

**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, DC 20549**

FORM 10-Q

(Mark One)

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

For the quarterly period ended September 30, 2019

OR

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

For the transition period from _____ to _____
Commission File Number 001-36364

TPG Specialty Lending, Inc.

(Exact name of registrant as specified in its charter)

Delaware
(State or other jurisdiction of
incorporation or organization)

301 Commerce Street, Suite 3300,
Fort Worth, TX
(Address of principal executive offices)

27-3380000
(I.R.S. Employer
Identification No.)

76102
(Zip Code)

Registrant's telephone number, including area code: (817) 871-4000

Not applicable

Former name, former address and former fiscal year, if changed since last report.

Securities registered pursuant to Section 12(b) of the Act:

| Title of each class | Trading Symbol(s) | Name of each exchange on which registered |
|--|-------------------|---|
| Common Stock, par value \$0.01 per share | TSLX | The New York Stock Exchange |

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

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). Yes No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company, or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company," and "emerging growth company" in Rule 12b-2 of the Exchange Act.

| | | | |
|-------------------------|-------------------------------------|---------------------------|--------------------------|
| Large accelerated filer | <input checked="" type="checkbox"/> | Accelerated filer | <input type="checkbox"/> |
| Non-accelerated filer | <input type="checkbox"/> | Smaller reporting company | <input type="checkbox"/> |
| | | Emerging growth company | <input type="checkbox"/> |

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

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

The number of shares of the registrant's common stock, \$0.01 par value per share, outstanding at November 4, 2019 was 66,480,575.

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CAUTIONARY STATEMENT REGARDING FORWARD-LOOKING STATEMENTS

This report contains forward-looking statements that involve substantial risks and uncertainties. These forward-looking statements are not historical facts, but rather are based on current expectations, estimates and projections about us, our current and prospective portfolio investments, our industry, our beliefs, and our assumptions. Words such as “anticipates,” “expects,” “intends,” “plans,” “believes,” “seeks,” “estimates,” “would,” “should,” “targets,” “projects,” and variations of these words and similar expressions are intended to identify forward-looking statements. These statements are not guarantees of future performance and are subject to risks, uncertainties, and other factors, some of which are beyond our control and difficult to predict, that could cause actual results to differ materially from those expressed or forecasted in the forward-looking statements.

In addition to factors previously identified elsewhere in the reports and other documents TPG Specialty Lending, Inc. has filed with the Securities and Exchange Commission, or SEC, the following factors, among others, could cause actual results to differ materially from forward-looking statements or historical performance:

- an economic downturn could impair our portfolio companies’ abilities to continue to operate, which could lead to the loss of some or all of our investments in those portfolio companies;
- such an economic downturn could disproportionately impact the companies in which we have invested and others that we intend to target for investment, potentially causing us to experience a decrease in investment opportunities and diminished demand for capital from these companies;
- such an economic downturn could also impact availability and pricing of our financing;
- an inability to access the capital markets could impair our ability to raise capital and our investment activities; and
- the risks, uncertainties and other factors we identify in the section entitled “Risk Factors” in this report and in our Annual Report on Form 10-K for the year ended December 31, 2018, filed with the SEC on February 20, 2019, and elsewhere in our filings with the SEC.

Although we believe that the assumptions on which these forward-looking statements are based are reasonable, some of those assumptions are based on the work of third parties and any of those assumptions could prove to be inaccurate; as a result, forward-looking statements based on those assumptions also could prove to be inaccurate. In light of these and other uncertainties, the inclusion of a projection or forward-looking statement in this report should not be regarded as a representation by us that our plans and objectives will be achieved. You should not place undue reliance on these forward-looking statements, which apply only as of the date of this report. We do not undertake any obligation to update or revise any forward-looking statements or any other information contained herein, except as required by applicable law.

PART I. FINANCIAL INFORMATION

Item 1. Financial Statements

TPG Specialty Lending, Inc.

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

| | September 30, 2019 | December 31, 2018 |
|--|-----------------------|----------------------|
| Assets | | |
| Investments at fair value | | |
| Non-controlled, non-affiliated investments (amortized cost of \$1,912,871 and \$1,546,780, respectively) | \$ 1,948,012 | \$ 1,565,532 |
| Non-controlled, affiliated investments (amortized cost of \$49,703 and \$84,602, respectively) | 49,743 | 83,932 |
| Controlled, affiliated investments (amortized cost of \$90,645 and \$85,018, respectively) | 49,765 | 56,505 |
| Total investments at fair value (amortized cost of \$2,053,219 and \$1,716,400, respectively) | 2,047,520 | 1,705,969 |
| Cash and cash equivalents (restricted cash of \$4,965 and \$7,303, respectively) | 8,110 | 10,575 |
| Interest receivable | 12,516 | 8,829 |
| Prepaid expenses and other assets | 5,144 | 4,951 |
| Total Assets | \$ 2,073,290 | \$ 1,730,324 |
| Liabilities | | |
| Debt (net of deferred financing costs of \$15,586 and \$15,508, respectively) | \$ 902,312 | \$ 608,007 |
| Management fees payable to affiliate | 7,874 | 7,069 |
| Incentive fees payable to affiliate | 7,794 | 9,356 |
| Dividends payable | 25,846 | 25,499 |
| Other payables to affiliate | 2,896 | 1,621 |
| Other liabilities | 18,310 | 15,570 |
| Total Liabilities | 965,032 | 667,122 |
| Commitments and contingencies (Note 8) | | |
| Net Assets | | |
| Preferred stock, \$0.01 par value; 100,000,000 shares authorized; no shares issued and outstanding | — | — |
| Common stock, \$0.01 par value; 400,000,000 shares authorized, 66,382,453 and 65,501,897 shares issued, respectively; and 66,293,373 and 65,412,817 shares outstanding, respectively | 664 | 655 |
| Additional paid-in capital | 1,008,159 | 991,919 |
| Treasury stock at cost; 89,080 and 89,080 shares held, respectively | (1,359) | (1,359) |
| Distributable earnings | 100,794 | 71,987 |
| Total Net Assets | 1,108,258 | 1,063,202 |
| Total Liabilities and Net Assets | \$ 2,073,290 | \$ 1,730,324 |
| Net Asset Value Per Share | \$ 16.72 | \$ 16.25 |

The accompanying notes are an integral part of these consolidated financial statements.

TPG Specialty Lending, Inc.

