FS KKR Capital Corp. II listing FAQ

Summary
On May 26, 2020, FS KKR Capital Corp. II (the Fund) commenced the final steps to prepare for the listing of its common stock on the New York Stock Exchange (NYSE). Subject to market conditions, the Fund currently anticipates that its shares of common stock will commence trading on the NYSE with the ticker symbol “FSKR” on or about June 17, 2020. There can be no assurance that the Fund will be able to complete the listing within the expected time frame or at all.

1. Why list FS KKR Capital Corp. II’s shares on the NYSE now?
   • We believe a listing creates optionality for all stakeholders, including our shareholders, the Fund and our portfolio companies.

   - **Optionality for shareholders:** We believe the listing will not only provide investors the option for liquidity, it may also serve as a catalyst to unlock significant capital which can be deployed in ways that will ultimately help maximize shareholder value and provide a path to enhancing the Fund’s dividend yield and return on equity over the long term.

   - **Optionality for the fund:** Upon a listing we intend to increase the Fund’s regulatory leverage afforded through the Small Business Credit Availability Act to 2:1 (debt to equity) to align with many of the Fund’s publicly traded BDC peers, including FS KKR Capital Corp. (NYSE: FSK). Increasing regulatory leverage provides the Fund with a path to unlock over $1.0 billion in available borrowings, which may be strategically deployed to support our existing portfolio companies and take advantage of opportunities created by the market dislocation.

   - **Optionality for our portfolio companies:** By drawing on the Fund’s available borrowing capacity, we can help ensure that the Fund has capital available to meet the existing commitments to our portfolio companies.
   
     • As of quarter-end, the Fund had approximately $376 million in unfunded debt commitments. These are investments where we previously funded a portion of the total commitment, but the portfolio company has not yet drawn the full amount.
     
     • We do expect certain portfolio companies will require additional capital to support operations through the balance of 2020. We believe these efforts can help preserve shareholder value.

2. What will the Fund’s ticker symbol be?
   • FS KKR Capital Corp. II will trade under the ticker symbol “FSKR” on the NYSE.

3. Will the Fund or its affiliates provide support to the stock in the secondary market at listing?
   • Yes, the Adviser and the Board considered various strategic options to support the Fund in the secondary market. The Fund and certain affiliates have announced the creation of certain vehicles designed to purchase FSKR stock in the open market.

   - **Co-investment vehicle:** Affiliates of FS/KKR Advisor, LLC, the Fund’s investment adviser, have committed $100 million to a $350 million investment vehicle that may invest from time to time in the shares of the Fund and its affiliate, FS KKR Capital Corp. (NYSE: FSK). There can be no assurance that this vehicle will purchase any such shares.
Share repurchase program: On May 26, 2020, the board of directors (the Board) of the Fund authorized a share repurchase program. Under the program, FS KKR Capital Corp. II may repurchase up to $100 million in aggregate of its outstanding common stock in the open market at prices below the current net asset value per share.

The timing, manner, price and amount of any share repurchases will be determined by the Fund, in its discretion, based upon the evaluation of economic and market conditions, the Fund’s stock price, applicable legal and regulatory requirements and other factors.

4. When will the secondary support vehicles begin purchasing shares?
   - In accordance with the regulations that govern such affiliated transactions, both the co-investment vehicle and share repurchase program will be restricted in purchasing FSKR shares until 20 trading days following the listing.

5. Will the listing change the management team or investment strategy?
   - The Fund will continue to be advised by FS/KKR Advisor, LLC, a partnership between FS Investments and KKR, and there will be no change to its investment strategy of investing in private middle market companies.

6. How can increasing regulatory leverage help the Fund?
   - As of March 31, 2020, the Fund had approximately $1.6 billion in available borrowings.
   - Under the current regulatory limit of 1:1 (debt to equity), the Fund could utilize approximately $500 million of the available capacity before reaching the regulatory cap.
   - In addition, we have historically been conservative in our use of leverage and our goal has been to maintain an appropriate level of cushion relative to the regulatory limit and the requirements of the credit agreements with our lenders.
   - Increasing the regulatory limit to 2:1 provides a path for the Fund to unlock the existing borrowing capacity and potentially increase the Fund’s total borrowing capacity in the future.
   - We believe the ability to unlock over $1 billion in available borrowing capacity can help maximize shareholder value and provide a path to enhancing the Fund’s dividend yield and return on equity over the long term.

