UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

FORM 10-Q

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

FOR THE QUARTERLY PERIOD ENDED MARCH 31, 2023

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

COMMISSION FILE NUMBER: 814-00841

FS Energy and Power Fund

(Exact name of registrant as specified in its charter)

Delaware	**27-6822130**
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)
201 Rouse Boulevard Philadelphia, Pennsylvania	**19112**
(Address of principal executive office)	(Zip Code)

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

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

Indicate by check mark whether the registrant has submitted electronically 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.

Large accelerated filer	Accelerated filer	Non-accelerated filer	Smaller reporting company	Emerging growth company
☐	☐	☒	☐	☐

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

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

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

Title of each class	Trading symbol(s)	Name on each exchange on which registered
N/A	N/A	N/A

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date. The issuer had 454,129,547 common shares of beneficial interest outstanding as of May 1, 2023.

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PART I—FINANCIAL INFORMATION

Item 1. Financial Statements.

FS Energy and Power Fund

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

	March 31, 2023 (Unaudited)	December 31, 2022
Assets		
Investments, at fair value		
Non-controlled/unaffiliated investments (amortized cost—$1,429,977 and $1,656,169, respectively)	$ 1,536,176	$ 1,786,887
Non-controlled/affiliated investments (amortized cost—$47,102 and $94,068, respectively)	16,250	65,777
Controlled/affiliated investments (amortized cost—$171,880 and $172,703, respectively)	190,235	194,451
Total investments, at fair value (amortized cost—$1,648,959 and $1,922,940, respectively)	1,742,661	2,047,115
Cash	438,494	481,655
Receivable for investments sold and repaid	—	7,022
Interest receivable	17,890	21,932
Dividends receivable	878	878
Unrealized appreciation on swap contracts	379	—
Swap income receivable	65	83
Prepaid expenses and other assets	50	96
Total assets	$ 2,200,417	$ 2,558,781
Liabilities		
Credit facilities payable (net of deferred financing costs of $0 and $238, respectively)(1)	$ —	$ 305,438
Secured note payable (net of deferred financing costs of $845 and $1,253, respectively)(1)	455,535	454,671
Unrealized depreciation on swap contracts	—	698
Swap income payable	—	26
Shareholder distributions payable	13,584	13,543
Management fees payable	10,219	11,185
Administrative services expense payable	869	1,086
Interest payable	4,380	13,371
Trustees' fees payable	164	164
Other accrued expenses and liabilities	2,838	4,851
Total liabilities	487,589	805,033
Commitments and contingencies(2)		
Shareholders' equity		
Preferred shares, $0.001 par value, 50,000,000 shares authorized, none issued and outstanding	—	—
Common shares, $0.001 par value, 700,000,000 shares authorized, 452,787,008 and 451,465,673 shares issued and outstanding, respectively	453	451
Capital in excess of par value	3,196,509	3,191,293
Accumulated earnings (deficit)	(1,484,134)	(1,437,996)
Total shareholders' equity	1,712,828	1,753,748
Total liabilities and shareholders' equity	$ 2,200,417	$ 2,558,781
Net asset value per common share at period end	$ 3.78	$ 3.88

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

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

See notes to unaudited consolidated financial statements.

FS Energy and Power Fund

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

	Three Months Ended March 31, 2023	Three Months Ended March 31, 2022
Investment income		
From non-controlled/unaffiliated investments:		
Interest income	$ 30,190	$ 23,140
Paid-in-kind interest income	4,306	4,423
Fee income	97	1,233
Dividend income	5,690	—
From non-controlled/affiliated investments:		
Interest income	157	1,910
Paid-in-kind interest income	24	35
Dividend income	—	1,726
From controlled/affiliated investments:		
Interest income	2,459	2,037
Paid-in-kind interest income	172	670
Dividend income	—	735
Total investment income	43,095	35,909
Operating expenses		
Management fees	10,474	10,735
Administrative services expenses	1,320	1,420
Share transfer agent fees	751	720
Accounting and administrative fees	183	177
Interest expense(1)	12,598	13,694
Trustees' fees	164	227
Other general and administrative expenses	703	1,444
Total operating expenses	26,193	28,417
Less: Management fee offset(2)	(255)	(698)
Net expenses	25,938	27,719
Net investment income	17,157	8,190
Realized and unrealized gain/loss		
Net realized gain (loss) on investments:		
Non-controlled/unaffiliated	(8,848)	(16,664)
Non-controlled/affiliated	(11,359)	(12,380)
Net realized gain (loss) on foreign currency	(120)	—
Net realized gain (loss) on swap contracts	12	(416)
Net realized gain (loss) on debt extinguishment	—	(746)
Net change in unrealized appreciation (depreciation) on investments:		
Non-controlled/unaffiliated	(24,519)	135,503
Non-controlled/affiliated	(2,561)	56,051
Controlled/affiliated	(3,393)	23,727
Net change in unrealized appreciation (depreciation) on swap contracts	1,077	(3,482)
Total net realized and unrealized gain (loss)	(49,711)	181,593
Net increase (decrease) in net assets resulting from operations	$ (32,554)	$ 189,783
Per share information—basic and diluted		
Net increase (decrease) in net assets resulting from operations (Earnings per Share)	$ (0.07)	$ 0.42
Weighted average shares outstanding	452,684,238	447,404,395

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

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

See notes to unaudited consolidated financial statements.

FS Energy and Power Fund

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

	Three Months Ended March 31,	
	2023	2022
Operations		
Net investment income	$ 17,157	$ 8,190
Net realized gain (loss) on investments, foreign currency, swap contracts and debt extinguishment	(20,315)	(30,206)
Net change in unrealized appreciation (depreciation) on investments	(30,473)	215,281
Net change in unrealized appreciation (depreciation) on swap contracts	1,077	(3,482)
Net increase (decrease) in net assets resulting from operations	(32,554)	189,783
Shareholder distributions(1)		
Distributions to shareholders	(13,584)	(13,426)
Net decrease in net assets resulting from shareholder distributions	(13,584)	(13,426)
Capital share transactions(2)		
Reinvestment of shareholder distributions	5,218	5,235
Net increase in net assets resulting from capital share transactions	5,218	5,235
Total increase (decrease) in net assets	(40,920)	181,592
Net assets at beginning of period	1,753,748	1,602,323
Net assets at end of period	$ 1,712,828	$ 1,783,915

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

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

See notes to unaudited consolidated financial statements.

FS Energy and Power Fund

Unaudited Consolidated Statements of Cash Flows
(in thousands)

	Three Months Ended March 31, 2023	Three Months Ended March 31, 2022
Cash flows from operating activities		
Net increase (decrease) in net assets resulting from operations	$ (32,554)	$ 189,783
Adjustments to reconcile net increase (decrease) in net assets resulting from operations to net cash provided by (used in) operating activities:		
Purchases of investments	(25,032)	(122,503)
Paid-in-kind interest	(4,502)	(5,128)
Proceeds from sales and repayments of investments	284,570	238,748
Net realized (gain) loss on investments	20,207	29,044
Net change in unrealized (appreciation) depreciation on investments	30,473	(215,281)
Net change in unrealized (appreciation) depreciation on swap contracts	(1,077)	3,482
Accretion of discount	(1,262)	(2,029)
Amortization of deferred financing costs and discount	1,238	2,185
(Increase) decrease in receivable for investments sold and repaid	7,022	4,975
(Increase) decrease in interest receivable	4,042	7,129
(Increase) decrease in swap income receivable	18	—
(Increase) decrease in prepaid expenses and other assets	46	68
Increase (decrease) in payable for investments purchased	—	(49,500)
Increase (decrease) in swap income payable	(26)	416
Increase (decrease) in management fees payable	(966)	(429)
Increase (decrease) in administrative services expense payable	(217)	81
Increase (decrease) in interest payable[(1)]	(8,991)	(9,468)
Increase (decrease) in trustees' fees payable	—	27
Increase (decrease) in other accrued expenses and liabilities	(2,013)	(368)
Net cash provided by (used in) operating activities	270,976	71,232
Cash flows from financing activities		
Shareholder distributions paid	(8,325)	(8,153)
Borrowings under credit facilities[(1)]	—	29,009
Repayments of credit facilities[(1)]	(305,676)	(10,000)
Repayments under senior secured notes[(1)]	—	(22,383)
Deferred financing costs paid	(136)	(132)
Net cash provided by (used in) financing activities	(314,137)	(11,659)
Total increase (decrease) in cash	(43,161)	59,573
Cash at beginning of period	481,655	33,879
Cash at end of period	$ 438,494	$ 93,452
Supplemental disclosure		
Non-cash reinvestment of shareholder distributions	$ 5,218	$ 5,235
Non-cash purchases of investments	$ (3,284)	$ (1,587)
Non-cash sales of investments	$ 3,284	$ 1,587
Excise and state taxes paid	$ 711	$ 846

(1) See Note 9 for a discussion of the Company's financing arrangements. During the three months ended March 31, 2023 and 2022, the Company paid $20,351 and $20,977, respectively, in interest expense on the financing arrangements and Senior Secured Notes.

See notes to unaudited consolidated financial statements.

FS Energy and Power Fund
Unaudited Consolidated Schedule of Investments
As of March 31, 2023
(in thousands, except share amounts)

Portfolio Company[a][f]	Footnotes	Industry	Rate[b]	Floor[b]	Maturity	Principal Amount[c]	Amortized Cost	Fair Value[d]
Senior Secured Loans—First Lien—35.0%								
AIRRO (Mauritius) Holdings II	(k)(p)(r)	Power	L+400, 3.0% PIK (3.0% Max PIK)	1.5%	7/24/25	$ 22,902	$ 20,250	$ 23,682
AIRRO (Mauritius) Holdings II	(e)(k)(p)(r)	Power	L+400, 3.0% PIK (3.0% Max PIK)	1.5%	7/24/25	5,359	5,359	5,542
Allied Downhole Technologies, LLC	(r)(t)	Service & Equipment	8.0% PIK (8.0% Max PIK)		9/30/23	7,553	7,553	7,553
Allied Downhole Technologies, LLC	(e)(r)(t)	Service & Equipment	8.0% PIK (8.0% Max PIK)		9/30/23	2,500	2,500	2,500
Allied Wireline Services, LLC	(r)(t)	Service & Equipment	10.0% PIK (10.0% Max PIK)		6/15/25	63,888	63,888	63,888
Compass Power Generation LLC		Power	S+425	1.0%	4/14/29	9,798	9,530	9,777
Cox Oil Offshore, LLC, Volumetric Production Payments	(g)(i)(r)	Upstream	12.8%		12/31/23	100,000	8,638	12,822
CPV Shore Holdings LLC		Power	L+375		12/29/25	23,601	22,819	21,874
EIF Van Hook Holdings, LLC		Midstream	S+525		9/5/24	26,882	26,644	26,781
FR BR Holdings LLC	(r)	Midstream	L+650		12/14/23	81,316	80,393	81,242
FR XIII PAA Holdings HoldCo, LLC	(r)	Midstream	L+750	0.5%	10/15/26	17,272	17,040	17,351
GasLog Ltd.	(k)(r)	Midstream	7.8%		3/31/29	14,648	14,559	14,125
Generation Bridge LLC		Power	L+500	0.8%	12/1/28	7,092	6,976	7,091
Generation Bridge LLC		Power	L+500	0.8%	12/1/28	163	160	163
GIP II Blue Holding LP		Midstream	L+450	1.0%	9/29/28	5,812	5,740	5,792
Goodnight Water Solutions, LLC	(r)	Midstream	S+700	0.5%	6/3/27	14,925	14,720	14,788
Hamilton Intermediate Holdings, LLC	(r)	Power	16.5% PIK (16.5% Max PIK)		6/17/25	31,655	32,281	31,996
Meritage Midstream Services II, LLC	(r)	Midstream	S+675	1.0%	8/13/28	25,000	24,511	24,500
OE2 North, LLC	(r)	Midstream	L+525	1.0%	5/21/26	19,108	19,034	19,243
OE2 North, LLC	(e)(r)	Midstream	L+525	1.0%	5/21/26	10,892	10,892	10,968
Oryx Midstream Services Permian Basin LLC		Midstream	S+325	0.5%	10/5/28	26,289	26,181	25,885
Parkway Generation LLC		Power	S+475	0.8%	2/18/29	5,760	5,709	5,577
Parkway Generation LLC		Power	S+475	0.8%	2/18/29	43,800	43,415	42,431
Permian Production Holdings, LLC	(r)(s)	Upstream	7.0%, 2.0% PIK (2.0% Max PIK)		11/23/25	4,791	4,322	4,791
Pinnacle Midland Gas Holdco LLC	(r)	Midstream	L+675	1.0%	12/9/26	9,370	9,308	9,314
Pinnacle Midland Gas Holdco LLC	(e)(r)	Midstream	L+675	1.0%	12/9/26	2,477	2,477	2,462
Plainfield Renewable Energy Holdings LLC	(r)	Power	6.0%, 9.5% PIK (9.5% Max PIK)		8/22/25	12,704	12,704	9,468
Plainfield Renewable Energy Holdings LLC	(m)(r)	Power	10.0% PIK (10.0% Max PIK)		8/22/25	3,827	3,827	—
Plainfield Renewable Energy Holdings LLC, Letter of Credit	(e)(r)	Power	10.0%		8/22/25	2,709	2,709	—
Potomac Energy Center, LLC	(r)	Power	L+600	0.5%	11/12/26	58,164	57,265	56,878
Warren Resources, Inc.	(r)(t)	Upstream	L+900, 1.0% PIK (1.0% Max PIK)	1.0%	5/22/24	23,644	23,644	23,644
Wattbridge Inc.	(r)	Power	S+785	1.8%	6/30/27	42,252	42,252	41,263
Total Senior Secured Loans—First Lien							627,300	623,391
Unfunded Loan Commitments							(23,937)	(23,937)
Net Senior Secured Loans—First Lien							603,363	599,454

See notes to unaudited consolidated financial statements.

(in thousands, except share amounts)

Portfolio Company[(a)(f)]	Footnotes	Industry	Rate[(b)]	Floor[(b)]	Maturity	Principal Amount[(c)]	Amortized Cost	Fair Value[(d)]
Senior Secured Loans—Second Lien—7.5%								
Aethon III BR LLC	(r)	Upstream	L+750	1.5%	1/10/25	$ 20,000	$ 19,862	$ 20,111
Citizen Energy Operating, LLC	(r)	Upstream	S+765	1.0%	6/29/27	38,000	37,466	37,380
ERA II Minerals, LLC	(r)	Upstream	S+625	0.8%	3/7/27	36,000	35,628	35,564
SilverBow Resources, Inc.	(k)(r)	Upstream	L+750	1.0%	12/15/26	14,250	14,205	14,297
Tenrgys, LLC	(r)	Upstream	S+750 (9.5% Max PIK)	1.0%	3/17/27	20,537	20,537	20,691
Total Senior Secured Loans—Second Lien							127,698	128,043
Senior Secured Bonds—0.6%								
ST EIP Holdings Inc.	(r)	Midstream	6.3%		1/10/30	10,526	10,076	10,164
Total Senior Secured Bonds							10,076	10,164
Unsecured Debt—8.1%								
Aethon United BR LP		Upstream	8.3%		2/15/26	40,500	40,500	39,780
Earthstone Energy Holdings, LLC	(k)	Upstream	8.0%		4/15/27	11,400	11,400	11,073
Hammerhead Resources Inc.	(k)(r)	Upstream	12.0% PIK (12.0% Max PIK)		7/15/24	37,225	37,085	37,225
Moss Creek Resources, LLC		Upstream	7.5%		1/15/26	11,693	10,446	10,856
NRG Energy, Inc.	(k)	Power	3.9%		2/15/32	16,125	15,658	12,917
Sitio Royalties Operating Partnership, LP	(k)(r)	Upstream	S+575	1.5%	9/20/26	19,000	18,835	18,818
Tallgrass Energy Partners, LP		Midstream	6.0%		3/1/27	9,761	9,580	9,250
Total Unsecured Debt							143,504	139,919

Portfolio Company[(a)(f)]	Footnotes	Industry	Rate[(b)]	Floor[(b)]	Maturity	Number of Shares	Amortized Cost	Fair Value[(d)]
Preferred Equity—24.2%[(l)]								
Abaco Energy Technologies LLC, Preferred Equity	(o)(r)	Service & Equipment				28,942,003	$ 1,447	$ 9,175
Global Jet Capital Holdings, LP, Preferred Equity	(o)(r)	Industrials				2,785,562	2,786	—
Global Jet Capital Holdings, LP, Preferred Equity	(m)(o)(r)	Industrials	9.0% PIK (9.0% Max PIK)		10/1/28	18,676	12,493	9,641
NGL Energy Partners, LP, Preferred Equity	(k)(m)(o)(r)	Midstream	14.2%		7/2/27	156,250	157,633	134,138
NuStar, Preferred Equity	(k)(r)	Midstream	12.8%		6/29/28	67,011	73,650	83,272
Segreto Power Holdings, LLC, Preferred Equity	(m)(n)(o)(r)	Power	13.1%		6/30/25	70,297	99,761	86,037
USA Compression Partners, LP, Preferred Equity	(k)(r)	Midstream	9.8%		4/3/28	79,336	77,991	92,436
Total Preferred Equity							425,761	414,699

Sustainable Infrastructure Investments, LLC—3.1%			Principal Amount[(c)]	Cost	Fair Value[(d)]
Sustainable Infrastructure Investments, LLC	(k)(o)(r)(t)	Power	$ 60,603	$ 54,514	$ 52,937
Total Sustainable Infrastructure Investments, LLC				54,514	52,937

See notes to unaudited consolidated financial statements.

(in thousands, except share amounts)

Portfolio Company[(a)(f)]	Footnotes	Industry	Rate[(b)]	Floor[(b)]	Maturity	Number of Shares	Amortized Cost	Fair Value[(d)]
Equity/Other—23.2%								
Abaco Energy Technologies LLC, Common Equity	(o)(r)	Service & Equipment				6,944,444	$ 6,944	$ 1,313
AIRRO (Mauritius) Holdings II, Warrants, Strike: $1.00	(k)(o)(p)(r)	Power			7/24/25	35	2,652	1,381
AirSwift Holdings, Ltd., Common Equity	(k)(o)(r)	Service & Equipment				3,750,000	6,029	3,413
Allied Wireline Services, LLC, Common Equity	(n)(o)(r)(t)	Service & Equipment				48,400	1,527	12,385
Allied Wireline Services, LLC, Warrants	(n)(o)(r)(t)	Service & Equipment				22,000	—	—
Arena Energy, LP, Contingent Value Rights	(r)	Upstream			2/1/25	126,632,117	351	514
Ascent Resources Utica Holdings, LLC, Common Equity	(n)(o)(r)	Upstream				148,692,948	44,700	40,221
GWP Midstream Holdco, LLC, Common Equity	(n)(o)(r)(s)	Midstream				105,785	6,681	3,607
Harvest Oil & Gas Corp., Common Equity	(o)(r)(s)	Upstream				135,062	14,553	810
Limetree Bay Energy, LLC, Class A Units	(o)(r)(s)	Midstream				76,938,973	21,541	939
Maverick Natural Resources, LLC, Common Equity	(n)(r)	Upstream				503,176	138,208	278,760
NGL Energy Partners, LP, Warrants (Par), Strike: $14.54	(k)(o)(r)	Midstream			12/31/25	2,187,500	3,083	441
NGL Energy Partners, LP, Warrants (Premium), Strike: $17.45	(k)(o)(r)	Midstream			12/31/25	3,125,000	2,623	449
NGL Energy Partners, LP, Warrants (Premium), Strike: $16.27	(k)(o)(r)	Midstream			12/31/25	781,250	576	113
NGL Energy Partners, LP, Warrants (Par), Strike:$13.56	(k)(o)(r)	Midstream			12/31/25	546,880	630	105
Permian Production Holdings, LLC, Common Equity	(n)(o)(r)(s)	Upstream				1,968,861	5	6,103
Saturn Oil & Gas Inc., Common Equity	(k)(o)(q)	Upstream				1,735,283	3,284	3,220
Telpico, LLC, Common Equity	(n)(o)(r)(s)	Upstream				50	—	—
Tenrgys, LLC, Common Equity	(n)(o)(r)	Upstream				50	7,571	5,672
USA Compression Partners, LP, Common Equity	(k)	Midstream				84,779	1,617	1,791
USA Compression Partners, LP, Warrants (Premium), Strike: $19.59	(k)(o)(r)	Midstream			4/2/28	1,586,719	714	6,380
Warren Resources, Inc., Common Equity	(o)(r)(t)	Upstream				4,415,749	20,754	29,828
Total Equity/Other							284,043	397,445
TOTAL INVESTMENTS—101.7%							$ 1,648,959	1,742,661
LIABILITIES IN EXCESS OF OTHER ASSETS—(1.7%)	(j)							(29,833)
NET ASSETS—100.0%								$ 1,712,828

See notes to unaudited consolidated financial statements.