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

| | Three Months Ended | | Nine Months Ended | |
|---|--------------------|--------------------|--------------------|--------------------|
| | September 30, 2019 | September 30, 2018 | September 30, 2019 | September 30, 2018 |
| Income | | | | |
| Investment income from non-controlled, non-affiliated investments: | | | | |
| Interest from investments | \$ 64,451 | \$ 57,033 | \$ 168,606 | \$ 163,640 |
| Dividend income | — | — | 1 | 196 |
| Other income | 2,712 | 1,160 | 6,730 | 10,013 |
| Total investment income from non-controlled, non-affiliated investments | 67,163 | 58,193 | 175,337 | 173,849 |
| Investment income from non-controlled, affiliated investments: | | | | |
| Interest from investments | 1,332 | 1,118 | 5,093 | 1,493 |
| Other income | 19 | 12 | 69 | 229 |
| Total investment income from non-controlled, affiliated investments | 1,351 | 1,130 | 5,162 | 1,722 |
| Investment income from controlled, affiliated investments: | | | | |
| Interest from investments | 1,535 | 3,695 | 4,454 | 11,513 |
| Other income | 1 | (14) | 10 | 89 |
| Total investment income from controlled, affiliated investments | 1,536 | 3,681 | 4,464 | 11,602 |
| Total Investment Income | 70,050 | 63,004 | 184,963 | 187,173 |
| Expenses | | | | |
| Interest | 12,570 | 12,006 | 35,664 | 32,237 |
| Management fees | 7,875 | 7,538 | 21,870 | 21,520 |
| Incentive fees | 7,794 | 6,850 | 20,050 | 21,159 |
| Professional fees | 1,760 | 2,078 | 4,951 | 5,810 |
| Directors' fees | 139 | 105 | 403 | 309 |
| Other general and administrative | 1,619 | 1,484 | 4,652 | 4,019 |
| Total expenses | 31,757 | 30,061 | 87,590 | 85,054 |
| Management and incentive fees waived (Note 3) | — | — | — | (63) |
| Net Expenses | 31,757 | 30,061 | 87,590 | 84,991 |
| Net Investment Income Before Income Taxes | 38,293 | 32,943 | 97,373 | 102,182 |
| Income taxes, including excise taxes | 1,550 | 650 | 2,850 | 2,400 |
| Net Investment Income | 36,743 | 32,293 | 94,523 | 99,782 |
| Unrealized and Realized Gains (Losses) | | | | |
| Net change in unrealized gains (losses): | | | | |
| Non-controlled, non-affiliated investments | (11,589) | 12,129 | 16,478 | 15,193 |
| Non-controlled, affiliated investments | 84 | 64 | 620 | 55 |
| Controlled, affiliated investments | (4,399) | (3,791) | (12,365) | 1,454 |
| Translation of other assets and liabilities in foreign currencies | 2,962 | (1,588) | 765 | 2,316 |
| Interest rate swaps | 1,464 | (2,002) | 10,908 | (7,980) |
| Total net change in unrealized gains (losses) | (11,478) | 4,812 | 16,406 | 11,038 |
| Realized gains (losses): | | | | |
| Non-controlled, non-affiliated investments | 4,868 | — | 5,323 | 3,093 |
| Controlled, affiliated investments | — | — | 570 | (9,589) |
| Interest rate swaps | 41 | — | 41 | — |
| Foreign currency transactions | 167 | 275 | 18 | 461 |
| Total net realized gains (losses) | 5,076 | 275 | 5,952 | (6,035) |
| Total Net Unrealized and Realized Gains (Losses) | (6,402) | 5,087 | 22,358 | 5,003 |
| Increase in Net Assets Resulting from Operations | \$ 30,341 | \$ 37,380 | \$ 116,881 | \$ 104,785 |
| Earnings per common share—basic and diluted | \$ 0.46 | \$ 0.57 | \$ 1.77 | \$ 1.65 |
| Weighted average shares of common stock outstanding—basic and diluted | 66,235,594 | 65,101,482 | 65,940,148 | 63,582,506 |

The accompanying notes are an integral part of these consolidated financial statements.

TPG Specialty Lending, Inc.

Consolidated Schedule of Investments as of September 30, 2019
(Amounts in thousands, except share amounts)
(Unaudited)

| Company (1) | Investment | Initial Acquisition Date | Reference Rate and Spread | Interest Rate | Amortized Cost (2)(8) | Fair Value (10) | Percentage of Net Assets |
|---------------------------------------|---|--------------------------|---------------------------|-----------------------------|-----------------------|------------------------|--------------------------|
| Debt Investments | | | | | | | |
| Beverage, food and tobacco | | | | | | | |
| AFS Technologies, Inc. (3)(5)(6) | First-lien loan (\$45,853 par, due 10/2023) | 10/16/2018 | L + 6.25% | 8.29% | \$ 45,262 | \$ 45,280 | 4.1% |
| Business services | | | | | | | |
| Acceo Solutions, Inc. (3)(4)(5) | First-lien loan (CAD 64,188 par, due 7/2023) | 7/6/2018 | C + 4.75% | 6.70% | 48,068 | 47,995 (CAD 63,546) | 4.3% |
| Alpha Midco, Inc. (3)(5) | First-lien loan (\$42,500 par, due 8/2025) | 8/15/2019 | L + 6.75% | 8.81% | 41,094 | 41,106 | 3.7% |
| Dye & Durham Corp. (3)(4) | First-lien loan (CAD 94,406 par, due 7/2024) | 7/11/2019 | C + 7.00% | 9.03% | 70,392 | 69,699 (CAD 92,282) | 6.3% |
| | First-lien revolving loan (CAD 1,500 par, due 7/2024) | 7/11/2019 | P + 6.00% | 10.00% | 1,037 | 1,048 (CAD 1,387) | 0.1% |
| Integration Appliance, Inc. (3) | First-lien loan (\$71,500 par, due 8/2023) | 8/13/2018 | L + 7.25% | 9.43% | 70,598 | 71,500 | 6.5% |
| | First-lien revolving loan (\$1,310 par, due 8/2023) | 8/13/2018 | L + 7.25% | 9.29% | 1,279 | 1,310 | 0.1% |
| Motus, LLC (3)(5) | First-lien loan (\$60,006 par, due 1/2024) | 1/17/2018 | L + 5.75% | 7.86% | 58,858 | 60,756 | 5.5% |
| Nintex Global, Ltd. (3)(5) | First-lien loan (\$74,412 par, due 4/2024) | 3/30/2018 | L + 6.50% | 8.55% | 72,961 | 74,784 | 6.7% |
| | | | | | <u>364,287</u> | <u>368,198</u> | <u>33.2%</u> |
| Chemicals | | | | | | | |
| Vertellus Specialties, Inc. (3) | Second-lien loan (\$4,147 par, due 10/2021) | 10/31/2016 | L + 12.00% | 14.04% | 4,147 | 4,147 | 0.4% |
| Education | | | | | | | |
| Curriculum Associates, LLC (3)(5) | First-lien loan (\$75,000 par, due 9/2025) | 2/28/2018 | L + 5.50% | 7.59% | 71,954 | 76,313 | 6.9% |
| Frontline Technologies Group, LLC (3) | First-lien loan (\$65,963 par, due 9/2023) | 9/18/2017 | L + 6.50% | 8.60% | 65,535 | 65,963 | 6.0% |
| Illuminate Education, Inc.(3)(5) | First-lien loan (\$64,188 par, due 8/2022) | 8/25/2017 | L + 7.25% | 9.30% | 63,321 | 63,546 | 5.7% |
| | | | | | <u>200,810</u> | <u>205,822</u> | <u>18.6%</u> |
| Electronics | | | | | | | |
| APX Group, Inc. (11) | Secured note (\$3,750 par, due 12/2022) | 5/31/2019 | 7.88% | 7.88% | 3,500 | 3,731 | 0.3% |
| Financial services | | | | | | | |
| AppStar Financial, LLC (3) | First-lien loan (\$16,455 par, due 8/2020) | 8/18/2015 | L + 7.50% | 9.54% | 16,368 | 16,731 | 1.5% |
| AvidXchange, Inc. (3) | First-lien loan (\$54,449 par, due 8/2020) | 8/7/2015 | L + 9.50% | 11.56% | 54,245 | 54,449 | 4.9% |
| G Treasury SS, LLC (3) | First-lien loan (\$34,842 par, due 4/2022) | 4/9/2018 | L + 9.25% | 11.51% (incl. 3.00% PIK) | 34,373 | 34,555 | 3.1% |