7. What is the Fund’s targeted use of leverage?
   - We expect the Fund’s leverage ratio will range between 1.0x to 1.25x on a debt-to-equity basis (on a net basis, which includes cash and the settlement of pending trades). There can be no assurance that the Fund will reach its targeted leverage ratio.
   - In addition, we do not have a defined time frame to draw down the available borrowings and will look to strategically deploy capital as we add investments to the portfolio that we believe are accretive to the Fund.

8. Will management fees change based on the Fund’s use of leverage?
   - Yes. The Fund’s base management fee declines from 1.5% to 1.0% on all assets financed using leverage over 1.0x debt to equity. This aligns with many public BDC peers that have received shareholder approval to increase regulatory leverage to the higher threshold.

9. Why is the recapitalization no longer part of the liquidity plan?
   - In light of recent volatility in the financial markets due to COVID-19, the Fund has determined that it will not complete the previously announced recapitalization transaction.
   - We believe the Fund can generate an equal or improved yield on the Fund’s common stock without the issuance of preferred stock.
Operational preparations

10. Can I make changes to my account prior to a listing?
   • On or about June 8, 2020, the Fund will “freeze” the transfer agent recordkeeping system until the listing process is complete. All changes to investor accounts, such as transfers, re-registrations, custodian changes and other account maintenance should be made prior to this time, and any changes received during the freeze period will be held until after the listing.
   • Please consult with your broker dealer/intermediary for any firm-specific deadlines.

11. What are the key steps in preparing accounts for a listing?
   • For shareholders that hold shares at a custodian with brokerage (such as LPL Financial, Ameriprise Financial, Schwab, TD Ameritrade, Pershing and NFS), no action is required to have their shares eligible for trading on the day of listing.
   • Select shareholders whose shares are not held at a custodian or are held by a custodian lacking the ability to transfer shares to a brokerage account will need to take action if they wish to buy or sell shares.

EXPECTED LISTING TIMELINE

12. How can advisors obtain a list of clients who hold shares of the Fund?
   • Advisors have access to their list of investors in the Fund via DST Vision, which can be accessed from www.tfsinvestments.com by clicking on Resources and selecting Advisor/DST Vision login.
   • To identify which of your clients hold shares in the Fund, please follow the following directions:
     1. Log in to DST Vision at www.dstvision.com with your username and password. (If advisors do not have a DST Vision ID, they may enroll by selecting the “Sign Up Now” link.)
     2. Under the “Assets” tab, select “FS Investments” under the “Asset Totals” pie chart.
     3. On the left side of the Mgmt Co Asset Summary page, select Search by “Rep/Advisor Number.”
     4. On the Rep/Advisor Number Search, in Option 1, please click 3806 – FS KKR Capital Corp. II and in Option 2, complete the dealer and Rep/Advisor # field. (If the advisor is approved for more than one Rep number, they will need to choose which they wish to view.)
     5. Click on Search and results will show all accounts under that Rep number sorted by Registration Name.

13. What are the details of the announced reverse stock split?
   • In anticipation of the listing, the Fund intends to effect a 4-to-1 reverse split of its shares of common stock. As a result, every four shares of the Fund’s common stock outstanding will be automatically combined into one share.
   • The number of outstanding shares of the Fund’s common stock will be reduced from approximately
684.8 million to approximately 171.2 million. Taking the reverse split into account, the Fund’s net asset value as of March 31, 2020 would have been $24.68 per share (instead of $6.17 per share).

- Since BDC share prices tend to trade in relation to net asset value, the reverse split will help align FS KKR Capital Corp. II’s net asset value with many of its peers at listing, as the net asset values of many large public BDCs generally range from $15.00 to $25.00 per share.
- The Fund expects that there will be no change in the par value of $0.001 per share as a result of the reverse stock split.
- The reverse stock split will not modify the rights or preferences of the Fund’s common stock.

14. Will shareholders own “fractional shares” following the listing?
- In connection with the listing, the Board has decided to eliminate any outstanding fractional shares of its common stock, as permitted by the Maryland General Corporation Law.
- FS KKR Capital Corp. II will round up the number of fractional shares held by each shareholder to the nearest whole number of shares prior to a listing.
- Example: An investor owning 1,000.57 shares before the share round up will hold 1,001 shares after the share round-up.

15. Will the listing create a taxable event?
- The listing itself will not create a taxable event. However, if shareholders decide to sell their shares, they could be subject to taxes.
- Shareholders should consult with their financial and tax advisors before selling their shares in order to best understand their individual tax considerations.

