

## **FB Income Advisor, LLC**

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This brochure provides information about the qualifications and business practices of FB Income Advisor, LLC (“**FBIA**” 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.

FBIA 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 FBIA is also available on the SEC’s website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).

## ITEM 2 – Material Changes

On July 28, 2010, the SEC published “Amendments to Form ADV” addressing the information required to be included in the brochure disclosure document (the “**Brochure**”) that FBIA 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 Brochure, dated March 27, 2015 updates the Brochure dated as of March 31, 2014.

Item 5, Fees and Compensation, has been updated to show the fees paid to Adviser by Company (as defined herein). The fee changes are a result of The Company, listing shares on the New York Stock Exchange on April 16, 2014. Among the changes is the elimination of the previously disclosed subordinated liquidation incentive fee and a reduction to the previously disclosed base management fee (as defined herein).

Currently, FBIA’s Brochure may be requested by contacting Michelle Logue, Chief Compliance Officer, at (215) 495-1172 or [michelle.logue@franklinsquare.com](mailto:michelle.logue@franklinsquare.com).

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#### ITEM 4 – Advisory Business

FBIA was formed in October 2007 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 (the “**Company**”), a non-diversified, closed-end management investment company that has elected 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 with the Company, the “**Clients**”), at which time the Adviser will make any necessary amendments to this Brochure.

The Adviser is responsible for identifying potential investments for its Clients. The Adviser evaluates 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 certain investments are appropriate, and the Adviser's investment committee unanimously approves such investments, the Adviser will effectuate the investments on behalf of its respective Clients. The Adviser also 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 then closes, monitors and continually services any investments made. Using a security analysis methodology that includes a combination of fundamental and cyclical analysis with a consideration of, among other things, a potential investment's credit rating, if applicable, the Adviser will determine what securities are appropriate for purchase, sale or retention by its Clients.

From time to time, the Adviser may enter into sub-advisory arrangements with registered investment advisers (each, a “**Sub-Adviser**”) that possess skills that the Adviser believes will aid it in achieving its Clients' investment objectives. Any such Sub-Adviser may, among other things, assist the Adviser in identifying investment opportunities and making investment recommendations to the Adviser. The Adviser will be responsible for compensating any such Sub-Adviser.

The Adviser provides investment supervisory services to its Client pursuant to an investment advisory agreement. The investment advisory agreement will automatically terminate in the event of its assignment. The investment advisory agreement between the Adviser and the Company provides for its termination without penalty upon 60 days' written notice (a) by the vote of a majority of the outstanding voting securities of the Company, (b) by the vote of the Company's board of directors, or (c) by the Adviser.

To date, the Adviser has focused 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 also offer advice to the Company and other Clients on a broad range of securities, including equity securities that may be exchange-listed, traded over-the-counter or issued by foreign entities, warrants, derivatives, structured products, commercial paper, certificates of deposit, convertible debt securities, mutual fund shares, U.S. government securities, option contracts on securities, interests in partnerships investing in real estate, oil and gas interests and commodities.

As of December 31, 2014, the Adviser managed approximately \$4.4 billion in Client assets, which the Adviser manages on a discretionary basis.

The principal owner of the Adviser is FB Capital Partners, L.P., an entity owned and controlled by Michael C. Forman.

#### 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 currently is entitled to a base management fee and a two-part incentive fee. The base management fee is calculated at an annual rate of 1.75% of the average value of the Company’s 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 prorated.

The incentive fee has two parts. The first part of the incentive fee, which is referred to as the “Subordinated Incentive Fee on Income,” is calculated and payable quarterly in arrears, and equals 20% of the Company’s “Pre-Incentive Fee Net Investment Income” for the immediately preceding quarter. The Subordinated Incentive Fee on Income is subject to a quarterly hurdle rate, expressed as a rate of return on the value of the Company’s net assets 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). The Subordinated Incentive Fee on Income is also subject to the three-year total return requirement (also known as a high-water mark), which is further 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 payable to the Adviser under the administrative services agreement described below 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 paid-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 Subordinated Incentive Fee on Income is 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% (7.5% annualized) on the Company's net assets (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 Subordinated Incentive Fee on Income is referred to as the "catch-up" and 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% (9.375% annualized) on net assets in any calendar quarter.
- For any quarter in which the Company's Pre-Incentive Fee Net Investment Income exceeds 2.34375% (9.375% annualized) on net assets, the Subordinated Incentive Fee on Income will equal 20.0% of the amount of the Company's Pre-Incentive Fee Net Investment Income, as the hurdle rate and catch-up will have been achieved.

