
IN RE FIFTH STREET FINANCE CORP.
SECURITIES LITIGATION

This Matter Relates To:

All Actions

Case No. 15-cv-7759 (LAK)

**NOTICE OF: (1) PENDENCY AND PROPOSED SETTLEMENT OF CLASS ACTION;
(2) MOTION FOR ATTORNEYS' FEES AND EXPENSES; AND
(3) HEARING ON PROPOSED SETTLEMENT**

A Federal Court authorized this Notice. This is not a solicitation from a lawyer.

NOTICE OF PENDENCY OF CLASS ACTION: Your rights may be affected by a class action (the "Action") pending in this Court if you purchased or otherwise acquired common stock of Fifth Street Finance Corp. ("FSC") during the period from July 7, 2014 through February 6, 2015, inclusive (the "Class Period").

NOTICE OF SETTLEMENT: Lead Plaintiff Oklahoma Police Pension and Retirement System, on behalf of the Class, has reached a proposed settlement (the "Settlement") with defendants FSC, Fifth Street Asset Management Inc. ("FSAM"), Leonard M. Tannenbaum, Bernard D. Berman, Alexander C. Frank, Todd G. Owens, Ivelin M. Dimitrov, and Richard A. Petrocelli (collectively, "Defendants") to resolve all claims asserted in the Action. The Settlement calls for Defendants to pay \$14,050,000 for the benefit of the Class.

This Notice explains important rights you may have, including your possible receipt of cash from the Settlement. If you are a Class Member, your legal rights will be affected whether you act or not. Please read this Notice carefully!

This Notice *does not* apply to a separate settlement on behalf of shareholders of FSAM. Please read the enclosed cover letter if you purchased shares of FSAM in addition to or instead of shares of FSC. You may be entitled to a recovery in the FSAM settlement.

1. **Description of the Lawsuit and Class:** The Action is a securities class action filed against FSC and the Defendants. Plaintiff and Defendants have reached an agreement to settle the Action, subject to Court approval. The proposed Settlement, if approved, will provide relief to all persons and entities who purchased FSC common stock during the Class Period and who qualify for a distribution under the Plan of Allocation described below.

2. **Statement of Class's Recovery:** The proposed Settlement provides for a payment of \$14,050,000 in cash (the "Settlement Amount"), which will be deposited into an Escrow Account. The Net Settlement Fund (meaning the Settlement Amount plus any interest that accrues, minus taxes, notice and administrative costs, and attorneys' fees and litigation expenses awarded to counsel representing Plaintiff and the Class) will be distributed in accordance with the Plan of Allocation approved by the Court for determining how the Net Settlement Fund will be allocated among the Class Members. The proposed Plan of Allocation is included in this Notice. (See paragraphs 23 to 35, below.) Plaintiff's damages consultant estimates that approximately 40.9 million shares of FSC common stock might have been affected by the conduct alleged in the Action. If all Class Members choose to participate in the Settlement, the average per-share recovery from the Net Settlement Fund will be approximately \$0.34 per affected share before the deduction of attorneys' fees, costs, and expenses as approved by the Court.

3. **Statement of Potential Outcome of Case:** Plaintiff and Defendants do not agree on the average amount of damages per share that would be recoverable if Plaintiff were to prove its claims. Defendants would expressly deny that any shares of FSC common stock were damaged as alleged. Instead, Defendants would contend that the price of FSC common stock was not inflated by any allegedly false or misleading public statements and that the price decline alleged in the Action did not result from any misconduct.

4. **Statement of Attorneys' Fees and Litigation Expenses Sought:** Lead Counsel (Labaton Sucharow LLP) will ask the Court for (i) an award of attorneys' fees of not more than 25% of the Settlement Fund, or \$3,512,500, and (ii) litigation expenses not to exceed \$500,000, with all amounts to be paid from the Settlement Fund. In addition, Plaintiff may seek reimbursement of its time and expenses, including lost wages, of not more than \$5,000. If the Court approves Lead Counsel's application, the average cost per affected share will be approximately \$0.10.

5. **Reasons for Settlement:** Plaintiff believes that its claims have merit and that it would prevail at trial. Defendants believe that the claims are without merit and that Plaintiff would lose at trial. Nevertheless, the parties have agreed to settle the case to avoid the risks, burdens, and expense of continued litigation, to provide relief to the Class, and to end the Action.

6. **Identification of Lawyers' Representatives:** Plaintiff and the Class are being represented by Labaton Sucharow LLP, the Court-appointed Lead Counsel. Any questions about the Settlement should be sent to Labaton Sucharow LLP at the address and telephone number given below.

