First Lien	11/21/2018	LIBOR+7.5% (1% floor)	10,896	10,903	10,743
Refac Optical Group (3)	Specialty stores	First Lien A	9/30/2018	LIBOR+7.5%	7,116	7,049	7,107
SHO Holding I Corporation	Footwear	First Lien	10/27/2022	LIBOR+5% (1% floor)	4,466	4,426	4,461
TIBCO Software, Inc.	Internet software & services	First Lien	12/4/2020	LIBOR+5.5% (1% floor)	4,748	4,548	4,691
Too Faced Cosmetics, LLC	Personal products	First Lien	7/7/2021	LIBOR+5% (1% floor)	1,135	1,028	1,140
TravelClick, Inc. (3)	Internet software & services	Second Lien	11/8/2021	LIBOR+7.75% (1% floor)	8,460	8,460	7,576
TrialCard Incorporated	Healthcare services	First Lien	12/31/2019	LIBOR+4.5% (1% floor)	13,319	13,222	13,255
TV Borrower US, LLC	Integrated telecommunications services	First Lien	1/8/2021	LIBOR+5% (1% floor)	9,800	9,633	9,763
Valet Merger Sub, Inc. (3)	Environmental & facilities services	First Lien	9/24/2021	LIBOR+7% (1% floor)	14,887	14,692	15,138
Vitera Healthcare Solutions, LLC	Healthcare technology	First Lien	11/4/2020	LIBOR+5% (1% floor)	4,863	4,863	4,747
Vubiquity, Inc.	Application software	First Lien	8/12/2021	LIBOR+5.5% (1% floor)	2,680	2,658	2,666
Worley Claims Services, LLC (3)	Internet software & services	First Lien	10/31/2020	LIBOR+8% (1% floor)	9,924	9,882	9,875
					\$ 324,406	\$ 327,720	\$ 315,153

(1) Represents the current interest rate as of September 30, 2016. All interest rates are payable in cash, unless otherwise noted.

(2) Represents the current determination of fair value as of September 30, 2016 utilizing a similar approach as us in accordance with ASC 820. However, the determination of such fair value is not included in our Board of Directors' valuation process described elsewhere herein.

(3) This investment is held by both us and SLF JV I as of September 30, 2016.

(4) The interest rate on the principal balance outstanding for all floating rate loans is indexed to LIBOR and an alternate base rate (e.g., prime rate), which typically resets semi-annually, quarterly, or monthly at the borrower's option. The borrower may also elect to have multiple interest reset periods for each loan. For each of these loans, we have provided the applicable margin over LIBOR based on each respective credit agreement.

(5) This investment is on cash non-accrual status as of September 30, 2016.

The cost and fair value of the subordinated notes of SLF JV I held by us was \$144.8 million and \$129.0 million as of September 30, 2016. Prior to their repayment, the subordinated notes bore interest at a rate of LIBOR plus 8.0% per annum and we earned interest income of \$3.1 million and \$8.8 million on its investments in these notes for the three and nine months ended June 30, 2016, respectively. The cost and fair value of the Class A mezzanine secured deferrable floating rate notes of SLF JV I held by us was \$101.0 million as of June 30, 2017. We earned interest of \$1.7 million and \$3.9 million on its investments in these notes for the three and nine months ended June 30, 2017, respectively. The cost and fair value of the Class B mezzanine secured deferrable fixed rate notes of SLF JV I held by us was \$26.6 million as of June 30, 2017. We earned PIK interest of \$1.0 million and \$2.0 million on our investments in these notes for the three and nine months ended June 30, 2017, respectively. The cost and fair value of the LLC equity interests in SLF JV I held by us was \$16.2 million and \$13.2 million, respectively, as of June 30, 2017, and \$16.1 million and \$13.7 million, respectively, as of September 30, 2016. We earned dividend income of \$0.4 million and \$1.1 million for the three and nine months ended June 30, 2017, with respect to our LLC equity interests. We earned dividend income of \$1.6 million and \$4.4 million for the three and nine months ended June 30, 2016, respectively, with respect to our LLC equity interests. The LLC equity interests are dividend producing to the extent SLF JV I has residual cash to be distributed on a quarterly basis.

Below is certain summarized financial information for SLF JV I as of June 30, 2017 and September 30, 2016 and for the three and nine months ended June 30, 2017 and June 30, 2016:

	June 30, 2017	September 30, 2016
Selected Balance Sheet Information:		
Investments in loans at fair value (cost June 30, 2017: \$286,021; cost September 30, 2016: \$327,720)	\$ 277,567	\$ 315,153
Receivables from secured financing arrangements at fair value (cost June 30, 2017: \$9,766; cost September 30, 2016: \$10,014)	9,594	9,672
Cash and cash equivalents	26,687	1,878
Restricted cash	3,959	7,080
Other assets	4,195	4,700
Total assets	\$ 322,002	\$ 338,483
Senior credit facilities payable	\$ 148,553	\$ 167,012
Debt securities payable at fair value (proceeds June 30, 2017: \$145,910; proceeds September 30, 2016: \$165,533)	145,910	147,433
Other liabilities	12,413	8,371
Total liabilities	\$ 306,876	\$ 322,816
Members' equity	15,126	15,667
Total liabilities and members' equity	\$ 322,002	\$ 338,483

	Three months ended June 30, 2017	Three months ended June 30, 2016	Nine months ended June 30, 2017	Nine months ended June 30, 2016
Selected Statements of Operations Information:				
Interest income	\$ 5,489	\$ 7,855	\$ 17,945	\$ 22,722
Other income	61	36	389	472
Total investment income	5,550	7,891	18,334	23,194
Interest expense	5,348	6,085	16,720	17,163
Other expenses	84	120	579	364
Total expenses (1)	5,432	6,205	17,299	17,527
Net unrealized appreciation (depreciation)	(769)	7,446	(13,816)	5,774
Net realized gain (loss)	16	(7,755)	13,350	—
Net income (loss)	\$ (635)	\$ 1,377	\$ 569	\$ 11,441

(1) There are no management fees or incentive fees charged at SLF JV I.

SLF JV I has elected to fair value the debt securities issued to us and Kemper under ASC Topic 825 — *Financial Instruments*, or ASC 825. The debt securities are valued based on the total assets less the liabilities senior to the mezzanine notes of SLF JV 1 under the enterprise value approach.

During the three months ended June 30, 2017, we did not sell any senior secured debt investments to SLF JV I. During the nine months ended June 30, 2017, we sold \$10.5 million of senior secured debt investments to SLF JV I at fair value in exchange for \$10.5 million cash consideration. During the three months ended June 30, 2016, we sold \$21.5 million of senior secured debt investments to SLF JV I at fair value in exchange for \$21.5 million cash consideration. We recognized a \$0.1 million realized loss on these transactions. During the nine months ended June 30, 2016, we sold \$91.4 million of senior secured debt investments at fair value to SLF JV I in exchange for \$84.8 million cash consideration, \$5.9 million of subordinated notes and \$0.7 million of LLC equity interests in SLF JV I. We recognized a \$0.9 million realized loss on these transactions.

Discussion and Analysis of Results and Operations

Results of Operations

The principal measure of our financial performance is the net increase (decrease) in net assets resulting from operations, which includes net investment income (loss), net realized gain (loss) and net unrealized appreciation (depreciation). Net investment income is

the difference between our income from interest, dividends, fees, and other investment income and total expenses. Net realized gain (loss) on investments and secured borrowings is the difference between the proceeds received from dispositions of portfolio investments and secured borrowings and their stated costs. Net unrealized appreciation (depreciation) is the net change in the fair value of our investment portfolio and secured borrowings during the reporting period, including the reversal of previously recorded unrealized appreciation (depreciation) when gains or losses are realized.

Comparison of three and nine months ended June 30, 2017 and June 30, 2016

Total Investment Income

Total investment income includes interest on our investments, fee income and other investment income. Fee income consists of the monthly servicing fees, advisory fees, structuring fees, exit fees and prepayment fees that we receive in connection with our debt investments. These fees are recognized as earned. Other investment income consists primarily of dividend income received from certain of our equity investments.

Total investment income for the three months ended June 30, 2017 and June 30, 2016 was \$44.9 million and \$64.0 million, respectively. For the three months ended June 30, 2017, this amount primarily consisted of \$41.4 million of interest income from portfolio investments (which included \$2.6 million of PIK interest) and \$2.4 million of fee income. For the three months ended June 30, 2016, this amount primarily consisted of \$53.2 million of interest income from portfolio investments (which included \$3.5 million of PIK interest), \$7.4 million of other income and \$3.4 million of fee income.

Total investment income for the nine months ended June 30, 2017 and June 30, 2016 was \$142.2 million and \$188.7 million, respectively. For the nine months ended June 30, 2017, this amount primarily consisted of \$129.9 million of interest income from portfolio investments (which included \$9.0 million of PIK interest) and \$8.8 million of fee income. For the nine months ended June 30, 2016, this amount primarily consisted of \$160.1 million of interest income from portfolio investments (which included \$10.0 million of PIK interest), \$17.4 million of fee income and \$11.2 million of other income.

Total investment income for the three and nine months ended June 30, 2017, as compared to the three and nine months ended June 30, 2016, decreased primarily due to lower interest income from a reduction in the size of our investment portfolio.

Expenses

Net expenses (expenses net of base management fee waivers and insurance recoveries) for the three months ended June 30, 2017 and June 30, 2016 were \$25.5 million and \$34.9 million, respectively. Net expenses decreased for the three months ended June 30, 2017, as compared to the three months ended June 30, 2016, by \$9.4 million, or 26.9%, due primarily to a \$6.5 million decrease in base management fees (net of waivers) and incentive fees paid to our Investment Adviser, which was attributable to a reduction in the size of our portfolio, a \$1.9 million decrease in interest expense attributable to lower levels of outstanding debt in the current period and a \$1.0 million decrease in professional fees due to the settlement of litigation matters.

Net expenses (expenses net of base management fee waivers and insurance recoveries) for the nine months ended June 30, 2017 and June 30, 2016 were \$81.0 million and \$107.7 million, respectively. Net expenses decreased for the nine months ended June 30, 2017, as compared to the nine months ended June 30, 2016, by \$26.6 million, or 24.7%, due primarily to a \$12.2 million decrease in base management fees (net of waivers) and incentive fees paid to our Investment Adviser, which was attributable to a reduction in the size of our portfolio, a \$10.9 million decrease in professional fees (net of insurance recoveries) due to the settlement of litigation matters and a \$3.9 million decrease in interest expense attributable to lower levels of outstanding debt in the current period.