(in thousands, except share amounts)

Fixed Price Swap Contracts—Crude Oil(i)

Counterparty	Type	Settlement Index	Period	Bbls	Weighted Average Price ($/Bbls)	Unrealized Appreciation(h)	Unrealized Depreciation(h)
BP Energy Co.	Fixed	ICE Brent	April 1, 2023 – December 31, 2023	123,680	$80.00	$ 161	$ —
Total Swap Contracts—Crude Oil						$ 161	$ —

Fixed Price Swap Contracts—Natural Gas(i)

Counterparty	Type	Settlement Index	Period	MMBtu	Weighted Average Price ($/MMBtu)	Unrealized Appreciation(h)	Unrealized Depreciation(h)
BP Energy Co.	Fixed	NYMEX Henry Hub	May 1, 2023 – December 31, 2023	227,542	$3.80	$ 218	$ —
Total Swap Contracts—Natural Gas						$ 218	$ —
TOTAL SWAP CONTRACTS						$ 379	$ —

Bbls – Barrels

MMBtu – One million British thermal units

(a) Security may be an obligation of one or more entities affiliated with the named company.

(b) Certain variable rate securities in the Company's portfolio bear interest at a rate determined by a publicly disclosed base rate plus a basis point spread. As of March 31, 2023, the three-month London Interbank Offered Rate, or LIBOR, or L, was 5.19% and the Secured Overnight Financing Rate, or SOFR, or S, was 4.91%. PIK means paid-in-kind. PIK income accruals may be adjusted based on the fair value of the underlying investment. Variable rate securities with no floor rate use the respective benchmark rate in all cases.

(c) Denominated in U.S. dollars, unless otherwise noted.

(d) See Note 8 for additional information regarding the fair value of the Company's financial instruments.

(e) Security is an unfunded commitment. The stated rate reflects the spread disclosed at the time of commitment and may not indicate the actual rate received upon funding.

(f) Security or portion thereof is pledged as collateral supporting the amounts outstanding under the Senior Secured Notes with JPMorgan Chase Bank, N.A. (see Note 9).

(g) Investment is a real property interest and is included with Senior Secured Loans—First Lien to facilitate comparison with other investments.

(h) Represents the amounts the Company would pay or receive under each swap contract if it were to settle on March 31, 2023 (see Note 6).

(i) Security held within EP Northern Investments, LLC, a wholly-owned subsidiary of the Company.

(j) Includes the effect of swap contracts.

(k) The investment is not a qualifying asset under the Investment Company Act of 1940, as amended, or the 1940 Act. A business development company may not acquire any asset other than a qualifying asset, unless, at the time the acquisition is made, qualifying assets represent at least 70% of the business development company's total assets. As of March 31, 2023, 76.7% of the Company's total assets represented qualifying assets.

(l) Listed investments may be treated as debt for U.S. generally accepted accounting principles, or GAAP, or tax purposes.

(m) Security was on non-accrual status as of March 31, 2023.

(n) Security held within FSEP Investments, Inc., a wholly-owned subsidiary of the Company.

(o) Security is non-income producing.

(p) Security or portion thereof held within FS Power Investments II, LLC, a wholly-owned subsidiary of the Company.

(q) Investment denominated in Canadian dollars. Amortized cost and fair value are converted into U.S. dollars as of March 31, 2023.

(r) Security is classified as Level 3 in the Company's fair value hierarchy (see Note 8).

(in thousands, except share amounts)

(s) Under the 1940 Act, the Company generally is deemed to be an "affiliated person" of a portfolio company if it owns 5% or more of the portfolio company's voting securities and generally is deemed to "control" a portfolio company if it owns more than 25% of the portfolio company's voting securities or it has the power to exercise control over the management or policies of such portfolio company. As of March 31, 2023, the Company held investments in portfolio companies of which it is deemed to be an "affiliated person" but is not deemed to "control". The following table presents certain information with respect to investments in portfolio companies of which the Company was deemed to be an affiliated person as of March 31, 2023:

Portfolio Company	Fair Value at December 31, 2022	Gross Additions(1)	Gross Reductions(2)	Net Realized Gain (Loss)	Net Change in Unrealized Appreciation (Depreciation)	Fair Value at March 31, 2023	Interest Income(3)	PIK Income(3)
Senior Secured Loans—First Lien								
Permian Production Holdings, LLC	$ 4,767	$ 56	$ —	$ —	$ (32)	$ 4,791	$ 157	$ 24
Equity/Other								
GWP Midstream Holdco, LLC, Common Equity	5,044	—	—	—	(1,437)	3,607	—	—
Harvest Oil & Gas Corp., Common Equity	810	—	(506)	—	506	810	—	—
Limetree Bay Energy, LLC, Class A Units	1,885	83	—	—	(1,029)	939	—	—
Permian Production Holdings, LLC, Common Equity	11,420	—	—	—	(5,317)	6,103	—	—
Ridgeback Resources Inc., Common Equity	41,851	—	(35,240)	(11,359)	4,748	—	—	—
Telpico, LLC, Common Equity	—	—	—	—	—	—	—	—
	$ 65,777	$ 139	$ (35,746)	$ (11,359)	$ (2,561)	$ 16,250	$ 157	$ 24

(1) Gross additions may include increases in the cost basis of investments resulting from new portfolio investments, PIK interest, the amortization of unearned income, the exchange of one or more existing securities for one or more new securities and/or the movement of an existing portfolio company into this category from a different category.

(2) Gross reductions may include decreases in the cost basis of investments resulting from principal collections related to investment repayments or sales, the exchange of one or more existing securities for one or more new securities and/or the movement of an existing portfolio company out of this category into a different category.

(3) Interest and PIK income presented for the three months ended March 31, 2023.

(in thousands, except share amounts)

(t) Under the 1940 Act, the Company generally is deemed to "control" a portfolio company if it owns more than 25% of the portfolio company's voting securities or it has the power to exercise control over the management or policies of such portfolio company. As of March 31, 2023, the Company held investments in portfolio companies of which it is deemed to be an "affiliated person" of and deemed to "control." The following table presents certain information with respect to investments in portfolio companies of which the Company was deemed to be an affiliated person and deemed to control as of March 31, 2023:

Portfolio Company	Fair Value at December 31, 2022	Gross Additions[1]	Gross Reductions[2]	Net Realized Gain (Loss)	Net Change in Unrealized Appreciation (Depreciation)	Fair Value at March 31, 2023	Interest Income[3]	PIK Income[3]
Senior Secured Loans—First Lien								
Allied Downhole Technologies, LLC[4]	$ 8,436	$ 113	$ (996)	$ —	$ —	$ 7,553	$ 52	$ 113
Allied Wireline Services, LLC	63,888	—	—	—	—	63,888	1,597	—
Warren Resources, Inc.	23,584	60	—	—	—	23,644	810	59
Sustainable Infrastructure Investments, LLC								
Sustainable Infrastructure Investments, LLC	51,098	—	—	—	1,839	52,937	—	—
Equity/Other								
Allied Wireline Services, LLC, Common Equity	10,463	—	—	—	1,922	12,385	—	—
Allied Wireline Services, LLC, Warrants	—	—	—	—	—	—	—	—
Warren Resources, Inc., Common Equity	36,982	—	—	—	(7,154)	29,828	—	—
	$ 194,451	$ 173	$ (996)	$ —	$ (3,393)	$ 190,235	$ 2,459	$ 172

(1) Gross additions may include increases in the cost basis of investments resulting from new portfolio investments, PIK interest, the amortization of unearned income, the exchange of one or more existing securities for one or more new securities and/or the movement of an existing portfolio company into this category from a different category.

(2) Gross reductions may include decreases in the cost basis of investments resulting from principal collections related to investment repayments or sales, the exchange of one or more existing securities for one or more new securities and/or the movement of an existing portfolio company out of this category into a different category.

(3) Interest and PIK income presented for the three months ended March 31, 2023.

(4) Security includes a partially unfunded commitment with amortized cost of $2,500 and fair value of $2,500.

(in thousands, except share amounts)

Portfolio Company[a]	Footnotes	Industry	Rate[b]	Floor[b]	Maturity	Principal Amount[c]	Amortized Cost	Fair Value[d]
Senior Secured Loans—First Liens—40.3%								
AIRRO (Mauritius) Holdings II	(k)(p)(s)	Power	L+400, 3.0% PIK (3.0% Max PIK)	1.5%	7/24/25	$ 22,734	$ 20,082	$ 23,519
AIRRO (Mauritius) Holdings II	(e)(k)(p)(s)	Power	L+400, 3.0% PIK (3.0% Max PIK)	1.5%	7/24/25	5,359	5,359	5,545
Allied Downhole Technologies, LLC	(f)(s)(u)	Service & Equipment	8.0% PIK (8.0% Max PIK)		9/30/23	8,436	8,436	8,436
Allied Downhole Technologies, LLC	(e)(s)(u)	Service & Equipment	8.0% PIK (8.0% Max PIK)		9/30/23	2,500	2,500	2,500
Allied Wireline Services, LLC	(f)(s)(u)	Service & Equipment	10.0% PIK (10.0% Max PIK)		6/15/25	63,888	63,888	63,888
Brazos Delaware II LLC		Midstream	L+400		5/21/25	39,259	38,085	39,137
Cimarron Energy Inc.	(f)(m)(o)(s)	Service & Equipment	L+900	1.0%	12/31/24	7,500	6,563	3,713
Compass Power Generation LLC		Power	S+425	1.0%	4/14/29	31,575	30,712	31,384
Cox Oil Offshore, LLC, Volumetric Production Payments	(g)(i)(s)	Upstream	12.9%		12/31/23	100,000	11,081	20,683
CPV Maryland, LLC		Power	L+400	1.0%	5/11/28	14,286	14,146	14,155
CPV Shore Holdings LLC		Power	L+375		12/29/25	23,601	22,760	21,935
EIF Van Hook Holdings, LLC		Midstream	S+525		9/5/24	26,882	26,609	26,075
FR BR Holdings LLC	(f)(s)	Midstream	L+650		12/14/23	81,582	80,371	81,361
FR XIII PAA Holdings HoldCo, LLC	(s)	Midstream	L+750	0.5%	10/15/26	17,347	17,103	17,406
GasLog Ltd.	(k)(s)	Midstream	L+775		3/31/29	14,648	14,556	14,010
Generation Bridge LLC		Power	L+500	0.8%	12/1/28	7,432	7,305	7,385
Generation Bridge LLC		Power	L+500	0.8%	12/1/28	163	160	162
GIP II Blue Holding LP		Midstream	L+450	1.0%	9/29/28	5,918	5,842	5,877
Goodnight Water Solutions, LLC	(s)	Midstream	S+725	0.5%	6/3/27	14,963	14,752	14,819
Hamilton Intermediate Holdings, LLC	(s)	Power	16.5% PIK (16.5% Max PIK)		6/17/25	30,391	31,075	31,007
Medallion Midland Acquisition LP		Midstream	S+375	0.8%	10/18/28	7,920	7,886	7,862
OE2 North, LLC	(s)	Midstream	L+525	1.0%	5/21/26	18,659	18,579	18,847
OE2 North, LLC	(e)(s)	Midstream	L+525	1.0%	5/21/26	11,341	11,341	11,455
Oryx Midstream Services Permian Basin LLC	(f)	Midstream	L+325	0.5%	10/5/28	32,357	32,220	32,026
Parkway Generation LLC		Power	S+475	0.8%	2/18/29	5,760	5,708	5,700
Parkway Generation LLC		Power	S+475	0.8%	2/18/29	43,910	43,513	43,285
Permian Production Holdings, LLC	(f)(s)(t)	Upstream	7.0%, 2.0% PIK (2.0% Max PIK)		11/23/25	4,767	4,266	4,767
Pinnacle Midland Gas Holdco LLC	(s)	Midstream	L+675	1.0%	12/9/26	9,370	9,304	9,310
Pinnacle Midland Gas Holdco LLC	(e)(s)	Midstream	L+675	1.0%	12/9/26	2,477	2,477	2,461
Plainfield Renewable Energy Holdings LLC	(f)(s)	Power	6.0%, 9.5% PIK (9.5% Max PIK)		8/22/25	12,121	12,121	9,997
Plainfield Renewable Energy Holdings LLC	(f)(s)	Power	10.0% PIK (10.0% Max PIK)		8/22/25	3,643	3,643	—
Plainfield Renewable Energy Holdings LLC, Letter of Credit	(e)(s)	Power	10.0%		8/22/23	2,709	2,709	—
Potomac Energy Center, LLC	(s)	Power	L+600	0.5%	11/12/26	58,459	57,508	58,443

See notes to unaudited consolidated financial statements.

(in thousands, except share amounts)

Portfolio Company[(a)]	Footnotes	Industry	Rate[(b)]	Floor[(b)]	Maturity	Principal Amount[(c)]	Amortized Cost	Fair Value[(d)]
Traverse Midstream Partners LLC		Midstream	S+425	1.0%	9/27/24	$ 28,436	$ 28,484	$ 28,418
Warren Resources, Inc.	(s)(u)	Upstream	L+900, 1.0% PIK (1.0% Max PIK)	1.0%	5/22/24	23,584	23,584	23,584
Wattbridge Inc.	(s)	Power	S+785	1.8%	6/30/27	42,500	42,500	41,880
Total Senior Secured Loans—First Lien							727,228	731,032
Unfunded Loan Commitments							(24,386)	(24,386)
Net Senior Secured Loans—First Lien							702,842	706,646
Senior Secured Loans—Second Lien—8.2%								
Aethon III BR LLC	(f)(s)	Upstream	L+750	1.5%	1/10/25	20,000	19,848	20,138
Citizen Energy Operating, LLC	(f)(s)	Upstream	S+765	1.0%	6/29/27	39,000	38,440	38,240
ERA II Minerals, LLC	(f)(s)	Upstream	S+625	0.8%	3/7/27	37,000	36,601	36,656
Peak Exploration & Production, LLC	(f)(s)	Upstream	L+675	1.5%	11/16/23	13,545	13,528	13,394
Peak Exploration & Production, LLC	(e)(s)	Upstream	L+675	1.5%	11/16/23	1,505	1,505	1,488
SilverBow Resources, Inc.	(f)(k)(s)	Upstream	L+750	1.0%	12/15/26	14,250	14,199	14,322
Tenrgys, LLC	(f)(s)	Upstream	S+750 (9.5% Max PIK)	1.0%	3/17/27	20,537	20,537	20,537
Total Senior Secured Loans—Second Lien							144,658	144,775
Unfunded Loan Commitments							(1,505)	(1,505)
Net Senior Secured Loans—Second Lien							143,153	143,270
Senior Secured Bonds—0.6%								
ST EIP Holdings Inc.	(s)	Midstream	6.3%		1/10/30	10,526	10,064	10,074
Total Senior Secured Bonds							10,064	10,074
Unsecured Debt—13.7%								
Aethon United BR LP	(f)	Upstream	8.3%		2/15/26	40,500	40,500	40,221
Archrock Partners, L.P.	(f)(k)	Midstream	6.3%		4/1/28	3,098	3,168	2,840
Earthstone Energy Holdings, LLC	(k)	Upstream	8.0%		4/15/27	11,400	11,400	10,920
Endeavor Energy Resources, L.P.	(f)	Upstream	5.8%		1/30/28	24,299	25,388	23,306
Hammerhead Resources Inc.	(f)(k)(s)	Upstream	12.0% PIK (12.0% Max PIK)		7/15/24	35,118	34,961	35,118
Moss Creek Resources, LLC	(f)	Upstream	7.5%		1/15/26	11,693	10,358	10,561
NRG Energy, Inc.	(k)	Power	3.9%		2/15/32	19,125	18,668	14,401
Permian Resources Operating LLC		Upstream	7.8%		2/15/26	26,365	27,511	25,703
Permian Resources Operating LLC	(f)	Upstream	5.9%		7/1/29	5,200	5,257	4,473
Ranger Oil Corp.	(k)	Upstream	9.3%		8/15/26	29,772	29,633	29,678

See notes to unaudited consolidated financial statements.

(in thousands, except share amounts)

Portfolio Company[a]	Footnotes	Industry	Rate[b]	Floor[b]	Maturity	Principal Amount[c]	Amortized Cost	Fair Value[d]
Sitio Royalties Operating Partnership, LP	(f)(k)(s)	Upstream	S+650	1.5%	9/20/26	$ 19,500	$ 19,318	$ 19,256
Suburban Propane Partners LP	(f)(k)	Midstream	5.0%		6/1/31	7,590	7,837	6,461
Tallgrass Energy Partners, LP	(f)	Midstream	6.0%		3/1/27	19,761	19,676	18,480
Total Unsecured Debt							253,675	241,418
Portfolio Company[a]	**Footnotes**	**Industry**	**Rate[b]**	**Floor[b]**	**Maturity**	**Number of Shares**	**Amortized Cost**	**Fair Value[d]**
Preferred Equity—22.8%[l]								
Abaco Energy Technologies LLC, Preferred Equity	(f)(o)(s)	Service & Equipment				28,942,003	$ 1,447	$ 8,321
Global Jet Capital Holdings, LP, Preferred Equity	(f)(o)(s)	Industrials				2,785,562	2,786	—
Global Jet Capital Holdings, LP, Preferred Equity	(f)(m)(o)(s)	Industrials	9.0% PIK (9.0% Max PIK)		10/1/28	18,296	12,493	9,377
NGL Energy Partners, LP, Preferred Equity	(f)(k)(m)(o)(s)	Midstream	14.2%		7/2/27	156,250	157,633	125,000
NuStar, Preferred Equity	(f)(k)(s)	Midstream	12.8%		6/29/28	2,640,311	73,114	83,590
Segreto Power Holdings, LLC, Preferred Equity	(f)(m)(n)(o)(s)	Power	13.1%		6/30/25	70,297	99,766	83,647
USA Compression Partners, LP, Preferred Equity	(k)(s)	Midstream	9.8%		4/3/28	79,336	77,943	90,479
Total Preferred Equity							425,182	400,414
						Principal Amount[c]	**Cost**	**Fair Value[d]**
Sustainable Infrastructure Investments, LLC—2.9%								
Sustainable Infrastructure Investments, LLC	(k)(s)(u)	Power				$ 60,603	$ 54,514	$ 51,098
Total Sustainable Infrastructure Investments, LLC							54,514	51,098
						Number of Shares	**Amortized Cost**	**Fair Value[d]**
Equity/Other—28.2%								
Abaco Energy Technologies LLC, Common Equity	(f)(o)(s)	Service & Equipment				6,944,444	$ 6,944	$ 1,219
AIRRO (Mauritius) Holdings II, Warrants, Strike: $1.00	(f)(k)(o)(p)(s)	Power			7/24/25	35	2,652	1,630
Allied Wireline Services, LLC, Common Equity	(f)(n)(o)(s)(u)	Service & Equipment				48,400	1,527	10,463
Allied Wireline Services, LLC, Warrants	(f)(n)(o)(s)(u)	Service & Equipment				22,000	—	—
Arena Energy, LP, Contingent Value Rights	(f)(o)(s)	Upstream			2/1/25	126,632,117	351	858
Ascent Resources Utica Holdings, LLC, Common Equity	(f)(n)(o)(s)	Upstream				148,692,948	44,700	52,340
Cimarron Energy Holdco Inc., Common Equity	(f)(o)(s)	Service & Equipment				4,302,293	3,950	—
Cimarron Energy Holdco Inc., Participation Option	(f)(o)(s)	Service & Equipment				25,000,000	1,289	—
GWP Midstream Holdco, LLC, Common Equity	(f)(n)(o)(s)(t)	Midstream				105,785	6,681	5,044
Harvest Oil & Gas Corp., Common Equity	(f)(o)(t)	Upstream				135,062	15,059	810

(in thousands, except share amounts)