YOUR LEGAL RIGHTS AND OPTIONS IN THIS SETTLEMENT:

REMAIN A MEMBER OF THE CLASS AND SUBMIT A CLAIM FORM	This is the only way to be eligible for a payment. If you want to obtain a payment as a Class Member, you must submit a Claim Form (included with this Notice) <i>postmarked or received no later than March 27, 2017</i> . You can also visit www.FSCSecuritiesSettlement.com to obtain, complete, and file a Claim Form online.
EXCLUDE YOURSELF FROM THE CLASS BY SUBMITTING A WRITTEN REQUEST FOR EXCLUSION RECEIVED NO LATER THAN JANUARY 26, 2017	Get no payment. This is the only option that allows you to ever be part of any other lawsuit against Defendants and the other Releasees concerning the claims in this case.
OBJECT TO THE SETTLEMENT BY SUBMITTING WRITTEN OBJECTIONS RECEIVED NO LATER THAN JANUARY 26, 2017	Write to the Court and explain why you do not like the Settlement, the proposed Plan of Allocation, or the request for attorneys’ fees and litigation expenses. You cannot object to the Settlement unless you are a Class Member and do not exclude yourself.
GO TO THE HEARING ON FEBRUARY 16, 2017, AT 9:30 A.M., AND FILE A NOTICE OF INTENTION TO APPEAR, RECEIVED NO LATER THAN JANUARY 26, 2017	Ask to speak in Court about the fairness of the Settlement, the proposed Plan of Allocation, or the request for attorneys’ fees and litigation expenses.
DO NOTHING	Get no payment. Remain a Class Member. Give up your rights.

INQUIRIES: Please do not contact the Court about this notice. All inquiries about this Notice, the Claim Form, or anything else should be directed to the Claims Administrator or Lead Counsel:

FSC Securities Settlement
c/o A.B. Data, Ltd.
P.O. Box 173025
Milwaukee, WI 53217
Tel.: 866-217-4461
info@FSCSecuritiesSettlement.com
www.FSCSecuritiesSettlement.com

Labaton Sucharow LLP
Joel H. Bernstein, Esq.
140 Broadway
New York, NY 10005
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SettlementQuestions@labaton.com
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WHY DID I GET THIS NOTICE?

7. This Notice is being sent to you by order of the United States District Court for the Southern District of New York (the “Court”), because you or someone in your family may have purchased FSC common stock during the Class Period (July 7, 2014 through February 6, 2015). As a potential Class Member, you should know about your options and how a class action and a class-action settlement may affect your legal rights.

8. A class action is a type of lawsuit filed by a person or entity called a “plaintiff” against the “defendants” (FSC and others). A class action asks the court to resolve the claims of a number of persons and entities together, to provide consistency and efficiency. The court selects one or more people, known as “class representatives” or “lead plaintiffs,” to sue on behalf of all people with similar claims (the “class” or the “class

members”). Once the class is certified, the court resolves all issues on behalf of the whole class, except for any persons who exclude themselves from the class.

9. In this Action, which is known as *In re Fifth Street Finance Corp. Securities Litigation*, the Court has appointed Oklahoma Police Pension and Retirement System as “Lead Plaintiff” and Labaton Sucharow LLP as “Lead Counsel” under a federal law governing this type of lawsuit.

10. This Notice explains the Action, the proposed Settlement, your legal rights, what benefits are available, who is eligible for them, and how to get them. The Notice tells you how you might be affected by the Action and how you can exclude yourself from the Class. The Notice also describes the hearing that the Court will hold to consider the fairness, reasonableness, and adequacy of the proposed Settlement (the “Fairness Hearing”).

11. The Fairness Hearing will be held on February 16, 2017, at 9:30 a.m., before United States District Judge Lewis A. Kaplan, at the United States District Court for the Southern District of New York, located at 500 Pearl Street, Courtroom 21B, New York, New York 10007. At the hearing, the Court will determine:

- (i) whether the proposed Settlement is fair, reasonable, and adequate and should be approved, and whether the claims against the Defendants should be dismissed with prejudice and a permanent injunction entered;
- (ii) whether the proposed Plan of Allocation is fair and reasonable and should be approved; and
- (iii) whether Lead Counsel’s request for attorneys’ fees and litigation expenses should be approved.

12. This Notice does not express the Court’s opinion about the merits of any claims in the Action, and the Court has not yet decided whether to approve the proposed Settlement. If the Court approves the Settlement, payments will be made after any appeals have been resolved and all claims have been processed. Please be patient.

WHAT IS THIS CASE ABOUT? WHAT HAS HAPPENED SO FAR?

13. FSC is a publicly traded Connecticut-based business-development company.

14. Starting in October 2015, three class actions were filed by purchasers of FSC common stock alleging violations of the federal securities laws. On February 1, 2016, the Court appointed the Lead Plaintiff and Lead Counsel.