Net Investment Income

As a result of the \$19.1 million decrease in total investment income and the \$9.4 million decrease in net expenses, net investment income for the three months ended June 30, 2017 decreased by \$9.7 million, or 33.4%, compared to the three months ended June 30, 2016.

As a result of the \$46.5 million decrease in total investment income and the \$26.6 million decrease in net expenses, net investment income for the nine months ended June 30, 2017 decreased by \$19.8 million, or 24.5%, compared to the nine months ended June 30, 2016.

Realized Gain (Loss) on Investments and Secured Borrowings

Realized gain (loss) is the difference between the net proceeds received from dispositions of portfolio investments and secured borrowings and their stated costs. Realized losses may also be recorded in connection with our determination that certain investments are considered worthless securities and/or meet the conditions for loss recognition per the applicable tax rules.

See Note 9 in the consolidated financial statements for more details regarding investment realization events for the nine months ended June 30, 2017 and June 30, 2016.

Net Unrealized Appreciation (Depreciation) on Investments and Secured Borrowings

Net unrealized appreciation or depreciation is the net change in the fair value of our investments and secured borrowings during the reporting period, including the reversal of previously recorded unrealized appreciation or depreciation when gains or losses are realized.

See Note 9 in the consolidated financial statements for more details regarding unrealized appreciation (depreciation) on investments and secured borrowings for the nine months ended June 30, 2017 and June 30, 2016.

Financial Condition, Liquidity and Capital Resources

Cash Flows

We have a number of alternatives available to fund our investment portfolio and our operations, including raising equity, increasing debt and funding from operational cash flow. Additionally, to generate liquidity we may reduce investment size by syndicating a portion of any given transaction. We intend to fund our future distribution obligations through operating cash flow or with funds obtained through future equity and debt offerings or credit facilities, as we deem appropriate.

For the nine months ended June 30, 2017, we experienced a net increase in cash and cash equivalents of \$25.7 million. During that period, we received \$327.1 million of net cash from operating activities, primarily from \$662.1 million of principal payments, PIK payments and sale proceeds received and the cash activities related to \$61.2 million of net investment income, partially offset by funding \$400.3 million of investments and net revolvers. During the same period, net cash used by financing activities was \$301.4 million, primarily consisting of \$170.8 million of net repayments under our credit facilities, \$65.3 million of repayments of borrowings under SBA debentures payable, \$45.6 million of cash distributions paid to our stockholders, \$14.8 million of repurchases of common stock under our stock repurchase program and DRIP, and \$5.1 million of repayments of secured borrowings.

For the nine months ended June 30, 2016, we experienced a net decrease in cash and cash equivalents of \$0.3 million. During that period, we received \$81.8 million of net cash from operating activities, primarily from \$657.5 million of principal payments, PIK payments and sale proceeds received and the cash activities related to \$81.0 million of net investment income, partially offset by funding \$633.6 million of investments and net revolvers. During the same period, net cash used by financing activities was \$82.1 million, primarily consisting of \$115.0 million of repayments of our unsecured convertible notes, \$75.4 million of cash distributions paid to our stockholders, \$30.2 million of repurchases of common stock under our stock repurchase program and DRIP, and \$2.5 million of repayments of secured borrowings, partially offset by \$141.0 million of net borrowings under our credit facilities.

As of June 30, 2017, we had \$158.7 million in cash and cash equivalents (including \$15.1 million of restricted cash), portfolio investments (at fair value) of \$1.8 billion, \$8.2 million of interest, dividends and fees receivable, \$23.7 million of net payables from unsettled transactions, \$145.9 million of SBA debentures payable (net of unamortized financing costs), \$345.5 million of borrowings outstanding under our credit facilities, \$405.7 million of unsecured notes payable (net of unamortized financing costs), \$13.6 million of secured borrowings (at fair value) and unfunded commitments of \$147.7 million. As of June 30, 2017, included in restricted cash was \$14.9 million that was held at U.S. Bank, National Association in connection with our credit facility with Sumitomo Mitsui Banking Corporation, or SMBC.

As of September 30, 2016, we had \$130.4 million in cash and cash equivalents (including \$12.4 million of restricted cash), portfolio investments (at fair value) of \$2.2 billion, \$15.6 million of interest, dividends and fees receivable, \$210.0 million of SBA debentures payable (net of unamortized financing costs), \$516.3 million of borrowings outstanding under our credit facilities, \$404.6 million of unsecured notes payable (net of unamortized financing costs), \$18.4 million of secured borrowings (at fair value) and unfunded commitments of \$215.7 million. As of September 30, 2016, included in restricted cash was \$12.4 million that was held at U.S. Bank, National Association in connection with our credit facility with SMBC.

Other Sources of Liquidity

We intend to continue to generate cash primarily from cash flows from operations, including interest earned and future borrowings. We may also from time to time issue securities pursuant to a shelf registration statement or otherwise pursuant to private offerings. The issuance of debt or equity securities will depend on future market conditions, funding needs and other factors and there can be no assurance that any such issuance will occur or be successful. In the future, we may also securitize a portion of our investments to the extent permitted by applicable law and regulation. To securitize investments, we would likely create a wholly-owned subsidiary and contribute a pool of loans to the subsidiary. We would then sell interests in the subsidiary on a non-recourse basis to purchasers and we would retain all or a portion of the equity in the subsidiary. Our primary uses of funds are investments in our targeted asset classes and cash distributions to holders of our common stock.

Although we expect to fund the growth of our investment portfolio through the net proceeds from future equity offerings and issuances of senior securities or future borrowings to the extent permitted by the 1940 Act, our plans to raise capital may not be successful. In this regard, because our common stock has at times traded at a price below our then-current net asset value per share (which has primarily been the case for several years) and we are limited in our ability to sell our common stock at a price below net asset value per share, we may be limited in our ability to raise equity capital.

In addition, we intend to distribute at least 90% of our taxable income as dividends to our stockholders each taxable year in connection with satisfying the requirements applicable to entities subject to tax as RICs under Subchapter M of the Code. See "Regulated Investment Company Status and Distributions" below. Consequently, we may not have the funds or the ability to fund new investments, to make additional investments in our portfolio companies, to fund our unfunded commitments to portfolio companies or to repay borrowings. In addition, the illiquidity of our portfolio investments may make it difficult for us to sell these investments when desired and, if we are required to sell these investments, we may realize significantly less than their recorded value.

As a business development company, under the 1940 Act, we generally are not permitted to incur indebtedness unless immediately after such borrowing we have an asset coverage for total borrowings of at least 200% (i.e., the amount of debt may not exceed 50% of the value of our assets). This requirement limits the amount that we may borrow. We received exemptive relief from the SEC to permit us to exclude the debt of our SBIC subsidiaries guaranteed by the U.S. Small Business Administration, or SBA, from the definition of senior securities in the 200% asset coverage ratio we are required to maintain under the 1940 Act. As of June 30, 2017, we were in compliance with this asset coverage requirement, as modified by our exemptive relief. The amount of leverage that we employ will depend on our assessment of market conditions and other factors at the time of any proposed borrowing, such as the maturity, covenant package and rate structure of the proposed borrowings, our ability to raise funds through the issuance of shares of our common stock and the risks of such borrowings within the context of our investment outlook. Ultimately, we only intend to use leverage if the expected returns from borrowing to make investments will exceed the cost of such borrowing. To the extent we anticipate needing to raise additional capital from various sources, including the equity markets and the securitization or other debt-related markets, we cannot assure you that we will be able to do so on favorable terms, if at all.

We may from time to time be required to refinance previously issued debt securities upon their maturities. For example, we repaid in full our unsecured convertible notes on their maturity date of April 1, 2016. In order to fund this repayment, we utilized cash on hand and borrowings under our ING facility (as defined below).

Significant Capital Transactions

The following table reflects the distributions per share that our Board of Directors has declared, including shares issued under our dividend reinvestment plan, or DRIP, on our common stock since October 1, 2015:

Date Declared	Record Date	Payment Date	Amount per Share	Cash Distribution	DRIP Shares Issued (1)	DRIP Shares Value
August 4, 2015	October 15, 2015	October 30, 2015	\$ 0.06	\$ 8.4 million	106,185	\$ 0.6 million
August 4, 2015	November 16, 2015	November 30, 2015	0.06	8.4 million	91,335	0.6 million
November 30, 2015	December 15, 2015	December 30, 2015	0.06	8.4 million	99,673	0.6 million
November 30, 2015	January 15, 2016	January 28, 2016	0.06	8.3 million	113,905	0.7 million
November 30, 2015	February 12, 2016	February 26, 2016	0.06	8.4 million	123,342	0.6 million
February 8, 2016	March 15, 2016	March 31, 2016	0.06	8.6 million	86,806	0.4 million
February 8, 2016	April 15, 2016	April 29, 2016	0.06	8.2 million	112,569	0.6 million
February 8, 2016	May 13, 2016	May 31, 2016	0.06	8.4 million	76,432	0.4 million
May 5, 2016	June 15, 2016	June 30, 2016	0.06	8.2 million	108,629	0.5 million
May 5, 2016	July 15, 2016	July 29, 2016	0.06	8.2 million	100,268	0.6 million
May 5, 2016	August 15, 2016	August 31, 2016	0.06	8.3 million	59,026	0.4 million
August 3, 2016	September 15, 2016	September 30, 2016	0.06	8.3 million	65,170	0.4 million
August 3, 2016	October 14, 2016	October 31, 2016	0.06	8.2 million	81,391	0.4 million
August 3, 2016	November 15, 2016	November 30, 2016	0.06	8.2 million	80,962	0.4 million
October 18, 2016	December 15, 2016	December 30, 2016	0.06	7.7 million	70,316	0.4 million
October 18, 2016	January 13, 2017	January 31, 2017	0.06	8.0 million	73,940	0.4 million
October 18, 2016	February 15, 2017	February 28, 2017	0.06	8.0 million	86,120	0.4 million
February 6, 2017	March 15, 2017	March 31, 2017	0.02	2.7 million	27,891	0.1 million
February 6, 2017	June 15, 2017	June 30, 2017	0.02	2.7 million	20,502	0.1 million
February 6, 2017	September 15, 2017	September 29, 2017	0.125			
August 7, 2017	December 15, 2017	December 29, 2017	0.125			

(1) Shares were purchased on the open market and distributed.