Portfolio Company[a]	Footnotes	Industry	Rate[b]	Floor[b]	Maturity	Number of Shares	Amortized Cost	Fair Value[d]
Limetree Bay Energy, LLC, Class A Units	(f)(o)(s)(t)	Midstream				76,938,973	$ 21,458	$ 1,885
Maverick Natural Resources, LLC, Common Equity	(f)(n)(s)	Upstream				503,176	138,208	312,372
MB Precision Investment Holdings LLC, Class A-2 Units	(f)(n)(o)(s)	Industrials				1,426,110	490	—
NGL Energy Partners, LP, Warrants (Par), Strike: $14.54	(f)(k)(o)(s)	Midstream			12/31/25	2,187,500	3,083	10
NGL Energy Partners, LP, Warrants (Premium), Strike: $17.45	(f)(k)(o)(s)	Midstream			12/31/25	3,125,000	2,623	8
NGL Energy Partners, LP, Warrants (Premium), Strike: $16.27	(f)(k)(o)(s)	Midstream			12/31/25	781,250	576	2
NGL Energy Partners, LP, Warrants (Par), Strike: $13.56	(f)(k)(o)(s)	Midstream			12/31/25	546,880	630	3
Permian Production Holdings, LLC, Common Equity	(f)(n)(s)(t)	Upstream				1,968,861	5	11,420
Ridgeback Resources Inc., Common Equity	(f)(k)(q)(s)(t)	Upstream				9,599,928	46,599	41,851
Swift Worldwide Resources Holdco Limited, Common Equity	(f)(k)(o)(r)(s)	Service & Equipment				3,750,000	6,029	3,131
Telpico, LLC, Common Equity	(f)(n)(o)(s)(t)	Upstream				50	—	—
Tenrgys, LLC, Common Equity	(f)(n)(o)(s)	Upstream				50	7,571	6,801
USA Compression Partners, LP, Common Equity	(f)(k)(o)	Midstream				84,779	1,617	1,655
USA Compression Partners, LP, Warrants (Premium), Strike: $19.59	(f)(k)(o)(s)	Midstream			4/2/28	1,586,719	714	5,711
Warren Resources, Inc., Common Equity	(f)(o)(s)(u)	Upstream				4,415,749	20,754	36,982
Total Equity/Other							333,510	494,195
TOTAL INVESTMENTS—116.7%							$ 1,922,940	2,047,115
LIABILITIES IN EXCESS OF OTHER ASSETS—(16.7%)	(j)							(293,367)
NET ASSETS—100.0%								$ 1,753,748

Fixed Price Swap Contracts—Crude Oil[i]

Counterparty	Type	Settlement Index	Period	Bbls	Weighted Average Price ($/Bbls)	Unrealized Appreciation[h]	Unrealized Depreciation[h]
BP Energy Co.	Fixed	ICE Brent	January 1, 2023 – December 31, 2023	168,511	$80.00	$ —	$ 572
Total Swap Contracts—Crude Oil						$ —	$ 572

Fixed Price Swap Contracts—Natural Gas[i]

Counterparty	Type	Settlement Index	Period	MMBtu	Weighted Average Price ($/MMBtu)	Unrealized Appreciation[h]	Unrealized Depreciation[h]
BP Energy Co.	Fixed	NYMEX Henry Hub	February 1, 2023 – December 31, 2023	314,818	$3.80	$ —	$ 126
Total Swap Contracts—Natural Gas						$ —	$ 126
TOTAL SWAP CONTRACTS						$ —	$ 698

Bbls – Barrels

MMBtu – One million British thermal units

(a) Security may be an obligation of one or more entities affiliated with the named company.

(b) Certain variable rate securities in the Company's portfolio bear interest at a rate determined by a publicly disclosed base rate plus a basis point spread. As of December 31, 2022, the three-month London Interbank Offered Rate, or LIBOR, or L, was 4.77% and the Secured Overnight Financing Rate, or SOFR, or S, was 4.59%. PIK means paid-in-kind. PIK income accruals may be adjusted based on the fair value of the underlying investment. Variable rate securities with no floor rate use the respective benchmark rate in all cases.

(c) Denominated in U.S. dollars, unless otherwise noted.

(d) See Note 8 for additional information regarding the fair value of the Company's financial instruments.

(e) Security is an unfunded commitment. The stated rate reflects the spread disclosed at the time of commitment and may not indicate the actual rate received upon funding.

(f) Security or portion thereof is pledged as collateral supporting the amounts outstanding under the Senior Secured Notes with JPMorgan Chase Bank, N.A. (see Note 9).

(g) Investment is a real property interest and is included with Senior Secured Loans—First Lien to facilitate comparison with other investments.

(h) Represents the amounts the Company would pay or receive under each swap contract if it were to settle on December 31, 2022 (see Note 6).

(i) Security held within EP Northern Investments, LLC, a wholly-owned subsidiary of the Company.

(j) Includes the effect of swap contracts.

(k) The investment is not a qualifying asset under the Investment Company Act of 1940, as amended, or the 1940 Act. A business development company may not acquire any asset other than a qualifying asset, unless, at the time the acquisition is made, qualifying assets represent at least 70% of the business development company's total assets. As of December 31, 2022, 77.5% of the Company's total assets represented qualifying assets.

(l) Listed investments may be treated as debt for U.S. generally accepted accounting principles, or GAAP, or tax purposes.

(m) Security was on non-accrual status as of December 31, 2022.

(n) Security held within FSEP Investments, Inc., a wholly-owned subsidiary of the Company.

(o) Security is non-income producing.

(p) Security or portion thereof held within FS Power Investments II, LLC, a wholly-owned subsidiary of the Company.

(q) Investment denominated in Canadian dollars. Amortized cost and fair value are converted into U.S. dollars as of December 31, 2022.

(r) Investment denominated in British pounds. Amortized cost and fair value are converted into U.S. dollars as of December 31, 2022.

(s) Security is classified as Level 3 in the Company's fair value hierarchy (see Note 8).

(in thousands, except share amounts)

(t) Under the 1940 Act, the Company generally is deemed to be an "affiliated person" of a portfolio company if it owns 5% or more of the portfolio company's voting securities and generally is deemed to "control" a portfolio company if it owns more than 25% of the portfolio company's voting securities or it has the power to exercise control over the management or policies of such portfolio company. As of December 31, 2022, the Company held investments in portfolio companies of which it is deemed to be an "affiliated person" but is not deemed to "control". The following table presents certain information with respect to investments in portfolio companies of which the Company was deemed to be an affiliated person as of December 31, 2022:

Portfolio Company	Fair Value at December 31, 2021	Gross Additions(1)	Gross Reductions(2)	Net Realized Gain (Loss)	Net Change in Unrealized Appreciation (Depreciation)	Fair Value at December 31, 2022	Interest Income(3)	PIK Income(3)	Fee Income(3)	Dividend Income(3)
Senior Secured Loans—First Lien										
Limetree Bay Energy, LLC	$ 3,166	$ —	$ (1,587)	$ (12,756)	$ 11,177	$ —	$ —	$ —	$ —	$ —
Permian Production Holdings, LLC	7,889	697	(3,674)	551	(696)	4,767	570	105	—	—
Senior Secured Bonds										
Great Western Petroleum, LLC	58,055	96	(55,096)	1,087	(4,142)	—	2,649	—	7,268	—
Equity/Other										
Great Western Petroleum, LLC, Common Equity	40,731	—	(84,871)	54,081	(9,941)	—	—	—	—	—
GWP Midstream Holdco, LLC, Common Equity	—	6,681	—	—	(1,637)	5,044	—	—	—	—
Harvest Oil & Gas Corp., Common Equity	2,836	—	(743)	—	(1,283)	810	—	—	—	—
Limetree Bay Energy, LLC, Class A Units	6,046	1,795	—	—	(5,956)	1,885	—	—	—	—
Permian Production Holdings, LLC, Common Equity	8,829	4	—	—	2,587	11,420	—	—	—	1,726
Ridgeback Resources Inc., Common Equity	48,356	—	(12,559)	173	5,881	41,851	—	—	—	3,691
Telpico, LLC, Common Equity	—	—	—	—	—	—	—	—	—	—
	$ 175,908	$ 9,273	$ (158,530)	$ 43,136	$ (4,010)	$ 65,777	$ 3,219	$ 105	$ 7,268	$ 5,417

(1) Gross additions may include increases in the cost basis of investments resulting from new portfolio investments, PIK interest, the amortization of unearned income, the exchange of one or more existing securities for one or more new securities and/or the movement of an existing portfolio company into this category from a different category.

(2) Gross reductions may include decreases in the cost basis of investments resulting from principal collections related to investment repayments or sales, the exchange of one or more existing securities for one or more new securities and/or the movement of an existing portfolio company out of this category into a different category.

(3) Interest, PIK, fee and dividend income presented for the year ended December 31, 2022.

(in thousands, except share amounts)

(u) Under the 1940 Act, the Company generally is deemed to "control" a portfolio company if it owns more than 25% of the portfolio company's voting securities or it has the power to exercise control over the management or policies of such portfolio company. As of December 31, 2022, the Company held investments in portfolio companies of which it is deemed to be an "affiliated person" of and deemed to "control." The following table presents certain information with respect to investments in portfolio companies of which the Company was deemed to be an affiliated person and deemed to control as of December 31, 2022:

Portfolio Company	Fair Value at December 31, 2021	Gross Additions(1)	Gross Reductions(2)	Net Realized Gain (Loss)	Net Change in Unrealized Appreciation (Depreciation)	Fair Value at December 31, 2022	Interest Income(3)	PIK Income(3)	Dividend Income(3)
Senior Secured Loans—First Lien									
Allied Downhole Technologies, LLC(4)	$ 7,782	$ 654	$ —	$ —	$ —	$ 8,436	$ —	$ 654	$ —
Allied Wireline Services, LLC	46,339	5,808	—	—	11,741	63,888	316	5,808	—
MECO IV Holdco, LLC	22,745	455	(23,200)	—	—	—	—	455	—
Warren Resources, Inc.	23,688	237	(341)	—	—	23,584	2,620	237	—
Sustainable Infrastructure Investments, LLC									
Sustainable Infrastructure Investments, LLC	50,770	—	—	—	328	51,098	—	—	735
Equity/Other									
Allied Wireline Services, LLC, Common Equity	—	—	—	—	10,463	10,463	—	—	—
Allied Wireline Services, LLC, Warrants	—	—	—	—	—	—	—	—	—
MECO IV Holdco, LLC, Class A-1 Units	4,181	—	(18,060)	15,899	(2,020)	—	—	—	—
Warren Resources, Inc., Common Equity	25,854	—	—	—	11,128	36,982	—	—	—
	$ 181,359	$ 7,154	$ (41,601)	$ 15,899	$ 31,640	$ 194,451	$ 2,936	$ 7,154	$ 735

(1) Gross additions may include increases in the cost basis of investments resulting from new portfolio investments, PIK interest, the amortization of unearned income, the exchange of one or more existing securities for one or more new securities and/or the movement of an existing portfolio company into this category from a different category.

(2) Gross reductions may include decreases in the cost basis of investments resulting from principal collections related to investment repayments or sales, the exchange of one or more existing securities for one or more new securities and/or the movement of an existing portfolio company out of this category into a different category.

(3) Interest, PIK and dividend income presented for the year ended December 31, 2022.

(4) Security includes a partially unfunded commitment with amortized cost of $2,500 and fair value of $2,500.

Note 1. Principal Business and Organization

FS Energy and Power Fund, or the Company, was formed as a Delaware statutory trust under the Delaware Statutory Trust Act on September 16, 2010 and formally commenced investment operations on July 18, 2011. The Company is an externally managed, non-diversified, closed-end management investment company that has elected to be regulated as a business development company, or BDC, under the Investment Company Act of 1940, as amended, or the 1940 Act. In addition, the Company has elected to be treated for U.S. federal income tax purposes, and intends to qualify annually, as a regulated investment company, or RIC, as defined under Subchapter M of the Internal Revenue Code of 1986, as amended, or the Code. The Company has various wholly-owned financing subsidiaries, including special-purpose financing subsidiaries and subsidiaries through which it holds or expects to hold interests in certain portfolio companies. The unaudited consolidated financial statements include both the Company's accounts and the accounts of its wholly-owned subsidiaries as of March 31, 2023. All significant intercompany transactions have been eliminated in consolidation. Certain of the Company's consolidated subsidiaries are subject to U.S. federal and state income taxes.

The Company's investment objective is to generate current income and long-term capital appreciation by investing primarily in privately-held U.S. companies in the energy and power industry. The Company's investment policy is to invest, under normal circumstances, at least 80% of its total assets in securities of energy and power related, or Energy, companies. The Company considers Energy companies to be those companies that engage in the exploration, development, production, gathering, transportation, processing, storage, refining, distribution, mining, generation or marketing of natural gas, natural gas liquids, crude oil, refined products, coal or power, including those companies that provide equipment or services to companies engaged in any of the foregoing. The Company's board of trustees has approved changing the Company's name to FS Specialty Lending Fund and changing its non-fundamental investment policy to be to invest primarily in a portfolio of secured and unsecured floating and fixed rate loans, bonds and other types of credit instruments, which, under normal circumstances, will represent at least 80% of the Fund's total assets, rather than to invest at least 80% of its total assets in securities of Energy companies.

The Company is managed by FS/EIG Advisor, LLC, or FS/EIG Advisor, pursuant to an investment advisory and administrative services agreement, dated as of April 9, 2018, or the FS/EIG investment advisory agreement. FS/EIG Advisor oversees the management of the Company's operations and is responsible for making investment decisions with respect to the Company's portfolio. FS/EIG Advisor is jointly operated by an affiliate of Franklin Square Holdings, L.P. (which does business as FS Investments) and EIG Asset Management, LLC, or EIG.

Note 2. Summary of Significant Accounting Policies

Basis of Presentation: The accompanying unaudited consolidated financial statements of the Company have been prepared in accordance with accounting principles generally accepted in the United States of America, or GAAP, for interim financial information and with the instructions for Form 10-Q and Article 10 of Regulation S-X. Accordingly, they do not include all of the information and footnotes required by GAAP for complete financial statements. In the opinion of management, all adjustments (consisting of normal recurring accruals) considered necessary for a fair presentation have been included. For a more complete discussion of significant accounting policies and certain other information, the Company's interim unaudited consolidated financial statements should be read in conjunction with its audited consolidated financial statements as of and for the year ended December 31, 2022 included in the Company's annual report on Form 10-K. Operating results for the three months ended March 31, 2023 are not necessarily indicative of the results that may be expected for the year ending December 31, 2023. The December 31, 2022 consolidated balance sheet and consolidated schedule of investments are derived from the Company's audited consolidated financial statements as of and for the year ended December 31, 2022. The Company is considered an investment company under GAAP and follows the accounting and reporting guidance applicable to investment companies under Accounting Standards Codification Topic 946, *Financial Services—Investment Companies.* The Company has evaluated the impact of subsequent events through the date the unaudited consolidated financial statements were issued and filed with the Securities and Exchange Commission, or the SEC.

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

Capital Gains Incentive Fee: Pursuant to the terms of the FS/EIG investment advisory agreement, the incentive fee on capital gains is determined and payable in arrears as of the end of each calendar year (or upon termination of such agreement). Such fee equals 20.0% of the Company's "incentive fee capital gains," which are the Company's realized capital gains on a cumulative basis from inception, calculated as of the end of the applicable period, computed net of all realized capital losses and unrealized capital depreciation on a cumulative basis, less the aggregate amount of any previously paid incentive fees on capital gains. The Company will accrue for the incentive fee on capital gains, which, if earned, will be paid annually. The Company will accrue the incentive fee on capital gains based on net realized and unrealized gains; however, the fee payable to FS/EIG Advisor will be based on realized

Note 2. Summary of Significant Accounting Policies (continued)

gains and no such fee will be payable with respect to unrealized gains unless and until such gains are actually realized. For the three months ended March 31, 2023 and 2022, the Company did not accrue any amount of capital gains incentive fee.

Subordinated Income Incentive Fee: Pursuant to the terms of the FS/EIG investment advisory agreement, FS/EIG Advisor may also be entitled to receive a subordinated incentive fee on income. The subordinated incentive fee on income under the FS/EIG investment advisory agreement is calculated and payable quarterly in arrears and equals 20.0% of the Company's "pre-incentive fee net investment income" for the immediately preceding quarter subject to a hurdle rate, expressed as a rate of return on adjusted capital, equal to 1.625% per quarter, or an annualized hurdle rate of 6.5%. As a result, FS/EIG Advisor will not earn this incentive fee for any quarter until the Company's pre-incentive fee net investment income for such quarter exceeds the hurdle rate of 1.625%. For purposes of this fee, "adjusted capital" means cumulative gross proceeds generated from sales of the Company's common shares (including proceeds from its distribution reinvestment plan) reduced for distributions from non-liquidating dispositions of the Company's investments paid to shareholders and amounts paid for share repurchases pursuant to the Company's share repurchase program. Once the Company's pre-incentive fee net investment income in any quarter exceeds the hurdle rate, FS/EIG Advisor will be entitled to a "catch-up" fee equal to the amount of the Company's pre-incentive fee net investment income in excess of the hurdle rate, until the Company's pre-incentive fee net investment income for such quarter equals 2.031%, or 8.125% annually, of adjusted capital. This "catch-up" feature will allow FS/EIG Advisor to recoup the fees foregone as a result of the existence of the hurdle rate. Thereafter, FS/EIG Advisor will be entitled to receive 20.0% of the Company's pre-incentive fee net investment income. For the three months ended March 31, 2023 and 2022, the Company did not accrue any amount of subordinated incentive fee on income.

Reclassifications: Certain amounts in the unaudited consolidated financial statements for the three months ended March 31, 2022 may have been reclassified to conform to the classifications used to prepare the unaudited consolidated financial statements for the three months ended March 31, 2023.

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

Loan origination fees, original issue discount and market discount are capitalized and the Company amortizes such amounts as interest income over the respective term of the loan or security. Upon the prepayment of a loan or security, any unamortized loan origination fees and original issue discount are recorded as interest income. Structuring and other non-recurring upfront fees are recorded as fee income when earned. The Company records prepayment premiums on loans and securities as fee income when it earns such amounts. For the three months ended March 31, 2023 and 2022, the Company did not recognize any structuring or other upfront fee revenue.

Net Realized Gains or Realized Losses on Extinguishment of Debt: Upon the repayment of debt obligations which are deemed to be extinguishments, the difference between the principal amount due at maturity and the amount repaid on the extinguishment of debt is recognized as a gain or loss.

Recent Accounting Pronouncements: In March 2020, the FASB issued Accounting Standards Update No. 2020-04, *Reference Rate Reform (Topic 848)*, or ASU 2020-04, which provides optional expedients and exceptions for applying GAAP to contracts, hedging relationships, and other transactions affected by reference rate reform if certain criteria are met. The amendments apply only to contracts, hedging relationships, and other transactions that reference LIBOR or another reference rate expected to be discontinued because of reference rate reform. In January 2021, the FASB issued Accounting Standards Update No. 2021-01, *Reference Rate Reform (Topic 848)*, or ASU 2021-01, which expanded the scope of Topic 848 to include derivative instruments impacted by discounting transition. ASU 2020-04 and ASU 2021-01 are effective for all entities through December 31, 2022. The expedients and exceptions provided by the amendments do not apply to contract modifications and hedging relationships entered into or evaluated after December 31, 2022, except for hedging transactions as of December 31, 2022, that an entity has elected certain optional expedients for and that are retained through the end of the hedging relationship. In December 2022, the FASB issued Accounting Standards Update No. 2022-06, *Reference Rate Reform (Topic 848): Deferral of the Sunset Date of Topic 848*, or ASU 2022-06, which deferred the sunset date of this guidance to December 31, 2024. The Company is currently evaluating the impact of this guidance on its consolidated financial statements.

(in thousands, except share and per share amounts)

Note 3. Share Transactions

Below is a summary of transactions with respect to the Company's common shares during the three months ended March 31, 2023 and 2022:

	Three Months Ended March 31,			
	2023		2022	
	Shares	Amount	Shares	Amount
Reinvestment of Distributions	1,321,335	$ 5,218	1,434,432	$ 5,235
Proceeds from Share Transactions	1,321,335	$ 5,218	1,434,432	$ 5,235

During the period from April 1, 2023 to May 1, 2023, the Company issued 1,342,539 common shares pursuant to its distribution reinvestment plan for gross proceeds of $5,170 at an average price per share of $3.85.