15. On April 1, 2016, Plaintiff filed an amended complaint (the “Complaint”) asserting claims under the Securities Exchange Act of 1934. The Complaint contends that, during the Class Period, Defendants made materially false statements and/or omitted material facts about FSC’s financial condition. Plaintiff alleges that Defendants engaged in a scheme to inflate FSC’s assets and investment income in order to increase the revenue of FSC’s investment adviser, Fifth Street Asset Management Inc. (“FSAM”), before FSAM’s initial public offering at the end of October 2014. After that offering, FSC wrote down the value of certain assets, suspended its dividend for February 2015, and reduced its future dividends. The Complaint contends that these alleged misstatements and omissions inflated the price of FSC’s common stock during the Class Period.

16. Defendants moved to dismiss the Complaint on May 31, 2016. The parties then engaged in settlement discussions – with the assistance of a mediator (a retired California Superior Court Judge) – and were able to reach the proposed Settlement described here.

HOW DO I KNOW WHETHER I AM AFFECTED BY THE SETTLEMENT?

17. If you are a member of the Class, you are subject to the Settlement unless you timely and validly ask to be excluded from it. The Class consists of all persons and entities (or legal beneficiaries) who purchased or otherwise acquired FSC common stock during the period from July 7, 2014 through February 6, 2015, inclusive.

18. The Class does *not* include: (i) all Defendants, any other individuals who were officers or directors (as determined under section 16 of the Exchange Act) of FSC or FSAM during the Class Period, Family Members of any of the foregoing, and their legal representatives, trustees, administrators, heirs, successors, or assigns, and any entity in which any Defendant had a Controlling Interest during the Class Period; (ii) persons or entities who submit timely and valid requests for exclusion from the Class; and (iii) persons or entities who, while represented by counsel, settled an actual or threatened lawsuit or other proceeding against the Releasees and released the Releasees from any further Claims concerning their purchase or other acquisition of FSC common stock during the Class Period.

RECEIPT OF THIS NOTICE DOES NOT NECESSARILY MEAN THAT YOU ARE A CLASS MEMBER OR ARE ENTITLED TO RECEIVE MONEY FROM THE SETTLEMENT. IF YOU WANT TO PARTICIPATE IN THE SETTLEMENT, YOU MUST SUBMIT THE CLAIM FORM ENCLOSED WITH THIS NOTICE. THE CLAIM FORM MUST BE POSTMARKED OR RECEIVED NO LATER THAN MARCH 27, 2017.

WHY HAVE DEFENDANTS AGREED TO THE SETTLEMENT?

19. Defendants deny that they engaged in any wrongdoing, violated any law, or breached any duty, and deny that the claims in the Complaint have any merit. Defendants believe that they have substantial defenses to all of those claims and would prevail at trial. Nevertheless, Defendants decided that settling the Action would be better than continuing to litigate, because a settlement would bring to an end the substantial expenses, burdens, and uncertainties of litigation, avoid further disruption of FSC’s and FSAM’s management and operations, and provide benefits to Class Members. The Settlement is not evidence of or an admission by Defendants of any fault or liability whatsoever, or of any weakness in any defenses that they have asserted or would assert in the Action.

WHY HAS PLAINTIFF AGREED TO THE SETTLEMENT?

20. Plaintiff and Lead Counsel believe that the claims have merit and that Plaintiff would prevail at trial. But Plaintiff and Lead Counsel also recognize the expense and length of continued proceedings necessary to pursue the claims through trial and appeals, the difficulties in establishing liability in complex actions such as this one, and the difficulties in collecting money even after a judgment.

21. The proposed Settlement would provide guaranteed cash compensation to eligible Class Members. In light of the risks and expenses of continued litigation, the cash Settlement Amount, and the immediacy of recovery to the Class, Plaintiff and Lead Counsel believe that the proposed Settlement is fair, reasonable, and adequate and in the best interests of the Class. Plaintiff and Lead Counsel also recognize the risk that continued litigation of the claims in the Action could produce a similar or smaller recovery – or potentially no recovery at all – after motions to dismiss, summary judgment, trial, and appeals, possibly years in the future.

WHAT MIGHT HAPPEN WITHOUT A SETTLEMENT?

22. If there were no Settlement, and if Plaintiff failed to establish any essential legal or factual element of its claims, neither Plaintiff nor the Class would recover anything from Defendants. Also, if Defendants were successful in proving any of their defenses, the Class would likely recover substantially less than the relief provided in the proposed Settlement, or nothing at all.

HOW MUCH WILL MY PAYMENT BE?

THE PROPOSED PLAN OF ALLOCATION: GENERAL PROVISIONS

23. As discussed above, the Settlement provides \$14,050,000 in cash for the benefit of the Class. The Settlement Amount and any interest it earns constitute the “Settlement Fund.” The “Net Settlement Fund” is the Settlement Fund after deduction of Court-approved attorneys’ fees and litigation expenses, Notice and Administrative Expenses, Tax Expenses, and any other fees or expenses approved by the Court. The Net Settlement Fund will be distributed to Authorized Claimants – *i.e.*, members of the Settlement Class who timely submit valid Claim Forms that show Recognized Claims pursuant to the Plan of Allocation and are approved by the Court.