On November 30, 2015, our Board of Directors approved a common stock repurchase program authorizing us to repurchase up to \$100 million in the aggregate of the outstanding shares of our common stock through November 30, 2016. During the three and nine months ended June 30, 2017, we did not repurchase any shares of our common stock under this common stock repurchase program. During the three months ended and nine months ended June 30, 2016, we repurchased 1,879,386 and 4,958,702 shares respectively, of our common stock for \$10.0 million, and \$25.1 million, respectively, net of commissions.

On November 28, 2016, our Board of Directors approved a new common stock repurchase program authorizing us to repurchase up to \$12.5 million in the aggregate of our outstanding common stock through November 28, 2017. Common stock repurchases under the program were made in the open market. During the nine months ended June 30, 2017, we repurchased 2,298,247 shares of our common stock for \$12.5 million, including commissions, under the new common stock repurchase program. During the three months ended June 30, 2017, we did not repurchase any shares of our common stock under the new common stock repurchase program. As of June 30, 2017, there is no availability under the new common stock repurchase program to repurchase additional common stock.

Borrowings

SBIC Subsidiaries

On February 3, 2010, our consolidated, wholly-owned subsidiary, Fifth Street Mezzanine Partners IV, L.P., or FSMP IV, received a license, effective February 1, 2010, from the SBA to operate as a SBIC under Section 301(c) of the Small Business Investment Act of 1958, as amended. On May 15, 2012, our consolidated, wholly-owned subsidiary, Fifth Street Mezzanine Partners V, L.P., or FSMP V, received a license, effective May 10, 2012, from the SBA to operate as an SBIC. SBICs are designed to stimulate the flow of private equity capital to eligible small businesses. Under SBA regulations, SBICs may make loans to eligible small businesses and invest in the equity securities of small businesses.

The SBIC licenses allow the SBIC subsidiaries to obtain leverage by issuing SBA-guaranteed debentures, subject to the satisfaction of certain customary procedures. SBA-guaranteed debentures are non-recourse, interest only debentures with interest

payable semi-annually and have a 10-year maturity. The principal amount of SBA-guaranteed debentures is not required to be paid prior to maturity but may be prepaid at any time without penalty. The interest rate of SBA-guaranteed debentures is fixed at the time of issuance at a market-driven spread over U.S. Treasury Notes with 10-year maturities.

SBA regulations currently limit the amount of SBA-guaranteed debentures that an SBIC may issue to \$150 million when it has at least \$75 million in regulatory capital. Affiliated SBICs are permitted to issue up to a combined maximum amount of \$350 million of debentures when they have at least \$175 million in regulatory capital.

As of June 30, 2017, FSMP IV had \$75.0 million in regulatory capital and \$73.0 million in SBA-guaranteed debentures outstanding, which had a carrying value of \$72.3 million (net of unamortized financing costs) and a fair value of 68.4 million. As of September 30, 2016, FSMP IV had \$75.0 million in regulatory capital and \$138.3 million in SBA-guaranteed debentures outstanding, which had a carrying value of \$136.6 million (net of unamortized financing costs) and a fair value of \$131.0 million. These debentures bore interest at a weighted average interest rate of 3.215% (excluding the SBA annual charge), as follows:

Rate Fix Date	Debenture Amount	Fixed Interest Rate	SBA Annual Charge
September 2010	\$ 73,000	3.215%	0.285%

As of June 30, 2017 and September 30, 2016, FSMP V had \$37.5 million in regulatory capital and \$75.0 million in SBA-guaranteed debentures outstanding, which had a carrying value of \$73.6 million (net of unamortized financing costs) and \$73.4 million, respectively. As of June 30, 2017 and September 30, 2016, the fair value of these debentures was \$67.3 million and \$67.5 million, respectively. These debentures bore interest at a weighted average interest rate of 2.835% (excluding the SBA annual charge), as follows:

Rate Fix Date	Debenture Amount	Fixed Interest Rate	SBA Annual Charge
March 2013	\$ 31,750	2.351%	0.804%
March 2014	43,250	3.191	0.804

As of June 30, 2017, the \$148.0 million of SBA-guaranteed debentures held by the SBIC Subsidiaries carry a weighted average interest rate of 3.023% (excluding the SBA annual charge). During the nine months ended June 30, 2017, we repaid \$65.3 million of the SBA-guaranteed debentures outstanding.

For the three and nine months ended June 30, 2017, we recorded aggregate interest expense of \$1.4 million and \$6.3 million, respectively, related to the SBA-guaranteed debentures of the SBIC subsidiaries. For the three and nine months ended June 30, 2016, we recorded aggregate interest expense of \$2.3 million and \$7.0 million, respectively, related to the SBA-guaranteed debentures of both SBIC subsidiaries.

The SBA restricts the ability of SBICs to repurchase their capital stock. SBA regulations also include restrictions on a "change of control" or transfer of an SBIC and require that SBICs invest idle funds in accordance with SBA regulations. In addition, the SBIC Subsidiaries may also be limited in their ability to make distributions to us if they do not have sufficient capital, in accordance with SBA regulations.

The SBIC subsidiaries are subject to regulation and oversight by the SBA, including requirements with respect to maintaining certain minimum financial ratios and other covenants. Receipt of an SBIC license does not assure that our SBIC subsidiaries will receive SBA-guaranteed debenture funding and is further dependent upon our SBIC subsidiaries continuing to be in compliance with SBA regulations and policies.

The SBA, as a creditor, will have a superior claim to our SBIC subsidiaries' assets over our stockholders in the event we liquidate our SBIC subsidiaries or the SBA exercises its remedies under the SBA-guaranteed debentures issued by the SBIC subsidiaries upon an event of default.

We have received exemptive relief from the SEC to permit us to exclude the debt of our SBIC subsidiaries guaranteed by the SBA from the definition of senior securities in the 200% asset coverage test under the 1940 Act. This allows us increased flexibility under the 200% asset coverage test by permitting us, as of June 30, 2017, to borrow up to \$148.0 million more than we would otherwise be able to under the 1940 Act absent the receipt of this exemptive relief.

As of June 30, 2017, except for assets that were funded through our SBIC subsidiaries and our investment in SLF JV I, substantially all of our assets were pledged as collateral under the ING facility or the Sumitomo facility (each as defined below).

We and our SBIC subsidiaries are also subject to certain regulatory requirements relating to our borrowings. For a discussion of such requirements, see "Item 1. Business — Regulation — Business Development Company Regulations" and "— Small Business Investment Company Regulations" in our Annual Report on Form 10-K for the fiscal year ended September 30, 2016.

ING Facility

On May 27, 2010, we entered into a secured syndicated revolving credit facility, or as subsequently amended, the ING facility, pursuant to a Senior Secured Revolving Credit Agreement, or the ING Credit Agreement, with certain lenders party thereto from time to time and ING Capital LLC, as administrative agent. The ING facility provides that we may use the proceeds and letters of credit under the facility for general corporate purposes, including acquiring and funding leveraged loans, mezzanine loans, high-yield securities, convertible securities, preferred stock, common stock and other investments. The ING facility allows us to request letters of credit from ING Capital LLC, as the issuing bank.

As of June 30, 2017, the ING facility permitted up to \$710 million of borrowings with an accordion feature allowing for future expansion of the facility up to a total of \$800 million, and borrowings under the facility bore interest at a rate equal to LIBOR (1-, 2-, 3- or 6-month, at our option) plus 2.25% per annum, with no LIBOR floor, assuming we maintain our current credit rating. As of June 30, 2017, the period during which the Company may make and reinvest borrowings under the facility was scheduled to expire on August 6, 2017 and the maturity date of the facility is August 6, 2018. See "Recent Developments."

The ING facility is secured by substantially all of our assets, as well as the assets of our wholly-owned subsidiary, FSFC Holdings, Inc., or Holdings, and our indirect wholly-owned subsidiary, Fifth Street Fund of Funds LLC, or Fund of Funds, subject to certain exclusions for, among other things, equity interests in our SBIC subsidiaries and equity interests in Funding II (as defined below) as set forth in a Guarantee, Pledge and Security Agreement, or the ING Security Agreement, entered into in connection with the ING Credit Agreement, among Holdings, ING Capital LLC, as collateral agent, and us. Fund of Funds and Holdings were formed to hold certain of our portfolio companies for tax purposes and have no other operations.

Pursuant to the ING Security Agreement, Holdings and Fund of Funds guaranteed the obligations under the ING Security Agreement, including our obligations to the lenders and the administrative agent under the ING Credit Agreement. Additionally, we pledged our entire equity interest in Holdings and Holdings pledged its entire equity interest in Fund of Funds to the collateral agent pursuant to the terms of the ING Security Agreement. None of our SBIC subsidiaries, Fifth Street Funding, LLC or Funding II (as defined below), is party to the ING facility and their respective assets have not been pledged in connection therewith.

The ING Credit Agreement and related agreements governing the ING facility required Holdings, Fund of Funds and us to, among other things, (i) make representations and warranties regarding the collateral as well as each of our portfolio companies' businesses, (ii) agree to certain indemnification obligations, and (iii) agree to comply with various affirmative and negative covenants and other customary requirements for similar credit facilities. The ING facility documents also include usual and customary default provisions such as the failure to make timely payments under the facility, the occurrence of a change in control, and the failure by us to materially perform under the ING Credit Agreement and related agreements governing the facility, which, if not complied with, could accelerate repayment under the facility. Any such non-compliance could materially and adversely affect our liquidity, financial condition and results of operations. As of June 30, 2017, we were in compliance with all financial covenants under the ING facility.

Each loan or letter of credit originated under the ING facility is subject to the satisfaction of certain conditions. We cannot be assured that we will be able to borrow funds under the ING facility at any particular time or at all.

As of June 30, 2017, we had \$301.5 million of borrowings outstanding under the ING facility, which had a fair value of \$301.5 million. Our borrowings under the ING facility bore interest at a weighted average interest rate of 3.093% for the nine months ended June 30, 2017. For the three and nine months ended June 30, 2017, we recorded interest expense of \$3.1 million and \$10.5 million, respectively, related to the ING facility. For the three and nine months ended June 30, 2016, we recorded interest expense of \$4.2 million and \$10.6 million, respectively, related to the ING facility.

Sumitomo Facility

On September 16, 2011, Fifth Street Funding II, LLC, a consolidated wholly-owned bankruptcy remote, special purpose subsidiary, or Funding II, entered into a Loan and Servicing Agreement, or, as subsequently amended, the Sumitomo Agreement, with respect to a credit facility, or the Sumitomo facility, with SMBC, an affiliate of Sumitomo Mitsui Financial Group, Inc., as administrative agent, and each of the lenders from time to time party thereto.

