

FSIC II Advisor, LLC

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As of January 25, 2012

This brochure provides information about the qualifications and business practices of FSIC II Advisor, LLC (“**FSICA**” or the “**Adviser**”). If you have any questions about the contents of this brochure, please contact us at (215) 495-1150. The information contained in this brochure has not been approved or verified by the United States Securities and Exchange Commission (“**SEC**”) or by any state securities authority.

FSICA is an investment adviser registered with the SEC. Please note that registration does not imply a certain level of skill or training.

Additional information about FSICA is also available on the SEC’s website at www.adviserinfo.sec.gov.

ITEM 2 – Material Changes

On July 28, 2010, the SEC published “Amendments to Form ADV” addressing the information to be included in the brochure disclosure document (the “**Brochure**”) that FSICA provides to clients as required by the rules promulgated by the SEC under the Investment Advisers Act of 1940, as amended (the “**Advisers Act**”). This is FSICA’s initial Brochure and is dated January 25, 2012.

Pursuant to SEC rules, we will ensure that you receive a summary of any material changes to this and subsequent Brochures within 120 days of the close of the Adviser’s year end. FSICA may further provide other ongoing disclosure information about material changes as necessary. This information will be provided at no charge.

Currently, FSICA’s Brochure may be requested by contacting Adrienne Hart, Chief Compliance Officer, at (215) 495-1172 or Adrienne.hart@franklinsquare.com.

Additional information about FSICA will also be available via the SEC’s website at www.adviserinfo.sec.gov. The SEC’s website also will provide information about any persons affiliated with FSICA who are registered, or are required to be registered, as investment adviser representatives of FSICA.

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ITEM 4 – Advisory Business

FSICA was formed in November 2011 for the purpose of providing investment advisory services to business development companies and other investment funds. At present, the Adviser has a single client, FS Investment Corporation II (the “**Company**”), a non-diversified, closed-end management investment company that intends to elect to be regulated as a business development company (“**BDC**”) under the Investment Company Act of 1940, as amended (the “**1940 Act**”). The Adviser may, subject to any limitations described in the investment advisory and administrative services agreement between the Adviser and the Company, advise other BDCs or investment companies, private investment funds, institutional investors or other persons or entities (collectively, the “**Clients**”), at which time the Adviser will make any necessary amendments to this document.

The Adviser will be responsible for identifying potential investments for its Clients. The Adviser will evaluate such investments and their appropriateness based on the investment objectives and policies of its Clients, as adopted by their boards of directors or other governing bodies. If the Adviser determines that such investments are appropriate, and the Adviser’s investment committee unanimously approves such investment, the Adviser will effectuate the investments on behalf of its Clients. The Adviser has the discretion, without limitation, to determine the broker-dealer used in effecting any investment and commissions to be paid. While brokerage commissions will not generally be implicated, in determining the appropriate level of commissions, the Adviser may consider the level of products, research and services to be obtained.

The Adviser will close, monitor and continually service any investments made. Using a security analysis methodology that includes a combination of fundamental and cyclical analysis with a consideration of a potential investment’s credit rating, the Adviser will determine what securities are appropriate for purchase, sale or retention by its Clients.

The Adviser will provide investment supervisory services to its Clients pursuant to an investment advisory and administrative services agreement. Any such agreement will automatically terminate in the event of its assignment. The investment advisory and administrative services agreement between the Adviser and the Company provides for its termination without penalty a) by the Company upon 60 days’ written notice to the Adviser, (i) upon the vote of a majority of the outstanding voting securities of the Company, or (ii) by the vote of the Company’s independent directors, or (b) by the Adviser upon 120 days’ written notice to the Company.

The Adviser will focus its business on the provision of advice related to corporate loans, corporate debt securities and collateralized loan and debt obligations (“**CLOs**” and “**CDOs**”, respectively). However, it may offer advice on a broad range of securities, including equity securities that may be exchange-listed, traded over-the-counter or issued by foreign entities, warrants, commercial paper, certificates of deposit, mutual fund shares, U.S. government securities, options contracts on securities, interests in partnerships investing in real estate, oil and gas interests and commodities.