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

Share Repurchase Program

In March 2020, in light of difficult market conditions and in an effort to preserve liquidity in the Company, the Company's board of trustees determined to suspend for an indefinite period of time the Company's share repurchase program and will reassess the Company's ability to recommence such program in future periods.

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

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

Historically, the Company limited the number of common shares to be repurchased during any calendar year to the lesser of (i) the number of common shares the Company can repurchase with the proceeds it receives from the issuance of common shares under the Company's distribution reinvestment plan and (ii) 10% of the weighted average number of common shares outstanding in the prior calendar year, or 2.5% in each calendar quarter. On May 5, 2017, the board of trustees of the Company further amended the share repurchase program. As amended, the Company will limit the maximum number of common shares to be repurchased for any repurchase offer to the greater of (A) the number of common shares that the Company can repurchase with the proceeds it has received from the sale of common shares under its distribution reinvestment plan during the twelve-month period ending on the date the applicable repurchase offer expires (less the amount of proceeds used to repurchase common shares on each previous repurchase date for repurchase offers conducted during such twelve-month period) (this limitation is referred to as the twelve-month repurchase limitation) and (B) the number of common shares that the Company can repurchase with the proceeds the Company receives from the sale of common shares under its distribution reinvestment plan during the three-month period ending on the date the applicable repurchase offer expires (this limitation is referred to as the three-month repurchase limitation). In addition to this limitation, the maximum number of common shares to be repurchased for any repurchase offer will also be limited to 10% of the weighted average number of common shares outstanding in the prior calendar year, or 2.5% in each calendar quarter. As a result, the maximum number of common shares to be repurchased for any repurchase offer will not exceed the lesser of (i) 10% of the weighted average number of common shares outstanding in the prior calendar year, or 2.5% in each calendar quarter, and (ii) whichever is greater of the twelve-month repurchase limitation described in clause (A) above and the three-month repurchase limitation described in clause (B) above.

If the Company recommences its share repurchase program, the Company intends to offer to repurchase common shares at a price equal to the price at which common shares are issued pursuant to the Company's distribution reinvestment plan on the distribution date coinciding with the applicable share repurchase date. The price at which common shares are issued under the

Note 3. Share Transactions (continued)

Company's distribution reinvestment plan is determined by the Company's board of trustees or a committee thereof, in its sole discretion, and will be (i) not less than the net asset value per common share as determined in good faith by the Company's board of trustees or a committee thereof, in its sole discretion, immediately prior to the payment date of the distribution and (ii) not more than 2.5% greater than the net asset value per common share as of such date. The Company's board of trustees may amend, suspend or terminate the share repurchase program at any time, upon 30 days' notice. The Company did not repurchase any shares pursuant to its share repurchase program during the three months ended March 31, 2023 and 2022.

In order to minimize the expense of supporting small accounts and provide additional liquidity to shareholders of the Company holding small accounts after completion of a regular quarterly share repurchase offer, the Company reserves the right to repurchase the shares of and liquidate any investor's account if the balance of such account is less than the Company's $5 minimum initial investment, unless the account balance has fallen below the minimum solely as a result of a decline in the Company's net asset value per share. The Company will provide or will cause to be provided 30 days' prior written notice to potentially affected investors, which notice may be included in regular quarterly repurchase offer materials, of any such repurchase. Any such repurchases will be made at the Company's most recent price at which the Company's shares were issued pursuant to its distribution reinvestment plan. There were no de minimis account liquidations during the three months ended March 31, 2023 and 2022.

Note 4. Related Party Transactions

Compensation of the Investment Adviser

Pursuant to the FS/EIG investment advisory agreement, FS/EIG Advisor is entitled to an annual base management fee based on the average weekly value of the Company's gross assets (gross assets equals total assets as set forth on the Company's consolidated balance sheets) during the most recently completed calendar quarter and an incentive fee based on the Company's performance. The base management fee is payable quarterly in arrears, and is calculated at an annual rate of 1.75% of the average weekly value of the Company's gross assets. See Note 2 for a discussion of the capital gains and subordinated income incentive fees that FS/EIG Advisor may be entitled to under the FS/EIG investment advisory agreement.

FS/EIG Advisor may receive structuring or other upfront fees from portfolio companies in which FS/EIG Advisor has caused the Company to invest. FS/EIG Advisor has agreed to offset the amount of any structuring, upfront or certain other fees received by FS/EIG Advisor or its members against the management fees payable by the Company under the FS/EIG investment advisory agreement. During the three months ended March 31, 2023 and 2022, $255 and $698, respectively, of structuring, upfront or certain other fees received by FS/EIG Advisor or its members were offset against management fees.

Pursuant to the FS/EIG investment advisory agreement, FS/EIG Advisor oversees the Company's day-to-day operations, including the provision of general ledger accounting, fund accounting, legal services, investor relations, certain government and regulatory affairs activities and other administrative services. FS/EIG Advisor also performs, or oversees the performance of, the Company's corporate operations and required administrative services, which includes being responsible for the financial records that the Company is required to maintain and preparing reports for the Company's shareholders and reports filed with the SEC.

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

(in thousands, except share and per share amounts)

Note 4. Related Party Transactions (continued)

The following table describes the fees and expenses accrued under the FS/EIG investment advisory agreement during the three months ended March 31, 2023 and 2022:

			Three Months Ended March 31,	
Related Party	**Source Agreement**	**Description**	**2023**	**2022**
FS/EIG Advisor	FS/EIG investment advisory agreement	Base Management Fee[(1)]	$ 10,219	$ 10,037
FS/EIG Advisor	FS/EIG investment advisory agreement	Administrative Services Expenses[(2)]	$ 1,320	$ 1,420

(1) During the three months ended March 31, 2023 and 2022, $11,185 and $10,466, respectively, in base management fees were paid to FS/EIG Advisor. The base management fee amount shown in the table above is shown net of $255 and $698 in structuring, upfront or certain other fees received by FS/EIG Advisor or its members and offset against base management fees for the three months ended March 31, 2023 and 2022, respectively. As of March 31, 2023, $10,219 in base management fees were payable to FS/EIG Advisor.

(2) During the three months ended March 31, 2023 and 2022, $645 and $638, respectively, of the accrued administrative services expenses related to the allocation of costs of administrative personnel for services rendered to the Company by FS/EIG Advisor and the remainder related to other reimbursable expenses. The Company paid $1,458 and $1,121 in administrative services expenses to FS/EIG Advisor, or its affiliates, during the three months ended March 31, 2023 and 2022, respectively.

Potential Conflicts of Interest

The members of the senior management and investment teams of FS/EIG Advisor serve or may serve as officers, directors or principals of entities that operate in the same or a related line of business as the Company does, or of investment vehicles managed by the same personnel. The officers, managers and other personnel of FS/EIG Advisor may serve in similar or other capacities for the investment advisers to future investment vehicles affiliated with FS Investments or EIG. In serving in these multiple and other capacities, they may have obligations to other clients or investors in those entities, the fulfillment of which may not be in the Company's best interests or in the best interest of the Company's shareholders. The Company's investment objectives may overlap with the investment objectives of such investment funds, accounts or other investment vehicles. For additional information regarding potential conflicts of interest, see the Company's annual report on Form 10-K for the year ended December 31, 2022.

Exemptive Relief

As a BDC, the Company is subject to certain regulatory restrictions in making its investments. For example, BDCs generally are not permitted to co-invest with certain affiliated entities in transactions originated by the BDC or its affiliates in the absence of an exemptive order from the SEC. However, BDCs are permitted to, and may, simultaneously co-invest in transactions where price is the only negotiated term. In an order dated June 4, 2013, or the Order, the SEC granted exemptive relief permitting the Company, subject to the satisfaction of certain conditions, to co-invest in certain privately negotiated investment transactions with certain affiliates of its former investment adviser, including FS KKR Capital Corp., or collectively the Company's co-investment affiliates. Effective April 9, 2018, or the JV Effective Date, and in connection with the transition of advisory services to a joint advisory relationship with EIG, the Company's board of trustees authorized and directed that the Company (i) withdraw from the Order, except with respect to any transaction in which the Company participated in reliance on the Order prior to the JV Effective Date, and (ii) rely on an exemptive relief order dated April 10, 2018, granted to EIG and its affiliates which permits the Company to participate in co-investment transactions with certain other EIG advised funds, or the EIG Order.

Note 5. Distributions

The following table reflects the cash distributions per share that the Company declared on its common shares during the three months ended March 31, 2023 and 2022:

	Distribution	
For the Three Months Ended	**Per Share**	**Amount**
Fiscal 2022		
March 31, 2022	$ 0.03	$ 13,426
Fiscal 2023		
March 31, 2023	$ 0.03	$ 13,584

Although the Company's board of trustees has not declared or resumed regular cash distributions to shareholders for any period after March 31, 2020, the Company's board of trustees has since declared three cash distributions in 2020, four cash distributions in 2021, four cash distributions in 2022 and one cash distribution in 2023, each in the amount of $0.03 per share. FS/EIG Advisor and the Company's board of trustees expect that future regular cash distributions to shareholders will remain suspended until

(in thousands, except share and per share amounts)

Note 5. Distributions (continued)

such time that the Company's board of trustees and FS/EIG Advisor believe that market conditions and the financial condition of the Company support the resumption of such distributions. The Company's board of trustees has and will continue to evaluate the Company's ability to pay any distributions in the future. There can be no assurance that the Company will be able to pay distributions in the future. The timing and amount of any future distributions to shareholders are subject to applicable legal restrictions and the sole discretion of the Company's board of trustees. Furthermore, prior to its termination, the JPMorgan Facility restricted the ability of the Company to make certain discretionary cash dividends and distributions and other restricted payments. See Note 9 for a discussion of the JPMorgan Facility.

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

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

The Company may fund its cash distributions to shareholders from any sources of funds legally available to it, including proceeds from the sale of the Company's common shares, borrowings, net investment income from operations, capital gains proceeds from the sale of assets and non-capital gains proceeds from the sale of assets, dividends or other distributions paid to the Company on account of preferred and common equity investments in portfolio companies. The Company has not established limits on the amount of funds it may use from available sources to make distributions. The Company's distribution proceeds have exceeded and in the future may exceed its earnings. Therefore, portions of the distributions that the Company has made represented, and may make in the future may represent, a return of capital to shareholders, which lowers their tax basis in their common shares. A return of capital generally is a return of a shareholder's investment rather than a return of earnings or gains derived from the Company's investment activities. Each year a statement on Form 1099-DIV identifying the sources of the distributions (i.e., paid from ordinary income, paid from net capital gains on the sale of securities, and/or a return of capital, which is a nontaxable distribution) will be mailed to the Company's shareholders. There can be no assurance that the Company will be able to pay distributions at a specific rate or at all.

The following table reflects the sources of the cash distributions on a tax basis that the Company declared on its common shares during the three months ended March 31, 2023 and 2022:

	Three Months Ended March 31,			
	2023		2022	
Source of Distribution	**Distribution Amount**	**Percentage**	**Distribution Amount**	**Percentage**
Net investment income[1]	$ 13,584	100%	$ 13,426	100%
Short-term capital gains proceeds from the sale of assets	—	—	—	—
Long-term capital gains proceeds from the sale of assets	—	—	—	—
Total	$ 13,584	100%	$ 13,426	100%

(1) During the three months ended March 31, 2023 and 2022, 86.6% and 80.1%, respectively, of the Company's gross investment income was attributable to cash income earned, 10.5% and 14.3%, respectively, was attributable to paid-in-kind, or PIK, interest and 2.9% and 5.6%, respectively, was attributable to non-cash accretion of discount.

In the past, the Company has experienced restructurings and defaults and may experience such events again in the future. Any restructuring or default may have an impact on the level of income received by the Company.

The determination of the tax attributes of the Company's distributions is made annually as of the end of the Company's fiscal year based upon the Company's taxable income for the full year and distributions paid for the full year. Therefore, a determination made on a quarterly basis may not be representative of the actual tax attributes of the Company's distributions for a full year. The actual tax characteristics of distributions to shareholders are reported to shareholders annually on Form 1099-DIV.

(in thousands, except share and per share amounts)

Note 5. Distributions (continued)

Net capital losses may be carried forward indefinitely, and their character is retained as short-term or long-term. As of March 31, 2023, the Company had short-term and long-term capital loss carryforwards available to offset future realized capital gains of $69,270 and $1,248,683, respectively.

As of March 31, 2023 and December 31, 2022, for federal income tax purposes, the gross unrealized appreciation on the Company’s investments, swap contracts and unrealized gain on foreign currency was $276,302 and $334,635, respectively, and the gross unrealized depreciation on the Company’s investments, swap contracts and unrealized loss on foreign currency was $471,400 and $512,206, respectively.

The aggregate cost of the Company’s investments for federal income tax purposes totaled $1,938,093 and $2,223,943 as of March 31, 2023 and December 31, 2022, respectively. The aggregate net unrealized appreciation (depreciation) on a tax basis was $(195,432) and $(176,828) as of March 31, 2023 and December 31, 2022, respectively.

As of March 31, 2023 and December 31, 2022, the Company had deferred tax assets of $145,397 and $145,383, respectively, resulting from interest expense disallowance, net operating losses and capital losses of the Company's wholly-owned taxable subsidiaries. As of March 31, 2023 and December 31, 2022, the Company had deferred tax liabilities of $19,413 and $28,753, respectively, resulting from unrealized appreciation on investments held by the Company's wholly-owned taxable subsidiaries. As of March 31, 2023 and December 31, 2022, certain wholly-owned taxable subsidiaries anticipated that they would be unable to fully utilize their deferred tax assets, therefore the deferred tax assets were offset by valuation allowances of $125,984 and $116,630, respectively. For the three months ended March 31, 2023, the Company did not record a provision for taxes related to its wholly-owned taxable subsidiaries. For the year ended December 31, 2022, the Company recorded a provision for taxes related to its wholly-owned taxable subsidiaries of $1,207 related to current taxes.

Note 6. Financial Instruments

The Company may trade in financial instruments with off-balance sheet risk in the normal course of its investing activities. During the three months ended March 31, 2023, the Company utilized swap contracts to economically hedge certain risks against natural gas and crude oil price exposure related to certain investments in the Company's portfolio. While the use of these derivative instruments limits the downside risk of adverse price movements, their use also limits future revenues from upward price movements.

The Company's fixed price swaps are settled monthly based on differences between the fixed price specified in the contract and the referenced settlement price. When the referenced settlement price is less than the price specified in the contract, the Company receives an amount from the counterparty based on the price difference multiplied by the volume. Similarly, when the referenced settlement price exceeds the price specified in the contract, the Company pays the counterparty an amount based on the price difference multiplied by the volume. The prices contained in these fixed price swaps are based on the NYMEX Henry Hub for natural gas and the ICE Brent for oil. Gas volumes are measured in one million British thermal units, or MMBtus, and oil volumes are measured in barrels, or Bbls.

Below is a summary of the Company's open fixed price swap positions as of March 31, 2023. The hedged volumes reflected below represent an aggregation of multiple derivative contracts that have varying durations and may not be realized on a ratable basis over a calendar year.

Swap Contracts—Crude Oil

Year	Settlement Index	Bbls	Weighted Average Price ($/Bbls)
2023	ICE Brent	123,680	$80.00

Swap Contracts—Natural Gas

Year	Settlement Index	MMBtu	Weighted Average Price ($/MMBtu)
2023	NYMEX Henry Hub	227,542	$3.80

During the three months ended March 31, 2023, the average monthly notional volume of fixed price swap contracts—crude oil and fixed price swap contracts—natural gas outstanding were 153,486 Bbls and 285,889 MMBtus, respectively.

(in thousands, except share and per share amounts)

Note 6. Financial Instruments (continued)

The following table presents the fair value of open swap contracts (which are not considered to be hedging instruments for accounting disclosure purposes) as of March 31, 2023 and December 31, 2022:

	March 31, 2023 (Unaudited)		December 31, 2022	
Instrument	**Asset[1]**	**Liability[2]**	**Asset[1]**	**Liability[2]**
Swap Contracts—Crude Oil	$ 161	$ —	$ —	$ (572)
Swap Contracts—Natural Gas	218	—	—	(126)
Total	$ 379	$ —	$ —	$ (698)

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

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

The effect of swap contracts (which are not considered to be hedging instruments for accounting disclosure purposes) on the Company's statements of operations for the three months ended March 31, 2023 and 2022 was as follows:

	Net Realized Gains (Losses)[1]		Net Change in Unrealized Appreciation (Depreciation)[2]	
	Three Months Ended March 31,		Three Months Ended March 31,	
Instrument	**2023**	**2022**	**2023**	**2022**
Swap Contracts—Crude Oil	$ (100)	$ (392)	$ 733	$ (2,976)
Swap Contracts—Natural Gas	112	(24)	344	(506)
Total	$ 12	$ (416)	$ 1,077	$ (3,482)

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

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

Offsetting of Derivative Instruments

The Company has derivative instruments that are subject to master netting agreements. These agreements include provisions to offset positions with the same counterparty in the event of default by one of the parties. The Company's unrealized appreciation and depreciation on derivative instruments are reported as gross assets and liabilities, respectively, in the consolidated balance sheets. The following tables present the Company's derivative assets and liabilities by counterparty, net of amounts available for offset under a master netting agreement as of March 31, 2023 and December 31, 2022:

	As of March 31, 2023 (Unaudited)					
Counterparty	**Derivative Assets**	**Derivative Liabilities**	**Net Value of Derivatives**	**Non-Cash Collateral (Received) Pledged[1]**	**Cash Collateral (Received) Pledged[1]**	**Net Amount of Derivative Assets (Liabilities)[2]**
BP Energy Co.	$ 379	—	$ 379	—	—	$ 379

	As of December 31, 2022					
Counterparty	**Derivative Assets**	**Derivative Liabilities**	**Net Value of Derivatives**	**Non-Cash Collateral (Received) Pledged[1]**	**Cash Collateral (Received) Pledged[1]**	**Net Amount of Derivative Assets (Liabilities)[2]**
BP Energy Co.	—	$ (698)	$ (698)	—	—	$ (698)

(1) In some instances, the actual amount of the collateral received and/or pledged may be more than the amount shown due to overcollateralization.

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

(in thousands, except share and per share amounts)

Note 7. Investment Portfolio

The following table summarizes the composition of the Company's investment portfolio at cost and fair value as of March 31, 2023 and December 31, 2022:

	March 31, 2023 (Unaudited)			December 31, 2022		
	Amortized Cost[1]	Fair Value	Percentage of Portfolio	Amortized Cost[1]	Fair Value	Percentage of Portfolio
Senior Secured Loans—First Lien	$ 603,363	$ 599,454	34%	$ 702,842	$ 706,646	35%
Senior Secured Loans—Second Lien	127,698	128,043	7%	143,153	143,270	7%
Senior Secured Bonds	10,076	10,164	1%	10,064	10,074	0%
Unsecured Debt	143,504	139,919	8%	253,675	241,418	12%
Preferred Equity	425,761	414,699	24%	425,182	400,414	20%
Sustainable Infrastructure Investments, LLC	54,514	52,937	3%	54,514	51,098	2%
Equity/Other	284,043	397,445	23%	333,510	494,195	24%
Total	$ 1,648,959	$ 1,742,661	100%	$ 1,922,940	$ 2,047,115	100%

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

In general, under the 1940 Act, the Company would be presumed to "control" a portfolio company if it owned more than 25% of its voting securities or it had the power to exercise control over the management or policies of a portfolio company, and would be an "affiliated person" of a portfolio company if it owned 5% or more of its voting securities.

As of March 31, 2023, the Company held investments in five portfolio companies of which it is deemed to be an "affiliated person" but is not deemed to "control." As of March 31, 2023, the Company held investments in three portfolio companies of which it is deemed to "control." For additional information with respect to such portfolio companies, see footnotes (s) and (t) to the unaudited consolidated schedule of investments as of March 31, 2023 in this quarterly report on Form 10-Q.

As of December 31, 2022, the Company held investments in six portfolio companies of which it is deemed to be an "affiliated person" but is not deemed to "control." As of December 31, 2022, the Company held investments in three portfolio companies of which it is deemed to "control." For additional information with respect to such portfolio companies, see footnotes (t) and (u) to the consolidated schedule of investments as of December 31, 2022 in this quarterly report on Form 10-Q.