As of June 30, 2017, the Sumitomo facility permitted up to \$125 million of borrowings (subject to collateral requirements), and borrowings under the facility bore interest at a rate of either (i) LIBOR (1-month) plus 2.00% per annum, with no LIBOR floor, if the borrowings under the Sumitomo facility are greater than 35% of the aggregate available borrowings under the Sumitomo facility or (ii) LIBOR (1-month) plus 2.25% per annum, if the borrowings under the Sumitomo Facility are less than or equal to 35% of the aggregate

available borrowings under the Sumitomo facility. As of June 30, 2017, the period during which we may make and reinvest borrowings under the facility will expire on September 16, 2017, and the maturity date of the facility is September 16, 2021. See "Recent Developments." As of June 30, 2017, the total availability under the Sumitomo facility was approximately \$46.6 million, of which we had \$2.6 million of remaining availability.

In connection with the Sumitomo facility, we entered into a Purchase and Sale Agreement with Funding II, pursuant to which we will sell to Funding II certain loan assets we have originated or acquired, or will originate or acquire.

The Sumitomo Agreement and related agreements governing the Sumitomo facility required both Funding II and us to, among other things, (i) make representations and warranties regarding the collateral as well as each of our businesses, (ii) agree to certain indemnification obligations, and (iii) comply with various covenants, servicing procedures, limitations on acquiring and disposing of assets, reporting requirements and other customary requirements for similar credit facilities, including a prepayment penalty in certain cases. The Sumitomo facility agreements also include usual and customary default provisions such as the failure to make timely payments under the facility, a change in control of Funding II, and the failure by Funding II or us to materially perform under the Sumitomo Agreement and related agreements governing the Sumitomo facility, which, if not complied with, could accelerate repayment under the facility. Any such non-compliance could materially and adversely affect our liquidity, financial condition and results of operations. Funding II was formed for the sole purpose of entering into the Sumitomo facility and has no other operations. As of June 30, 2017, we were in compliance with all financial covenants under the Sumitomo facility.

The Sumitomo facility is secured by all of the assets of Funding II. Each loan origination under the Sumitomo facility is subject to the satisfaction of certain conditions. We cannot be assured that Funding II will be able to borrow funds under the Sumitomo facility at any particular time or at all.

As of June 30, 2017, we had \$44.0 million of borrowings outstanding under the Sumitomo facility, which had a fair value of \$44.0 million. Our borrowings under the Sumitomo facility bore interest at a weighted average interest rate of 3.033% for the nine months ended June 30, 2017. For the three and nine months ended June 30, 2017, we recorded interest expense of \$0.7 million and \$1.9 million, respectively, related to the Sumitomo facility. For the three and nine months ended June 30, 2016, we recorded interest expense of \$0.5 million and \$1.4 million, respectively, related to the Sumitomo facility.

The Sumitomo facility does not require us to comply with significant financial covenants. The following table describes significant financial covenants, as of June 30, 2017, with which we must comply under the ING facility on a quarterly basis:

Financial Covenant	Description	Target Value	Reported Value (1)
Minimum shareholders' equity	Net assets shall not be less than the greater of (a) 40% of total assets and (b) \$825 million plus 50% of the aggregate net proceeds of all sales of equity interests after August 6, 2013	\$978 million	\$1,010 million
Asset coverage ratio	Asset coverage ratio shall not be less than 2.10:1	2.10:1	2.37:1
Interest coverage ratio	Interest coverage ratio shall not be less than 2.50:1	2.50:1	2.71:1

(1) As contractually required, we report financial covenants based on the last filed quarterly or annual report, in this case our Quarterly Report on Form 10-Q for the fiscal quarter ended March 31, 2017. We were also in compliance with all financial covenants under these credit facilities based on the financial information contained in this Quarterly Report Form 10-Q for the three months ended June 30, 2017.

Convertible Notes

On April 12, 2011, we issued \$152 million of convertible notes, or the Convertible Notes, including \$2 million issued to Leonard M. Tannenbaum, our former Chief Executive Officer. The Convertible Notes were issued pursuant to an Indenture, dated April 12, 2011 or, the Indenture, between us and Deutsche Bank Trust Company Americas, as trustee, or the Trustee.

The Convertible Notes matured on April 1, 2016, or the Maturity Date, and we repaid in full the \$115.0 million of outstanding Convertible Notes on the Maturity Date using cash on hand and borrowings under the ING facility.

The Convertible Notes bore interest at a rate of 5.375% per annum payable semi-annually in arrears on April 1 and October 1 of each year. The Convertible Notes were our unsecured obligations and ranked senior in right of payment to our indebtedness that was expressly subordinated in right of payment to the Convertible Notes; equal in right of payment to our unsecured indebtedness that was not so subordinated; effectively junior in right of payment to any of our secured indebtedness to the extent of the value of the assets securing such indebtedness; and structurally junior to all indebtedness (including trade payables) incurred by our subsidiaries or financing vehicles.

On or after January 1, 2016 until the close of business on the business day immediately preceding the Maturity Date, holders could have converted their Convertible Notes at any time. Upon conversion, we would have been obligated to deliver shares of our common stock based on a conversion rate that was subject to periodic adjustment.

We could not redeem the Convertible Notes prior to maturity. No sinking fund was provided for the Convertible Notes. In addition, if certain corporate events occurred in respect to us, holders of the Convertible Notes could have required us to repurchase for cash all or part of their Convertible Notes at a repurchase price equal to 100% of the principal amount of the Convertible Notes to be repurchased, plus accrued and unpaid interest through, but excluding, the required repurchase date.

For the nine months ended June 30, 2016, we recorded interest expense of \$3.4 million related to the Convertible Notes.

2019 Notes

On February 26, 2014, we issued \$250.0 million in aggregate principal amount of our 4.875% 2019 Notes for net proceeds of \$244.4 million after deducting original issue discount of \$1.4 million, underwriting commissions and discounts of \$3.7 million and offering costs of \$0.5 million. The original issue discount on these notes is amortized on a straight-line basis over the term of the notes.

The 2019 Notes were issued pursuant to an indenture, dated April 30, 2012, as supplemented by the supplemental indenture, dated February 26, 2014, or collectively, the 2019 Notes Indenture, between us and the Trustee. The 2019 Notes are our general unsecured obligations that rank senior in right of payment to all of our existing and future indebtedness that is expressly subordinated in right of payment to the 2019 Notes. The 2019 Notes rank equally in right of payment with all of our existing and future liabilities that are not so subordinated. The 2019 Notes effectively rank junior to any of our secured indebtedness (including unsecured indebtedness that we later secure) to the extent of the value of the assets securing such indebtedness. The 2019 Notes rank structurally junior to all existing and future indebtedness (including trade payables) incurred by our subsidiaries, financing vehicles or similar facilities.

Interest on the 2019 Notes is paid semi-annually on March 1 and September 1, at a rate of 4.875% per annum. The 2019 Notes mature on March 1, 2019 and may be redeemed in whole or in part at any time or from time to time at our option prior to maturity.

The 2019 Notes Indenture contains certain covenants, including covenants requiring our compliance with (regardless of whether we are subject to) the restrictions on dividends, distributions and purchase of capital stock set forth in Section 18(a)(1)(B) as modified by Section 61(a)(1) of the 1940 Act, as well as covenants requiring us to provide financial information to the holders of the 2019 Notes and the Trustee if we cease to be subject to the reporting requirements of the Exchange Act. These covenants are subject to limitations and exceptions that are described in the 2019 Notes Indenture. We may repurchase the 2019 Notes in accordance with the 1940 Act and the rules promulgated thereunder. In addition, holders of the 2019 Notes can require us to repurchase the 2019 Notes at 100% of their principal amount upon the occurrence of certain change of control events as described in the 2019 Notes Indenture. The 2019 Notes were issued in minimum denominations of \$2,000 and integral multiples of \$1,000 in excess thereof. During the nine months ended June 30, 2017 and June 30, 2016, we did not repurchase any of the 2019 Notes in the open market.

For the three and nine months ended June 30, 2017, we recorded interest expense of \$3.3 million and \$10.0 million, respectively, related to the 2019 Notes. For the three and nine months ended June 30, 2016, we recorded interest expense of \$3.3 million and \$10.0 million, respectively, related to the 2019 Notes.

As of June 30, 2017, there were \$250.0 million of 2019 Notes outstanding, which had a fair value of \$252.4 million.

2024 Notes

On October 18, 2012, we issued \$75.0 million in aggregate principal amount of our 5.875% 2024 Notes for net proceeds of \$72.5 million after deducting underwriting commissions of \$2.2 million and offering costs of \$0.3 million.

The 2024 Notes were issued pursuant to an indenture, dated April 30, 2012, as supplemented by the first supplemental indenture, dated October 18, 2012, or collectively, the 2024 Notes Indenture, between us and the Trustee. The 2024 Notes are our unsecured obligations and rank senior in right of payment to our existing and future indebtedness that is expressly subordinated in right of payment to the 2024 Notes; equal in right of payment to our existing and future unsecured indebtedness that is not so subordinated; effectively junior in right of payment to any of our secured indebtedness (including existing unsecured indebtedness that we later secure) to the extent of the value of the assets securing such indebtedness; and structurally junior to all existing and future indebtedness (including trade payables) incurred by our subsidiaries or financing vehicles.

Interest on the 2024 Notes is paid quarterly in arrears on January 30, April 30, July 30 and October 30 at a rate of 5.875% per annum. The 2024 Notes mature on October 30, 2024 and may be redeemed in whole or in part at any time or from time to time at our option on or after October 30, 2017. The 2024 Notes are listed on the New York Stock Exchange under the trading symbol "FSCE" with a par value of \$25.00 per note.

The 2024 Notes Indenture contains certain covenants, including covenants requiring our compliance with (regardless of whether we are subject to) the asset coverage requirements set forth in Section 18(a)(1)(A) as modified by Section 61(a)(1) of the 1940 Act and with the restrictions on dividends, distributions and purchase of capital stock set forth in Section 18(a)(1)(B) as modified by Section 61

(a)(1) of the 1940 Act, as well as covenants requiring us to provide financial information to the holders of the 2024 Notes and the Trustee if we cease to be subject to the reporting requirements of the Exchange Act. These covenants are subject to limitations and exceptions that are described in the 2024 Notes Indenture. We may repurchase the 2024 Notes in accordance with the 1940 Act and the rules promulgated thereunder. Any 2024 Notes repurchased by us may, at our option, be surrendered to the Trustee for cancellation, but may not be reissued or resold by us. Any 2024 Notes surrendered for cancellation will be promptly canceled and will no longer be outstanding under the 2024 Notes Indenture. During the nine months ended June 30, 2017 and June 30, 2016, we did not repurchase any of the 2024 Notes in the open market.