As of December 31, 2011, the Adviser had \$200,000 under management for its Clients, which funds were received through a contribution of capital from Michael C. Forman and David J. Adelman to the Company.

The Adviser is owned by three entities and certain individuals as follows: Franklin Square Holdings, L.P., an entity controlled by Messrs. Michael C. Forman and David J. Adelman, owns 87.5%; FB Capital Partners, L.P., an entity owned and controlled by Michael C. Forman, owns 5.0%; Gerald F. Stahlecker owns 2.5%; Darco Capital, L.P., an entity owned and controlled by David J. Adelman, owns 1.67%; Ryan D. Conley owns 1.67% and Jeff S. Rosenblum owns 1.67%.

ITEM 5 – Fees and Compensation

The Adviser has no set policy regarding calculating fees for its services and it will determine such fees on a client-by-client basis, as negotiated with each Client.

The Adviser deducts fees from the Company's assets, and would deduct fees from the assets of any future Clients. With respect to the Company, the Adviser receives a base management fee and a two part incentive fee. The base management fee is calculated at an annual rate of 2.0% of the Company's average gross assets. The base management fee is payable quarterly in arrears, and is calculated based on the average value of the Company's gross assets at the end of the two most recently completed calendar quarters. The base management fee may or may not be taken in whole or in part at the discretion of the Adviser. All or any part of the base management fee not taken as to any quarter will be deferred without interest and may be taken in such other quarter as the Adviser may determine. The base management fee for any partial month or quarter will be appropriately pro rated.

The incentive fee has two parts. The first part, which is referred to as the "Subordinated Incentive Fee on Income," will be calculated and payable quarterly in arrears based upon the Company's "Pre-Incentive Fee Net Investment Income" for the immediately preceding quarter. The Subordinated Incentive Fee on Income will be subject to a quarterly hurdle rate, expressed as a rate of return on adjusted capital at the beginning of the most recently completed calendar quarter, of 1.875% (7.5% annualized), subject to a "catch up" feature (as described below).

For this purpose, Pre-Incentive Fee Net Investment Income means interest income, dividend income and any other income (including any other fees, other than fees for providing managerial assistance, such as commitment, origination, structuring, diligence and consulting fees or other fees that the Company receives from portfolio companies) accrued during the calendar quarter, minus the Company's operating expenses for the quarter (including the base management fee, expenses reimbursed to the Adviser under the investment advisory and administrative services agreement and any interest expense and dividends paid on any issued and outstanding preferred stock, but excluding the incentive fee). Pre-Incentive Fee Net Investment Income includes, in the

case of investments with a deferred interest feature (such as original issue discount, debt instruments with payment-in-kind interest and zero coupon securities), accrued income that the Company has not yet received in cash. Pre-Incentive Fee Net Investment Income does not include any realized capital gains, realized capital losses or unrealized capital appreciation or depreciation.

The calculation of the Subordinated Incentive Fee on Income for each quarter is as follows:

- No incentive fee will be payable to the Adviser in any calendar quarter in which the Company's Pre-Incentive Fee Net Investment Income does not exceed the hurdle rate of 1.875% (the "Hurdle Rate").
- 100% of the Company's Pre-Incentive Fee Net Investment Income, if any, that exceeds the Hurdle Rate but is less than or equal to 2.34375% in any calendar quarter (9.375% annualized) is payable to the Adviser. This portion of the Company's Pre-Incentive Fee Net Investment Income (which exceeds the Hurdle Rate but is less than or equal to 2.34375%) is referred to as the "catch-up." The "catch-up" provision is intended to provide the Adviser with an incentive fee of 20.0% on all of the Company's Pre-Incentive Fee Net Investment Income when the Company's Pre-Incentive Fee Net Investment Income reaches 2.34375% in any calendar quarter; and
- 20.0% of the amount of the Company's Pre-Incentive Fee Net Investment Income, if any, that exceeds 2.34375% in any calendar quarter (9.375% annualized) is payable to the Adviser once the Hurdle Rate is reached and the "catch-up" is achieved (20.0% of all Pre-Incentive Fee Net Investment Income thereafter is allocated to the Adviser).