24. The Net Settlement Fund will not be distributed unless and until the Court has approved the proposed Settlement and the Plan of Allocation (or some other allocation plan) and the Court’s approval becomes “final” (meaning that the time to appeal the Order granting approval has expired, or, if the Order is appealed, that the appeal is decided without causing a material change in the Order or that the Order is upheld on appeal and is no longer subject to any further type of appellate review). The Plan of Allocation is separate from the Settlement, so any decision by the Court concerning the Plan of Allocation will not affect the validity or finality of the Settlement. The Court may approve the Plan of Allocation with or without modifications agreed to among the parties, or another plan of allocation, without further notice to Class Members. Any orders about a modification of the Plan of Allocation will be posted to the Settlement website www.FSCSecuritiesSettlement.com.

25. Payments under the Court-approved Plan of Allocation will be conclusive against all Authorized Claimants. No person shall have any claim against Plaintiff, Lead Counsel, Defendants, Defendants’ counsel, the Claims Administrator, or anyone else arising from distributions made substantially in accordance with the Settlement Agreement, the Plan of Allocation, or the Court’s Orders.

26. The Claims Administrator will determine each Authorized Claimant’s *pro rata* share of the Net Settlement Fund based upon each Authorized Claimant’s Recognized Claim. **Please Note:** The formulas set forth herein are not intended to estimate either the amount that a Class Member might have been able to recover after a trial or the amount that will be paid to Authorized Claimants under the Settlement. The formulas are simply the basis upon which the Net Settlement Fund will be proportionately allocated to Authorized Claimants. Each Authorized Claimant shall be paid the percentage of the Net Settlement Fund that each Authorized Claimant’s Recognized Claim bears to the total Recognized Claims of all Authorized Claimants (*i.e.*, the Authorized Claimant’s *pro rata* share). The Net Settlement Fund will be allocated among all Authorized Claimants whose prorated payment would be \$10.00 or greater, given the fees and expenses associated with printing and mailing payments.

27. The Plan of Allocation is designed to distribute the settlement proceeds fairly to those Class Members who suffered economic loss as a result of the alleged fraud, as opposed to loss caused by general market conditions or other non-fraud-related factors. The Plan reflects analyses conducted by Plaintiff’s damages consultant. In order to have a compensable loss, FSC common stock must have been purchased or otherwise acquired during the Class Period and been held through an alleged corrective disclosure.

28. If any of the Net Settlement Fund remains (because of uncashed checks or otherwise) six (6) months after the initial distribution of such funds, and after the Claims Administrator has made reasonable and diligent efforts to have Authorized Claimants cash their initial distribution checks, such monies shall be (i) used for the payment of any unpaid Notice and Administrative Expenses and the costs or fees to be incurred in a redistribution of the remaining funds and then (ii) distributed in an economical fashion to Authorized Claimants who have cashed their initial distribution checks. If any funds remain in the Escrow Account after such redistribution(s), or if any such redistribution is not economically feasible, the unpaid residue shall be given to a nonprofit organization to be designated by Plaintiff and approved by the Court and by FSC (whose approval will not be unreasonably withheld).

THE BASIS FOR CALCULATING YOUR RECOGNIZED CLAIM:

29. The Claims Administrator will calculate a “Recognized Loss Amount” for each purchase or acquisition of FSC common stock during the Class Period listed in the Class Member’s Claim Form and for which adequate documentation is provided. The Recognized Loss Amount will depend upon several factors, including (i) when the shares were purchased or acquired and (ii) whether they were held until the conclusion of the Class Period or sold during the Class Period, and, if so, when they were sold.

30. For each share of FSC common stock purchased or otherwise acquired during the period between July 7, 2014 through February 6, 2015, inclusive, a Recognized Loss Amount will be calculated by the Claims Administrator as the number of shares purchased multiplied by:

- i) if shares are sold on or before February 6, 2015, \$0.00 per share; or
- ii) if shares are held as of the close of trading on February 6, 2015, the lesser of (but not less than zero):
 - a. \$1.30 per share; or
 - b. the difference between purchase price paid (excluding all fees, taxes, and commissions) per share and:
 - i. if the shares are sold between February 9, 2015 and May 8, 2015, the PSLRA rolling average price on the date of sale as set forth in Table A below; or
 - ii. if the shares are held as of the close of trading on May 8, 2015, the PSLRA 90-day look-back price of \$7.12 per share.¹