For each of the three and nine months ended June 30, 2017, we recorded interest expense of \$1.2 million and \$3.5 million, respectively, related to the 2024 Notes.

As of June 30, 2017, there were \$75.0 million of 2024 Notes outstanding, which had a fair value of \$75.7 million.

2028 Notes

In April and May 2013, we issued \$86.3 million in aggregate principal amount of our 6.125% 2028 Notes for net proceeds of \$83.4 million after deducting underwriting commissions of \$2.6 million and offering costs of \$0.3 million.

The 2028 Notes were issued pursuant to an indenture, dated April 30, 2012, as supplemented by the second supplemental indenture, dated April 4, 2013, or collectively, the 2028 Notes Indenture, between us and the Trustee. The 2028 Notes are our unsecured obligations and rank senior in right of payment to our existing and future indebtedness that is expressly subordinated in right of payment to the 2028 Notes; equal in right of payment to our existing and future unsecured indebtedness that is not so subordinated; effectively junior in right of payment to any of our secured indebtedness (including existing unsecured indebtedness that we later secure) to the extent of the value of the assets securing such indebtedness; and structurally junior to all existing and future indebtedness (including trade payables) incurred by our subsidiaries or financing vehicles.

Interest on the 2028 Notes is paid quarterly in arrears on January 30, April 30, July 30 and October 30 at a rate of 6.125% per annum. The 2028 Notes mature on April 30, 2028 and may be redeemed in whole or in part at any time or from time to time at our option on or after April 30, 2018. The 2028 Notes are listed on the NASDAQ Global Select Market under the trading symbol "FSCFL" with a par value of \$25.00 per note.

The 2028 Notes Indenture contains certain covenants, including covenants requiring our compliance with (regardless of whether we are subject to) the asset coverage requirements set forth in Section 18(a)(1)(A) as modified by Section 61(a)(1) of the 1940 Act, as well as covenants requiring us to provide financial information to the holders of the 2028 Notes and the Trustee if we cease to be subject to the reporting requirements of the Exchange Act. These covenants are subject to limitations and exceptions that are described in the 2028 Notes Indenture. We may repurchase the 2028 Notes in accordance with the 1940 Act and the rules promulgated thereunder. Any 2028 Notes repurchased by us may, at our option, be surrendered to the Trustee for cancellation, but may not be reissued or resold by us. Any 2028 Notes surrendered for cancellation will be promptly canceled and will no longer be outstanding under the 2028 Notes Indenture. During the nine months ended June 30, 2017 and June 30, 2016, we did not repurchase any of the 2028 Notes in the open market.

For the three and nine months ended June 30, 2017, we recorded interest expense of \$1.4 million and \$4.1 million, respectively, related to the 2028 Notes. For the three and nine months ended June 30, 2016, we recorded interest expense of \$1.4 million and \$4.1 million, respectively, related to the 2028 Notes.

As of June 30, 2017, there were \$86.3 million 2028 Notes outstanding, which had a fair value of \$87.5 million.

Secured Borrowings

We follow the guidance in ASC Topic 860, *Transfers and Servicing* when accounting for loan participations and other partial loan sales. Such guidance requires a participation or other partial loan sale to meet the definition of a "participating interest," as defined in the guidance, in order for sale treatment to be allowed. Participations or other partial loan sales which do not meet the definition of a participating interest remain on our Consolidated Statements of Assets and Liabilities and the proceeds are recorded as a secured borrowing until the definition is met. Secured borrowings are carried at fair value to correspond with the related investments, which are carried at fair value.

As of June 30, 2017, secured borrowings at fair value totaled \$13.6 million and the fair value of the loan that is associated with these secured borrowings was \$47.0 million. These secured borrowings were the result of the completion of partial loan sales totaling \$22.8 million of a senior secured debt investment during the fiscal year ended September 30, 2014 that did not meet the definition of a participating interest. As a result, sale treatment was not allowed and these partial loan sales were treated as secured borrowings.

During the nine months ended June 30, 2017 and June 30, 2016, there were \$5.1 million and \$2.5 million of repayments on secured borrowings, respectively.

For the three and nine months ended June 30, 2017, we recorded interest expense of \$0.3 million and \$0.9 million, related to the secured borrowings. For the three and nine months ended June 30, 2016, we recorded interest expense of \$0.4 million and \$1.1 million, respectively, related to the secured borrowings.

As of June 30, 2017, there were \$13.8 million of secured borrowings outstanding, which had a fair value of \$13.6 million.

Off-Balance Sheet Arrangements

We may be a party to financial instruments with off-balance sheet risk in the normal course of business to meet the financial needs of our portfolio companies. As of June 30, 2017, our only off-balance sheet arrangements consisted of \$147.7 million of unfunded commitments, which was comprised of \$133.9 million to provide debt financing to certain of our portfolio companies, \$1.3 million to provide equity financing to SLF JV I and \$12.5 million related to unfunded limited partnership interests. As of September 30, 2016, our only off-balance sheet arrangements consisted of \$215.7 million of unfunded commitments, which was comprised of \$191.7 million to provide debt financing to certain of our portfolio companies, \$14.1 million to provide debt and equity financing to SLF JV I and \$9.9 million related to unfunded limited partnership interests. Such commitments are subject to our portfolio companies' satisfaction of certain financial and nonfinancial covenants and may involve, to varying degrees, elements of credit risk in excess of the amount recognized in our Consolidated Statements of Assets and Liabilities.

A list of unfunded commitments by investment (consisting of revolvers, term loans with delayed draw components, SLF JV I subordinated notes and LLC interests, and limited partnership interests) as of June 30, 2017 and September 30, 2016 is shown in the table below:

	June 30, 2017	September 30, 2016
Lift Brands Holdings, Inc.	\$ 15,000	\$ 13,000
TigerText, Inc.	15,000	10,000
P2 Upstream Acquisition Co.	10,000	10,000
Edge Fitness, LLC	8,353	8,353
BeyondTrust Software, Inc.	5,995	5,995
InMotion Entertainment Group, LLC	5,855	6,856
TIBCO Software, Inc.	5,800	5,800
Valet Merger Sub, Inc.	5,596	5,596
EOS Fitness Opco Holdings, LLC	5,000	5,000
Thing5, LLC	5,000	5,000
Baart Programs, Inc.	4,762	4,762
Traffic Solutions Holdings, Inc.	4,732	2,682
Eagle Hospital Physicians, Inc.	4,667	2,753
Refac Optical Group	4,480	6,400
OBHG Management Services, LLC	3,836	3,836
Metamorph US 3, LLC	3,675	3,675
Keypath Education, Inc. (formerly Adventure Interactive, Corp.)	3,000	4,846
WeddingWire, Inc.	3,000	3,000
Motion Recruitment Partners LLC	2,900	2,900
OmniSYS Acquisition Corporation	2,500	2,500
Ping Identity Corporation	2,500	2,500
Pingora MSR Opportunity Fund I, LP (limited partnership interest)	2,426	2,054
4 Over International, LLC	2,232	2,232
New IPT, Inc.	2,229	—
SPC Partners VI, L.P. (limited partnership interest)	2,000	—
Accruent, LLC	1,900	1,900
TransTrade Operators, Inc.	1,568	424
Senior Loan Fund JV 1, LLC	1,328	14,065
My Alarm Center, LLC	1,186	2,940
Garretson Firm Resolution Group, Inc.	1,066	1,066
Webster Capital III, L.P. (limited partnership)	1,043	1,013
Baird Capital Partners V, LP (limited partnership interest)	1,006	—
Ministry Brands, LLC	1,000	15,000

Beecken Petty O'Keefe Fund IV, L.P. (limited partnership interest)	986	813
Riverside Fund IV, LP (limited partnership interest)	781	544
ExamSoft Worldwide, Inc.	750	2,000
Moelis Capital Partners Opportunity Fund I-B, L.P. (limited partnership interest)	581	476
RCP Direct II, LP (limited partnership interest)	553	654
Riverside Fund V, LP (limited partnership interest)	548	853
Tailwind Capital Partners II, L.P. (limited partnership interest)	512	1,005
RCP Direct, LP (limited partnership interest)	483	236
L Squared Capital Partners (limited partnership interest)	333	308
SPC Partners V, L.P. (limited partnership interest)	312	602
Cenegenics, LLC	297	1,001
Sterling Capital Partners IV, L.P. (limited partnership interest)	219	485
Milestone Partners IV, LP (limited partnership interest)	216	261
ACON Equity Partners III, LP (limited partnership interest)	199	204
Bunker Hill Capital II (QP), LP (limited partnership interest)	183	190
Riverlake Equity Partners II, LP (limited partnership interest)	129	177
Legalzoom.com, Inc.	—	15,427
RP Crown Parent, LLC	—	9,414
Integrated Petroleum Technologies, Inc.	—	5,397
Trialcard Incorporated	—	4,900
Discovery Practice Management, Inc.	—	3,958
First American Payment Systems, LP	—	3,000
Edmentum, Inc.	—	2,664
HealthDrive Corporation	—	2,534
Teaching Strategies, LLC	—	2,400
Total	\$ 147,717	\$ 215,651

Contractual Obligations

The following table reflects information pertaining to our debt outstanding under the SBA debentures, the ING facility, the Sumitomo facility, our 2019 Notes, our 2024 Notes, our 2028 Notes and our secured borrowings:

	Debt Outstanding as of September 30, 2016	Debt Outstanding as of June 30, 2017	Weighted average debt outstanding for the nine months ended June 30, 2017	Maximum debt outstanding for the nine months ended June 30, 2017
SBA debentures	\$ 213,300	\$ 148,000	\$ 184,118	\$ 213,300
ING facility	472,495	301,495	381,751	530,495
Sumitomo facility	43,800	44,000	40,115	44,000
2019 Notes	250,000	250,000	250,000	250,000
2024 Notes	75,000	75,000	75,000	75,000
2028 Notes	86,250	86,250	86,250	86,250
Secured borrowings	18,929	13,810	14,842	18,929
Total debt	\$ 1,159,774	\$ 918,555	\$ 1,032,076	

The following table reflects our contractual obligations arising from the SBA debentures, the ING facility, the Sumitomo facility, our secured borrowings, our 2019 Notes, our 2024 Notes and our 2028 Notes:

Contractual Obligations	Payments due by period as of June 30, 2017				
	Total	Less than 1 year	1-3 years	3-5 years	More than 5 years
SBA debentures	\$ 148,000	\$ —	\$ —	\$ 73,000	\$ 75,000
Interest due on SBA debentures	29,207	5,639	11,294	7,457	4,817
ING facility	301,495	—	301,495	—	—
Interest due on ING facility	11,564	10,552	1,012	—	—
Sumitomo facility (1)	44,000	—	—	44,000	—
Interest due on Sumitomo facility	5,985	1,419	2,839	1,727	—
Secured borrowings	13,810	—	13,810	—	—
Interest due on secured borrowings	454	454	—	—	—
2019 Notes	250,000	—	250,000	—	—
Interest due on 2019 Notes	20,335	12,188	8,147	—	—
2024 Notes	75,000	—	—	—	75,000
Interest due on 2024 Notes	32,341	4,406	8,813	8,813	10,309
2028 Notes	86,250	—	—	—	86,250
Interest due on 2028 Notes	57,271	5,283	10,566	10,566	30,856
Total	\$ 1,075,712	\$ 39,941	\$ 607,976	\$ 145,563	\$ 282,232

(1) In connection with the Transaction, on July 13, 2017, we entered into a waiver and amendment to the Sumitomo facility, pursuant to which the stated maturity date of the Sumitomo facility was changed from September 16, 2021 to the earlier of (a) August 6, 2018 and (b) the date on which the ING facility is repaid, refinanced or terminated. See "Recent Developments."