| | | | | | | | |
|--|---|------------|-----------|-----------------------------------|----------------|-------------------------|--------------|
| GC Agile Holdings, Ltd. (3)(4) | First-lien loan (\$39,824 par, due 6/2025) | 1/31/2019 | L + 7.00% | 9.11% | 39,169 | 39,127 | 3.5% |
| Kyriba Corp.(3) | First-lien loan (\$12,431 par, due 4/2025) | 4/9/2019 | L + 9.00% | 11.10% (incl. 9.00% PIK) | 12,043 | 12,389 | 1.1% |
| | First-lien loan (EUR 7,401 par, due 4/2025) | 4/9/2019 | E + 9.00% | 9.00% (incl. 9.00% PIK) | 8,059 | 7,497 (EUR 6,877) | 0.7% |
| PayLease, LLC (3) | First-lien loan (\$64,491 par, due 7/2022) | 7/28/2017 | L + 7.25% | 9.30% | 63,610 | 64,321 | 5.8% |
| PrimeRevenue, Inc. (3) | First-lien loan (\$20,850 par, due 12/2023) | 12/31/2018 | L + 8.50% | 10.54% (incl. 5.50% PIK) | 20,567 | 20,782 | 1.9% |
| Swift Gift, Ltd. (3)(5) | First-lien loan (\$28,328 par, due 1/2022) | 7/31/2017 | L + 6.50% | 8.56% | 27,915 | 29,178 | 2.6% |
| | | | | | <u>276,349</u> | <u>279,029</u> | <u>25.1%</u> |
| Healthcare | | | | | | | |
| Caris Life Sciences, Ltd. | First-lien loan (\$2,500 par, due 9/2023) | 9/21/2018 | 11.30% | 11.30% | 2,347 | 2,413 | 0.2% |
| | Convertible note (\$2,500 par, due 9/2023) | 9/21/2018 | 8.00% | 8.00% | 2,500 | 2,519 | 0.2% |
| Clinicient, Inc.(3) | First-lien loan (\$15,000 par, due 5/2024) | 5/31/2019 | L + 7.00% | 9.12% | 14,821 | 14,810 | 1.3% |
| Integrated Practice Solutions, Inc. (3)(5) | First-lien loan (\$36,085 par, due 6/2022) | 6/30/2017 | L + 8.00% | 10.05% | 35,438 | 36,085 | 3.3% |
| MedeAnalytics, Inc. (3)(5) | First-lien loan (\$41,051 par, due 9/2020) | 9/30/2015 | L + 7.50% | 9.54% | 40,762 | 41,154 | 3.7% |
| Quantros, Inc. (3)(5) | First-lien loan (\$26,840 par, due 10/2019) | 2/29/2016 | P + 6.75% | 11.75% | 26,825 | 26,840 | 2.4% |
| TherapeuticsMD, Inc. (3)(4) | First-lien loan (\$30,000 par, due 3/2024) | 4/24/2019 | L + 7.75% | 10.45% | 29,302 | 28,875 | 2.6% |
| Valant Medical Solutions, Inc. (3) | First-lien loan (\$27,936 par, due 4/2024) | 4/8/2019 | L + 8.75% | 10.79% | 27,078 | 27,215 | 2.5% |
| Vita Bidco, Inc. (3)(5) | First-lien loan (\$21,828 par, due 2/2024) | 2/11/2019 | L + 6.50% | 8.54% | 21,264 | 21,500 | 1.9% |
| | | | | | <u>200,337</u> | <u>201,411</u> | <u>18.1%</u> |
| Hotel, gaming, and leisure | | | | | | | |
| IRGSE Holding Corp. (3)(7) | First-lien loan (\$31,200 par, due 9/2021) | 9/29/2015 | L + 9.50% | 11.60% (incl. 5.00% PIK) | 29,346 | 30,810 | 2.8% |
| | First-lien revolving loan (\$3,341 par, due 9/2021) | 9/29/2015 | L + 9.50% | 11.60% (incl. 5.00% PIK) | 3,341 | 3,287 | 0.3% |
| | | | | | <u>32,687</u> | <u>34,097</u> | <u>3.1%</u> |
| Human resource support services | | | | | | | |
| Absorb Software, Inc. (3)(4)(5) | First-lien loan (\$29,925 par, due 5/2024) | 7/31/2019 | L + 6.50% | 8.54% | 29,278 | 29,327 | 2.6% |

| | | | | | | | |
|---|--|------------|-----------|------------------------------------|----------------|------------------------|--------------|
| ClearCompany, LLC (3) | First-lien loan (\$17,481 par, due 7/2023) | 7/23/2018 | L + 8.50% | 10.62% (incl. 2.50% PIK) | 17,268 | 17,327 | 1.6% |
| PageUp People, Ltd. (3)(4) | First-lien loan (AUD 47,375 par, due 12/2022) | 1/11/2018 | B + 7.25% | 8.50% (incl. 1.25% PIK) | 36,645 | 31,742 (AUD 47,064) | 2.9% |
| PayScale Holdings, Inc. (3)(5) | First-lien loan (\$39,950 par, due 5/2024) | 5/3/2019 | L + 7.00% | 9.04% | 38,916 | 38,998 | 3.5% |
| Shaker International, Inc. (3)(5) | First-lien loan (\$22,444 par, due 5/2024) | 5/15/2019 | L + 7.00% | 9.04% | 21,909 | 21,883 | 2.0% |
| | | | | | <u>144,016</u> | <u>139,277</u> | <u>12.6%</u> |
| Insurance | | | | | | | |
| Riskconnect, Inc. (3)(5) | First-lien loan (\$50,000 par, due 10/2023) | 6/30/2017 | L + 7.00% | 9.11% | 49,505 | 50,250 | 4.5% |
| Internet services | | | | | | | |
| Gainsight, Inc. (9) | First-lien loan (\$3,213 par, due 7/2025) | 7/29/2019 | 13.00% | 13.00% (incl. 13.00% PIK) | 3,141 | 3,163 | 0.3% |
| Higher Logic, LLC (3)(5) | First-lien loan (\$37,525 par, due 1/2022) | 6/18/2018 | L + 6.00% | 8.05% | 37,083 | 37,150 | 3.4% |
| Lithium Technologies, LLC (3) | First-lien loan (\$54,700 par, due 10/2022) | 10/3/2017 | L + 8.00% | 10.04% | 53,878 | 54,016 | 4.9% |
| | First-lien revolving loan (\$792 par, due 10/2022) | 10/3/2017 | L + 8.00% | 10.04% | 737 | 742 | 0.1% |
| Lucidworks, Inc. (9) | First-lien loan (\$11,805 par, due 7/2024) | 7/31/2019 | 12.00% | 12.00% (incl. 7.00% PIK) | 11,660 | 11,692 | 1.1% |
| | | | | | <u>106,499</u> | <u>106,763</u> | <u>9.8%</u> |
| Office products | | | | | | | |
| USR Parent, Inc. (3)(5) | ABL FILO term loan (\$12,000 par, due 9/2022) | 9/12/2017 | L + 7.75% | 9.89% | 11,817 | 12,180 | 1.1% |
| Oil, gas and consumable fuels | | | | | | | |
| Energy Alloys, LLC (3)(5) | ABL FILO term loan (\$25,000 par, due 8/2024) | 8/28/2019 | L + 6.25% | 8.30% | 24,027 | 24,000 | 2.2% |
| MD America Energy, LLC (3) | First-lien loan (\$19,191 par, due 11/2023) | 11/14/2018 | L + 7.75% | 9.93% | 18,853 | 18,523 | 1.7% |
| Mississippi Resources, LLC (3)(7) | First-lien loan (\$18,579 par, due 6/2020) | 6/29/2018 | L + 9.00% | 11.04% | 18,555 | 14,166 | 1.3% |
| Verdad Resources Intermediate Holdings, LLC (3) | First-lien loan (\$42,222 par, due 10/2023) | 4/10/2019 | L + 7.50% | 9.63% | 41,200 | 41,097 | 3.7% |
| | | | | | <u>102,635</u> | <u>97,786</u> | <u>8.9%</u> |
| Pharmaceuticals | | | | | | | |
| Nektar Therapeutics (4)(5)(9) | Secured note (\$74,950 par, due 10/2020) | 10/5/2015 | 7.75% | 7.75% | 74,718 | 76,449 | 6.9% |
| Retail and consumer products | | | | | | | |
| 99 Cents Only Stores LLC (3) | ABL FILO term loan (\$32,500 par, due 4/2021) | 9/6/2017 | L + 7.75% | 9.86% | 32,267 | 32,500 | 2.9% |