The second part of the incentive fee, referred to as the "Incentive Fee on Capital Gains," will be an incentive fee on capital gains earned on liquidated investments from the portfolio and will be determined and payable in arrears as of the end of each calendar year (or upon termination of the investment advisory and administrative services agreement). This fee will equal 20.0% of the Company's "Incentive Fee Capital Gains," which will equal the Company's realized capital gains on a cumulative basis from inception, calculated as of the end of the applicable period, computed net of all realized capital losses and unrealized capital depreciation on a cumulative basis, less the aggregate amount of any previously paid capital gains incentive fees.

As the Adviser establishes other relationships it may arrange to receive fixed fees or fees paid on some other negotiated basis.

ITEM 6 – Performance-Based Fees and Side-by-Side Management

As noted above in Item 5, the Adviser receives performance-based fees.

ITEM 7 – Types of Clients

The Adviser will provide investment advice to the Company. As discussed in Item 4, the Adviser may, subject to any limitations described in the investment advisory and administrative services agreement between the Adviser and the Company, advise other BDCs or investment companies, private investment funds, institutional investors or other persons or entities.

ITEM 8 – Methods of Analysis, Investment Strategies and Risk of Loss

The Adviser will be responsible for identifying potential investments for its Clients. The Adviser will evaluate such investments and their appropriateness based on the investment objective and policies of the Clients, as adopted by the Clients' boards of directors or other oversight bodies. If the Adviser determines that such investments are appropriate and the Adviser's investment committee unanimously approves such investment, the Adviser effectuates investments on behalf of the Clients. The Adviser has the discretion, without limitation, to determine the broker-dealer used in effecting any investment and the commissions to be paid. While brokerage commissions will not generally be implicated, in determining the appropriate level of commissions, the Adviser may consider the level of products, research and services to be obtained.

The Adviser will close, monitor and continually service any investments made. Using a security analysis methodology that includes a combination of fundamental and cyclical analysis with a consideration of a potential investment's credit rating, the Adviser will determine what securities are appropriate for purchase, sale or retention by its Clients. Relying on financial newspapers, magazines and trade journals, inspections of corporate activities, research material, annual reports and other filings with the SEC, company press releases and detailed management interviews, corporate rating services and other third-party data collection (including the possibility that the Adviser will hire a professional expert to investigate a potential investment), the Adviser will principally offer advice on investing in corporate loans, corporate debt securities, CLOs and CDOs. However, it may offer advice on a broad range of securities, including equity securities, warrants, commercial paper, certificates of deposit, mutual fund shares, U.S. government securities, options contracts on securities, interests in partnerships, oil and gas interests and commodities. In addition, the Adviser may offer advice on the investment in other BDC securities and structured securities. The Adviser intends to utilize investment strategies, including leverage, and both long and short-term purchases.

Investing in securities involves a risk of loss that Clients must be prepared to bear. Investments of the type that the Adviser intends to recommend will be subject to financial market risks, including changes in interest rates, which may have a substantial negative impact on the value of Clients' investments. In addition, since the Adviser will primarily recommend investments in senior secured loans, second lien secured loans

and, to a lesser extent, subordinated loans and selected equity investments issued by private U.S. companies, including small and middle market companies, such investments will be subject to specific risks relating to the type of security held, the issuer of such security, and various other risks. For senior secured loans and second lien secured loans, the collateral securing these investments may decrease in value or lose its entire value over time or may fluctuate based on the performance of the portfolio company which may lead to a loss in principal. Subordinated loans are typically unsecured and this may involve a heightened level of risk, including a loss of principal or the loss of the entire investment. Further, securities recommended by the Adviser may have limited or no liquidity.