Table A
PSLRA Rolling Average Prices

Date	Price	Date	Price	Date	Price
2/9/2015	\$7.22	3/11/2015	\$7.13	4/10/2015	\$7.13
2/10/2015	\$7.09	3/12/2015	\$7.13	4/13/2015	\$7.13
2/11/2015	\$7.01	3/13/2015	\$7.12	4/14/2015	\$7.13
2/12/2015	\$7.04	3/16/2015	\$7.12	4/15/2015	\$7.13
2/13/2015	\$7.07	3/17/2015	\$7.11	4/16/2015	\$7.13
2/17/2015	\$7.10	3/18/2015	\$7.11	4/17/2015	\$7.13
2/18/2015	\$7.11	3/19/2015	\$7.11	4/20/2015	\$7.13
2/19/2015	\$7.13	3/20/2015	\$7.11	4/21/2015	\$7.13
2/20/2015	\$7.14	3/23/2015	\$7.11	4/22/2015	\$7.12
2/23/2015	\$7.14	3/24/2015	\$7.11	4/23/2015	\$7.13
2/24/2015	\$7.14	3/25/2015	\$7.11	4/24/2015	\$7.13
2/25/2015	\$7.14	3/26/2015	\$7.12	4/27/2015	\$7.13
2/26/2015	\$7.14	3/27/2015	\$7.12	4/28/2015	\$7.12
2/27/2015	\$7.14	3/30/2015	\$7.12	4/29/2015	\$7.12
3/2/2015	\$7.13	3/31/2015	\$7.13	4/30/2015	\$7.12
3/3/2015	\$7.13	4/1/2015	\$7.13	5/1/2015	\$7.13
3/4/2015	\$7.14	4/2/2015	\$7.13	5/4/2015	\$7.13
3/5/2015	\$7.14	4/6/2015	\$7.13	5/5/2015	\$7.12
3/6/2015	\$7.14	4/7/2015	\$7.13	5/6/2015	\$7.12
3/9/2015	\$7.14	4/8/2015	\$7.13	5/7/2015	\$7.12
3/10/2015	\$7.13	4/9/2015	\$7.13	5/8/2015	\$7.12

31. For each share of FSC common stock purchased or otherwise acquired during the period from July 7, 2014 through February 6, 2015, inclusive, an Out-of-Pocket Trading Loss (or Gain) will also be calculated by the Claims Administrator as the number of shares purchased multiplied by:

- (a) if shares are sold on or before February 6, 2015, \$0.00 per share; or
- (b) if shares are held as of the close of trading on February 6, 2015, the difference between purchase price paid (excluding all fees, taxes and commissions) and the closing price of \$7.22 on February 9, 2015.

32. For purposes of calculating your Recognized Claim, all purchases, acquisitions, and sales shall be matched on a First In, First Out (“FIFO”) basis in chronological order. Therefore, on the Claim Form enclosed with this Notice, you must provide all of your purchases and acquisitions of FSC common stock during the time period from July 7, 2014 through February 6, 2015, inclusive.

33. For purposes of calculating your Recognized Claim, the date of purchase, acquisition, or sale – not the “settlement” or “payment” date – is the “contract” or “trade” date. The receipt or grant of FSC stock by gift, inheritance, or operation of law shall not be deemed a purchase, acquisition, or sale of FSC stock for the calculation of Recognized Claims. The covering purchase of a short sale is not an eligible purchase. Options are not eligible securities.

34. To the extent a claimant had an Out-Of-Pocket Trading Gain from his, her, or its overall transactions in FSC common stock during the Class Period, the value of the Recognized Claim will be zero, and the claimant will not be entitled to a share of the Net Settlement Fund. To the extent that a claimant suffered an Out-Of-Pocket Trading Loss on his, her, or its overall transactions in FSC common stock during the Class Period, but that trading loss was less than the Recognized Loss Amounts calculated above, the Recognized Claim shall be limited to the amount of the

¹ Pursuant to Section 21(D)(e)(2) of the PSLRA, “in any private action arising under this title in which the plaintiff seeks to establish damages by reference to the market price of a security, if the plaintiff sells or repurchases the subject security prior to the expiration of the 90-day period described in paragraph (1), the plaintiff’s damages shall not exceed the difference between the purchase or sale price paid or received, as appropriate, by the plaintiff for the security and the mean trading price of the security during the period beginning immediately after dissemination of information correcting the misstatement or omission and ending on the date on which the plaintiff sells or repurchases the security.”

claimant's actual Out-Of-Pocket Trading Loss. A Recognized Claim that calculates to yield a negative number is treated as a Recognized Claim of zero.

35. All persons involved in the review, verification, calculation, tabulation, or any other aspect of the processing of the claims submitted in connection with the Settlement, or otherwise involved in the administration or taxation of the Settlement Fund or the Net Settlement Fund, shall be released and discharged from any and all claims arising out of such involvement, and all Class Members – whether or not they are to receive payment from the Net Settlement Fund – will be barred from making any further claim against the Net Settlement Fund beyond the amount allocated to them as provided in any distribution orders entered by the Court.

WHAT RIGHTS AM I GIVING UP BY AGREEING TO THE SETTLEMENT?