| | | | | | | | |
|--------------------------------------|---|------------|-----------|--------|------------------|------------------|---------------|
| American Achievement, Corp. (3) | First-lien loan (\$22,436 par, due 9/2022) | 9/30/2015 | L + 8.25% | 10.36% | 22,351 | 22,155 | 2.0% |
| J.C. Penney Company, Inc. (4)(11) | First-lien loan (\$6,244 par, due 6/2023)(3) | 6/5/2019 | L + 4.25% | 6.39% | 5,380 | 5,426 | 0.5% |
| | Secured note (\$11,559 par, due 7/2023) | 6/5/2019 | 5.88% | 5.88% | 9,658 | 9,940 | 0.9% |
| Maurices, Inc. (3)(5) | ABL FILO term loan (\$38,333 par, due 5/2024) | 5/6/2019 | L + 6.50% | 8.59% | 37,228 | 38,333 | 3.5% |
| Moran Foods, LLC (3) | ABL FILO term loan (\$39,375 par, due 12/2021) | 6/21/2019 | L + 6.75% | 9.05% | 38,934 | 38,883 | 3.5% |
| Neiman Marcus Group Ltd LLC (3) | ABL FILO term loan (\$72,000 par, due 7/2021) | 9/11/2019 | L + 6.00% | 8.14% | 70,949 | 70,920 | 6.4% |
| | First-lien loan (\$1,000 par, due 10/2023) (11) | 9/12/2019 | L + 6.00% | 8.14% | 800 | 758 | 0.1% |
| Transform SR Holdings, LLC (3) | ABL FILO term loan (\$75,000 par, due 2/2024) | 2/11/2019 | L + 7.25% | 9.30% | 74,327 | 75,375 | 6.8% |
| | | | | | <u>291,894</u> | <u>294,290</u> | <u>26.6%</u> |
| Transportation | | | | | | | |
| Ferrellgas, L.P. (3)(4)(5) | First-lien loan (\$82,500 par, due 5/2023) | 5/4/2018 | L + 5.75% | 7.89% | 81,256 | 87,000 | 7.8% |
| Total Debt Investments | | | | | <u>1,989,719</u> | <u>2,005,710</u> | <u>181.1%</u> |
| Equity and Other Investments | | | | | | | |
| Beverage, food and tobacco | | | | | | | |
| AFS Technologies, Inc. (6)(13)(14) | Preferred Units (4,441,090 units) | 10/16/2018 | | | 4,441 | 4,463 | 0.4% |
| Business Services | | | | | | | |
| Motus, LLC (13) | Class A Units (1,262 units) | 1/17/2018 | | | 1,261 | 1,482 | 0.1% |
| | Class B Units (517,020 units) | 1/17/2018 | | | — | — | 0.0% |
| Nintex Global, Ltd. (13) | Class A Shares (1,197 shares) | 3/30/2018 | | | 1,197 | 1,778 | 0.2% |
| | Class B Shares (398,557 shares) | 3/30/2018 | | | 12 | 18 | 0.0% |
| | | | | | <u>2,470</u> | <u>3,278</u> | <u>0.3%</u> |
| Chemicals | | | | | | | |
| Vertellus Specialties, Inc. (13)(14) | Common Units (3,334,028 units) | 10/31/2016 | | | 4,522 | 3,460 | 0.3% |
| Financial services | | | | | | | |
| Oxford Square Capital Corp. (4)(12) | Common Shares (1,059 shares) | 8/5/2015 | | | 7 | 7 | 0.0% |
| Swift Gift, Ltd. (13) | Common Shares (35,000 shares) | 7/31/2017 | | | 3,500 | 11,008 | 1.0% |
| | | | | | <u>3,507</u> | <u>11,015</u> | <u>1.0%</u> |
| Healthcare | | | | | | | |
| Caris Life Sciences, Ltd. (13) | 633,376 Warrants | 9/21/2018 | | | 192 | 192 | 0.0% |

| | | | | | |
|---|--|------------|---------------------|---------------------|---------------|
| Valant Medical Solutions, Inc. (13)(14)(15) | 954,478 Warrants | 4/8/2019 | 281 | 281 | 0.0% |
| Vita Topco, Inc. (13)(14)(15) | Common Shares (1,000 shares) | 2/11/2019 | 1,000 | 1,000 | 0.1% |
| | | | 1,473 | 1,473 | 0.1% |
| Hotel, gaming, and leisure | | | | | |
| IRGSE Holding Corp. (7)(13) | Class A Units (27,690,171 units) (14) | 12/21/2018 | 20,063 | 1,454 | 0.1% |
| | Common Shares (8,800,000 shares) | 12/21/2018 | 100 | 48 | 0.0% |
| | | | 20,163 | 1,502 | 0.1% |
| Human resource support services | | | | | |
| ClearCompany, LLC (13)(15) | Class A Units (44,944 units) | 8/24/2018 | 2,014 | 2,014 | 0.2% |
| Insurance | | | | | |
| Riskconnect, Inc. (13)(14) | Common Shares Class A (1,020 units) | 6/30/2017 | 1,020 | 1,412 | 0.1% |
| | Common Shares Class B (987,929 units) | 6/30/2017 | 10 | 14 | 0.0% |
| | | | 1,030 | 1,426 | 0.1% |
| Internet Services | | | | | |
| Lucidworks, Inc. (13)(14) | Series F Preferred Shares (199,054 shares) | 8/2/2019 | 800 | 800 | 0.1% |
| Marketing services | | | | | |
| Validity, Inc. (13) | Series A Preferred Shares (3,840,000 shares) | 5/31/2018 | 3,840 | 12,379 | 1.1% |
| Oil, gas and consumable fuels | | | | | |
| Mississippi Resources, LLC (7)(13) | Class A-1 Member Units (1,360 units) | 5/3/2017 | 10,366 | — | 0.0% |
| | Class A-2 Member Units (933 units) | 6/4/2014 | 8,874 | — | 0.0% |
| | | | 19,240 | — | 0.0% |
| Total Equity and Other Investments | | | 63,500 | 41,810 | 3.7% |
| Total Investments | | | \$ 2,053,219 | \$ 2,047,520 | 184.8% |

Interest Rate Swaps as of September 30, 2019

| | Company Receives | Company Pays | Maturity Date | Notional Amount | Fair Market Value | Upfront Payments / Receipts | Change in Unrealized Gains / (Losses) |
|---------------------------|---------------------|-----------------|---------------|--------------------|-------------------------|-----------------------------------|---|
| Interest rate swap (a) | 4.50% | L + 2.86% | 12/15/2019 | \$ 115,000 | \$ (153) | \$ — | \$ 1,132 |
| Interest rate swap (a) | L | 1.97% | 6/25/2020 | 91,500 | (52) | — | (94) |
| Interest rate swap (a) | L | 1.47% | 7/30/2021 | 11,700 | 34 | — | 34 |
| Interest rate swap (a) | L | 1.36% | 7/29/2022 | 3,200 | 17 | — | 17 |
| Interest rate swap (a) | 4.50% | L + 2.37% | 8/1/2022 | 115,000 | 1,723 | — | 3,600 |
| Interest rate swap (a) | 4.50% | L + 1.59% | 8/1/2022 | 50,000 | 1,847 | — | 1,308 |
| Interest rate swap (a) | 4.50% | L + 1.60% | 8/1/2022 | 7,500 | 275 | — | 197 |
| Interest rate swap (a) | 4.50% | L + 1.99% | 1/22/2023 | 150,000 | 4,554 | — | 5,092 |
| Cash collateral | | | | — | (6,588) | — | — |
| Interest rate swap (a)(b) | L | 1.72% | 1/10/2020 | — | — | — | (378) |
| Total | | | | \$ 543,900 | \$ 1,657 | \$ — | \$ 10,908 |

(a) Contains a variable rate structure. Bears interest at a rate determined by three-month LIBOR.