ITEM 9 – Disciplinary Information

The Adviser has not been involved in any disciplinary actions or legal or administrative proceedings related to its business activities.

ITEM 10 – Other Financial Industry Activities and Affiliations

The Adviser is affiliated with FS² Capital Partners, LLC (“FS²”), a broker-dealer registered with the SEC and the Financial Industry Regulatory Authority, Inc. (“FINRA”). FS² acts as the dealer manager for the distribution of the shares of common stock of the Company and is a wholly-owned subsidiary of Franklin Square Holdings, L.P. Franklin Square Holdings, G.P., LLC is the general partner of Franklin Square Holdings, L.P. and is owned and controlled by Messrs. Forman and Adelman.

The Adviser is also affiliated with: (i) FS Investment Advisor, LLC, a registered investment adviser under the Advisers Act, which provides advisory services to FS Energy and Power Fund (“FSEP”), a non-diversified, closed-end management investment company that has elected to be regulated as a BDC under the 1940 Act; and (ii) FB Income Advisor, LLC, a registered investment adviser under the Advisers Act, which provides advisory services to FS Investment Corporation (“FSIC”), a non-diversified, closed-end management investment company that has elected to be regulated as a BDC under the 1940 Act. FS² acts as the dealer manager for the distribution of the shares of FSEP and FSIC.

From time to time, the Adviser may enter into sub-advisory arrangements with registered investment advisers that possess skills that the Adviser believes will aid it in achieving its Clients’ investment objectives. Currently, the Adviser has engaged GSO / Blackstone Debt Funds Management LLC (“GDFM”) to act as its investment sub-adviser with respect to the Company. GDFM will assist the Adviser in identifying investment opportunities for the Company and will make recommendations on specific investments that are subject to approval by the Adviser, according to asset allocation and other guidelines set by the Adviser. GDFM is a registered investment adviser under

the Advisers Act and is a subsidiary of GSO Capital Partners LP, which is the credit platform of The Blackstone Group L.P.

Conflicts of interest with the Adviser's current Client, the Company, related to these relationships include the following:

- The directors, officers and other personnel of the Adviser allocate their time between advising the Company and managing other investment activities and business activities in which they may be involved, including managing and operating FSIC and FSEP;
- The personnel of GDFM allocate their time between assisting the Adviser in identifying investment opportunities and making investment recommendations and performing similar functions for other business activities in which they may be involved;
- The Company may compete with certain affiliates for investments, including FSIC and FSEP, subjecting the Adviser and its affiliates to certain conflicts of interest in evaluating the suitability of investment opportunities and making or recommending acquisitions on the Company's behalf;
- Because the dealer manager, FS², is an affiliate of the Adviser, its due diligence review and investigation of the Company and the Adviser cannot be considered to be an independent review;
- The Company may compete with other funds managed by affiliates of GDFM for investment opportunities, subjecting GDFM and its affiliates to certain conflicts of interest in evaluating the suitability of investment opportunities and making or recommending acquisitions to the Adviser;
- The Adviser, GDFM and their respective affiliates may give advice and recommend securities to other Clients which may differ from advice given to, or securities recommended or bought for, the Company, even though their investment objectives may be similar to the Company's;
- The Adviser, GDFM and their respective affiliates are not restricted from forming additional investment funds, from entering into other investment advisory relationships or from engaging in other business activities, even though such activities may compete with the Company and/or may involve substantial time and resources of the Adviser and GDFM. Affiliates of GDFM, whose primary business includes the origination of investments, engage in investment advisory business with accounts that compete with the Company. Affiliates of GDFM have no obligation to make their originated investment opportunities available to the Company; and

- To the extent permitted by the 1940 Act and SEC staff interpretations, the Adviser may determine it appropriate for the Company and one or more other investment accounts managed by the Adviser, GDFM or any of their respective affiliates to participate in an investment opportunity. The Company is seeking exemptive relief from the SEC to engage in co-investment opportunities with the Adviser, GDFM and/or their respective affiliates. These co-investment opportunities may give rise to conflicts of interest or perceived conflicts of interest among the Company and the other participating accounts.