36. If the Court approves the Settlement, it will enter a judgment (the “Judgment”). The Judgment will dismiss with prejudice the claims against Defendants and will say that, as of the Final Settlement Date, Plaintiff and all other Class Members are deemed to have – and by operation of the Judgment shall have – fully, finally, and forever released, relinquished, settled, and discharged any and all “Released Plaintiff’s Claims,” including “Unknown Claims,” against the Releasees and any claims or potential claims that were, could have been, or could be asserted in connection with the Released Plaintiff’s Claims.

37. “Released Plaintiff’s Claims” means (in summary) every Claim that Plaintiff or any other Class Member (i) asserted against any of the Releasees in the Action (including all Claims alleged in any complaint filed in the Action or in any action consolidated into it) or (ii) could have asserted or could assert against any of the Releasees in connection with the facts and circumstances alleged in the Action, whether arising under any federal, state, or other statutory or common – law rule, in any court, tribunal, agency, or other forum, that both (A) arises out of or relates to the purchase or other acquisition of FSC common stock during the Class Period, or any other Investment Decision concerning FSC common stock during the Class Period, and (B) relates directly or indirectly to (1) the valuation of any of FSC’s investments, investment decisions concerning FSC’s portfolio and the due diligence undertaken in connection with those decisions, FSC’s investment strategy, decisions whether to place any of FSC’s investments on non-accrual status, decisions whether to impair or write down any of FSC’s investments and the timing and amount of any write-downs or impairments, recognition of revenue from any of FSC’s investments, the renegotiation or modification of any of the terms of FSC’s investments, decisions concerning FSC’s payment of dividends, FSC’s advisory and administration arrangements with its investment advisor and administrator, accounting decisions as to any of FSC’s investments, the performance or risk of FSC’s investments, FSC’s governance and internal controls, policies, processes and procedures relating to issues raised in the Complaint, and/or (2) any alleged statements about or characterizations of – or alleged failures to disclose information about – any of the foregoing matters. An “Investment Decision” is any decision about an investment in FSC common stock during the Class Period, including a decision to hold those shares. The complete definition of Released Plaintiff’s Claims is printed in the Claim Form. You should read it carefully.

38. The term “Releasee,” which is also printed in full in the Claim Form, includes FSC, FSAM, and their past and present officers, directors, employees, and agents, as well as related persons and entities.

39. The Judgment will also state that Releasees will be deemed to have – and by operation of the Judgment shall have – fully, finally, and forever released, relinquished, settled, and discharged all claims, whether known or unknown, that Releasees have or could have asserted, or could assert, against Plaintiff, Plaintiff’s lawyers, and/or any of their agents, if such claims arise out of or relate in any way to the institution, prosecution, or settlement of the Action, except claims relating to the enforcement of the Settlement. In addition, Defendants will release all Defendants’ Mutually Released Claims that any Defendant could otherwise have asserted directly or derivatively against any other Defendant.

40. Defendants will also ask the Court to enter “bar orders” barring any person or entity from suing the Releasees – and barring the Releasees from suing any other person or entity – for contribution, indemnification, and any other injury that relates to a Released Plaintiff’s Claim and arises from the barred person’s or entity’s alleged liability to the Class or any Class Member.

**WHAT PAYMENT ARE THE ATTORNEYS FOR THE CLASS SEEKING?
HOW WILL THE LAWYERS BE PAID?**

41. Plaintiff’s counsel has not received any payment for its services or expenses in connection with the Action. Lead Counsel will therefore apply to the Court for an award of attorneys’ fees from the Settlement Fund of not more than 25% of the Settlement Fund and for litigation expenses not to exceed \$500,000. The Court will determine the amount of the award.

42. The requested attorneys’ fees and litigation expenses will be the only payment to Lead Counsel for its efforts in achieving this Settlement and for its risk in undertaking this representation on a wholly contingent basis. Lead Counsel has committed time and expenses in litigating this case for the benefit of the Class. The Court will decide what is a reasonable fee award and may award less than the amount requested by Lead Counsel.

43. As a Class Member, you are represented by Plaintiff and Lead Counsel, unless you enter an appearance through counsel of your own choice at your own expense. **You do not need to hire your own lawyer**, but, if you choose to do so, he or she must file a notice of appearance on your behalf with the Court and must serve copies of his or her notice of appearance on the attorneys listed in paragraph 56, below.

HOW DO I PARTICIPATE IN THE SETTLEMENT? WHAT DO I NEED TO DO?

44. If you purchased or otherwise acquired FSC common stock during the Class Period and are not excluded from the definition of the Class, and if you do not exclude yourself from the Class, then you are a Class Member. As a Class Member, you will be bound by the proposed Settlement, if the Court approves it, and by any judgment or determination of the Court affecting the Class.