Regulated Investment Company Status and Distributions

We elected to be treated as a RIC under Subchapter M of the Code. As long as we continue to qualify as a RIC, we will not be subject to tax on our investment company taxable income (determined without regard to any deduction for dividends paid) or realized net capital gains, to the extent that such taxable income or gains is distributed, or deemed to be distributed as dividends, to stockholders on a timely basis.

Taxable income generally differs from net income for financial reporting purposes due to temporary and permanent differences in the recognition of income and expenses, and generally excludes net unrealized appreciation or depreciation. Distributions declared and paid by us in a taxable year may differ from taxable income for that taxable year as such distributions may include the distribution of taxable income derived from the current taxable year or the distribution of taxable income derived from the prior taxable year carried forward into and distributed in the current taxable year. Distributions also may include returns of capital.

To maintain RIC tax treatment, we must, among other things, distribute dividends, with respect to each taxable year, of an amount at least equal to 90% of our investment company taxable income (i.e., our net ordinary income and our realized net short-term capital gains in excess of realized net long-term capital losses, if any), determined without regard to any deduction for dividends paid. As a RIC, we are also subject to a federal excise tax, based on distribution requirements of our taxable income on a calendar year basis. We anticipate timely distribution of our taxable income in accordance with tax rules. We did not incur a U.S. federal excise tax for calendar years 2014 and 2015 and do not expect to incur a U.S. federal excise tax for the calendar year 2016. We may incur a federal excise tax in future years.

We intend to distribute at least 90% of our annual taxable income (which includes our taxable interest and fee income) to our stockholders. However, we are partially dependent on our SBIC subsidiaries for cash distributions to enable us to meet the RIC distribution requirements. Our SBIC subsidiaries may be limited by the Small Business Investment Act of 1958, as amended, and SBA regulations governing SBICs, from making certain distributions to us that may be necessary to enable us to maintain our ability to be subject to tax as a RIC. We may have to request a waiver of the SBA's restrictions for our SBIC subsidiaries to make certain distributions to maintain our ability to be subject to tax as RIC. We cannot assure you that the SBA will grant such waiver. Also, the covenants under the Sumitomo facility could, under certain circumstances, restrict Funding II from making distributions to us and, as a result, hinder our ability to satisfy the distribution requirement associated with our ability to be subject to tax as a RIC. Similarly, the covenants contained in the ING facility may prohibit us from making distributions to our stockholders, and, as a result, could hinder our

ability to satisfy the distribution requirement associated with our ability to be subject to tax as a RIC. In addition, we may retain for investment some or all of our net capital gains (i.e., realized net long-term capital gains in excess of realized net short-term capital losses) and treat such amounts as deemed distributions to our stockholders. If we do this, our stockholders will be treated as if they received actual distributions of the capital gains we retained and then reinvested the net after-tax proceeds in our common stock. Our stockholders also may be eligible to claim tax credits (or, in certain circumstances, tax refunds) equal to their allocable share of the tax we paid on the capital gains deemed distributed to them. To the extent our taxable earnings for a fiscal and taxable year fall below the total amount of our dividend distributions for that fiscal and taxable year, a portion of those distributions may be deemed a return of capital to our stockholders.

We may not be able to achieve operating results that will allow us to make distributions at a specific level or to increase the amount of these distributions from time to time. In addition, we may be limited in our ability to make distributions due to the asset coverage test for borrowings applicable to us as a business development company under the 1940 Act and due to provisions in our credit facilities and debt instruments. If we do not distribute a certain percentage of our taxable income annually, we will suffer adverse tax consequences, including possible loss of our ability to be subject to tax as a RIC. We cannot assure stockholders that they will receive any distributions or distributions at a particular level.

A RIC may treat a distribution of its own stock as fulfilling its RIC distribution requirements if each stockholder may elect to receive his or her entire distribution in either cash or stock of the RIC, subject to certain limitations regarding the aggregate amount of cash to be distributed to all stockholders. If these and certain other requirements are met, for U.S. federal income tax purposes, the amount of the dividend paid in stock will be equal to the amount of cash that could have been received instead of stock. We have no current intention of paying dividends in shares of our stock in accordance with these guidelines.

We may generate qualified net interest income or qualified net short-term capital gains that may be exempt from United States withholding tax when distributed to foreign stockholders. A regulated RIC is permitted to designate distributions of qualified net interest income and qualified short-term capital gains as exempt from U.S. withholding tax when paid to non-U.S. shareholders with proper documentation. The following table, which may be subject to change as we finalize our annual tax filings, lists the percentage of qualified net interest income and qualified short-term capital gains for the three months ended December 31, 2016, March 31, 2017 and June 30, 2017.

Three Months Ended	Qualified Net Interest Income	Qualified Short-Term Capital Gains
December 31, 2016	83.1%	—
March 31, 2017	83.1%	—
June 30, 2017	83.1%	—

Related Party Transactions

We have entered into an investment advisory agreement with our Investment Adviser. Messrs. Berman and Alexander C. Frank, each an interested member of our Board of Directors, have a direct or indirect pecuniary interest in our Investment Adviser. The Investment Adviser is a registered investment adviser under the Investment Advisers Act of 1940, as amended, that is partially and indirectly owned by FSAM. At a special meeting of stockholders held on March 20, 2017, our stockholders approved a fourth amended and restated investment advisory agreement by and between us and the Investment Adviser, which was subsequently executed by us and the Investment Adviser and was effective beginning with our fiscal quarter that commenced on January 1, 2017. The fourth amended and restated investment advisory agreement changes the structure of the subordinated incentive fee on income as described below. The other commercial terms of our existing investment advisory relationship with Investment Adviser remained unchanged. As of June 30, 2017, fees payable to our Investment Adviser pursuant to the investment advisory agreement equaled (a) a base management fee of 1.75% of the value of our gross assets, which includes any borrowings for investment purposes and excludes cash and cash equivalents, and (b) an incentive fee based on our performance. The base management fee is payable quarterly in arrears and the fee for any partial month or quarter is appropriately prorated.

The incentive fee consists of two parts. The first part, or the subordinated incentive fee on income or Part I incentive fee, is calculated and payable quarterly in arrears and equals 20% of our “Pre-Incentive Fee Net Investment Income” for the immediately preceding quarter, subject to a preferred return, or “hurdle,” and a “catch up” feature. Effective as of January 1, 2017, the calculation of the subordinated incentive fee on income for each quarter is as follows:

- No subordinated incentive fee on income is payable to the Investment Adviser in any fiscal quarter in which our Pre-Incentive Fee Net Investment Income does not exceed the preferred return rate of 1.75%;

- 100% of our Pre-Incentive Fee Net Investment Income, if any, that exceeds the preferred return but is less than or equal to 2.1875% in any fiscal quarter is payable to the Investment Adviser. This portion of the subordinated incentive fee on income is referred to as the “catch-up” provision, and it is intended to provide the Investment Adviser with an incentive fee of 20% on all of our Pre-Incentive Fee Net Investment Income when our Pre-Incentive Fee Net Investment Income reaches 2.1875% on net assets in any fiscal quarter; and
- For any quarter in which our Pre-Incentive Fee Net Investment Income exceeds 2.1875% on net assets, the subordinated incentive fee on income is equal to 20% of the amount of our Pre-Incentive Fee Net Investment Income, as the preferred return and catch-up will have been achieved.

Effective as of January 1, 2017, the subordinated incentive fee on income is subject to a total return hurdle. In the event the cumulative subordinated incentive fee on income accrued for the Lookback Period (after giving effect to any reduction(s) pursuant to the total return hurdle for any prior fiscal quarters of the Lookback Period but not the quarter of calculation) exceeds 20.0% of the cumulative net increase in net assets resulting from operations during the Lookback Period, then the subordinated incentive fee on income for the quarter shall be reduced by an amount equal to (1) 25% of the subordinated incentive fee on income calculated for such quarter (prior to giving effect to any reduction pursuant to the total return hurdle) less (2) any base management fees waived by the Investment Adviser for such fiscal quarter. For this purpose, the “cumulative net increase in net assets resulting from operations” is an amount, if positive, equal to the sum of our Pre-Incentive Fee Net Investment Income, base management fees, realized gains and losses and unrealized capital appreciation and depreciation for the Lookback Period. “Lookback Period” means (1) through December 31, 2019, the period which commences on January 1, 2017 and ends on the last day of the fiscal quarter for which the subordinated incentive fee on income is being calculated, and (2) after December 31, 2019, the fiscal quarter for which the subordinated incentive fee on income is being calculated and the eleven preceding fiscal quarters.

There is no accumulation of amounts on the hurdle rate from quarter to quarter and accordingly there is no clawback of amounts previously paid if subsequent quarters are below the quarterly hurdle.