(b) Interest rate swap was terminated on September 16, 2019.

- (1) Certain portfolio company investments are subject to contractual restrictions on sales.
- (2) The amortized cost represents the original cost adjusted for the amortization of discounts and premiums, as applicable, on debt investments using the effective interest method.
- (3) Investment contains a variable rate structure, subject to an interest rate floor. Variable rate investments bear interest at a rate that may be determined by reference to either London Interbank Offered Rate (“LIBOR” or “L”) (which can include one-, two-, three- or six-month LIBOR), Euro Interbank Offer Rate (“Euribor” or “E”) (which can include one-, two-, three- or six-month Euribor), Canadian Dollar Offered Rate (“CDOR” or “C”), Bank Bill Swap Bid Rate (“BBSY” or “B”) or an alternate base rate (which can include the Federal Funds Effective Rate, the Toronto-Dominion Bank rate, or the Prime Rate or “P”), at the borrower’s option, which reset periodically based on the terms of the credit agreement. For investments with multiple interest rate contracts, the interest rate shown is the weighted average interest rate in effect at September 30, 2019.
- (4) This portfolio company is not a qualifying asset under Section 55(a) of the Investment Company Act of 1940, as amended (the “1940 Act”). Under the 1940 Act, the Company may not acquire any non-qualifying asset unless, at the time such acquisition is made, qualifying assets represent at least 70% of total assets. Non-qualifying assets represented 20.6% of total assets as of September 30, 2019.
- (5) In addition to the interest earned based on the stated interest rate of this investment, which is the amount reflected in this schedule, the Company may be entitled to receive additional interest as a result of an arrangement with other members in the syndicate to the extent an investment has been allocated to “first out” and “last out” tranches, whereby the “first out” tranche will have priority as to the “last out” tranche with respect to payments of principal, interest and any amounts due thereunder and the Company holds the “last out” tranche.
- (6) Under the 1940 Act, the Company is deemed to be an “Affiliated Person” of, as defined in the 1940 Act, this portfolio company, as the Company owns more than 5% of the portfolio company’s outstanding voting securities. Transactions during the nine months ended September 30, 2019 in which the Company was an Affiliated Person of the portfolio company are as follows:

Non-controlled, Affiliated Investments during the nine months ended September 30, 2019

| Company | Fair Value at December 31, 2018 | Gross Additions (a) | Gross Reductions (b) | Net Change In Unrealized Gain/(Loss) | Realized Gain/(Losses) | Transfers | Fair Value at September 30, 2019 | Other Income | Interest Income |
|------------------------|--|------------------------|-------------------------|--|---------------------------|--------------------|--|-----------------|--------------------|
| AFS Technologies, Inc. | \$ 45,342 | \$ 4,810 | \$ (881) | \$ 472 | \$ — | \$ — | \$ 49,743 | \$ 57 | \$ 3,930 |
| Validity, Inc. | 38,590 | 1,489 | (234) | 148 | — | (39,993) | — | 12 | 1,163 |
| Total | \$ 83,932 | \$ 6,299 | \$ (1,115) | \$ 620 | \$ — | \$ (39,993) | \$ 49,743 | \$ 69 | \$ 5,093 |

(a) Gross additions include increases in the cost basis of investments resulting from new investments, payment-in-kind interest or dividends, the amortization of any unearned income or discounts on debt investments, as applicable.

(b) Gross reductions include decreases in the cost basis of investments resulting from principal collections related to investment repayments or sales, and the amortization of any premiums on debt investments, as applicable. When an investment is placed on non-accrual status, any cash flows received by the Company may be applied to the outstanding principal balance.

- (7) Under the 1940 Act, the Company is deemed to be both an “Affiliated Person” of and “Control,” as such terms are defined in the 1940 Act, this portfolio company, as the Company owns more than 25% of the portfolio company’s outstanding voting securities or has the power to exercise control over management or policies of such portfolio company (including through a management agreement). Transactions during the nine months ended September 30, 2019 in which the Company was an Affiliated Person of and was deemed to Control a portfolio company are as follows:

Controlled, Affiliated Investments during the nine months ended September 30, 2019

| Company | Fair Value at December 31, 2018 | Gross Additions (a) | Gross Reductions (b) | Net Change In Unrealized Gain/(Loss) | Realized Gain/(Losses) | Transfers | Fair Value at September 30, 2019 | Other Income | Interest Income |
|----------------------------|---------------------------------|---------------------|----------------------|--------------------------------------|------------------------|-------------|----------------------------------|--------------|-----------------|
| IRGSE Holding Corp. | \$ 34,527 | \$ 4,499 | \$ — | \$ (3,427) | \$ — | \$ — | \$ 35,599 | \$ 10 | \$ 2,919 |
| Mississippi Resources, LLC | 21,978 | \$ 1,126 | — | (8,938) | — | — | 14,166 | — | 1,535 |
| Total | \$ 56,505 | \$ 5,625 | \$ — | \$ (12,365) | \$ — | \$ — | \$ 49,765 | \$ 10 | \$ 4,454 |

- (a) Gross additions include increases in the cost basis of investments resulting from new investments, payment-in-kind interest or dividends, the amortization of any unearned income or discounts on debt investments, as applicable.
- (b) Gross reductions include decreases in the cost basis of investments resulting from principal collections related to investment repayments or sales, and the amortization of any premiums on debt investments, as applicable. When an investment is placed on non-accrual status, any cash flows received by the Company may be applied to the outstanding principal balance.
- (8) As of September 30, 2019, the estimated cost basis of investments for U.S. federal tax purposes was \$2,045,775, resulting in estimated gross unrealized gains and losses of \$104,662 and \$103,133, respectively.
- (9) These investments contain a fixed rate structure. The Company entered into an interest rate swap agreement to swap to a floating rate. Refer to Note 5 for further information related to the Company’s interest rate swaps on investments.
- (10) In accordance with Financial Accounting Standards Board Accounting Standards Codification 820, *Fair Value Measurements* (“ASC 820”), unless otherwise indicated, the fair values of all investments were determined using significant unobservable inputs and are considered Level 3 investments. See Note 6 for further information related to investments at fair value.
- (11) This investment is valued using observable inputs and is considered a Level 2 investment. See Note 6 for further information related to investments at fair value.
- (12) This investment is valued using observable inputs and is considered a Level 1 investment. See Note 6 for further information related to investments at fair value.
- (13) This equity investment is non-income producing.
- (14) All or a portion of this security was acquired in a transaction exempt from registration under the Securities Act of 1933, and may be deemed to be “restricted securities” under the Securities Act. As of September 30, 2019, the aggregate fair value of these securities is \$8,722, or 0.8% of the Company’s net assets.
- (15) Ownership of equity investments may occur through a holding company or partnership.

The accompanying notes are an integral part of these consolidated financial statements.

TPG Specialty Lending, Inc.