The Company's investment portfolio may contain loans or bonds that are in the form of lines of credit or revolving credit facilities, or other investments, pursuant to which the Company may be required to provide funding when requested by portfolio companies in accordance with the terms of the underlying agreements. As of March 31, 2023, the Company had five senior secured loan investments with aggregate unfunded commitments of $23,937 and unfunded commitments of $7,625 in U.S. dollars and $858 in Canadian dollars to contribute capital to Sustainable Infrastructure Investments, LLC. As of December 31, 2022, the Company had six senior secured loan investments with aggregate unfunded commitments of $25,891 and unfunded commitments of $7,625 in U.S dollars and $858 in Canadian dollars to contribute capital to Sustainable Infrastructure Investments, LLC. The Company maintains sufficient cash on hand, available borrowings and/or liquid securities to fund such unfunded commitments should the need arise.

The table below describes investments by industry classification and enumerates the percentage, by fair value, of the total portfolio assets in such industries as of March 31, 2023 and December 31, 2022:

	March 31, 2023 (Unaudited)		December 31, 2022	
Industry Classification	Fair Value	Percentage of Portfolio	Fair Value	Percentage of Portfolio
Upstream	$ 652,180	37%	$ 854,974	42%
Midstream	582,167	33%	646,488	32%
Power	348,009	20%	386,007	19%
Service & Equipment	97,727	6%	99,171	5%
Industrials	9,641	1%	9,377	0%
Sustainable Infrastructure Investments, LLC[1]	52,937	3%	51,098	2%
Total	$ 1,742,661	100%	$ 2,047,115	100%

(1) Sustainable Infrastructure Investments, LLC is generally comprised of midstream and renewables assets.

(in thousands, except share and per share amounts)

Note 7. Investment Portfolio (continued)

Sustainable Infrastructure Investments, LLC

Sustainable Infrastructure Investments, LLC, or SIIJV, is a joint venture between the Company and Imperial Sustainable Infrastructure Investments, LLC, or Imperial, a subsidiary of Imperial Capital Asset Management, LLC, or ICAM. The joint venture is governed pursuant to the terms of an amended and restated limited liability company agreement of SIIJV, dated as of January 2, 2020, between the Company and Imperial, or the SIIJV Agreement. The SIIJV Agreement requires the Company and Imperial to provide capital to SIIJV of up to $67,629 in U.S. dollars and $5,430 in Canadian dollars in the aggregate where the Company and Imperial would provide 87.5% and 12.5%, respectively, of the committed capital. Pursuant to the terms of the SIIJV Agreement, the Company and Imperial each have 50% voting control of SIIJV and are required to agree on all investment decisions as well as all other significant actions for SIIJV. SIIJV invests in senior secured loans (both first lien and second lien) to middle market companies, broadly syndicated loans and other midstream, renewables and power assets. As administrative agent of SIIJV, the Company performs certain day-to-day management responsibilities on behalf of SIIJV and is entitled to a fee in the annual amount of 0.25% of SIIJV’s net assets under administration, calculated and payable quarterly in arrears. As of March 31, 2023, the Company and Imperial funded approximately $62,300 to SIIJV, of which $54,514 was from the Company. The Company does not consolidate SIIJV in its consolidated financial statements.

On January 2, 2020, Seine Funding, LLC, or Seine Funding, a wholly-owned subsidiary of SIIJV, entered into a credit facility, as amended, or the Seine Funding Facility, with certain financial institutions as lender, agent, collateral agent, collateral administrator, and collateral custodian, and SIIJV, as collateral manager. The Seine Funding Facility provides for borrowings in U.S. dollars and certain agreed upon foreign currencies in an aggregate principal amount of up to $634,103 on a committed basis, which may be increased under certain circumstances at the request of Seine Funding and with the consent of the lender and agent. The end of the reinvestment period for the Seine Funding Facility was on December 31, 2020. The maturity date for the Seine Funding Facility is the earlier of (i) the latest maturity date among the assets securing the facility and (ii) the first date, after the end of the reinvestment period, on which all assets securing the facility are paid in full. Under the Seine Funding Facility, borrowings bear interest at the rate of three-month LIBOR (or the relevant reference rate for any foreign currency borrowings) (subject to a 0% floor) plus 1.20% per annum. Borrowings under the Seine Funding Facility are secured by a first priority security interest in substantially all of the assets of Seine Funding. As of March 31, 2023, total outstanding borrowings under the Seine Funding Facility were $208,021.

Below is a summary of SIIJV's portfolio, followed by a listing of the individual loans in SIIJV's portfolio as of March 31, 2023 and December 31, 2022:

	March 31, 2023 (Unaudited)	December 31, 2022
Total investments(1)	$ 272,680	$ 274,088
Weighted average current interest rate on debt investments(2)	7.26%	6.96%
Number of portfolio assets in SIIJV	9	9
Largest investment in a single portfolio company(1)	$ 73,707	$ 73,707

(1) At cost.

(2) Computed as the (a) annual stated interest rate on accruing debt, divided by (b) total debt at par amount.

(in thousands, except share and per share amounts)

Note 7. Investment Portfolio (continued)

Sustainable Infrastructure Investments, LLC Portfolio
As of March 31, 2023
(Unaudited)

Portfolio Company[(a)(f)]	Footnotes	Industry	Rate[(b)]	Maturity	Principal Amount[(c)]	Amortized Cost	Fair Value[(d)]
Senior Secured Loans—First Lien—100.0%							
Alianca Transportadora de Gas Participacoes S.A.		Midstream	L+260	5/23/27	$ 73,707	$ 73,707	$ 75,719
Blue Heron Intermediate Holdco I, LLC		Midstream	L+188	4/22/24	31,538	31,538	31,619
Cedar Creek II LLC		Renewables	L+188	11/18/23	8,711	8,711	8,852
Copper Mountain Solar 3, LLC		Renewables	L+175	5/31/25	17,804	17,804	18,241
FLNG Liquefaction 2, LLC		Midstream	L+150	12/31/26	27,780	27,780	27,624
Meikle Wind Energy, LP	(e)	Renewables	C+150	5/12/24	C$ 15,637	12,029	11,585
NES Hercules Class B Member, LLC		Renewables	S+165	1/31/28	$ 24,317	24,317	24,764
ST EIP Holdco LLC		Midstream	L+250	11/5/24	58,421	58,421	58,156
Top of the World Wind Energy LLC		Renewables	S+188	12/1/28	18,373	18,373	19,050
Total Senior Secured Loans—First Lien						272,680	275,610
TOTAL INVESTMENTS—100.0%						$ 272,680	$ 275,610

Sustainable Infrastructure Investments, LLC Portfolio
As of December 31, 2022

Portfolio Company[(a)(f)]	Footnotes	Industry	Rate[(b)]	Maturity	Principal Amount[(c)]	Amortized Cost	Fair Value[(d)]
Senior Secured Loans—First Lien—100.0%							
Alianca Transportadora de Gas Participacoes S.A.		Midstream	L+260	5/23/27	$ 73,707	$ 73,707	$ 74,601
Blue Heron Intermediate Holdco I, LLC		Midstream	L+188	4/22/24	31,832	31,832	31,885
Cedar Creek II LLC		Renewables	L+188	11/18/23	8,710	8,710	8,722
Copper Mountain Solar 3, LLC		Renewables	L+175	5/31/25	17,804	17,804	17,879
FLNG Liquefaction 2, LLC		Midstream	L+150	12/31/26	28,170	28,170	27,990
Meikle Wind Energy, LP	(e)	Renewables	C+150	5/12/24	C$ 16,030	12,332	11,873
NES Hercules Class B Member, LLC		Renewables	L+150	1/31/28	$ 24,487	24,487	24,954
ST EIP Holdco LLC		Midstream	L+250	11/5/24	58,673	58,673	58,288
Top of the World Wind Energy LLC		Renewables	L+188	12/1/28	18,373	18,373	18,866
Total Senior Secured Loans—First Lien						274,088	275,058
TOTAL INVESTMENTS—100.0%						$ 274,088	$ 275,058

Percentages are shown as a percentage of total investments.

(a) Security may be an obligation of one or more entities affiliated with the named company.

(b) Certain variable rate securities in the Company's portfolio bear interest at a rate determined by a publicly disclosed base rate plus a basis point spread. As of March 31, 2023 and December 31, 2022, the three-month LIBOR, or L, was 5.19% and 4.77%, respectively, the Canadian Dollar Offered Rate, or C, was 5.03% and 4.94%, respectively, and the SOFR, or S, was 4.91% and 4.59%, respectively.

(c) Denominated in U.S. dollars unless otherwise noted.

(d) Security is classified as Level 3 and fair value is determined in accordance with the Company's valuation process.

(e) Investment denominated in Canadian dollars. Amortized cost and fair value are converted into U.S. dollars as of March 31, 2023 and December 31, 2022.

(f) Security or portion thereof is held within Seine Funding and is pledged as collateral supporting the amounts outstanding under the Seine Funding Facility.

(in thousands, except share and per share amounts)

Note 7. Investment Portfolio (continued)

Below is selected balance sheet information for SIIJV as of March 31, 2023 and December 31, 2022:

	March 31, 2023 (Unaudited)	December 31, 2022
Selected Balance Sheet Information		
Total investments, at fair value	$ 275,610	$ 275,058
Cash and other assets	7,152	10,380
Total assets	$ 282,762	$ 285,438
Debt	$ 208,021	$ 213,583
Other liabilities	2,789	3,358
Total liabilities	210,810	216,941
Member's equity	$ 71,952	$ 68,497

Below is selected statement of operations information for SIIJV for the three months ended March 31, 2023 and 2022:

	Three Months Ended March 31,	
	2023	2022
Selected Statement of Operations Information		
Total investment income	$ 4,798	$ 11,463
Expenses		
Interest expense	3,141	6,994
Administrative services	43	166
Custodian and accounting fees	45	184
Professional services	50	125
Other	10	54
Total expenses	3,289	7,523
Net investment income	1,509	3,940
Net realized and unrealized gain (loss)	1,946	(821)
Net increase (decrease) in net assets resulting from operations	$ 3,455	$ 3,119

Note 8. Fair Value of Financial Instruments

Under existing accounting guidance, fair value is defined as the price that the Company would receive upon selling an investment or pay to transfer a liability in an orderly transaction to a market participant in the principal or most advantageous market for the investment. This accounting guidance emphasizes valuation techniques that maximize the use of observable market inputs and minimize the use of unobservable inputs. Inputs refer broadly to the assumptions that market participants would use in pricing an asset or liability, including assumptions about risk. Inputs may be observable or unobservable. Observable inputs are inputs that reflect the assumptions market participants would use in pricing an asset or liability developed based on market data obtained from sources independent of the Company. Unobservable inputs are inputs that reflect the assumptions market participants would use in pricing an asset or liability developed based on the best information available in the circumstances. The Company classifies the inputs used to measure these fair values into the following hierarchy as defined by current accounting guidance:

Level 1: Inputs that are quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2: Inputs that are quoted prices for similar assets or liabilities in active markets.

Level 3: Inputs that are unobservable for an asset or liability.

A financial instrument’s categorization within the valuation hierarchy is based upon the lowest level of input that is significant to the fair value measurement.

(in thousands, except share and per share amounts)

Note 8. Fair Value of Financial Instruments (continued)

As of March 31, 2023 and December 31, 2022, the Company's investments were categorized as follows in the fair value hierarchy:

Valuation Inputs	March 31, 2023 (Unaudited)	December 31, 2022
Level 1—Price quotations in active markets	$ 5,011	$ 2,465
Level 2—Significant other observable inputs	229,247	450,445
Level 3—Significant unobservable inputs	1,508,403	1,594,205
Total	$ 1,742,661	$ 2,047,115

As of March 31, 2023 and December 31, 2022, the Company's swap contracts were categorized as follows in the fair value hierarchy:

	March 31, 2023 (Unaudited)		December 31, 2022	
Valuation Inputs	Assets	Liabilities	Assets	Liabilities
Level 1—Price quotations in active markets	$ —	$ —	$ —	$ —
Level 2—Significant other observable inputs	379	—	—	698
Level 3—Significant unobservable inputs	—	—	—	—
Total	$ 379	$ —	$ —	$ 698

The Company's board of trustees is responsible for overseeing the valuation of the Company's portfolio investments at fair value as determined in good faith pursuant to FS/EIG Advisor's valuation policy. The Company's board of trustees has designated FS/EIG Advisor with day-to-day responsibility for implementing the portfolio valuation process set forth in FS/EIG Advisor's valuation policy.

The Company's investments consist primarily of investments that were acquired directly from the issuer. Debt investments, for which broker quotes or pricing information from third-party pricing services are not generally available, are valued by FS/EIG Advisor with the assistance of independent valuation firms, which determine a valuation range of fair value for such investments by considering, among other factors, the borrower's ability to adequately service its debt, prevailing interest rates for like investments, call features, anticipated prepayments and other relevant terms of the investments. Except as described below, the Company's investment in SIIJV and all of the Company's preferred equity and equity/other investments are also valued by independent valuation firms, which determine the fair value of such investments by considering, among other factors, contractual rights ascribed to such investments, as well as various income scenarios and multiples of earnings before interest, taxes, depreciation and amortization, or EBITDA, cash flows, net income, revenues or, in limited instances, book value, PV-10 multiples or liquidation value. An investment that is newly issued and purchased near the date of the financial statements is valued at cost if FS/EIG Advisor determines that the cost of such investment is the best indication of its fair value. Such investments described above are typically classified as Level 3 within the fair value hierarchy. Investments that are traded on an active public market are valued at their closing price as of the date of the financial statements and are classified as Level 1 within the fair value hierarchy. Except as described above, FS/EIG Advisor typically values the Company's other investments by using the midpoint of the prevailing bid and ask prices from dealers on the date of the relevant period end, which are provided by an independent third-party pricing service and screened for validity by such service and are typically classified as Level 2 within the fair value hierarchy. In determining the fair values of swap contracts, FS/EIG Advisor utilized an industry-standard pricing model that considers various inputs including quoted forward prices for commodities, time value and current market and contractual prices for the underlying instruments. These assumptions are observable in the marketplace or can be corroborated by active markets or broker quotes and are typically classified as Level 2 within the fair value hierarchy.

FS/EIG Advisor periodically benchmarks the bid and ask prices it receives from the third-party pricing service and/or dealers and independent valuation firms, as applicable, against the actual prices at which the Company purchases and sells its investments. Based on the results of the benchmark analysis and the experience of the Company's management in purchasing and selling these investments, FS/EIG Advisor believes that these prices are reliable indicators of fair value. FS/EIG Advisor reviewed the valuation determinations made with respect to these investments in a manner consistent with FS/EIG Advisor's valuation policy.

(in thousands, except share and per share amounts)

Note 8. Fair Value of Financial Instruments (continued)

The following is a reconciliation for the three months ended March 31, 2023 and 2022 of investments for which significant unobservable inputs (Level 3) were used in determining fair value:

	For the Three Months Ended March 31, 2023							
	Senior Secured Loans—First Lien	Senior Secured Loans—Second Lien	Senior Secured Bonds	Unsecured Debt	Preferred Equity	Sustainable Infrastructure Investments, LLC	Equity/ Other	Total
Fair value at beginning of period	$ 443,245	$ 143,270	$ 10,074	$ 54,374	$ 400,414	$ 51,098	$ 491,730	$ 1,594,205
Accretion of discount (amortization of premium)	349	81	12	29	579	—	—	1,050
Net realized gain (loss)	(2,806)	9	—	5	—	—	(15,008)	(17,800)
Net change in unrealized appreciation (depreciation)	(5,939)	228	78	28	13,706	1,839	(47,355)	(37,415)
Purchases	24,949	—	—	—	—	—	83	25,032
Paid-in-kind interest	2,395	—	—	2,107	—	—	—	4,502
Sales and repayments	(8,110)	(15,545)	—	(500)	—	—	(37,826)	(61,981)
Transfers into Level 3[(1)]	—	—	—	—	—	—	810	810
Transfers out of Level 3	—	—	—	—	—	—	—	—
Fair value at end of period	$ 454,083	$ 128,043	$ 10,164	$ 56,043	$ 414,699	$ 52,937	$ 392,434	$ 1,508,403
The amount of total gains or losses for the period included in changes in net assets attributable to the change in unrealized gains or losses relating to investments still held at the reporting date	$ (8,789)	$ 228	$ 78	$ 28	$ 13,706	$ 1,839	$ (57,832)	$ (50,742)

	For the Three Months Ended March 31, 2022							
	Senior Secured Loans—First Lien	Senior Secured Loans—Second Lien	Senior Secured Bonds	Unsecured Debt	Preferred Equity	Sustainable Infrastructure Investments, LLC	Equity/ Other	Total
Fair value at beginning of period	$ 414,075	$ 84,083	$ 10,371	$ 104,659	$ 497,288	$ 50,770	$ 460,236	$ 1,621,482
Accretion of discount (amortization of premium)	549	74	13	22	1,406	—	—	2,064
Net realized gain (loss)	(12,397)	434	—	(27,729)	167	—	—	(39,525)
Net change in unrealized appreciation (depreciation)	24,374	136	106	34,665	(940)	1,330	172,334	232,005
Purchases	17,642	63,250	—	—	—	—	9,157	90,049
Paid-in-kind interest	1,097	—	—	3,843	188	—	—	5,128
Sales and repayments	(74,622)	(17,576)	—	(47,571)	(14,462)	—	—	(154,231)
Transfers into Level 3[(1)]	58,705	—	—	—	—	—	—	58,705
Transfers out of Level 3	—	—	—	—	—	—	—	—
Fair value at end of period	$ 429,423	$ 130,401	$ 10,490	$ 67,889	$ 483,647	$ 52,100	$ 641,727	$ 1,815,677
The amount of total gains or losses for the period included in changes in net assets attributable to the change in unrealized gains or losses relating to investments still held at the reporting date	$ 14,611	$ 359	$ 106	$ (22)	$ (940)	$ 1,330	$ 172,334	$ 187,778

(1) Changes in inputs or methodologies used for valuing investments may result in transfers into or out of levels within the fair value hierarchy. Transfers between levels of the fair value hierarchy are deemed to have occurred at the beginning of the reporting period. For the three months ended March 31, 2023 and 2022, transfers into Level 3 were due to decreased price transparency.