In addition, the Subordinated Incentive Fee on Income is subject to a total return requirement which provides that no Subordinated Incentive Fee on Income will be payable except to the extent that 20.0% of the cumulative net increase in net assets resulting from operations over the then-current and eleven preceding calendar quarters exceeds the cumulative incentive fees accrued and/or paid for the eleven preceding calendar quarters. Accordingly, any Subordinated Incentive Fee on Income that is payable in a calendar quarter will be limited to the lesser of (i) 20.0% of the amount by which the Company's Pre-Incentive Fee Net Investment Income for such calendar quarter exceeds the 1.875% hurdle, subject to the "catch up" provision, and (ii) (x) 20.0% of the cumulative net increase in net assets resulting from operations for the then-current and eleven preceding calendar quarters *minus* (y) the cumulative incentive fees accrued and/or paid for the eleven preceding calendar quarters. For the foregoing purpose, the "cumulative net increase in net assets resulting from operations" is an

amount, if positive, equal to the sum of Pre-Incentive Fee Net Investment Income, base management fees, realized gains and losses and unrealized appreciation and depreciation of the Company for the calendar quarter for which such fees are being calculated and the eleven preceding calendar quarters. There is no accumulation of amounts on the hurdle rate from quarter to quarter and, accordingly, there is no clawback of amounts previously paid if subsequent quarters are below the quarterly hurdle rate and there is no delay of payment if prior quarters are below the quarterly hurdle rate.

The second part of the incentive fee, referred to as the “Incentive Fee on Capital Gains,” is determined and payable in arrears as of the end of each calendar year (or upon termination of the investment advisory agreement). This fee equals 20.0% of the Company’s “Incentive Fee Capital Gains,” which equal the Company’s realized capital gains on a cumulative basis from inception, calculated as of the end of each calendar year, computed net of all realized capital losses and unrealized capital depreciation on a cumulative basis, less the aggregate amount of any previously paid capital gains incentive fees.

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

While brokerage commissions will not generally be payable by the Adviser, see Item 12 for information regarding certain trading execution costs that may be incurred by Clients of the Adviser.

Pursuant to an administration agreement, the Company reimburses the Adviser for expenses necessary to perform services related to the Company’s administration and operations, including the Adviser’s allocable portion of the compensation and related expenses of certain personnel of Franklin Square Holdings, L.P. (the Company’s sponsor) providing administrative expenses to the Company on behalf of the Adviser. The Company reimburses the Adviser no less than quarterly for all costs and expenses incurred by the Adviser in performing its obligations and providing personnel and facilities under the administration agreement. The Adviser allocates the cost of such services to the Company based on factors such as total assets, revenues, time allocations and/or other reasonable metrics. The Company’s board of directors reviews the methodology employed in determining how the expenses are allocated to the Company and the proposed allocation of administrative expenses among the Company and certain affiliates of the Adviser. The Company’s board of directors then 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 service providers known to be available. In addition, the Company’s board of directors 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 directors compares the total amount paid to the Adviser for such services as a percentage of the Company’s

net assets to the same ratio as reported by other comparable business development companies.

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

As noted above in Item 5, the Adviser expects to receive performance-based fees. See also Item 10 below for information regarding certain potential conflicts of interest relating to the Adviser's current client, the Company, and how such potential conflicts are mitigated.

#### ITEM 7 – Types of Clients

The Adviser provides 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 is responsible for evaluating potential investments for its Clients, including the Company. Any Sub-Adviser engaged by the Adviser may, among other things, assist the Adviser in identifying investment opportunities and make investment recommendations to the Adviser. The Adviser and any Sub-Adviser review such investments and their appropriateness based on the investment objectives and policies of the Clients, as adopted by the Clients' boards of directors or other oversight bodies. If the Adviser, together with any Sub-Adviser, determines that such investments are appropriate and the Adviser's investment committee unanimously approves such investment, the Adviser, with the assistance of any Sub-Adviser, will effectuate investments on behalf of the Clients. The Adviser delegates to the Sub-Adviser the discretion to determine the broker-dealer used in effecting any investment and the commissions to be paid.

The Adviser, with the assistance of any Sub-Adviser, closely monitors and continually services any investments made. Using a security analysis methodology that includes a combination of fundamental and cyclical analysis with a consideration of, among other things, a potential investment's credit rating, if applicable, the Adviser, with the assistance of any Sub-Adviser, determines what securities are appropriate for purchase, sale or retention by its Clients. Relying on proprietary due diligence efforts, 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, the Adviser, with the assistance of any Sub-Adviser, principally offers advice related to corporate loans, corporate debt securities, CLOs, and CDOs. However, the Adviser and any Sub-Adviser will also offer advice to the Company and



other Clients on a broad range of securities, including equity securities that may be exchange listed, traded over-the-counter or issued by foreign entities, warrants, derivatives, structured products, commercial paper, certificates of deposit, convertible debt securities, mutual fund shares, U.S. government securities, interests in partnerships investing in real estate, oil and gas interests and commodities. In addition, the Adviser and any Sub-Adviser may offer advice on the investment in other BDC securities. The Adviser utilizes various investment strategies, including, among others, leverage, both long and short-term purchases and hedging techniques when appropriate.