16. Once listed, how will FS KKR Capital Corp. II differ from FS KKR Capital Corp. (FSK)?
- While the funds share a common investment adviser and an investment strategy focused on investing primarily in the debt of middle market U.S. companies, the portfolios today differ in the following ways:
  - Portfolio allocations
    - FS KKR Capital Corp. II’s portfolio had a higher allocation to first-lien debt (69%) compared to FSK (54%) based on fair value as of March 31, 2020. In addition, senior secured debt represented 80% of the Fund’s portfolio based on fair value compared to 70% for FSK based on fair value as of March 31, 2020.
  - Issuer sizing
    - While the estimated overlap between FSK and FS KKR Capital Corp. II is approximately 68% (percentage of portfolio fair value of FS KKR Capital Corp. II also owned by FSK) based on fair market value as of March 31, 2020, the position sizes may differ between the funds.
    - Therefore, the performance of any single overlapping investment can have a varying impact on the portfolios.
  - Capital structure
    - Approximately 37% of FSK’s borrowings were fixed rate based on principal outstanding as of March 31, 2020 while 13% of FS KKR Capital Corp. II’s borrowings were fixed rate as of March 31, 2020.
    - As of March 31, 2020, FSK had $574 million in borrowings available under its financing arrangements while FS KKR Capital Corp. II had approximately $1.6 billion in borrowings available under its financing arrangements.
Distributions

17. How frequently will the Fund pay distributions going forward?
   • Following the closing of the merger, FS KKR Capital Corp. II expects to declare and pay distributions quarterly, subject to applicable legal restrictions and the sole discretion of the Board.

18. Has the Fund declared a distribution for Q2 2020?
   • The Board previously declared a regular quarterly cash distribution to be paid on or about July 2, 2020 to shareholders of record as of the close of business on June 17, 2020.
   • However, in preparation of a listing, the Board determined to change the record and payment dates of the regular quarterly cash distribution of $0.15 per share so that the distribution will now be paid on or about June 8, 2020 to shareholders of record as of the close of business on June 8, 2020.
   • Investors participating in the Fund’s distribution reinvestment plan, or DRP, will receive shares of the Fund’s common stock in accordance with the Fund’s existing DRP policy.
   • Prior to the mergers of FS Investment Corporation II, FS Investment Corporation III, FS Investment Corporation IV and Corporate Capital Trust II, the annualized distributions differed among the non-traded funds. As a result, FS KKR Capital Corp. II’s Q1 2020 distribution, on an annualized basis, may be higher or lower depending on the fund(s) a shareholder owned prior to the mergers.
   • The timing and amount of any future distributions to shareholders of the Fund are subject to applicable legal restrictions and the sole discretion of the Board.

19. Will distribution/DRP instructions remain in place after the listing?
   • For brokerage accounts, DRP elections will follow brokerage account instructions.
   • For directly held shares, there will be no change to distribution elections.

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FORWARD-LOOKING STATEMENTS
Statements included herein may constitute “forward-looking” statements as that term is defined in Section 27A of the Securities Act of 1933, as amended (the Securities Act), and Section 21E of the Securities Exchange Act of 1934, as amended by the Private Securities Litigation Reform Act of 1995, including statements with regard to future events or the future performance or operations of the Fund. Words such as “believes,” “expects,” “projects,” and “future” or similar expressions are intended to identify forward-looking statements. These forward-looking statements are subject to the inherent uncertainties in predicting future results and conditions. Certain factors could cause actual results to differ materially from those projected in these forward-looking statements. Factors that could cause actual results to differ materially include changes in the economy, risks associated with possible disruption to the Fund’s operations or the economy generally due to terrorism, natural disasters or pandemics, future changes in laws or regulations and conditions in the Fund’s operating area, unexpected costs, charges or expenses resulting from the business combination transaction involving the Fund, failure to realize the anticipated benefits of the business combination transaction involving the Fund and failure to list the common stock of the Fund on a national securities exchange. Some of these factors are enumerated in the filings the Fund made with the Securities and Exchange Commission (the SEC) and are also contained in the Prospectus. The inclusion of forward-looking statements should not be regarded as a
representation that any plans, estimates or expectations will be achieved. Any forward-looking statements speak only as of the date of this communication. Except as required by federal securities laws, the Fund undertakes no obligation to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise. Readers are cautioned not to place undue reliance on any of these forward-looking statements.