(in thousands, except share and per share amounts)

Note 8. Fair Value of Financial Instruments (continued)

The valuation techniques and significant unobservable inputs used in recurring Level 3 fair value measurements as of March 31, 2023 and December 31, 2022 were as follows:

Type of Investment	Fair Value at March 31, 2023 (Unaudited)	Valuation Technique[1]	Unobservable Input	Range	Weighted Average
Senior Secured Loans—First Lien	$ 441,261	Market Comparables	Market Yield (%)	8.3%-20.8%	12.3%
			EBITDA Multiples (x)	5.9x-6.2x	6.0x
	12,822	Discounted Cash Flow	Discount Rate (%)	7.5%-12.5%	10.0%
Senior Secured Loans—Second Lien	128,043	Market Comparables	Market Yield (%)	10.0%-13.3%	11.6%
Senior Secured Bonds	10,164	Market Comparables	Market Yield (%)	6.9%-7.9%	7.4%
Unsecured Debt	18,818	Market Comparables	Market Yield (%)	10.0%-11.0%	10.5%
	37,225	Other[2]			
Preferred Equity	328,662	Market Comparables	Market Yield (%)	10.3%-28.3%	18.8%
			EBITDA Multiples (x)	10.3x-11.3x	10.8x
			Net Aircraft Book Value Multiple (x)	1.0x-1.0x	1.0x
	86,037	Discounted Cash Flow	Discount Rate (%)	11.5%-12.0%	11.8%
Sustainable Infrastructure Investments, LLC	52,937	Discounted Cash Flow	Discount Rate (%)	13.5%-14.5%	14.0%
Equity/Other	349,629	Market Comparables	EBITDA Multiples (x)	3.8x-11.3x	4.9x
			Production Multiples (Mboe/d)	$27,578.0-$31,344.0	$29,447.0
			Proved Reserves Multiples (Mmboe)	$5.8-$6.6	$6.2
			Production Multiples (MMcfe/d)	$2,850.0-$3,150.0	$3,000.0
			Proved Reserves Multiples (Bcfe)	0.7x-0.7x	0.7x
			PV-10 Multiples (x)	0.3x-0.9x	0.8x
	13,683	Discounted Cash Flow	Discount Rate (%)	8.0%-33.0%	13.4%
	7,488	Option Valuation Model	Volatility (%)	28.1%-65.0%	37.1%
	21,634	Other[2]			
Total	$ 1,508,403				

(in thousands, except share and per share amounts)

Note 8. Fair Value of Financial Instruments (continued)

Type of Investment	Fair Value at December 31, 2022	Valuation Technique[1]	Unobservable Input	Range	Weighted Average
Senior Secured Loans—First Lien	$ 413,268	Market Comparables	Market Yield (%)	8.5%-21.8%	12.3%
			EBITDA Multiples (x)	5.0x-7.5x	6.3x
	29,977	Discounted Cash Flow	Discount Rate (%)	11.5%-19.5%	15.4%
Senior Secured Loans—Second Lien	143,270	Market Comparables	Market Yield (%)	10.3%-14.3%	11.8%
Senior Secured Bonds	10,074	Market Comparables	Market Yield (%)	6.9%-7.9%	7.4%
Unsecured Debt	19,256	Market Comparables	Market Yield (%)	10.3%-11.3%	10.8%
	35,118	Other[2]			
Preferred Equity	316,767	Market Comparables	Market Yield (%)	8.8%-30.3%	19.0%
			EBITDA Multiples (x)	9.5x-10.5x	10.0x
			Net Aircraft Book Value Multiple (x)	1.0x-1.0x	1.0x
	83,647	Discounted Cash Flow	Discount Rate (%)	11.3%-12.3%	11.8%
Sustainable Infrastructure Investments, LLC	51,098	Discounted Cash Flow	Discount Rate (%)	13.5%-14.5%	14.0%
Equity/Other	481,623	Market Comparables	EBITDA Multiples (x)	1.8x-10.5x	5.4x
			Production Multiples (Mboe/d)	$27,946.0-$37,500.0	$30,265.3
			Proved Reserves Multiples (Mmboe)	$6.9-$10.3	$7.6
			Production Multiples (MMcfe/d)	$3,400.0-$3,700.0	$3,550.0
			Proved Reserves Multiples (Bcfe)	0.8x-0.9x	0.8x
			PV-10 Multiples (x)	0.5x-0.9x	0.8x
	2,488	Discounted Cash Flow	Discount Rate (%)	8.0%-33.0%	23.8%
	5,734	Option Valuation Model	Volatility (%)	31.5%-55.1%	36.6%
	1,885	Other[2]			
Total	$ 1,594,205				

(1) Investments using a market quotes valuation technique were valued by using the midpoint of the prevailing bid and ask prices from dealers on the date of the relevant period end, which were provided by an independent third-party pricing service and screened for validity by such service. For investments utilizing a market comparables valuation technique, a significant increase (decrease) in the market yield, in isolation, would result in a significantly lower (higher) fair value measurement, and a significant increase (decrease) in any of the valuation multiples, in isolation, would result in a significantly higher (lower) fair value measurement. For investments utilizing a discounted cash flow valuation technique, a significant increase (decrease) in the discount rate, in isolation, would result in a significantly lower (higher) fair value measurement. For investments utilizing an option valuation model valuation technique, a significant increase (decrease) in the volatility, in isolation, would result in a significantly higher (lower) fair value measurement.

(2) Fair valued based on expected outcome of proposed corporate transactions, the expected value of the liquidation preference of the investment or other factors.

Note 9. Financing Arrangements

The following tables present a summary of information with respect to the Company's outstanding financing arrangements as of March 31, 2023 and December 31, 2022. For additional information regarding these financing arrangements, see the notes to the Company's audited consolidated financial statements contained in its annual report on Form 10-K for the year ended December 31, 2022. Any significant changes to the Company's financing arrangements during the three months ended March 31, 2023 are discussed below.

	As of March 31, 2023 (Unaudited)				
Arrangement[1]	Type of Arrangement	Rate[2]	Amount Outstanding	Amount Available	Maturity Date
Senior Secured Notes[3][5]	Bond	7.50%	$ 457,075	$ —	August 15, 2023
Total			$ 457,075	$ —	

	As of December 31, 2022				
Arrangement[1]	Type of Arrangement	Rate[2]	Amount Outstanding	Amount Available	Maturity Date
JPMorgan Facility	Term Loan	L+3.00%	$ 305,676	$ —	February 16, 2023[4]
Senior Secured Notes[3]	Bond	7.50%	457,075	—	August 15, 2023
Total			$ 762,751	$ —	

(in thousands, except share and per share amounts)

Note 9. Financing Arrangements (continued)

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

(2) LIBOR is subject to a 0.00% floor.

(3) As of March 31, 2023 and December 31, 2022, the fair value of the Senior Secured Notes was approximately $457,569 and $458,908, respectively. These valuations are considered Level 2 valuations within the fair value hierarchy.

(4) On February 14, 2023, the Company repaid and terminated the JPMorgan Facility.

(5) On April 14, 2023, the Company delivered notice of its intention to redeem 100% of the issued and outstanding Senior Secured Notes on May 15, 2023 at a price equal to 100% of the principal amount of the notes being redeemed, plus any accrued but unpaid interest, if any, to, but excluding, May 15, 2023.

For the three months ended March 31, 2023 and 2022, the components of total interest expense for the Company's financing arrangements were as follows:

	Three Months Ended March 31,					
	2023			2022		
Arrangement(1)	Direct Interest Expense(2)	Amortization of Deferred Financing Costs and Discount	Total Interest Expense	Direct Interest Expense(2)	Amortization of Deferred Financing Costs and Discount	Total Interest Expense
JPMorgan Facility(3)	$ 2,790	$ 238	$ 3,028	$ 2,405	$ 905	$ 3,310
Senior Secured Notes(4)	8,570	1,000	9,570	9,104	1,280	10,384
Total	$ 11,360	$ 1,238	$ 12,598	$ 11,509	$ 2,185	$ 13,694

(1) Borrowings of each of the Company's wholly-owned special-purpose financing subsidiaries are considered borrowings of the Company for purposes of complying with the asset coverage requirements applicable to BDCs under the 1940 Act.

(2) Direct interest expense includes the effect of non-usage fees, administration fees and make-whole fees, if any.

(3) On February 14, 2023, the Company repaid and terminated the JPMorgan Facility.

(4) On April 14, 2023, the Company delivered notice of its intention to redeem 100% of the issued and outstanding Senior Secured Notes on May 15, 2023 at a price equal to 100% of the principal amount of the notes being redeemed, plus any accrued but unpaid interest, if any, to, but excluding, May 15, 2023.

The Company’s average borrowings and weighted average interest rate, including the effect of non-usage fees, for the three months ended March 31, 2023 were $606,516 and 8.31%, respectively. As of March 31, 2023, the Company’s effective interest rate on borrowings was 7.50%.

The Company’s average borrowings and weighted average interest rate, including the effect of non-usage fees, for the three months ended March 31, 2022 were $779,774 and 7.02%, respectively. As of March 31, 2022, the Company’s effective interest rate on borrowings was 5.91%.

Under its financing arrangements, the Company has made certain representations and warranties and is required to comply with various covenants, reporting requirements and other customary requirements for similar financing arrangements. The Company was in compliance with all covenants required by its financing arrangements as of March 31, 2023 and December 31, 2022.

JPMorgan Facility

On August 16, 2018, the Company entered into that certain Senior Secured Credit Agreement, by and among the Company, the lenders party thereto, JPMorgan Chase Bank, N.A., or JPMorgan, as administrative agent and collateral agent, and the other parties signatory thereto, or as amended, the JPMorgan Facility. On February 14, 2023, the Company repaid and terminated the JPMorgan Facility. Prior to the termination of the JPMorgan Facility, $305,676 aggregate principal amount of loans were outstanding to the Company and such loans accrued interest at a rate equal to LIBOR (subject to a 0.00% floor) plus 3.00% per annum. The Company incurred certain customary costs and expenses in connection with the termination of the JPMorgan Facility.

Note 10. Commitments and Contingencies

The Company enters into contracts that contain a variety of indemnification provisions. The Company’s maximum exposure under these arrangements is unknown; however, the Company has not had prior claims or losses pursuant to these contracts. FS/EIG Advisor has reviewed the Company’s existing contracts and expects the risk of loss to the Company to be remote.

(in thousands, except share and per share amounts)

Note 10. Commitments and Contingencies (continued)

The Company is not currently subject to any material legal proceedings and, to the Company's knowledge, no material legal proceedings are threatened against the Company. From time to time, the Company may be a party to certain legal proceedings in the ordinary course of business, including proceedings relating to the enforcement of the Company's rights under contracts with its portfolio companies. While the outcome of any legal proceedings cannot be predicted with certainty, the Company does not expect that any such proceedings will have a material effect upon its financial condition or results of operations.

See Note 4 for a discussion of the Company's commitments to FS/EIG Advisor and its affiliates (including FS Investments) and Note 7 for a discussion of the Company's unfunded commitments.

Note 11. Financial Highlights

The following is a schedule of financial highlights of the Company for the three months ended March 31, 2023 and the year ended December 31, 2022:

	Three Months Ended March 31, 2023 (Unaudited)	Year Ended December 31, 2022
Per Share Data:[1]		
Net asset value, beginning of period	$ 3.88	$ 3.59
Results of operations[2]		
Net investment income	0.04	0.16
Net realized gain (loss) and unrealized appreciation (depreciation)	(0.11)	0.25
Net increase (decrease) in net assets resulting from operations	(0.07)	0.41
Shareholder distributions[3]		
Distributions from net investment income	(0.03)	(0.12)
Net decrease in net assets resulting from shareholder distributions	(0.03)	(0.12)
Capital share transactions		
Issuance of common shares[4]	—	—
Net increase (decrease) in net assets resulting from capital share transactions	—	—
Net asset value, end of period	$ 3.78	$ 3.88
Shares outstanding, end of period	452,787,008	451,465,673
Total return[5]	(1.82)%	11.39 %
Total return (without assuming reinvestment of distributions)[5]	(1.80)%	11.29 %
Ratio/Supplemental Data:		
Net assets, end of period	$ 1,712,828	$ 1,753,748
Ratio of net investment income to average net assets[6][7]	3.84 %	4.02 %
Ratio of total operating expenses to average net assets[6]	5.93 %	6.78 %
Ratio of management fee offset to average net assets[6]	(0.01)%	(0.15)%
Ratio of net operating expenses to average net assets[6]	5.92 %	6.63 %
Ratio of interest expense to average net assets[6]	2.85 %	3.21 %
Portfolio turnover[8]	1.30 %	16.15 %
Total amount of senior securities outstanding, exclusive of treasury securities	$ 457,075	$ 762,751
Asset coverage per unit[9]	4.75	3.30

(1) Per share data may be rounded in order to recompute the ending net asset value per share.

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

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

(4) The issuance of common shares on a per share basis reflects the incremental net asset value changes as a result of the issuance of common shares pursuant to the Company's distribution reinvestment plan. The issuance of common shares at a price that is greater than the net asset value per share results in an increase in net asset value per share.

Note 11. Financial Highlights (continued)

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

(6) Weighted average net assets during the applicable period are used for this calculation. Ratios for the three months ended March 31, 2023 are annualized. Annualized ratios for the three months ended March 31, 2023 are not necessarily indicative of the ratios that may be expected for the year ending December 31, 2023.

(7) If FS/EIG Advisor had not agreed to offset the amount of any structuring, upfront or certain other fees it or its members received against the management fee payable by the Company, the ratio of net investment income to average net assets would have been 3.83% and 3.87% for the three months ended March 31, 2023 and the year ended December 31, 2022, respectively. See Note 4 for a discussion of the management fee offset with FS/EIG Advisor.

(8) Portfolio turnover for the three months ended March 31, 2023 is not annualized.

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

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

The information contained in this section should be read in conjunction with our unaudited consolidated financial statements and related notes thereto included elsewhere in this quarterly report on Form 10-Q. In this report, "we," "us" and "our" refer to FS Energy and Power Fund and "FS/EIG Advisor" refers to FS/EIG Advisor, LLC.

Forward-Looking Statements

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

- our future operating results;
- our business prospects and the prospects of the companies in which we may invest, including our and their ability to achieve our respective objectives as a result of the current COVID-19 pandemic;
- the impact of the investments that we expect to make;
- the ability of our portfolio companies to achieve their objectives;
- our current and expected financing arrangements and investments;
- changes in the general interest rate environment;
- the adequacy of our cash resources, financing sources and working capital;
- the timing and amount of cash flows, distributions and dividends, if any, from our portfolio companies;
- our contractual arrangements and relationships with third parties;
- actual and potential conflicts of interest with the other funds managed by FS/EIG Advisor, FS Investments, EIG, or any of their respective affiliates;
- the dependence of our future success on the general economy and its effect on the industries in which we may invest;
- general economic and political trends and other external factors, including the current COVID-19 pandemic and related disruptions caused thereby;
- our use of financial leverage;
- the ability of FS/EIG Advisor to locate suitable investments for us and to monitor and administer our investments;
- the ability of FS/EIG Advisor or its affiliates to attract and retain highly talented professionals;
- our transition from an investment policy of investing primarily in private U.S. energy and power companies to a diversified credit investment policy of investing across private and public credit in a broader set of industries, sectors and sub-sectors;
- our distribution rate and intention to declare dividends, including with respect to the amount and timing of any such distributions;
- our ability to maintain our qualification as a RIC and as a BDC;
- the impact on our business of the Dodd-Frank Act, as amended, and the rules and regulations issued thereunder;
- the effect of changes to tax legislation on us and the portfolio companies in which we may invest and our and their tax position; and
- the tax status of the enterprises in which we may invest.

In addition, words such as “anticipate,” “believe,” “expect” and “intend” indicate a forward-looking statement, although not all forward-looking statements include these words. The forward-looking statements contained in this 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.’’ Other factors that could cause actual results to differ materially include:

- changes in the economy;
- geo-political risks;
- risks associated with possible disruption in our operations or the economy generally due to terrorism, natural disasters or pandemics; and
- future changes in laws or regulations and conditions in our operating areas.

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

Overview

We were formed as a Delaware statutory trust under the Delaware Statutory Trust Act on September 16, 2010 and formally commenced investment operations on July 18, 2011. We are an externally managed, non-diversified, closed-end management investment company that has elected to be regulated as a BDC under the 1940 Act and has elected to be treated for U.S. federal income tax purposes, and intends to qualify annually, as a RIC under Subchapter M of the Code. In November 2016, we closed our continuous public offering of common shares to new investors.

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

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

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

Within the above investment themes, we intend to focus on the following investment categories in an effort to generate returns for our investors with an acceptable level of risk.

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

Broadly Syndicated Loan and Bond Transactions: Although our primary focus is to invest in directly originated transactions, in certain circumstances we will also invest in the broadly syndicated loan and high yield bond markets. Broadly syndicated loans and bonds are generally more liquid than our directly originated investments and provide a complement to our less liquid strategies.

In the case of broadly syndicated investments, we generally intend to capitalize on market inefficiencies by investing in loans, bonds, and other asset classes where the market price of such investment reflects a lower value than we believe is warranted based on our fundamental analysis, providing us with an opportunity to earn an attractive return on our investment.

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

Revenues

The principal measure of our financial performance is net increase or decrease in net assets resulting from operations, which includes net investment income, net realized gain or loss on investments, foreign currency, swap contracts and debt extinguishment, net change in unrealized appreciation or depreciation on investments, net change in unrealized gain or loss on foreign currency and net change in unrealized appreciation or depreciation on swap contracts. Net investment income is the difference between our income from interest, dividends, fees and other investment income and our operating and other expenses. Net realized gain or loss on investments is the difference between the proceeds received from dispositions of portfolio investments and their amortized cost, including the respective realized gain or loss on foreign currency for those foreign denominated investment transactions. Net realized gain or loss on foreign currency is the portion of realized gain or loss attributable to foreign currency fluctuations. Net realized gain or loss on swap contracts is the portion of realized gain or loss attributable to the difference between the fixed price specified in the contract and the referenced settlement price. Net change in unrealized appreciation or depreciation on investments is the net change in the fair value of our investment portfolio, including the respective unrealized gain or loss on foreign currency for those foreign denominated investments. Net change in unrealized gain or loss on foreign currency is the net change in the value of receivables or accruals due to the impact of foreign currency fluctuations. Net change in unrealized appreciation or depreciation on swap contracts is the net change in the value of receivables or accruals due to the impact of the difference between the fixed price specified in the contract and the referenced settlement price.

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

Expenses

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

FS/EIG Advisor oversees our day-to-day operations, including the provision of general ledger accounting, fund accounting, legal services, investor relations, certain government and regulatory affairs activities, and other administrative services. FS/EIG Advisor also performs, or oversees the performance of, our corporate operations and required administrative services, which includes being responsible for the financial records that we are required to maintain and preparing reports for our shareholders and reports filed with the SEC. In addition, FS/EIG Advisor assists us in calculating our net asset value, overseeing the preparation and filing of tax returns and the printing and dissemination of reports to our shareholders, and generally overseeing the payment of our expenses and the performance of administrative and professional services rendered to us by others.

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

We bear all other expenses of our operations and transactions, including all other expenses incurred by FS/EIG Advisor in performing services for us and administrative personnel paid by FS/EIG Advisor, to the extent they are not controlling persons of FS/EIG Advisor or any of its affiliates, subject to the limitations included in the FS/EIG investment advisory agreement.

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

For information regarding the fee offset with FS/EIG Advisor, see Note 4 to our unaudited consolidated financial statements included herein.

COVID-19 and Energy Market Developments

Events in recent years such as the rapid spread of the COVID-19 pandemic, global lockdowns and ongoing negotiations regarding production levels between oil producing countries, have, at times, resulted in lower demand for crude oil and, as a result, lower commodity prices. Although the energy markets have had a notable recovery in 2021 and 2022, volatility in the energy markets may persist, recur or worsen, as a result of these events or other macroeconomic events, such as the current conflict in Ukraine and sanctions imposed on Russia in response. The impact of these events on the U.S. and global economies (including energy markets), has negatively impacted, and could continue to negatively impact, the business operations of some of our portfolio companies. Many of our portfolio companies are performing well, and energy markets are currently experiencing relatively stable conditions. However, we expect that certain of our portfolio companies may continue to experience economic distress for the foreseeable future and could become insolvent or otherwise significantly limit business operations if subjected to prolonged economic distress, including as a result of depressed commodity prices or other declines in the energy markets. These developments could result in a further decrease in the value of our investments.

These events have previously had adverse effects on our investment income and we expect that such adverse effects may continue for some time. These adverse effects have required and may again require us to restructure certain of our investments, which could result in further reductions to our investment income or in impairments on our investments. In addition, disruptions in the capital markets have resulted in illiquidity in certain market areas at times. These market disruptions and illiquidity have had and may continue to have an adverse effect on our business, financial condition, results of operations and cash flows. Unfavorable economic conditions caused by these events may increase our funding costs and limit our access to the capital markets. These events have previously limited our investment originations, which may continue for the immediate future, and have also previously had a material negative impact on our operating results for a period of time. In addition, the growth of non-income producing equity investments as a percentage of the portfolio has materially reduced the value of collateral available to secure our financing arrangements. Consequently, this has adversely impacted our liquidity, may cause us to fall out of compliance with certain portfolio requirements under the 1940 Act that are tied to the value of our investments and, in each case, may continue to do so in the future.

In light of such difficult market conditions and in an effort to preserve our liquidity, our board of trustees determined to suspend for an indefinite period of time our share repurchase program and will reassess our ability to recommence such program in future periods. Although our board of trustees has not declared or resumed regular cash distributions to shareholders for any period after March 31, 2020, our board of trustees has since declared three cash distributions in 2020, four cash distributions in 2021, four cash distributions in 2022 and one cash distribution in 2023, each in the amount of $0.03 per share. FS/EIG Advisor and our board of trustees expect that future regular cash distributions to shareholders will remain suspended until such time that our board of trustees and FS/EIG Advisor believe that market conditions and our financial condition support the resumption of such distributions. Our board of trustees has and will continue to evaluate our ability to pay any distributions in the future. There can be no assurance that we will be able to pay distributions in the future.

We will continue to carefully monitor the energy markets and any other new or ongoing events that may affect our business and the business of our portfolio companies, including the current conflict in Ukraine and government responses thereto. Because the full effects of these events are not capable of being known at this time, we cannot estimate the impacts on our future financial condition, results of operations or cash flows.