To mitigate these conflicts, the Adviser and/or GDFM will seek to execute such transactions for all of the participating investment accounts, including the Company, on a fair and equitable basis and in accordance with their respective allocation policies, taking into account such factors as the relative amounts of capital available for new investments and the investment programs and portfolio positions of the Company, the Clients for which participation is appropriate and any other factors deemed appropriate. Further, as discussed above, the Adviser, its personnel, and certain affiliates may experience conflicts of interest in allocating management time, services, and functions among the Company and any other business ventures in which they or any of their key personnel, as applicable, are or may become involved. This could result in actions that are more favorable to other affiliated entities than to the Company. However, the Adviser believes that it and its affiliates have sufficient personnel to discharge fully their responsibilities to all activities in which they are involved.

ITEM 11 – Code of Ethics, Participation or Interest in Client Transactions and Personal Trading

The Adviser will adopt a code of ethics pursuant to Rule 204A-1 of the Advisers Act establishing procedures that govern the conduct and securities transactions of each of the Adviser's officers, employees and supervised persons. The "Code of Conduct, Ethics and Statement on the Prohibition of Insider Trading" (the "**Code**") will be designed to prevent violations of the fiduciary responsibilities owed by FSICA to its Clients. It will contain provisions relating to the confidentiality of firm information, a prohibition on insider trading, a discussion of media relations, a policy on gifts and personal securities trading procedures, among other things. All supervised persons of the Adviser will be required to acknowledge the terms of this document annually, or as amended.

The Code will be designed to assure that the personal securities transactions, activities and interests of the employees of the Adviser will not interfere with (i) making decisions in the best interest of advisory Clients and (ii) implementing such decisions while, at the same time, allowing employees to invest for their own accounts. Under the Code, transactions involving certain classes of securities will be designated as exempt transactions, based upon a determination that trading in these securities would not materially interfere with the best interests of FSICA's Clients. In addition, the Code will require pre-clearance of certain transactions. Employee trading will be monitored under

the Code to reasonably prevent conflicts of interest between the Adviser and its Clients. As a rule, the securities to be purchased for the Adviser's Clients are not available to a retail investor.

The Adviser's Clients or prospective Clients may request a copy of the Code by contacting the Chief Compliance Officer, FSIC II Advisor, LLC, Cira Centre, 2929 Arch Street, Suite 675, Philadelphia, Pennsylvania 19104.

As discussed in Item 10 above, conflicts of interest may arise from time to time as a result of the Adviser's relationships with affiliates. For more information on the conflicts that may arise and how they will be addressed, see Item 10.

ITEM 12 – Brokerage Practices

The products that the Adviser obtains for its Clients are, generally, acquired and disposed of in privately negotiated transactions effectuated through a dealer network in which the dealer acts as principal and does not charge explicit commissions. As a result, the Adviser has not entered into any soft dollar arrangements. When appropriate, the Adviser is primarily responsible for the execution of the publicly traded securities portion of the Company's portfolio transactions and the allocation of brokerage commissions. The Adviser does not execute transactions through any particular broker or dealer, but seeks to obtain the best net results for its Clients, taking into account such factors as price (including the applicable brokerage commission or dealer spread), size of order, difficulty of execution and operational facilities of the firm and the firm's risk and skill in positioning blocks of securities. While the Adviser will generally seek reasonably competitive trading execution costs, the Adviser's Clients will not necessarily pay the lowest spread or commission available. Subject to applicable legal requirements, the Adviser may select a broker based partly upon brokerage or research services provided to the Adviser or any of its Clients. If the Adviser uses brokerage commission to obtain research or other products or services, the Adviser will receive a benefit because it will not have to produce or pay for the research, products or services. As a result, the Adviser may have an incentive to select or recommend a broker-dealer based on its interest in receiving the research or other products or services, rather than on its Clients' interest in receiving most favorable execution. In return for such services, Clients may pay higher commissions than other broker-dealers would charge if the Adviser determines in good faith that such commission is reasonable in relation to the services provided.