Prior to effectiveness of our fourth amended and restated investment advisory agreement on January 1, 2017, our Part I incentive fee was calculated and payable as follows:

- No Part I incentive fee was payable to the Investment Adviser in any fiscal quarter in which our Pre-Incentive Fee Investment Income did not exceed a hurdle rate of 2.00%;
- 100% of our Pre-Incentive Fee Net Investment Income, if any, that exceeded the 2.0% hurdle rate but was less than or equal to 2.5% was payable to the Investment Adviser. This portion of our Part I incentive fee was referred to as the “catch-up” and was intended to provide the Investment Adviser with an incentive fee of 20% on all of our Pre-Incentive Fee Net Investment Income when our Pre-Incentive Fee Net Investment Income reaches 2.5% in any fiscal quarter; and
- 20% of the amount of our Pre-Incentive Fee Net Investment Income, if any, that exceeded 2.5% in any fiscal quarter was payable to the Investment Adviser, as the preferred return and catch-up would have been achieved.

Prior to January 1, 2017, the Part I incentive fee was not subject to a total return hurdle.

The second part of the incentive fee is determined and payable in arrears as of the end of each fiscal year (or upon termination of the investment advisory agreement) and equals 20% of our realized capital gains on a cumulative basis from inception through the end of the year, if any, computed net of all realized capital losses and unrealized capital depreciation on a cumulative basis, less the aggregate amount of any previously paid capital gain incentive fee.

The investment advisory agreement may be terminated by either party without penalty upon no fewer than 60 days’ written notice to the other. During the three and nine months ended June 30, 2017, we incurred fees of \$11.3 million and \$35.1 million, respectively, under the investment advisory agreement. While under no obligation to do so, for the three and nine months ended June 30, 2017 and June 30, 2016, the Investment Adviser voluntarily and irrevocably waived a portion of the base management fee relating to partial loan sales that did not qualify for true sale accounting, which resulted in a waiver of \$0.1 million for each period.

Prior to December 31, 2015, the base management fee was calculated at an annual rate of 2% of our gross assets, which includes any borrowings for investment purposes but excludes any cash and cash equivalents held at the end of each quarter.

On January 20, 2016, we announced that our Investment Adviser had agreed to an amendment to the investment advisory agreement to permanently reduce the base management fee. Beginning January 1, 2016, the base management fee on gross assets (excluding cash and cash equivalents) was reduced from 2% to 1.75%. The other commercial terms of our investment advisory arrangement with our Investment Adviser remained unchanged.

On July 14, 2015, we announced that our Investment Adviser voluntarily agreed to a revised base management fee arrangement, or the Revised Management Fee, for the period commencing on July 1, 2015 and remaining in effect until January 1, 2017, or the

Waiver Period. The Revised Management Fee was intended to provide for a reduction in the base management fee payable by us to our Investment Adviser during the Waiver Period in connection with the issuance or sale of shares of our common stock, including new shares issued as dividends or pursuant to our dividend reinvestment plan, but excluding certain non-ordinary course transactions. Neither the prior waiver of base management fees nor the Revised Management Fee in any way implies that our Investment Adviser will agree to waive management or incentive fees in any future period. The Revised Management Fee did not result in any recalculations of the base management fee prior to the expiration of the Waiver Period.

Pursuant to the administration agreement with FSC CT, which is a wholly-owned subsidiary of our investment adviser, FSC CT furnishes us with the facilities, including our principal executive offices, and administrative services necessary to conduct our day-to-day operations, including equipment, clerical, bookkeeping and recordkeeping services at such facilities. In addition, FSC CT will assist us in connection with the determination and publishing of our net asset value, the preparation and filing of tax returns and the printing and dissemination of reports to our stockholders. We pay FSC CT its allocable portion of overhead and other expenses incurred by FSC CT in performing its obligations under the administration agreement, including a portion of the rent at market rates and the compensation of our chief financial officer and chief compliance officer and their respective staffs. The administration agreement may be terminated by either party without penalty upon no fewer than 60 days' written notice to the other. During the three months ended June 30, 2017 and June 30, 2016, we incurred expenses of \$0.6 million and \$1.0 million, respectively, under the administration agreement. During the nine months ended June 30, 2017 and June 30, 2016, we incurred expenses of \$2.7 million and \$3.4 million, respectively, under the administration agreement.

We have also entered into a license agreement with Fifth Street Capital LLC pursuant to which Fifth Street Capital LLC has agreed to grant us a non-exclusive, royalty-free license to use the name "Fifth Street." Under this agreement, we will have a right to use the "Fifth Street" name, for so long as Fifth Street Management LLC or one of its affiliates remains our investment adviser. Other than with respect to this limited license, we will have no legal right to the "Fifth Street" name. Fifth Street Capital LLC is controlled by Mr. Tannenbaum, our Investment Adviser's chief executive officer.

Common Stock held by FSAM and Principals

As of June 30, 2017, a subsidiary of FSAM held 8,399,520 shares of our common stock, which represents approximately 6.0% of our common stock outstanding.

Mr. Tannenbaum, a holder of greater than 10% of our common stock, purchased shares of our common stock on March 9, 2017 and March 10, 2017 at prices less than or equal to \$4.40 per share that were matchable under Section 16(b) of the Securities Exchange Act of 1934, as amended, to the extent of 242,289 shares, with his sale of an aggregate of 242,289 shares of our common stock at prices ranging from \$5.55 to \$5.61 per share that occurred between December 13, 2016 and December 29, 2016. Upon settlement of the trades, Mr. Tannenbaum paid to us \$0.3 million, representing the full amount of the profit realized in connection with the short-swing transaction, less transaction costs. As of June 30, 2017, Mr. Tannenbaum directly and indirectly held 18,644,899 shares of our common stock, which represents approximately 13.2% of our common stock outstanding.

Recent Developments

ING Amendment

In connection with the Transaction, on July 14, 2017, we entered into an amendment, or the ING Amendment, to the ING facility that amends the ING Credit Agreement. Under the ING Amendment, the ING facility now contemplates the appointment of Oaktree as our investment adviser; the covenant regarding minimum shareholders' equity under the ING Credit Agreement was reduced from \$978 million to \$900 million, the consolidated interest coverage ratio was reduced from 2.50 to 1.0 to 2.25 to 1.0, a new minimum net worth covenant of \$750 million was added and the lenders' commitments were extended to January 31, 2018. The stated maturity date of the ING facility was not extended by the ING Amendment and remains August 6, 2018.

Sumitomo Amendment

In connection with the Transaction, on July 13, 2017, we entered into a waiver and amendment, or the SMBC Amendment, to the Sumitomo facility, pursuant to which the stated maturity date of the Sumitomo facility was changed from September 16, 2021 to the earlier of (a) August 6, 2018 and (b) the date on which the ING facility is repaid, refinanced or terminated. In addition, under the SMBC Amendment, SMBC has agreed to waive the occurrence of the change of control under the Sumitomo facility and certain possible events of default that would result from the closing of the Transaction, including the proposed appointment of Oaktree as our investment adviser, for a definite period of time, commencing on the date of the SMBC Amendment and ending on the earlier of January 1, 2018 and the date on which the Purchase Agreement is terminated or ceases to be effective.

Dividend Declaration

On February 6, 2017, our Board of Directors declared a quarterly dividend of \$0.125 per share, payable on December 29, 2017 to stockholders of record on December 15, 2017.

Recently Issued Accounting Standards

See Note 2 to the Consolidated Financial Statements for a description of recent accounting pronouncements, including the expected dates of adoption and the anticipated impact on our Consolidated Financial Statements.

Item 3. Quantitative and Qualitative Disclosures about Market Risk

We are subject to financial market risks, including changes in interest rates. Changes in interest rates may affect both our cost of funding and our interest income from portfolio investments, cash and cash equivalents and idle funds investments. Our risk management systems and procedures are designed to identify and analyze our risk, to set appropriate policies and limits and to continually monitor these risks and limits by means of reliable administrative and information systems and other policies and programs. Our investment income will be affected by changes in various interest rates, including LIBOR and prime rates, to the extent our debt investments include floating interest rates. In addition, our investments are carried at fair value as determined in good faith by our Board of Directors in accordance with the 1940 Act. Our valuation methodology utilizes discount rates in part in valuing our investments, and changes in those discount rates may have an impact on the valuation of our investments.

As of June 30, 2017, 79.5% of our debt investment portfolio (at fair value) and 78.2% of our debt investment portfolio (at cost) bore interest at floating rates. The composition of our floating rate debt investments by cash interest rate floor (excluding PIK) as of June 30, 2017 and September 30, 2016 was as follows:

(\$ in thousands)	June 30, 2017		September 30, 2016	
	Fair Value	% of Floating Rate Portfolio	Fair Value	% of Floating Rate Portfolio
Under 1%	\$ 301,772	23.71%	\$ 271,484	16.98%
1% to under 2%	971,179	76.29	1,324,121	82.83
2% to under 3%	—	—	—	—
3% and over	—	—	3,000	0.19
Total	\$ 1,272,951	100.00%	\$ 1,598,605	100.00%

Based on our Consolidated Statement of Assets and Liabilities as of June 30, 2017, the following table shows the approximate annualized increase (decrease) in components of net assets resulting from operations of hypothetical base rate changes in interest rates, assuming no changes in our investment and capital structure:

(\$ in thousands)			
Basis point increase(1)	Interest income	Interest expense	Net increase (decrease)
500	\$ 60,800	\$ (17,600)	\$ 43,200
400	48,600	(14,000)	34,600
300	36,400	(10,400)	26,000
200	24,200	(6,800)	17,400
100	12,000	(3,200)	8,800

(1) A decline in interest rates would not have a material impact on our Consolidated Financial Statements.

We regularly measure exposure to interest rate risk. We assess interest rate risk and manage our interest rate exposure on an ongoing basis by comparing our interest rate sensitive assets to our interest rate sensitive liabilities. Based on this review, we determine whether or not any hedging transactions are necessary to mitigate exposure to changes in interest rates. The following table shows a comparison of the interest rate base for our interest-bearing cash and outstanding investments, at principal, and our outstanding borrowings as of June 30, 2017 and September 30, 2016:

(\$ in thousands)	June 30, 2017		September 30, 2016	
	Interest Bearing Cash and Investments	Borrowings	Interest Bearing Cash and Investments	Borrowings
Money market rate	\$ 92,822	\$ —	\$ 130,362	\$ —
Prime rate	60,967	—	12,344	—
LIBOR				
30 day	42,531	345,495	42,087	516,295
90 day	1,245,201	13,810	1,665,339	18,929
Fixed rate	375,352	559,250	408,136	624,550
Total	\$ 1,816,873	\$ 918,555	\$ 2,258,268	\$ 1,159,774

Item 4. Controls and Procedures

(a) Evaluation of Disclosure Controls and Procedures

Management, with the participation of the Company's Chief Executive Officer and Chief Financial Officer, evaluated the effectiveness of our disclosure controls and procedures as of June 30, 2017. The term "disclosure controls and procedures," as defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934, as amended (the "Exchange Act"), means controls and other procedures of a company that are designed to ensure that information required to be disclosed by a company in the reports that it files or submits under the Exchange Act is recorded, processed, summarized and reported, within the time periods specified in the SEC's rules and forms. Disclosure controls and procedures include, without limitation, controls and procedures designed to ensure that information required to be disclosed by a company in the reports that it files or submits under the Exchange Act is accumulated and communicated to the company's management, including its chief executive officer and chief financial officer, as appropriate to allow timely decisions regarding required disclosure. Management recognizes that any controls and procedures, no matter how well designed and operated, can provide only reasonable assurance of achieving their objectives. Based on the evaluation of our disclosure controls and procedures as of June 30, 2017, our Chief Executive Officer and Chief Financial Officer concluded that, as a result of the material weakness in internal control over financial reporting that is described below, our disclosure controls and procedures were not effective.