45. If you are a Class Member and want to claim money from the Net Settlement Fund, you must submit a Claim Form and supporting documentation. A Claim Form is included with this Notice, or you may go to the website www.FSCSecuritiesSettlement.com to download a Claim Form or ask that one be mailed to you. You may also obtain, complete, and file a Claim Form online by March 27, 2017. You may also request a Claim Form by calling 866-217-4461 or e-mailing info@FSCSecuritiesSettlement.com. Those who exclude themselves from the Class, and those who do not submit timely and valid Claim Forms with adequate supporting documentation, will not be entitled to share in the settlement money.

46. The Claim Form and the required documents must be sent to the address (including the email address) printed in the Claim Form and must be **received or postmarked no later than March 27, 2017**. Unless the Court otherwise orders, any Class Member who fails to submit a timely Claim Form will be forever barred from receiving payments from the Settlement, but will remain a Class Member and be subject to the provisions of the Settlement Agreement and the Court's Orders and Judgment. This means that each Class Member will release the Released Plaintiff's Claims against Defendants and the other Releasees and will be enjoined and prohibited from filing, prosecuting, or pursuing any of the Released Plaintiff's Claims against Defendants regardless of whether such Class Member submits a Claim Form.

47. The Claim Form asks you to provide information and documentation about your purchases, holdings, and sales of FSC common stock before the Class Period, during the Class Period, and at the end of the Class Period. Please retain all records of your ownership of, or transactions in, FSC common stock so you can document your claim.

48. If you submit a Claim Form that is rejected in whole or in part, and if you want to dispute that decision, the Court will make a final, binding, and nonappealable decision on the dispute.

**WHAT IF I DO NOT WANT TO BE A PART OF THE SETTLEMENT?
HOW DO I EXCLUDE MYSELF?**

49. If you do *not* want to participate in the proposed Settlement and be bound by the rulings and judgments in this Action, you must exclude yourself from the Class. To do so, you must submit a written Request for Exclusion by first-class mail (or its equivalent outside the U.S.) or other delivery to FSC Securities Settlement - EXCLUSIONS, c/o A.B. Data, Ltd., P.O. Box 173025, Milwaukee, WI 53217. The exclusion request must be **received no later than January 26, 2017**. You will not be able to exclude yourself from the Class after that date, unless the Court otherwise determines.

50. Each Request for Exclusion must (i) state the name, address, telephone number, and e-mail address (if available) of the person or entity requesting exclusion; (ii) state that such person or entity "requests exclusion from the Class in *In re Fifth Street Finance Corp. Securities Litigation*, No. 15-cv-7759 (LAK)"; (iii) be signed by the person or entity requesting exclusion; and (iv) provide the date(s), price(s), and number(s) of shares of all purchases and sales of FSC common stock during the Class Period.

51. If you want to exclude yourself from the Class, you must follow these instructions even if you have pending, or later file, another lawsuit, arbitration, or other proceeding relating to any Released Plaintiff's Claims.

52. If you request exclusion from the Class, you will not receive any benefits from the proposed Settlement, and you cannot object to it.

**WHEN AND WHERE WILL THE COURT DECIDE WHETHER TO APPROVE THE SETTLEMENT?
DO I HAVE TO COME TO THE HEARING?
CAN I OBJECT TO THE SETTLEMENT?
MAY I SPEAK AT THE HEARING IF I DON'T LIKE THE SETTLEMENT?**

53. The Fairness Hearing will be held on February 16, 2017, at 9:30 a.m., before United States District Judge Lewis A. Kaplan, at the United States District Court for the Southern District of New York, 500 Pearl Street, Courtroom 21B, New York, New York 10007. The Court reserves the right to approve the Settlement, the Plan of Allocation, and/or Lead Counsel's request for attorneys' fees and litigation expenses at or after the Fairness Hearing without further notice to the Class. Lead Counsel intends to file papers in support of final approval of the proposed Settlement, the Plan of Allocation, and the request for attorneys' fees and litigation expenses on or before January 12, 2017. The papers will be posted at www.FSCSecuritiesSettlement.com.

54. You do not need to attend the Fairness Hearing. You can participate in the Settlement without attending the Fairness Hearing.

55. Any Class Member who does not submit a timely request for exclusion as described above may object to the proposed Settlement, the Plan of Allocation, or Lead Counsel's request for an award of attorneys' fees and litigation expenses. Objections must be in writing and must include the following information: (i) name and docket number of the Action (*In re Fifth Street Finance Corp. Securities Litigation*, Case No. 15-cv-7759 (LAK)); (ii) Class Member's name, address, telephone number, and e-mail address (if available); (iii) the date(s), price(s), and number(s) of shares of all purchases and sales of FSC common stock during the Class Period; (iv) account statements verifying all such transactions; (v) the reason(s) for the objection; (vi) any legal support that the Class Member wants to bring to the Court's attention; and (vii) any evidence or exhibits that the Class Member wants the Court to consider.