Portfolio Investment Activity for the Three Months Ended March 31, 2023 and for the Year Ended December 31, 2022

Total Portfolio Activity

The following tables present certain selected information regarding our portfolio investment activity for the three months ended March 31, 2023:

Net Investment Activity	For the Three Months Ended March 31, 2023
Purchases	$ 28,316
Sales and Repayments	(287,854)
Net Portfolio Activity	$ (259,538)

	For the Three Months Ended March 31, 2023	
New Investment Activity by Asset Class	**Purchases**	**Percentage**
Senior Secured Loans—First Lien	$ 24,949	88%
Equity/Other	3,367	12%
Total	$ 28,316	100%

The following table summarizes the composition of our investment portfolio at cost and fair value as of March 31, 2023 and December 31, 2022:

	March 31, 2023 (Unaudited)			December 31, 2022		
	Amortized Cost[(1)]	Fair Value	Percentage of Portfolio	Amortized Cost[(1)]	Fair Value	Percentage of Portfolio
Senior Secured Loans—First Lien	$ 603,363	$ 599,454	34%	$ 702,842	$ 706,646	35%
Senior Secured Loans—Second Lien	127,698	128,043	7%	143,153	143,270	7%
Senior Secured Bonds	10,076	10,164	1%	10,064	10,074	0%
Unsecured Debt	143,504	139,919	8%	253,675	241,418	12%
Preferred Equity	425,761	414,699	24%	425,182	400,414	20%
Sustainable Infrastructure Investments, LLC	54,514	52,937	3%	54,514	51,098	2%
Equity/Other	284,043	397,445	23%	333,510	494,195	24%
Total	$ 1,648,959	$ 1,742,661	100%	$ 1,922,940	$ 2,047,115	100%

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

The following table presents certain selected information regarding the composition of our investment portfolio as of March 31, 2023 and December 31, 2022:

	March 31, 2023	December 31, 2022
Number of Portfolio Companies	52	63
% Variable Rate (based on fair value)	35.4%	36.8%
% Fixed Rate (based on fair value)	15.0%	17.0%
% Income Producing Preferred Equity and Equity/Other Investments (based on fair value)	26.2%	28.9%
% Non-Income Producing Preferred Equity and Equity/Other Investments (based on fair value)	23.4%	17.3%
Weighted Average Purchase Price of Debt Investments (as a % of par value)	95.3%	97.5%
% of Investments on Non-Accrual (based on fair value)	13.2%	10.8%
Gross Portfolio Yield Prior to Leverage (based on amortized cost)	7.5%	7.3%
Gross Portfolio Yield Prior to Leverage (based on amortized cost)—Excluding Non-Income Producing Assets	10.5%	9.3%

Although our board of trustees has not declared or resumed regular cash distributions to shareholders for any period after March 31, 2020, our board of trustees has since declared three cash distributions in 2020, four cash distributions in 2021, four cash distributions in 2022 and one cash distribution in 2023, each in the amount of $0.03 per share. FS/EIG Advisor and our board of trustees expect that future regular cash distributions to shareholders will remain suspended until such time that our board of trustees and FS/EIG Advisor believe that market conditions and our financial condition support the resumption of such distributions. Our board of trustees has and will continue to evaluate our ability to pay any distributions in the future. There can be no assurance that we will be able to pay distributions in the future. For the three months ended March 31, 2023 and the year ended December 31, 2022, our total return was (1.82)% and 11.39%, respectively, and our total return without assuming reinvestment of distributions was (1.80)% and 11.29%, respectively.

Our estimated gross portfolio yield does not represent actual investment returns to shareholders. Our gross annual portfolio yield is subject to change and in the future may be greater or less than the rates set forth above. See the sections entitled "Risk Factors" in our annual report on Form 10-K for the fiscal year ended December 31, 2022 and in our other periodic reports filed with the SEC for a discussion of the uncertainties, risks and assumptions associated with these statements.

Direct Originations

We define Direct Originations as any investment where FS/EIG Advisor or its affiliates negotiate the terms of the transaction beyond just the price, which, for example, may include negotiating financial covenants, maturity dates or interest rate terms. These Direct Originations include participation in other originated transactions where there may be third parties involved, or a bank acting as an intermediary, for a closely held club, or similar transactions.

The following table presents certain selected information regarding our Direct Originations as of March 31, 2023 and December 31, 2022:

Characteristics of All Direct Originations held in Portfolio	March 31, 2023	December 31, 2022
Number of Portfolio Companies	38	40
% of Investments on Non-Accrual (based on fair value)	15.8%	14.4%
Total Cost of Direct Originations	$1,342,383	$1,387,547
Total Fair Value of Direct Originations	$1,455,726	$1,537,417
% of Total Investments, at Fair Value	83.5%	75.1%
Gross Portfolio Yield Prior to Leverage (based on amortized cost) of Funded Direct Originations	7.1%	6.8%
Gross Portfolio Yield Prior to Leverage (based on amortized cost) of Funded Direct Originations—Excluding Non-Income Producing Assets	10.8%	9.7%

Portfolio Composition by Strategy

The table below summarizes the composition of our investment portfolio by strategy and enumerates the percentage, by fair value, of the total portfolio assets in such strategies as of March 31, 2023 and December 31, 2022:

	March 31, 2023		December 31, 2022	
Portfolio Composition by Strategy	Fair Value	Percentage of Portfolio	Fair Value	Percentage of Portfolio
Direct Originations	$ 1,455,726	84%	$ 1,537,417	75%
Broadly Syndicated/Other	286,935	16%	509,698	25%
Total	$ 1,742,661	100%	$ 2,047,115	100%

See Note 7 to our unaudited consolidated financial statements included herein for additional information regarding our investment portfolio.

Portfolio Asset Quality

In addition to various risk management and monitoring tools, FS/EIG Advisor uses an investment rating system to characterize and monitor the expected level of returns on each investment in our portfolio. FS/EIG Advisor uses an investment rating scale of 1 to 5. The following is a description of the conditions associated with each investment rating:

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

The following table shows the distribution of our investments on the 1 to 5 investment rating scale at fair value as of March 31, 2023 and December 31, 2022:

	March 31, 2023		December 31, 2022	
Investment Rating	**Fair Value**	**Percentage of Portfolio**	**Fair Value**	**Percentage of Portfolio**
1	$ —	—	$ —	—
2	1,183,370	68%	1,426,668	70%
3	271,318	16%	336,097	16%
4	260,559	15%	255,580	13%
5	27,414	1%	28,770	1%
Total	$ 1,742,661	100%	$ 2,047,115	100%

The amount of the portfolio in each grading category may vary substantially from period to period resulting primarily from changes in the composition of the portfolio as a result of new investment, repayment and exit activities. In addition, changes in the grade of investments may be made to reflect our expectation of performance and changes in investment values.

Results of Operations

Comparison of the Three Months Ended March 31, 2023 and 2022

Revenues

Our investment income for the three months ended March 31, 2023 and 2022 was as follows:

	Three Months Ended March 31,			
	2023		2022	
	Amount	**Percentage of Total Income**	**Amount**	**Percentage of Total Income**
Interest income	$ 32,806	76%	$ 27,087	76%
Paid-in-kind interest income	4,502	11%	5,128	14%
Fee income	97	0%	1,233	3%
Dividend income	5,690	13%	2,461	7%
Total investment income(1)	$ 43,095	100%	$ 35,909	100%

(1) Such revenues represent $37,331 and $28,752 of cash income earned as well as $5,764 and $7,157 in non-cash portions relating to accretion of discount and PIK interest for the three months ended March 31, 2023 and 2022, respectively. Cash flows related to such non-cash revenues may not occur for a number of reporting periods or years after such revenues are recognized.

The level of interest income we receive is generally related to the balance of income-producing investments multiplied by the weighted average yield of our investments. We may experience volatility in the amount of interest income that we earn as the accrual status of existing portfolio investments may fluctuate due to restructuring activity in the portfolio.

The increase in the amount of interest income for the three months ended March 31, 2023 compared to the three months ended March 31, 2022 was primarily due to the rising interest rate environment.

Fee income is transaction based, and typically consists of prepayment fees and structuring fees. As such, future fee income is generally dependent on new direct origination investments and the occurrence of events at existing portfolio companies resulting in such fees.

The increase in the amount of dividend income for the three months ended March 31, 2023 compared to the three months ended March 31, 2022 was primarily due to the increase in dividends paid with respect to our investments in certain common equities.

Expenses

Our operating expenses for the three months ended March 31, 2023 and 2022 were as follows:

	Three Months Ended March 31,	
	2023	2022
Management fees	$ 10,474	$ 10,735
Administrative services expenses	1,320	1,420
Share transfer agent fees	751	720
Accounting and administrative fees	183	177
Interest expense	12,598	13,694
Trustees' fees	164	227
Expenses associated with our independent audit and related fees	128	111
Legal fees	99	—
Printing fees	100	333
Other	376	1,000
Total operating expenses	26,193	28,417
Less: Management fee offset	(255)	(698)
Net operating expenses	$ 25,938	$ 27,719

The following table reflects selected expense ratios as a percent of average net assets for the three months ended March 31, 2023 and 2022 (not annualized):

	Three Months Ended March 31,	
	2023	2022
Ratio of operating expenses to average net assets	1.48 %	1.76 %
Ratio of management fee offset to average net assets	(0.01)%	(0.04)%
Ratio of net operating expenses to average net assets	1.47 %	1.72 %
Ratio of interest expense to average net assets	(0.71)%	(0.85)%
Ratio of net operating expenses, excluding interest expense, to average net assets	0.76 %	0.87 %

Interest expense may increase or decrease our expense ratios relative to comparative periods depending on changes in benchmark interest rates such as LIBOR or SOFR, utilization rates and the terms of our financing arrangements, among other factors.

Management Fee Offset

Structuring, upfront or certain other fees received by FS/EIG Advisor or its members which were offset against management fees due to FS/EIG Advisor from us were $255 and $698 for the three months ended March 31, 2023 and 2022, respectively. See Note 4 to our unaudited consolidated financial statements contained in this quarterly report on Form 10-Q for a discussion of the management fee offset for the three months ended March 31, 2023 and 2022.

Net Investment Income

Our net investment income totaled $17,157 ($0.04 per share) and $8,190 ($0.02 per share) for the three months ended March 31, 2023 and 2022, respectively.

Net Realized Gains or Losses

Our net realized gains (losses) on investments, foreign currency, swap contracts and debt extinguishment for the three months ended March 31, 2023 and 2022, were as follows:

	Three Months Ended March 31,	
	2023	2022
Net realized gain (loss) on investments[1]	$ (20,207)	$ (29,044)
Net realized gain (loss) on foreign currency	(120)	—
Net realized gain (loss) on swap contracts	12	(416)
Net realized gain (loss) on debt extinguishment	—	(746)
Total net realized gain (loss)	$ (20,315)	$ (30,206)

(1) We sold investments and received principal repayments of $198,006 and $89,848, respectively, during the three months ended March 31, 2023 and $68,762 and $171,573, respectively, during the three months ended March 31, 2022.

Net Change in Unrealized Appreciation (Depreciation)

Our net change in unrealized appreciation (depreciation) on investments and swap contracts for the three months ended March 31, 2023 and 2022 were as follows:

	Three Months Ended March 31,	
	2023	2022
Net change in unrealized appreciation (depreciation) on investments	$ (30,473)	$ 215,281
Net change in unrealized appreciation (depreciation) on swap contracts	1,077	(3,482)
Total net change in unrealized appreciation (depreciation)	$ (29,396)	$ 211,799

During the three months ended March 31, 2023, the net change in unrealized appreciation (depreciation) on our investments was primarily driven by the performance of our directly originated assets. During the three months ended March 31, 2022, the net change in unrealized appreciation (depreciation) on our investments was primarily driven by the performance of our directly originated assets and certain of our upstream equity/other investments and the conversion of unrealized depreciation to realized losses.

Net Increase (Decrease) in Net Assets Resulting from Operations

For the three months ended March 31, 2023 and 2022, the net increase (decrease) in net assets resulting from operations was $(32,554) ($(0.07) per share) and $189,783 ($0.42 per share), respectively.

This "Results of Operations" section should be read in conjunction with "COVID-19 and Energy Market Developments" above.

Financial Condition, Liquidity and Capital Resources

Overview

As of March 31, 2023, we had $438,494 in cash, which we held in custodial accounts. As of March 31, 2023, we also had broadly syndicated investments that could be sold to create additional liquidity. As of March 31, 2023, we had five senior secured loan investments with aggregate unfunded commitments of $23,937 and unfunded commitments of $7,625 in U.S. dollars and $858 in Canadian dollars to contribute capital to Sustainable Infrastructure Investments, LLC. We maintain sufficient cash on hand, available borrowings and/or liquid securities to fund such unfunded commitments and other contractual commitments should the need arise.

On February 14, 2023, we repaid and terminated the JPMorgan Facility with cash. On April 14, 2023, we delivered notice of our intention to redeem 100% of the principal amount of the outstanding Senior Secured Notes, plus any accrued but unpaid interest, on May 15, 2023. For additional information regarding our financing arrangements, see Note 9 to our unaudited consolidated financial statements included herein.

We generate cash primarily from the issuance of shares under our distribution reinvestment plan and from cash flows from fees, interest and dividends earned from our investments as well as principal repayments and proceeds from sales of our investments. To seek to enhance our returns, we may also seek to employ leverage as market conditions permit and at the discretion of FS/EIG Advisor, but unless and until we elect otherwise, as permitted by the 1940 Act, in no event will leverage employed exceed 50% of the value of our assets, as required by the 1940 Act. See "—Financing Arrangements."

Prior to investing in securities of portfolio companies, we invest the net proceeds from the issuance of shares under our distribution reinvestment plan as well as from sales and paydowns of existing investments primarily in cash, cash equivalents, including money market funds, U.S. government securities, repurchase agreements and high-quality debt instruments maturing in one year or less from the time of investment, consistent with our BDC election and our election to be taxed as a RIC.

In light of difficult market conditions, we took several steps in 2020 to seek to enhance our liquidity by, among other things, suspending our share repurchase program, suspending regular cash distributions and reducing leverage by paying down borrowings. The share repurchase program and regular cash distributions currently remain suspended.

This "Financial Condition, Liquidity and Capital Resources" section should be read in conjunction with "COVID-19 and Energy Market Developments" above and "—Financing Arrangements" below.

Financing Arrangements

The following table presents a summary of information with respect to our outstanding financing arrangements as of March 31, 2023:

Arrangement(1)	Type of Arrangement	Rate	Amount Outstanding	Amount Available	Maturity Date
Senior Secured Notes(2)(3)	Bond	7.50%	$ 457,075	$ —	August 15, 2023

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

(2) As of March 31, 2023, the fair value of the Senior Secured Notes was approximately $457,569.

(3) On April 14, 2023, we delivered notice of our intention to redeem 100% of the issued and outstanding Senior Secured Notes on May 15, 2023 at a price equal to 100% of the principal amount of the notes being redeemed, plus any accrued but unpaid interest, on May 15, 2023.

RIC Tax Treatment and Distributions

We have elected to be treated for U.S. federal income tax purposes, and intend to qualify annually, as a RIC under Subchapter M of the Code. As a RIC, we generally do not have to pay corporate-level U.S. federal income taxes on any ordinary income or capital gains that we distribute as dividends to our shareholders. To maintain our qualification as a RIC, we must, among other things, meet certain source-of-income and asset diversification requirements. In addition, in order to maintain RIC tax treatment, we must distribute to our shareholders, for each tax year, dividends generally of an amount at least equal to 90% of our "investment company taxable income," which is generally the sum of our net ordinary income plus the excess, if any, of realized net short-term capital gains over realized net long-term capital losses, determined without regard to any deduction for dividends paid. In addition, we may, in certain cases, satisfy the Annual Distribution Requirement by distributing dividends relating to a tax year after the close of such tax year under the "spillover dividend" provisions of Subchapter M of the Code. If we distribute a spillover dividend, such dividend will be included in a shareholder's gross income for the tax year in which the spillover distribution is paid. We intend to make sufficient distributions to our shareholders to maintain our RIC tax treatment each tax year. We will also be subject to nondeductible U.S. federal excise taxes on certain undistributed income unless we distribute in a timely manner to our shareholders of an amount at least equal to the sum of (1) 98% of our net ordinary taxable income (taking into account certain deferrals and elections) for the calendar year, (2) 98.2% of our capital gain net income, which is the excess of capital gains over capital losses (adjusted for certain ordinary losses), for the one-year period ending October 31 of that calendar year and (3) 100% of any ordinary income and capital gain net income recognized for the preceding years that were not distributed during such years and on which we paid no U.S. federal income tax. Any distribution declared by us during October, November or December of any calendar year, payable to our shareholders of record on a specified date in such a month and actually paid during January of the following calendar year, will be treated as if it had been paid by us, as well as received by our U.S. shareholders, on December 31 of the calendar year in which the distribution was declared.

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

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

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

Although our board of trustees has not declared or resumed regular cash distributions to shareholders for any period after March 31, 2020, our board of trustees has since declared three cash distributions in 2020, four cash distributions in 2021, four cash distributions in 2022 and one cash distribution in 2023, each in the amount of $0.03 per share. FS/EIG Advisor and our board of trustees expect that future regular cash distributions to shareholders will remain suspended until such time that our board of trustees and FS/EIG Advisor believe that market conditions and our financial condition support the resumption of such distributions. Our board of trustees has and will continue to evaluate our ability to pay any distributions in the future. There can be no assurance that we will be able to pay distributions in the future. The timing and amount of any future distributions to shareholders are subject to applicable legal restrictions and the sole discretion of our board of trustees. In addition, prior to its termination, the JPMorgan Facility restricted our ability to make certain discretionary cash dividends and distributions and other restricted payments.

The following table reflects the cash distributions per share that we have declared on our common shares during the three months ended March 31, 2023 and 2022:

	Distribution	
For the Three Months Ended	**Per Share**	**Amount**
Fiscal 2022		
March 31, 2022	$ 0.03	$ 13,426
Fiscal 2023		
March 31, 2023	$ 0.03	$ 13,584

See Note 5 to our unaudited consolidated financial statements included herein for additional information regarding our distributions.

Critical Accounting Policies and Estimates

Our financial statements are prepared in conformity with GAAP, which requires us to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting periods. Management has utilized available information, including our past history, industry standards and the current economic environment, among other factors, in forming the estimates and judgments, giving due consideration to materiality. Actual results may differ from these estimates. In addition, other companies may utilize different estimates, which may impact the comparability of our results of operations to those of companies in similar businesses. Understanding our accounting policies and the extent to which we use management judgment and estimates in applying these policies is integral to understanding our financial statements. We describe our most significant accounting policies in Note 2 to our unaudited consolidated financial statements included herein. Critical accounting policies are those that require the application of management's most difficult, subjective or complex judgments, often because of the need to make estimates about the effect of matters that are inherently uncertain and that may change in subsequent periods. We evaluate our critical accounting estimates and judgments required by our policies on an ongoing basis and update them as necessary based on changing conditions. We have identified one of our accounting policies, valuation of portfolio investments, as critical because it involves significant judgments and assumptions about highly complex and inherently uncertain matters, and the use of reasonably different estimates and assumptions could have a material impact on our reported results of operations or financial condition. As we execute our operating plans, we will describe additional critical accounting policies in the notes to our future financial statements in addition to those discussed below.

Valuation of Portfolio Investments

Our board of trustees is responsible for overseeing the valuation of our portfolio investments at fair value as determined in good faith pursuant to FS/EIG Advisor's valuation policy. As permitted by Rule 2a-5 of the 1940 Act, our board of trustees has designated FS/EIG Advisor as our valuation designee, with day-to-day responsibility for implementing the portfolio valuation process set forth in FS/EIG Advisor's valuation policy.

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

FS/EIG Advisor determines the fair value of our investment portfolio each quarter. Securities that are publicly-traded with readily available market prices will be valued at the reported closing price on the valuation date. Securities that are not publicly-traded with readily available market prices will be valued at fair value as determined in good faith by FS/EIG Advisor. In connection with that determination, FS/EIG Advisor will prepare portfolio company valuations which are based on relevant inputs, including, but not limited to, indicative dealer quotes, values of like securities, recent portfolio company financial statements and forecasts, and valuations prepared by independent third-party pricing and valuation services.