Investing in securities involves a risk of loss that Clients must be prepared to bear. Investments of the type that the Adviser recommends are 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 primarily recommends 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 middle market companies, such investments are subject to specific risks relating to the type of security held, the issuer of such security, and various other risks. For senior secured debt investments, 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 debt investments 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. The Adviser may also recommend that Clients borrow funds to make investments. As a result, such Clients would be exposed to the risks of borrowing, also known as leverage. Leverage increases the volatility of investments by magnifying the potential for gain and loss on amounts invested.

#### 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 FS<sup>2</sup> Capital Partners, LLC ("**FS<sup>2</sup>**"), a broker-dealer registered with the SEC and the Financial Industry Regulatory Authority, Inc. ("**FINRA**"). FS<sup>2</sup> acted as the dealer manager for the distribution of the shares of common stock of the Company prior to the closing of the Company's public offering in May 2012. FS<sup>2</sup> 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; (ii) FSIC II Advisor, LLC, a registered investment adviser under the Advisers Act, which provides advisory services to FS Investment Corporation II (“**FSIC II**”), a non-diversified, closed-end management investment company that has elected to be regulated as a BDC under the 1940 Act; (iii) FS Global Advisor, LLC, a registered investment adviser under the Advisers Act, which provides advisory services to FS Global Credit Opportunities Fund (“**FSGCO**”), a non-diversified, closed-end management investment company that is registered under the 1940 Act; (iv) FSIC III Advisor, LLC, a registered investment adviser under the Advisers Act, which provides advisory services to FS Investment Corporation III (“**FSIC III**”), a non-diversified, closed-end management investment company that has elected to be regulated as a BDC under the 1940 Act; and (v) FSEP II Advisor, LLC, a registered investment adviser under the Advisers Act. FS<sup>2</sup> acts as the dealer-manager for the distribution of the shares of FSEP, FS Global Credit Opportunities Fund—A, FS Global Credit Opportunities Fund—D and FSIC III and distributed the shares of FSIC II prior to the closing of its offering in March 2014.

The Adviser has engaged GSO / Blackstone Debt Funds Management LLC (“**GDFM**”) to act as its investment sub-adviser with respect to the Company. GDFM assists the Adviser in identifying investment opportunities for the Company and makes recommendations to the Adviser on specific investments that are subject to approval by the Adviser, according to guidelines set by the Adviser. GDFM is a registered investment adviser under the Advisers Act and is a subsidiary of GSO Capital Partners LP, 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 managers, 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 FSEP, FSIC II, FSGCO, FS Global Credit Opportunities Fund—A, FS Global Credit Opportunities Fund—D and FSIC III;
- The compensation payable by the Company to the Adviser and other affiliates will be approved by the Company’s board of directors consistent with the exercise of the requisite standard of care applicable to directors under Maryland law and the Company’s charter and bylaws. Such compensation is payable, in most cases, whether or not the Company’s stockholders receive distributions;
- Regardless of the quality of the assets acquired, the services provided to the Company or whether the Company makes distributions to its stockholders, the Adviser and GDFM will receive base management fees in connection with the

management of the Company's portfolio and may receive incentive fees in connection with the sale of the Company's portfolio investments;

- 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, including in connection with GDFM's role as sub-adviser to FSIC II and FSIC III;
- The Company may compete with certain of its affiliates for investments, including FSIC II, FSGCO, FSEP and FSIC III, 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;
- 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;
- From time to time, to the extent consistent with the 1940 Act and the rules and regulations promulgated thereunder, the Company and other Clients for which the Adviser or GDFM provide investment management services or carry on investment activities may make investments at different levels of an investment entity's capital structure or otherwise in different classes of an issuer's securities. These investments may give rise to inherent conflicts of interest or perceived conflicts of interest between or among the various classes of securities that may be held by the Company and such other Clients;
- 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;
- GDFM and its affiliates may have existing business relationships or access to material, non-public information that would prevent GDFM from recommending certain investment opportunities that would otherwise fit within the Company's investment objectives and strategies;
- 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, and subject to the allocation policies of the Adviser, GDFM and any of their respective affiliates, as applicable, the Adviser, GDFM and any of their respective affiliates may determine it is 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. In an order dated June 4, 2013, the SEC granted exemptive relief permitting the Company, subject to satisfaction of certain conditions, to co-invest in certain privately negotiated investment transactions with certain affiliates, including FSIC II, FSEP and FSIC III. Because the Company did not seek exemptive relief to engage in co-investment transactions with GDFM and its affiliates, the Company will continue to be permitted to co-invest with GDFM and its affiliates only in accordance with existing regulatory guidance. Any of 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, as applicable, 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. In addition, the Chief Compliance Officers of the Adviser and the Company periodically meet with personnel of GDFM, including its Chief Compliance Officer, to, among other things, review policies and procedures that are applicable to GDFM in its capacity as investment sub-adviser to the Company, and GDFM's compliance with such policies and procedures.