(b) Material Weakness in Internal Control over Financial Reporting

As of September 30, 2016, management has determined that the Company did not design or maintain effective controls to internally communicate current accounting policies and procedures including the nature of supporting documentation required to validate certain portfolio company data. This material weakness remained as of June 30, 2017 primarily because the remediation actions described below remain in process.

(c) Remediation of Material Weaknesses in Internal Control Over Financial Reporting

During the fiscal year ended September 30, 2016, we took a number of steps to remediate the aggregated material weakness including formalizing policies and procedures relating to fee income recognition and the communication of these policies and procedures throughout the organization. Further, we added senior experienced accounting and financial reporting personnel with higher levels of experience, outsourced a number of accounting and operation activities, engaged a public accounting firm to assist on technical accounting matters and reallocated existing internal resources. During the fiscal year ending September 30, 2017, we have and will continue to take a number of additional steps to remediate this material weakness, including the formalization of policies and procedures in other significant areas and the implementation of controls over the validation of portfolio company data. Management is committed to improving our internal control processes and believes that the measures described above should be sufficient to remediate the identified material weakness and strengthen our internal control over financial reporting. Based on the steps we have taken to date and the anticipated timing of additional remediation measures and appropriate test work, we expect that the remediation of this material weakness will be completed prior to the end of calendar year 2017. We cannot assure you, however, that the steps taken will remediate such weakness, nor can we be certain of whether additional actions will be required or the costs of any such actions.

(d) Changes in Internal Controls Over Financial Reporting

Other than the remediation efforts described above, there were no changes in our internal control over financial reporting that occurred during the third fiscal quarter of 2017 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

PART II — OTHER INFORMATION

Item 1. *Legal Proceedings*

Although we may, from time to time, be involved in litigation arising out of our operations in the normal course of business or otherwise, we are currently not a party to any pending material legal proceedings except as described below.

SEC Examination and Investigation

On March 23, 2016, the Division of Enforcement of the SEC sent document subpoenas and document preservation notices to us, FSAM, FSCO GP LLC - General Partner of Fifth Street Opportunities Fund, L.P., or FSOF, and Fifth Street Senior Floating Rate Corp., or FSFR. The subpoenas sought production of documents relating to a variety of issues, including those raised in an ordinary-course examination of the Investment Adviser by the SEC's Office of Compliance Inspections and Examinations that began in October 2015, and in the previously disclosed securities class actions and other previously disclosed litigation. The subpoenas were issued pursuant to a formal order of private investigation captioned In the Matter of the Fifth Street Group of Companies, No. HO-12925, dated March 23, 2016, which addresses (among other things) (i) the valuation of our portfolio companies and investments, (ii) the expenses allocated or charged to us and FSFR, (iii) FSOF's trading in the securities of publicly traded business development companies, (iv) statements to our board of directors, other representatives of pooled investment vehicles, investors, or prospective investors concerning the fair value of our portfolio companies or investments as well as expenses allocated or charged to us and FSFR, (v) various issues relating to adoption and implementation of policies and procedures under the Advisers Act, (vi) statements and/or potential omissions in the entities' SEC filings, (vii) the entities' books, records, and accounts and whether they fairly and accurately reflected the entities' transactions and dispositions of assets, and (viii) several other issues relating to corporate books and records. The formal order cites various provisions of the Securities Act, the Exchange Act and the Advisers Act, as well as rules promulgated under those Acts, as the bases of the investigation. The subpoenaed Fifth Street entities are cooperating with the Division of Enforcement investigation, have produced requested documents, and have been communicating with Division of Enforcement personnel.

Item 1A. *Risk Factors*

Except as described below, there have been no material changes during the three months ended June 30, 2017 to the risk factors discussed in Item 1A. Risk Factors in our Annual Report on Form 10-K for the year ended September 30, 2016.

We cannot assure you the Transaction will close

On July 13, 2017, Fifth Street Management LLC, the Company's investment adviser (the "Investment Adviser"), entered into an asset purchase agreement (the "Purchase Agreement") with Oaktree Capital Management, L.P. ("Oaktree") and, for certain limited purposes, Fifth Street Asset Management Inc. ("FSAM") and Fifth Street Holdings L.P. Upon closing of the transactions contemplated by the Purchase Agreement (the "Transaction"), Oaktree would become the investment adviser to each of the Company and Fifth Street Senior Floating Rate Corp. ("FSFR") and Oaktree would pay gross cash consideration of \$320 million to the Investment Adviser. The closing of the Transaction would result in an assignment for purposes of the Investment Company Act of 1940, as amended, of the current investment advisory agreement between the Company and the Investment Adviser and, as a result, its immediate termination. The closing of the Transaction is conditioned on, among other things: (i) the approval of a new investment advisory agreement between the Company and Oaktree by the Company's stockholders; (ii) the approval of a new investment advisory agreement by the stockholders of FSFR; (iii) the election to the Company's Board of Directors of five new directors by the Company's stockholders; (iv) the election to the board of directors of FSFR of five new directors by FSFR's stockholders; (v) the approval of the Transaction by the stockholders of FSAM; and (vi) the receipt of any required regulatory and other approvals. We cannot assure you of the timing of any assignment of the current investment advisory agreement with the Investment Adviser and whether and when the new investment advisory agreement with Oaktree will be effective. Any failure of the Transaction to close could have a material adverse effect on the Company's business, financial condition and results of operations.

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds.**Stock Repurchase Program**

On November 30, 2015, our Board of Directors approved a \$100 million common stock repurchase program through November 30, 2016, and on November 28, 2016, our Board of Directors approved a new common stock repurchase program authorizing us to repurchase up to \$12.5 million in the aggregate of our outstanding common stock through November 28, 2017. Common stock repurchases under this most recently-approved program were made in the open market, privately negotiated transactions or otherwise at times, and in such amounts, as management deemed appropriate subject to various factors, including company performance, capital availability, general economic and market conditions, regulatory requirements and other corporate considerations, as determined by management. As of June 30, 2017, there is no availability under this common stock repurchase program to repurchase additional common stock.

The following table presents the number of shares purchased during the nine months ended June 30, 2017, the average price paid per share, the number of shares that were purchased and the dollar value of shares that still could have been purchased, pursuant to our repurchase authorization:

Period	Total Number of Shares Purchased	Average Price Paid per Share	Total Number of Shares Purchases as Part of Publicly Announced Programs	Approximate Dollar Value of Shares that May Yet Be Purchased Under the Plans or Programs
October 1-October 31	—	\$ —	—	\$ —
November 1-November 30	—	—	—	—
December 1-December 31	2,298,247	5.44	2,298,247	—
January 1-January 31	—	—	—	—
February 1- February 28	—	—	—	—
March 1-March 31	—	—	—	—
April 1-April 30	—	—	—	—
May 1-May 31	—	—	—	—
June 1-June 30	—	—	—	—
Total	<u>2,298,247</u>	<u>\$ 5.44</u>	<u>2,298,247</u>	<u>\$ —</u>

Item 3. Defaults Upon Senior Securities

None.

Item 4. Mine Safety Disclosures

Not applicable.

Item 5. Other Information

None.

Item 6. Exhibits.

Exhibit Number	Description of Exhibit
31.1*	Certification of Chief Executive Officer Pursuant to Rule 13a-14(a) under the Securities Exchange Act of 1934.
31.2*	Certification of Chief Financial Officer Pursuant to Rule 13a-14(a) under the Securities Exchange Act of 1934.
32.1*	Certification of Chief Executive Officer Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 (18 U.S.C. 1350).
32.2*	Certification of Chief Financial Officer Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 (18 U.S.C. 1350).

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

FIFTH STREET FINANCE CORP.

By: /s/ Bernard D. Berman

Bernard D. Berman

Chief Executive Officer

By: /s/ Steven M. Noreika

Steven M. Noreika

Chief Financial Officer

Date: August 8, 2017

I, Bernard D. Berman, Chief Executive Officer of Fifth Street Finance Corp., certify that:

1. I have reviewed this quarterly report on Form 10-Q for the quarter ended June 30, 2017 of Fifth Street Finance Corp.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

(a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

(b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

(c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

(d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

(a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

(b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Dated this 8th day of August, 2017.

By: /s/ Bernard D. Berman

Bernard D. Berman
Chief Executive Officer

I, Steven M. Noreika, Chief Financial Officer of Fifth Street Finance Corp., certify that:

1. I have reviewed this quarterly report on Form 10-Q for the quarter ended June 30, 2017 of Fifth Street Finance Corp.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

(a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

(b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

(c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

(d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

(a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

(b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Dated this 8th day of August, 2017.

By: /s/ Steven M. Noreika

Steven M. Noreika
Chief Financial Officer

Certification of Chief Executive Officer
Pursuant to
Section 906 of the Sarbanes-Oxley Act of 2002 (18 U.S.C. 1350)

In connection with the quarterly report on Form 10-Q for the quarter ended **June 30, 2017** (the “Report”) of **Fifth Street Finance Corp.** (the “Registrant”), as filed with the Securities and Exchange Commission on the date hereof, I, **Bernard D. Berman**, 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.

/s/ Bernard D. Berman

Name: Bernard D. Berman

Date: August 8, 2017

Certification of Chief Financial Officer
Pursuant to
Section 906 of the Sarbanes-Oxley Act of 2002 (18 U.S.C. 1350)

In connection with the quarterly report on Form 10-Q for the quarter ended **June 30, 2017** (the “Report”) of **Fifth Street Finance Corp.** (the “Registrant”), as filed with the Securities and Exchange Commission on the date hereof, I, **Steven M. Noreika**, 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.

/s/ Steven M. Noreika

Name: Steven M. Noreika

Date: August 8, 2017