Consolidated Schedule of Investments as of December 31, 2018
(Amounts in thousands, except share amounts)

| Company (1) | Investment | Initial Acquisition Date | Reference Rate and Spread | Interest Rate | Amortized Cost (2)(8) | Fair Value (10) | Percentage of Net Assets |
|---------------------------------------|--|--------------------------|---------------------------|--------------------------|-----------------------|---------------------|--------------------------|
| Debt Investments | | | | | | | |
| Beverage, food and tobacco | | | | | | | |
| AFS Technologies, Inc. (3)(5)(6) | First-lien loan (\$42,234 par, due 10/2023) | 10/16/2018 | L + 6.25% | 8.77% | \$ 41,611 | \$ 41,179 | 3.9% |
| Business services | | | | | | | |
| Acceo Solutions, Inc. (3)(4)(5) | First-lien loan (CAD 64,675 par, due 7/2023) | 7/6/2018 | C + 5.25% | 7.41% | 48,275 | 46,051 (CAD 62,896) | 4.3% |
| Integration Appliance, Inc. (3) | First-lien loan (\$52,381 par, due 8/2023) | 8/13/2018 | L + 7.25% | 9.60% | 51,608 | 51,281 | 4.8% |
| Jive Software, Inc. (3)(5) | First-lien loan (\$52,110 par, due 6/2022) | 6/12/2017 | L + 9.25% | 11.77% | 50,656 | 54,194 | 5.1% |
| Motus, LLC (3) | First-lien loan (\$68,880 par, due 1/2024) | 1/17/2018 | L + 6.75% | 9.22% | 67,262 | 69,624 | 6.5% |
| Nintex Global, Ltd. (3)(5) | First-lien loan (\$71,975 par, due 4/2024) | 3/30/2018 | L + 6.75% | 9.28% | 70,382 | 70,176 | 6.6% |
| Sovos Compliance, LLC (3) | First-lien loan (\$36,453 par, due 3/2022) | 7/1/2016 | L + 6.00% | 8.52% | 36,032 | 36,453 | 3.4% |
| | | | | | <u>324,215</u> | <u>327,779</u> | <u>30.7%</u> |
| Chemicals | | | | | | | |
| Vertellus Specialties, Inc. (3) | First-lien loan (\$4,967 par, due 1/2019) | 10/31/2016 | L + 9.00% | 11.42% | 4,967 | 4,967 | 0.5% |
| | Second-lien loan (\$3,341 par, due 10/2021) | 10/31/2016 | L + 12.00% | 14.42% | 3,341 | 3,350 | 0.3% |
| | | | | | <u>8,308</u> | <u>8,317</u> | <u>0.8%</u> |
| Education | | | | | | | |
| Curriculum Associates, LLC (3)(5) | First-lien loan (\$49,875 par, due 2/2024) | 2/28/2018 | L + 6.00% | 8.52% | 48,497 | 50,374 | 4.7% |
| Frontline Technologies Group, LLC (3) | First-lien loan (\$47,225 par, due 9/2023) | 9/18/2017 | L + 6.50% | 9.02% | 46,713 | 46,801 | 4.4% |
| Illuminate Education, Inc.(3)(5) | First-lien loan (\$64,675 par, due 8/2022) | 8/25/2017 | L + 7.25% | 9.78% | 63,611 | 63,544 | 6.0% |
| | | | | | <u>158,821</u> | <u>160,719</u> | <u>15.1%</u> |
| Financial services | | | | | | | |
| AppStar Financial, LLC (3) | First-lien loan (\$18,506 par, due 8/2020) | 8/18/2015 | L + 7.50% | 10.02% | 18,333 | 18,609 | 1.8% |
| AvidXchange, Inc. (3) | First-lien loan (\$54,449 par, due 8/2020) | 8/7/2015 | L + 9.50% | 12.06% | 54,080 | 54,994 | 5.2% |
| G Treasury SS, LLC (3) | First-lien loan (\$30,515 par, due 4/2022) | 4/9/2018 | L + 9.25% | 11.78% (incl. 3.00% PIK) | 29,914 | 29,765 | 2.8% |
| Government Brands, LLC (3) | First-lien loan (\$45,870 par, due 3/2023) | 3/15/2018 | L + 9.25% | 11.81% (incl. 2.50% PIK) | 45,001 | 44,853 | 4.2% |

| | | | | | | | |
|--|--|------------|-----------|--------------------------|----------------|---------------------|--------------|
| PayLease, LLC (3) | First-lien loan (\$55,958 par, due 7/2022) | 7/28/2017 | L + 7.00% | 9.52% | 55,065 | 55,810 | 5.2% |
| PaySimple, Inc. (3)(5) | First-lien loan (\$59,395 par, due 3/2022) | 4/17/2018 | L + 8.25% | 10.81% (incl. 1.75% PIK) | 59,121 | 58,652 | 5.5% |
| PrimeRevenue, Inc. (3) | First-lien loan (\$20,000 par, due 12/2023) | 12/31/2018 | L + 8.50% | 11.02% (incl. 5.50% PIK) | 19,672 | 19,672 | 1.9% |
| Swift Gift, Ltd. (3)(5) | First-lien loan (\$28,875 par, due 1/2022) | 7/31/2017 | L + 6.50% | 9.06% | 28,335 | 29,958 | 2.8% |
| | | | | | <u>309,521</u> | <u>312,313</u> | <u>29.4%</u> |
| Healthcare | | | | | | | |
| Caris Life Sciences, Ltd. | First-lien loan (\$2,500 par, due 9/2023) | 9/21/2018 | | 11.30% | 2,305 | 2,206 | 0.2% |
| | Convertible note (\$2,500 par, due 9/2023) | 9/21/2018 | | 8.00% | 2,500 | 2,481 | 0.2% |
| Integrated Practice Solutions, Inc. (3)(5) | First-lien loan (\$36,501 par, due 6/2022) | 6/30/2017 | L + 8.00% | 10.52% | 35,696 | 36,136 | 3.4% |
| MedeAnalytics, Inc. (3)(5) | First-lien loan (\$41,884 par, due 9/2020) | 9/30/2015 | L + 7.50% | 10.02% | 41,384 | 41,884 | 3.9% |
| InterOperability Bidco, Inc. (3)(5) | First-lien loan (\$29,925 par, due 10/2023) | 10/30/2018 | L + 7.00% | 9.52% | 28,729 | 28,578 | 2.7% |
| Quantros, Inc. (3)(5) | First-lien loan (\$27,965 par, due 9/2019) | 2/29/2016 | L + 7.75% | 10.55% | 26,650 | 27,475 | 2.6% |
| | | | | | <u>137,264</u> | <u>138,760</u> | <u>13.0%</u> |
| Hotel, gaming, and leisure | | | | | | | |
| IRGSE Holding Corp. (3)(7) | First-lien loan (\$30,042 par, due 9/2019) | 9/29/2015 | L + 9.50% | 12.30% (incl. 5.00% PIK) | 28,187 | 29,959 | 2.8% |
| Human resource support services | | | | | | | |
| ClearCompany, LLC (3) | First-lien loan (\$17,154 par, due 7/2023) | 7/23/2018 | L + 8.50% | 11.21% (incl. 2.50% PIK) | 16,885 | 16,751 | 1.6% |
| PageUp People Limited (3)(4) | First-lien loan (AUD 46,848 par, due 12/2022) | 1/11/2018 | B + 7.25% | 9.17% (incl. 2.25% PIK) | 36,234 | 32,486 (AUD 46,145) | 3.1% |
| | First-lien revolving loan (AUD 2,000 par, due 12/2022) | 1/11/2018 | B + 7.25% | 9.23% | 1,429 | 1,355 (AUD 1,925) | 0.1% |
| | | | | | <u>54,548</u> | <u>50,592</u> | <u>4.8%</u> |
| Insurance | | | | | | | |
| Insurity, Inc. (3)(5) | First-lien loan (\$61,665 par, due 10/2020) | 10/31/2014 | L + 6.75% | 9.47% | 61,384 | 62,127 | 5.8% |
| Riskconnect, Inc. (3)(5) | First-lien loan (\$50,000 par, due 10/2023) | 6/30/2017 | L + 7.75% | 10.56% | 49,432 | 49,000 | 4.6% |
| | | | | | <u>110,816</u> | <u>111,127</u> | <u>10.4%</u> |
| Internet services | | | | | | | |
| Higher Logic, LLC (3)(5) | First-lien loan (\$37,810 par, due 1/2022) | 6/18/2018 | L + 6.00% | 8.81% | 37,236 | 36,959 | 3.5% |