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

- our quarterly fair valuation process begins with FS/EIG Advisor facilitating the delivery of updated quarterly financial and other information relating to each investment to an independent third-party pricing or valuation service;
- the independent third-party pricing or valuation service then reviews and analyzes the information, along with relevant market and economic data, and determines proposed valuations for each portfolio company or investment according to the valuation methodologies in FS/EIG Advisor's valuation policy and communicates the information to FS/EIG Advisor in the form of a valuation range for Level 3 assets;
- FS/EIG Advisor then reviews the preliminary valuation information for each portfolio company or investment and provides feedback about the accuracy, completeness and timeliness of the valuation-related inputs considered by the independent third-party pricing or valuation service and any suggested revisions thereto prior to the independent third-party pricing or valuation service finalizing its valuation range;
- FS/EIG Advisor then provides the valuation committee with its valuation determinations and valuation-related information for each portfolio company or investment, along with any applicable supporting materials; and other information that is relevant to the fair valuation process as required by FS/EIG Advisor's board reporting obligations;
- the valuation committee meets with FS/EIG Advisor to receive the relevant quarterly reporting from FS/EIG Advisor and to discuss any questions from the valuation committee in connection with the valuation committee's role in overseeing the fair valuation process; and
- following the completion of its fair value oversight activities, the valuation committee (with the assistance of FS/EIG Advisor) provides our board of trustees with a report regarding the quarterly valuation process.

Determination of fair value involves subjective judgments and estimates. Accordingly, the notes to our consolidated financial statements refer to the uncertainty with respect to the possible effect of such valuations and any change in such valuations on our consolidated financial statements. In making its determination of fair value, FS/EIG Advisor may use any independent third-party pricing or valuation services for which it has performed the appropriate level of due diligence. However, FS/EIG Advisor is not required to determine fair value in accordance with the valuation provided by any single source, and may use any relevant data, including information sourced by FS/EIG Advisor or provided by any independent third-party pricing or valuation service that FS/EIG Advisor deems to be reliable in determining fair value under the circumstances. Below is a description of factors that FS/EIG Advisor and any independent third-party valuation services may consider when determining the fair value of our investments.

The valuation methods utilized for each portfolio company may vary depending on industry and company-specific considerations. Typically, the first step is to make an assessment as to the enterprise value of the portfolio company's business in order to establish whether the portfolio company's enterprise value is greater than the amount of its debt as of the valuation date. This analysis helps to determine a risk profile for the applicable portfolio company and its related investments, and the appropriate valuation methodology to utilize as part of the security valuation analysis. The enterprise valuation may be determined using a market or income approach.

Valuation of fixed income investments, such as loans and debt securities, depends upon a number of factors, including prevailing interest rates for like securities, expected volatility in future interest rates, call features, put features and other relevant terms of the debt. For investments without readily available market prices, FS/EIG Advisor may incorporate these factors into discounted cash flow models to arrive at fair value. Various methods may be used to determine the appropriate discount rate in a discounted cash flow model.

Other factors that may be considered include the borrower's ability to adequately service its debt, the fair market value of the borrower in relation to the face amount of its outstanding debt and the quality of collateral securing the debt investments.

For convertible debt securities, fair value generally approximates the fair value of the debt plus the fair value of an option to purchase the underlying security (i.e., the security into which the debt may convert) at the conversion price. To value such an option, a standard option pricing model may be used.

Our equity interests in portfolio companies for which there is no liquid public market are valued at fair value. Generally, the value of our equity interests in public companies for which market quotations are readily available is based upon the most recent closing public market price. Portfolio securities that carry certain restrictions on sale are typically valued at a discount from the public market value of the security.

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

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

See Note 8 to our unaudited consolidated financial statements included herein for additional information regarding the fair value of our financial instruments.

Contractual Obligations

We have entered into an agreement with FS/EIG Advisor to provide us with investment advisory and administrative services. Payments for investment advisory services under the FS/EIG investment advisory agreement are equal to 1.75% of the average weekly value of our gross assets and an incentive fee based on our performance. Base management fees are generally paid on a quarterly basis in arrears. FS/EIG Advisor is reimbursed for administrative services expenses incurred on our behalf. See Note 4 to our unaudited consolidated financial statements included herein for a discussion of this agreement and for the amount of fees and expenses accrued under this agreement during the three months ended March 31, 2023 and 2022.

Item 3. Quantitative and Qualitative Disclosures About Market Risk.

We are subject to financial market risks, including changes in interest rates. As of March 31, 2023, 35.4% of our portfolio investments (based on fair value) paid variable interest rates, 15.0% paid fixed interest rates, 26.2% were income producing preferred equity and equity/other investments and the remaining 23.4% consisted of non-income producing preferred equity and equity/other investments. A rise in the general level of interest rates can be expected to lead to higher interest rates applicable to any variable rate investments we hold and to declines in the value of any fixed rate investments we hold. However, many of our variable rate investments provide for an interest rate floor, which may prevent our interest income from increasing until benchmark interest rates increase beyond a threshold amount. To the extent that a substantial portion of our investments may be in variable rate investments, an increase in interest rates beyond this threshold would make it easier for us to meet or exceed the hurdle rate applicable to the subordinated incentive fee on income, and may result in a substantial increase in our net investment income and the amount of incentive fees payable to FS/EIG Advisor with respect to our increased pre-incentive fee net investment income.

Under the indenture governing the Senior Secured Notes, we pay interest to the holders of such notes at a fixed rate. To the extent that any present or future credit facilities or other financing arrangements that we or any of our subsidiaries enter into are based on a floating interest rate, we will be subject to risks relating to changes in market interest rates. In periods of rising interest rates when we or our subsidiaries have such debt outstanding or financing arrangements in effect, our interest expense would increase, which could reduce our net investment income, especially to the extent we hold fixed rate investments.

The following table shows the effect over a twelve-month period of changes in interest rates on our interest income, interest expense and net interest income, assuming no changes in the composition of our investment portfolio, including the accrual status of our investments, and our borrowing arrangements in effect as of March 31, 2023 (dollar amounts are presented in thousands):

Basis Point Change in Interest Rates	Increase (Decrease) in Interest Income	Increase (Decrease) in Interest Expense	Increase (Decrease) in Net Interest Income	Percentage Change in Net Interest Income
Down 100 basis points	$ (11,059)	$ —	$ (11,059)	(12.4)%
No change	—	—	—	—
Up 100 basis points	$ 3,160	$ —	$ 3,160	3.5 %
Up 300 basis points	$ 17,379	$ —	$ 17,379	19.4 %
Up 500 basis points	$ 31,598	$ —	$ 31,598	35.4 %

We expect that our long-term investments will be financed primarily with equity and debt. If deemed prudent, we may use interest rate risk management techniques in an effort to minimize our exposure to interest rate fluctuations. These techniques may include various interest rate hedging activities to the extent permitted by the 1940 Act. Adverse developments resulting from changes in interest rates or hedging transactions could have a material adverse effect on our business, financial condition and results of operations. During the three months ended March 31, 2023 and 2022, we did not engage in interest rate hedging activities.

In addition, we may have risks regarding portfolio valuation and the potential inability of counterparties to meet the terms of their contracts. See "Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations—Critical Accounting Policies and Estimates—Valuation of Portfolio Investments."

Item 4. Controls and Procedures.

As required by Rule 13a-15(b) under the Exchange Act, we carried out an evaluation under the supervision and with the participation of our management, including our chief executive officer and chief financial officer, of the effectiveness of the design and operation of our disclosure controls and procedures as of March 31, 2023. Based on the foregoing, our chief executive officer and chief financial officer concluded that our disclosure controls and procedures were effective to provide reasonable assurance that we would meet our disclosure obligations.

There was no change in our internal control over financial reporting (as defined in Rules 13a-15(f) or 15d-15(f) under the Exchange Act) that occurred during the three month period ended March 31, 2023 that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

PART II—OTHER INFORMATION

Item 1. Legal Proceedings.

We are not currently subject to any material legal proceedings and, to our knowledge, no material legal proceedings are threatened against us. From time to time, we may be party to certain legal proceedings in the ordinary course of business, including proceedings relating to the enforcement of our rights under contracts with our portfolio companies. While the outcome of any legal proceedings cannot be predicted with certainty, we do not expect that any such proceedings will have a material effect upon our financial condition or results of operations.

Item 1A. Risk Factors.

In addition to the other information set forth in this Quarterly Report on Form 10-Q, you should carefully consider the risk factors that appeared under Item 1A. "Risk Factors" in our most recent Annual Report on Form 10-K. There are no material changes from the risk factors included within our most recent Annual Report on Form 10-K, other than the risks described below.

Our business is dependent on bank relationships and recent strain on the banking system may adversely impact us.

The financial markets recently have encountered volatility associated with concerns about the balance sheets of banks, especially small and regional banks who may have significant losses associated with investments that make it difficult to fund demands to withdraw deposits and other liquidity needs. Although the federal government has announced measures to assist these banks and protect depositors, some banks have already been impacted and others may be materially and adversely impacted. Our business is dependent on bank relationships and we are proactively monitoring the financial health of such bank relationships. Continued strain on the banking system may adversely impact our business, financial condition and results of operations.

Our transition to a new investment policy will increase portfolio turnover, which will increase commission and transaction costs.

We expect that the transition to the Company's new investment policy will require more frequent trading and a high portfolio turnover (i.e., the purchase and sale of instruments and securities). The more frequently the Company trades, the higher the commission and transaction costs and certain other expenses involved in its operations. The Company will bear these costs regardless of the profitability of its investment and trading activities. In addition, a high portfolio turnover may increase the recognition of short-term, rather than long-term, capital gains.

The Company's debt investments are subject to certain risks.

Debt investments are subject to the risk of non-payment of scheduled interest or principal by the borrowers with respect to such investments. Such non-payment would likely result in a reduction of income to the Company and a reduction in the value of the debt investments experiencing non-payment.

Although the Company may invest in investments that management believes are secured by specific collateral, the value of which may exceed the principal amount of the investments at the time of initial investment, there can be no assurance that the liquidation of any such collateral would satisfy the borrower's obligation in the event of non-payment of scheduled interest or principal payments with respect to such investment, or that such collateral could be readily liquidated. In addition, in the event of bankruptcy of a borrower, the Company could experience delays or limitations with respect to its ability to realize the benefits of the collateral securing an investment. Under certain circumstances, collateral securing an investment may be released without the consent of the Company. Moreover, the Company's investments in secured debt may be unperfected for a variety of reasons, including the failure to make required filings by lenders, trustees or other responsible parties and, as a result, the Company may not have priority over other creditors as anticipated. The Company's right to payment and its security interest, if any, may be subordinated to the payment rights and security interests of more senior creditors. Certain of these investments may have an interest-only payment schedule, with the principal amount remaining outstanding and at risk until the maturity of the investment. In this case, a portfolio company's ability to repay the principal of an investment may be dependent upon a liquidity event or the long-term success of the company, the occurrence of which is uncertain.

Companies in which the Company invests could deteriorate as a result of, among other factors, an adverse development in their business, a change in the competitive environment or an economic downturn. As a result, companies that the Company expected to be stable may operate, or expect to operate, at a loss or have significant variations in operating results, may require substantial additional capital to support their operations or maintain their competitive position, or may otherwise have a weak financial condition or be experiencing financial distress.

Below investment grade debt instruments may be subject to greater risks than securities or instruments that have higher credit ratings, including a higher risk of default.

The credit rating of a corporate bond and senior loan that is rated below investment grade does not necessarily address its market value risk, and ratings may from time to time change, positively or negatively, to reflect developments regarding the borrower's financial condition. Below investment grade corporate bonds and senior loans and similar instruments often are considered to be speculative with respect to the capacity of the borrower to timely repay principal and pay interest or dividends in accordance with the terms of the obligation and may have more credit risk than higher rated securities. Lower grade securities and similar debt instruments may be particularly susceptible to economic downturns. It is likely that a prolonged or deepening economic recession could adversely affect the ability of some borrowers issuing such corporate bonds, senior loans and similar debt instruments to repay principal and pay interest on the instrument, increase the incidence of default and severely disrupt the market value of the securities and similar debt instruments.

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

Not applicable. See Note 3 to our unaudited consolidated financial statements contained in this quarterly report on Form 10-Q for a more detailed discussion of the terms of our share repurchase program and de minimis account liquidation.

Item 3. Defaults upon Senior Securities.

Not applicable.

Item 4. Mine Safety Disclosures.

Not applicable.

Item 5. Other Information.

Senior Secured Notes

On April 14, 2023, the Company delivered notice of its intention to redeem 100% of the principal amount of its outstanding Senior Secured Notes, plus any accrued but unpaid interest, on May 15, 2023.

Company Name and Investment Policy

Our board of trustees has approved changing the Company's name to FS Specialty Lending Fund and changing its non-fundamental investment policy to be to invest primarily in a portfolio of secured and unsecured floating and fixed rate loans, bonds and other types of credit instruments, which, under normal circumstances, will represent at least 80% of the Fund's total assets, rather than to invest at least 80% of its total assets in securities of Energy companies. We believe this new diversified credit investment policy will help maximize the Company's long-term liquidity options and reduce the volatility associated with a single sector-focused investment policy. To demonstrate a meaningful and tangible step towards providing shareholders with liquidity, we expect to provide quarterly distributions to shareholders commencing in the third quarter of 2023 at an annualized distribution rate of approximately 7.5% based on the Company's net asset value at the time of declaration and increasing in subsequent years until the achievement of a long-term liquidity event, subject to a maximum cap of 15% of the Company's then-current net asset value beyond 2026. FS/EIG Advisor will continue to manage the Company under the new investment policy and is expected to supplement its investment management resources with existing resources at FS Investments, one of FS/EIG Advisor's joint venture partners. There will be no changes to the Company's Investment Advisory and Administrative Services Agreement, dated April 9, 2018, between the Company and FS/EIG Advisor.

The effective date of the new investment policy will be 60 days after we send to our shareholders a regulatory notice regarding the change. We expect to send this regulatory notice prior to the end of the second quarter. In the meantime, management intends to begin transitioning the Company's portfolio holdings away from investments in the Energy sector, while remaining in compliance with the Company's current policy. Like the current investment policy, the new investment policy may not be changed without at least 60 days' prior notice to holders of the Company's common shares of any such change.

In light of the changes discussed above, the Company is amending the section titled "Risks Related to Our Investments" in Item 1A of its most recent Annual Report on Form 10-K. See Item 1A (Risk Factors) of this quarterly report on Form 10-Q for additional information on the amended risk factors.

Item 6.

Exhibits.

3.1	Third Amended and Restated Declaration of Trust of FS Energy and Power Fund. *(Incorporated by reference to Exhibit 3.1 to FS Energy and Power Fund's Quarterly Report on Form 10-Q filed on August 10, 2017.)*
3.2	Amendment No. 1 to the Third Amended and Restated Declaration of Trust of FS Energy and Power Fund. *(Incorporated by reference to Exhibit 3.2 to FS Energy and Power Fund's Quarterly Report on Form 10-Q filed on August 10, 2017.)*
3.3	Second Amended and Restated Bylaws of FS Energy and Power Fund. *(Incorporated by reference to Exhibit 3.1 to FS Energy and Power Fund's Current Report on Form 8-K filed on June 1, 2017.)*
4.1	Second Amended and Restated Distribution Reinvestment Plan of FS Energy and Power Fund. *(Incorporated by reference to Exhibit 4.1 to FS Energy and Power Fund's Current Report on Form 8-K filed on October 17, 2016.)*
4.2	Indenture, dated August 16, 2018, by and between FS Energy and Power Fund, U.S. Bank National Association, as trustee, and the guarantors named therein. *(Incorporated by reference to Exhibit 4.1 to FS Energy and Power Fund's Current Report on Form 8-K filed on August 22, 2018.)*
4.3	Form of 7.500% Senior Secured Notes due 2023 (included as Exhibit A to Exhibit 4.1 hereto) *(Incorporated by reference to Exhibit 4.1 to FS Energy and Power Fund's Current Report on Form 8-K filed on August 22, 2018.)*
10.1	Investment Advisory and Administrative Services Agreement, dated as of April 9, 2018, by and between FS Energy and Power Fund and FS/EIG Advisor, LLC. *(Incorporated by reference to Exhibit 10.1 to FS Energy and Power Fund's Current Report on Form 8-K filed on April 9, 2018.)*
10.2	Custodian Agreement, dated as of November 14, 2011, by and between State Street Bank and Trust Company and FS Energy and Power Fund. *(Incorporated by reference to Exhibit 10.6 to FS Energy and Power Fund's Quarterly Report on Form 10-Q filed on November 14, 2011.)*
10.3	Guarantee and Security Agreement, dated August 16, 2018, made by FS Energy and Power Fund and certain of FS Energy and Power Fund's subsidiaries in favor of JPMorgan Chase Bank, N.A. as collateral agent. *(Incorporated by reference to Exhibit 10.2 to FS Energy and Power Fund's Current Report on Form 8-K filed on August 22, 2018.)*
10.4	Collateral Agency and Intercreditor Agreement, dated August 16, 2018, by and among FS Energy and Power Fund, FS Energy and Power Fund's subsidiaries parties thereto, JPMorgan Chase Bank, N.A., as the initial credit facility representative, U.S. Bank National Association as the initial secured notes representative and JPMorgan Chase Bank, N.A., as collateral agent. *(Incorporated by reference to Exhibit 10.3 to FS Energy and Power Fund's Current Report on Form 8-K filed on August 22, 2018.)*
31.1*	Certification of Chief Executive Officer pursuant to Rule 13a-14 under the Securities Exchange Act of 1934, as amended.
31.2*	Certification of Chief Financial Officer pursuant to Rule 13a-14 under the Securities Exchange Act of 1934, as amended.
32.1*	Certification of Chief Executive Officer and Chief Financial Officer pursuant to Section 1350, Chapter 63 of Title 18, United States Code, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
101.INS*	Inline XBRL Instance Document
101.SCH*	Inline XBRL Taxonomy Extension Schema Document
101.CAL*	Inline XBRL Taxonomy Extension Calculation Linkbase Document
101.DEF*	Inline XBRL Taxonomy Extension Definition Linkbase Document
101.LAB*	Inline XBRL Taxonomy Extension Label Linkbase Document
101.PRE*	Inline XBRL Taxonomy Extension Presentation Linkbase Document
104	Cover Page Interactive Data File (embedded within the Inline XBRL document)

* Filed herewith.

SIGNATURES

Pursuant to the requirements 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 on May 15, 2023.

FS Energy and Power Fund

By: /s/ MICHAEL C. FORMAN

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

By: /s/ EDWARD T. GALLIVAN, JR.

Edward T. Gallivan, Jr.
Chief Financial Officer
(Principal Financial and Accounting Officer)

Exhibit 31.1

CERTIFICATION

I, Michael C. Forman, certify that:

1. I have reviewed this quarterly report on Form 10-Q of FS Energy and Power Fund;

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

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

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

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

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

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

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

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

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

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

Date: May 15, 2023

/s/ MICHAEL C. FORMAN

Michael C. Forman
Chief Executive Officer

Exhibit 31.2

CERTIFICATION

I, Edward T. Gallivan, Jr. certify that:

1. I have reviewed this quarterly report on Form 10-Q of FS Energy and Power Fund;

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

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

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

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

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

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

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

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

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

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

Date: May 15, 2023

/s/ EDWARD T. GALLIVAN, JR.

Edward T. Gallivan, Jr.
Chief Financial Officer

Exhibit 32.1

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

In connection with the Quarterly Report on Form 10-Q of FS Energy and Power Fund (the "Company") for the three months ended March 31, 2023, as filed with the Securities and Exchange Commission on the date hereof (the "Form 10-Q"), Michael C. Forman, as Chief Executive Officer of the Company, and Edward T. Gallivan, Jr., as Chief Financial Officer of the Company, each hereby certifies, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that, to my knowledge:

- the Form 10-Q of the Company fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934 (15 U.S.C. 78m or 78o(d)); and

- the information contained in the Form 10-Q fairly presents, in all material respects, the financial condition and results of operations of the Company.

Dated: May 15, 2023

/s/ MICHAEL C. FORMAN

Michael C. Forman
Chief Executive Officer

/s/ EDWARD T. GALLIVAN, JR.

Edward T. Gallivan, Jr.
Chief Financial Officer