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 has adopted 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 Ethics" (the

“Code”) is designed to prevent violations of the fiduciary responsibilities owed by FBIA to its Clients, including the Company. It contains provisions relating to the confidentiality of firm information, a discussion of media relations, a policy on gifts and personal securities trading procedures, among other things. All supervised persons of the Adviser are required to acknowledge the terms of the Code annually and when it is amended. The Adviser also has a separate policy with respect to insider trading.

The Code is designed to ensure that the personal securities transactions, activities and interests of the officers, employees and supervised persons 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 have been designated as exempt transactions, based upon a determination that trading in these securities would not materially interfere with the best interests of FBIA’s Clients. In addition, the Code requires pre-clearance of certain transactions. Employee trading is monitored under the Code to reasonably prevent conflicts of interest between the Adviser and its Clients. Generally, the securities 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, FB Income Advisor, LLC, 201 Rouse Boulevard, Philadelphia, Pennsylvania 19112.

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

## ITEM 12 – Brokerage Practices

The assets 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 a Client’s portfolio transactions and the allocation of brokerage commissions. The Adviser discharges this responsibility through one or more Sub-Advisers.

Portfolio transactions processed by Sub-Adviser for Clients will be allocated to brokers and dealers on the basis of best execution (which may include, among other items, the consideration of such broker’s or dealer’s ability to effect transactions, its facilities and financial responsibility). The SEC generally describes “best execution” as a duty to execute securities transactions so that a Client’s total costs or proceeds in each transaction are the most favorable under the circumstances. The SEC also has stated that when seeking best execution the determinative factor is not the lowest possible cost, but whether the transaction represents the best qualitative execution.

Accordingly, a Sub-Adviser considers the full range and quality of a broker's services including, (i) for executing brokers: expertise and ability to perform execution services; ability to execute transactions in liquid markets at competitive prices without disrupting the market for a particular security; ability to execute transactions in illiquid markets at competitive prices without disrupting the market for a particular security; range of services provided and products offered (e.g., securities lending, margin lending, capital introduction, start-up services, reporting, research, valuation); quality and timeliness of market information provided; ability of broker to maintain confidentiality; credit worthiness and financial responsibility and (ii) for clearing brokers: operational expertise; ability to maintain confidentiality; credit worthiness; financial responsibility; fees; and commission rate or spread involved.

A Client's securities transactions can be expected to generate brokerage commissions and other compensation, all of which the Client, and not the Adviser, or Sub-Adviser, will be obligated to pay.

Sub-Adviser's brokers and other service providers also may be Clients or investors in the Company. As consideration for services provided, these brokers and other service providers will receive reasonable and customary fees or commissions. Notwithstanding the foregoing, the Sub-Adviser does not "pay up" for research or other services provided by any brokers through the commission rate (e.g., the Sub-Adviser does not use "soft dollars").

### ITEM 13 – Review of Accounts

The Adviser, with the assistance of any Sub-Adviser it may engage, manages active portfolios for its Clients. These portfolios are reviewed daily by the Adviser and Sub-Adviser to consider, among other things, their composition, performance and compliance with applicable legal requirements. The supervised persons who conduct the review are Michael C. Forman, Gerald F. Stahlecker, Sean Coleman and Zachary K. Klehr. These individuals are the Adviser's Chairman and Chief Executive Officer, Executive Vice President, Managing Director and Executive Vice President, respectively.

In addition, with respect to the Company's portfolio, the assets are 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 is 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, most of the investments the Adviser recommends are not publicly traded but are, instead, traded on a privately negotiated over-the-counter secondary market for institutional investors. As a result, these assets are held at fair

value as recommended by the Valuation Committee and approved by the Company's 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 Company'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 receives written weekly, monthly and quarterly reporting about its portfolio.

#### ITEM 14 – Client Referrals and Other Compensation

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

#### ITEM 15 - Custody

The Adviser does not custody assets and thus requires its Clients to appoint a qualified custodian(s).

#### ITEM 16 – Investment Discretion

The Adviser has full discretion to invest on behalf of its Clients. The Adviser will evaluate all investments and their appropriateness based on the investment objectives and policies of its Clients.

#### ITEM 17 – Voting Client Securities

The Adviser may recommend investments in equity securities. FBIA recognizes that, as an investment adviser 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 has adopted 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 proxy voting policies and procedures, the Adviser 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, FB Income Advisor, LLC, 201 Rouse Boulevard, Philadelphia, Pennsylvania 19112.

#### ITEM 18 – Financial Information

FBIA 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.