| | | | | | | | |
|--|--|------------|-----------|--------|------------------|------------------|---------------|
| Lithium Technologies, LLC (3) | First-lien loan (\$54,700 par, due 10/2022) | 10/3/2017 | L + 8.00% | 10.39% | 53,639 | 53,967 | 5.1% |
| | | | | | <u>90,875</u> | <u>90,926</u> | <u>8.6%</u> |
| Manufacturing | | | | | | | |
| ScentAir Technologies, Inc. (3) | First-lien loan (\$19,986 par, due 12/2019) | 12/30/2014 | L + 7.25% | 9.77% | 19,897 | 19,886 | 1.9% |
| | First-lien revolving loan (\$1,393 par, due 12/2019) | 12/30/2014 | L + 7.25% | 9.77% | 1,385 | 1,382 | 0.1% |
| | | | | | <u>21,282</u> | <u>21,268</u> | <u>2.0%</u> |
| Marketing services | | | | | | | |
| Validity, Inc. (3)(5)(6) | First-lien loan (\$35,550 par, due 5/2023) | 5/31/2018 | L + 6.50% | 9.25% | 34,988 | 34,750 | 3.3% |
| Office products | | | | | | | |
| USR Parent, Inc. (3)(5) | ABL FILO term loan (\$13,500 par, due 9/2022) | 9/12/2017 | L + 7.75% | 10.09% | 13,251 | 13,331 | 1.3% |
| Oil, gas and consumable fuels | | | | | | | |
| MD America Energy, LLC (3) | First-lien loan (\$15,000 par, due 11/2023) | 11/14/2018 | L + 7.75% | 10.37% | 14,530 | 14,325 | 1.3% |
| Mississippi Resources, LLC (3)(7) | First-lien loan (\$17,429 par, due 6/2020) | 6/29/2018 | L + 9.00% | 11.52% | 17,429 | 17,080 | 1.6% |
| | | | | | <u>31,959</u> | <u>31,405</u> | <u>2.9%</u> |
| Pharmaceuticals | | | | | | | |
| Ironwood Pharmaceuticals, Inc. (4)(5)(9) | Secured note (\$33,333 par, due 9/2026) | 1/5/2017 | 8.38% | 8.38% | 33,202 | 33,833 | 3.2% |
| Nektar Therapeutics (4)(5)(9) | Secured note (\$74,950 par, due 10/2020) | 10/5/2015 | 7.75% | 7.75% | 74,559 | 76,074 | 7.2% |
| | | | | | <u>107,761</u> | <u>109,907</u> | <u>10.4%</u> |
| Retail and consumer products | | | | | | | |
| 99 Cents Only Stores LLC (3) | ABL FILO term loan (\$32,500 par, due 4/2021) | 9/6/2017 | L + 7.75% | 10.49% | 32,164 | 32,338 | 3.0% |
| American Achievement, Corp. (3) | First-lien loan (\$22,403 par, due 9/2020) | 9/30/2015 | L + 8.25% | 10.60% | 22,277 | 22,179 | 2.1% |
| | Secured Promissory note (\$795 par, due 12/2020) | 12/19/2018 | L + 8.25% | 10.64% | 787 | 787 | 0.1% |
| PayLess Inc. (3)(5) | ABL FILO term loan (\$14,063 par, due 8/2022) | 3/1/2018 | L + 8.00% | 10.38% | 13,806 | 13,957 | 1.3% |
| Sears (3)(4)(11) | First-lien ABL DIP loan (\$25,394 par, due 10/2019) | 3/18/2016 | L + 8.00% | 10.42% | 25,176 | 25,870 | 2.4% |
| | | | | | <u>94,210</u> | <u>95,131</u> | <u>8.9%</u> |
| Transportation | | | | | | | |
| Ferrellgas, L.P. (3)(4)(5) | First-lien loan (\$82,500 par, due 5/2023) | 5/4/2018 | L + 5.75% | 8.10% | 81,026 | 83,062 | 7.8% |
| Total Debt Investments | | | | | <u>1,648,643</u> | <u>1,660,525</u> | <u>156.1%</u> |
| Equity and Other Investments | | | | | | | |
| Beverage, food and tobacco | | | | | | | |

| | | | | | |
|---|--|------------|---------------|---------------|-------------|
| AFS Technologies, Inc. (6)(13)(14) | Preferred Units (4,163,090 Units) | 10/16/2018 | 4,163 | 4,163 | 0.4% |
| Business Services | | | | | |
| Motus, LLC (13)(14) | Class A Units (1,262 Units) | 1/17/2018 | 1,262 | 1,262 | 0.1% |
| | Class B Units (517,020 Units) | 1/17/2018 | — | — | 0.0% |
| Nintex Global Limited (13)(14) | Class A Shares (1,197 Shares) | 3/30/2018 | 1,197 | 1,197 | 0.1% |
| | Class B Shares (398,557 Shares) | 3/30/2018 | 12 | 12 | 0.0% |
| | | | <u>2,471</u> | <u>2,471</u> | <u>0.2%</u> |
| Chemicals | | | | | |
| Vertellus Specialties, Inc. (13) | Common Units (2,672,990 units) | 10/31/2016 | 3,828 | 3,503 | 0.3% |
| Financial services | | | | | |
| AvidXchange, Inc. (13) | Series E Preferred Equity (214,132 shares) | 8/7/2015 | 3,846 | 7,481 | 0.7% |
| Oxford Square Capital Corp. (4)(12) | Common Shares (1,059 shares) | 8/5/2015 | 7 | 7 | 0.0% |
| Swift Gift Limited (13) | Common Shares (35,000 shares) | 7/31/2017 | 3,500 | 7,998 | 0.8% |
| | | | <u>7,353</u> | <u>15,486</u> | <u>1.5%</u> |
| Healthcare | | | | | |
| Caris Life Sciences, Ltd. (13)(14) | Warrants | 9/21/2018 | 192 | 192 | 0.0% |
| SRS Parent Corp. (13) | Common Shares Class A (1,980 shares) | 12/28/2012 | 1,980 | 1,064 | 0.1% |
| | Common Shares Class B (2,953,020 shares) | 12/28/2012 | 20 | 11 | 0.0% |
| | | | <u>2,192</u> | <u>1,267</u> | <u>0.1%</u> |
| Hotel, gaming, and leisure | | | | | |
| IRGSE Holding Corp. (7)(13) | Class A Units (27,690,171 units) (14) | 12/21/2018 | 20,063 | 4,520 | 0.4% |
| | Common Shares (8,800,000 shares) | 12/21/2018 | 100 | 48 | 0.0% |
| | | | <u>20,163</u> | <u>4,568</u> | <u>0.4%</u> |
| Human resource support services | | | | | |
| ClearCompany, LLC (13)(14)(15) | Class A Units (44,944 units) | 8/24/2018 | 2,014 | 2,014 | 0.2% |
| Insurance | | | | | |
| Riskconnect, Inc. (13)(14) | Common Shares Class A (1,020 units) | 6/30/2017 | 1,020 | 1,020 | 0.1% |
| | Common Shares Class B (987,929 units) | 6/30/2017 | 10 | 10 | 0.0% |
| | | | <u>1,030</u> | <u>1,030</u> | <u>0.1%</u> |
| Marketing services | | | | | |
| Validity, Inc. (6)(13)(14) | Series A Preferred Shares (3,840,000 shares) | 5/31/2018 | 3,840 | 3,840 | 0.4% |
| Oil, gas and consumable fuels | | | | | |
| Mississippi Resources, LLC (7)(13) (14) | Class A-1 Member Units (1,360 units) | 5/3/2017 | 10,366 | 4,898 | 0.5% |

| | | | | | |
|---|------------------------------------|-----------|---------------------|---------------------|---------------|
| | Class A-2 Member Units (933 units) | 6/4/2014 | 8,874 | — | 0.0% |
| Northern Oil and Gas, Inc. (12)(13) | Common Shares (975,000 shares) | 5/15/2018 | 1,463 | 2,204 | 0.2% |
| | | | 20,703 | 7,102 | 0.7% |
| Total Equity and Other Investments | | | 67,757 | 45,444 | 4.3% |
| Total Investments | | | \$ 1,716,400 | \$ 1,705,969 | 160.4% |