ITEM 13 – Review of Accounts

The Adviser will manage active portfolios for its Clients. These portfolios will be reviewed daily by the Adviser. The supervised persons who conduct the review will be Michael C. Forman, Gerald F. Stahlecker, David J. Adelman and Ryan D. Conley. In addition, with respect to the Company's portfolio, the assets will be valued and reviewed

on a quarterly basis by the Company's Board of Directors based on the recommendation of its Valuation Committee. Under the 1940 Act, the Company will be required to carry any portfolio assets at market value or, if there is no readily available market value, at fair value as determined in good faith by the Company's Board of Directors. Given the current focus of the Company, the majority of the investments the Adviser expects to recommend will not be publicly traded but will be, instead, traded on a privately negotiated over-the-counter secondary market for institutional investors. As a result, these assets will be held at fair value as recommended by the Valuation Committee and approved by the Board of Directors.

Certain factors that may be considered in determining the fair value of the Adviser's investments for its Clients include dealer quotes for securities traded on the secondary market for institutional investors, the nature and realizable value of any collateral, the portfolio company's earnings and its ability to make payments on its indebtedness, the markets in which the portfolio company does business, comparison to publicly-traded companies, discounted cash flow analysis and other relevant factors. Because such valuations, and particularly valuations of private securities and private companies, are inherently uncertain, may fluctuate over short periods of time and may be based on estimates, the Adviser's determination of fair value may differ materially from the values that would have been used if a ready market for these investments existed. The Company's Board of Directors will receive weekly, monthly and quarterly reporting about its portfolio.

ITEM 14 – Client Referrals and Other Compensation

FSICA does not retain consultants or other parties to solicit Clients on its behalf.

ITEM 15 - Custody

The Adviser does not custody assets and requires its Clients to provide their own qualified custodian.

ITEM 16 – Investment Discretion

The Adviser has full discretion to invest on behalf of its Clients.

ITEM 17 – Voting Client Securities

At the present, the Adviser is not recommending investments in equity securities. Should this change, FSICA recognizes that, as an investment advisor registered under the Advisers Act, the Adviser has a fiduciary duty to act solely in the best interests of its Clients. As part of this duty, the Adviser will adopt proxy voting policies and procedures.

The Adviser recognizes that it must vote Client securities in a timely manner free of conflicts of interest and in the best interests of its Clients.

Under the policies and procedures, FSICA will vote proxies related to portfolio securities in the best interest of its Client's stockholders. The Adviser will review, on a case-by-case basis, each proposal submitted for a stockholder vote to determine its impact on the portfolio securities held by the Adviser's Clients. Although the Adviser will generally vote against those proposals that would have a negative impact on its Client's portfolio securities, the Adviser may vote for such a proposal if there exists compelling long-term reasons to do so.

The Adviser's proxy voting decisions are made by the senior officers who are responsible for monitoring each of the investments held by its Clients. To ensure that its vote is not a product of a conflict of interest, the Adviser requires that: (i) anyone involved in the decision-making process disclose to the Adviser's Chief Compliance Officer any potential conflict that he or she is aware of and any contact that he or she has had with any interested party regarding a proxy vote; and (ii) employees involved in the decision-making process or vote administration are prohibited from revealing how the Adviser intends to vote on a proposal in order to reduce any attempted influence from interested parties.

Additional information about how the Adviser votes any proxies can be obtained by making a written request for proxy voting information to: Chief Compliance Officer, FSIC II Advisor, LLC, Cira Centre, 2929 Arch Street, Suite 675, Philadelphia, Pennsylvania 19104.

ITEM 18 – Financial Information

FSICA has no financial commitment that impairs its ability to meet contractual and fiduciary commitments to its Clients, and has not been the subject of a bankruptcy proceeding.

ITEM 19 – Requirements for State-Registered Advisers

Not applicable.