56. Objections must be timely filed with the Clerk of Court at the United States District Court for the Southern District of New York, 500 Pearl Street, New York, New York 10007. Objections must also be served on the Settling Parties' counsel by first-class mail, e-mail, or hand-delivery at:

Lead Counsel for the Class	Defendants' Counsel
Joel H. Bernstein, Esq. Labaton Sucharow LLP 140 Broadway New York, NY 10005 SettlementQuestions@labaton.com	Ralph C. Ferrara, Esq. Proskauer Rose LLP 1001 Pennsylvania Avenue, N.W. Suite 600 South Washington, DC 20004 rferrara@proskauer.com

57. All objections must be **received by the Court and the attorneys no later than January 26, 2017**.

58. You may file a written objection without appearing at the Fairness Hearing.

59. If you wish to speak at the Fairness Hearing, you must also file and serve a notice of intention to appear. The notice of intention to appear must include (i) name and docket number of the Action (*In re Fifth Street Finance Corp. Securities Litigation*, Case No. 15-cv-7759 (LAK)); (ii) your name, address, telephone number, and e-mail address (if available), and (iii) your attorney's contact information, if you have an attorney. You must file and serve your notice of intention to appear with the Court and the Settling Parties' counsel, at the addresses listed in paragraph 56 above, so that it is **received on or before January 26, 2017**.

60. You do not need to hire an attorney to represent you in making written objections or in appearing at the Fairness Hearing. However, if you decide to hire an attorney at your own expense, he or she must file a notice of appearance with the Court and serve it on the Settling Parties' counsel, at the above addresses, so that the notice is **received on or before January 26, 2017**.

61. The Court may change the date of the Fairness Hearing without further written notice to the Class. If you intend to attend the hearing, you should confirm the date and time with Lead Counsel or by checking the settlement website.

Unless the Court orders otherwise, any Class Member who does not object in the manner described above will be deemed to have waived any objection and will be forever foreclosed from objecting to the proposed Settlement, the Plan of Allocation, or Lead Counsel's request for attorneys' fees and litigation expenses. Class Members do not need to appear at the Fairness Hearing or take any other action to indicate their approval.

WHAT IF I BOUGHT SHARES ON SOMEONE ELSE'S BEHALF?

62. If you purchased or otherwise acquired FSC common stock during the Class Period as a nominee or for the beneficial interest of a person or organization *other than yourself*, **YOU MUST**, WITHIN FOURTEEN (14) CALENDAR DAYS after receipt of the Individual Notice, **EITHER (A)** request from the Claims Administrator sufficient copies of the Individual Notice and Claim Form to forward to all such beneficial owners and, WITHIN FOURTEEN (14) CALENDAR DAYS after receipt of the copies of the Individual Notice and Claim Form, forward them to all such beneficial owners; **OR (B)** provide a list of the names and addresses of all such beneficial owners to FSC Securities Settlement, c/o A.B. Data, Ltd., FULFILLMENT, 3410 West Hopkins Street, P.O. Box 173025, Milwaukee, WI 53217. If you mail Individual Notices and Claim Forms to beneficial owners, **YOU MUST**, upon making such mailing, send a statement to the Claims Administrator confirming that the mailing was made as directed, and retain the list of names and addresses for use in connection with any possible future notice to the Class. Upon full compliance with this directive, including the timely mailing of the Individual Notices and Claim Forms to beneficial owners, you may seek reimbursement of your reasonable expenses actually incurred by providing the Claims Administrator with proper documentation supporting the reasonable expenses for which reimbursement is sought and reflecting compliance with these instructions, including timely mailing of the Individual Notices and Claim Forms.

63. In addition, you may download the Notice from the settlement website www.FSCSecuritiesSettlement.com, where you also can view other documents relating to the proposed Settlement.

CAN I SEE THE COURT FILE? WHOM SHOULD I CONTACT IF I HAVE QUESTIONS?

64. This Notice contains only a summary of the terms of the proposed Settlement. More detailed information about the Action is available on the settlement website, including copies of the Settlement Agreement, the Claim Form, the Complaint, the Court's orders about the Settlement, and the relevant motion papers. All inquiries about this Notice should be directed to:

Claims Administrator	Lead Counsel for the Class
FSC Securities Settlement c/o A.B. Data, Ltd. P.O. Box 173025 Milwaukee, WI 53217 Tel.: 866-217-4461 Email: info@FSCSecuritiesSettlement.com Website: www.FSCSecuritiesSettlement.com	Joel H. Bernstein, Esq. Labaton Sucharow LLP 140 Broadway New York, NY 10005 Tel.: 888-219-6877 Email: SettlementQuestions@labaton.com Website: www.labaton.com

PLEASE DO NOT CALL OR WRITE THE COURT OR THE CLERK OF COURT ABOUT THIS NOTICE.

Dated: November 27, 2016

By Order of the Clerk of Court
United States District Court for the Southern District of New York