Interest Rate Swaps as of December 31, 2018

| | Company Receives | Company Pays | Maturity Date | Notional Amount | Fair Market Value | Upfront Payments / Receipts | Change in Unrealized Gains / (Losses) |
|---------------------------|------------------|--------------|---------------|-------------------|-------------------|-----------------------------|---------------------------------------|
| Interest rate swap (b) | L | 2.66% | 6/27/2019 | \$ 91,500 | \$ 42 | \$ — | \$ (438) |
| Interest rate swap (b) | 4.50% | L + 2.86% | 12/15/2019 | 115,000 | (1,285) | — | (261) |
| Interest rate swap (a)(b) | L | 1.72% | 1/10/2020 | 33,333 | 378 | — | 86 |
| Interest rate swap (b) | 4.50% | L + 2.37% | 8/1/2022 | 115,000 | (1,877) | — | (1,167) |
| Interest rate swap (b) | 4.50% | L + 1.59% | 8/1/2022 | 50,000 | 539 | — | 539 |
| Interest rate swap (b) | 4.50% | L + 1.60% | 8/1/2022 | 7,500 | 78 | — | 78 |
| Interest rate swap (b) | 4.50% | L + 1.99% | 1/22/2023 | 150,000 | (538) | — | (538) |
| Cash collateral | | | | — | 2,663 | — | — |
| Total | | | | \$ 562,333 | \$ — | \$ — | \$ (1,701) |

- (a) Contract terms are shown net of Company receiving 6.65% and paying 8.38%.
(b) Contains a variable rate structure. Bears interest at a rate determined by three-month LIBOR.

- (1) Certain portfolio company investments are subject to contractual restrictions on sales.
(2) The amortized cost represents the original cost adjusted for the amortization of discounts and premiums, as applicable, on debt investments using the effective interest method.
(3) Investment contains a variable rate structure, subject to an interest rate floor. Variable rate investments bear interest at a rate that may be determined by reference to either London Interbank Offered Rate (“LIBOR” or “L”) (which can include one-, two-, three- or six-month LIBOR), Canadian Dollar Offered Rate (“CDOR” or “C”), Bank Bill Swap Bid Rate (“BBSY” or “B”) or an alternate base rate (which can include the Federal Funds Effective Rate or the Prime Rate or “P”), at the borrower’s option, which reset periodically based on the terms of the credit agreement. For investments with multiple interest rate contracts, the interest rate shown is the weighted average interest rate in effect at December 31, 2018.
(4) This portfolio company is not a qualifying asset under Section 55(a) of the Investment Company Act of 1940, as amended (the “1940 Act”). Under the 1940 Act, the Company may not acquire any non-qualifying asset unless, at the time such acquisition is made, qualifying assets represent at least 70% of total assets. Non-qualifying assets represented 17.3% of total assets as of December 31, 2018.
(5) In addition to the interest earned based on the stated interest rate of this investment, which is the amount reflected in this schedule, the Company may be entitled to receive additional interest as a result of an arrangement with other members in the syndicate to the extent an investment has been allocated to “first out” and “last out” tranches, whereby the “first out” tranche will have priority as to the “last out” tranche with respect to payments of principal, interest and any amounts due thereunder and the Company holds the “last out” tranche.
(6) Under the 1940 Act, the Company is deemed to be an “Affiliated Person” of, as defined in the 1940 Act, this portfolio company, as the Company owns more than 5% of the portfolio company’s outstanding voting securities. Transactions during the year ended December 31, 2018 in which the Company was an Affiliated Person of the portfolio company are as follows:

Non-controlled, Affiliated Investments during the year ended December 31, 2018

| Company | Fair Value at December 31, 2017 | Gross Additions (a) | Gross Reductions (b) | Net Change In Unrealized Gain/(Loss) | Realized Gain/(Losses) | Fair Value at December 31, 2018 | Other Income | Interest Income |
|------------------------|---------------------------------|---------------------|----------------------|--------------------------------------|------------------------|---------------------------------|---------------|-----------------|
| AFS Technologies, Inc. | \$ — | \$ 46,040 | \$ (266) | \$ (432) | \$ — | \$ 45,342 | \$ 16 | \$ 1,032 |
| Validity, Inc. | — | 39,278 | (450) | (238) | — | 38,590 | 382 | 2,620 |
| Total | \$ — | \$ 85,318 | \$ (716) | \$ (670) | \$ — | \$ 83,932 | \$ 398 | \$ 3,652 |

- (a) Gross additions include increases in the cost basis of investments resulting from new investments, payment-in-kind interest or dividends, the amortization of any unearned income or discounts on debt investments, as applicable.
- (b) Gross reductions include decreases in the cost basis of investments resulting from principal collections related to investment repayments or sales, and the amortization of any premiums on debt investments, as applicable. When an investment is placed on non-accrual status, any cash flows received by the Company may be applied to the outstanding principal balance.
- (7) Under the 1940 Act, the Company is deemed to be both an “Affiliated Person” of and “Control,” as such terms are defined in the 1940 Act, this portfolio company, as the Company owns more than 25% of the portfolio company’s outstanding voting securities or has the power to exercise control over management or policies of such portfolio company (including through a management agreement). Transactions during the year ended December 31, 2018 in which the Company was an Affiliated Person of and was deemed to Control a portfolio company are as follows:

Controlled, Affiliated Investments during the year ended December 31, 2018

| <u>Company</u> | <u>Fair Value at December 31, 2017</u> | <u>Gross Additions (a)</u> | <u>Gross Reductions (b)</u> | <u>Net Change In Unrealized Gain/(Loss)</u> | <u>Realized Gain/(Losses)</u> | <u>Fair Value at December 31, 2018</u> | <u>Other Income</u> | <u>Interest Income</u> |
|----------------------------|--|----------------------------|-----------------------------|---|-------------------------------|--|---------------------|------------------------|
| AFS Technologies, Inc. | \$ 75,780 | \$ 900 | \$ (75,438) | \$ (3,658) | \$ 2,416 | \$ — | \$ — | \$ 5,334 |
| IRGSE Holding Corp. | 34,748 | 8,653 | — | (496) | (8,378) | 34,527 | 5 | 5,582 |
| Mississippi Resources, LLC | 25,392 | 4,192 | (143) | 2,126 | (9,589) | 21,978 | 85 | 2,847 |
| Total | \$ 135,920 | \$ 13,745 | \$ (75,581) | \$ (2,028) | \$ (15,551) | \$ 56,505 | \$ 90 | \$ 13,763 |

- (a) Gross additions include increases in the cost basis of investments resulting from new investments, payment-in-kind interest or dividends, the amortization of any unearned income or discounts on debt investments, as applicable.
- (b) Gross reductions include decreases in the cost basis of investments resulting from principal collections related to investment repayments or sales, and the amortization of any premiums on debt investments, as applicable. When an investment is placed on non-accrual status, any cash flows received by the Company may be applied to the outstanding principal balance.
- (8) As of December 31, 2018, the tax cost of the Company’s investments approximates the amortized cost.
- (9) These investments contain a fixed rate structure. The Company entered into an interest rate swap agreement to swap to a floating rate. Refer to Note 5 for further information related to the Company’s interest rate swaps on investments.
- (10) In accordance with Financial Accounting Standards Board Accounting Standards Codification 820, *Fair Value Measurements* (“ASC 820”), unless otherwise indicated, the fair values of all investments were determined using significant unobservable inputs and are considered Level 3 investments. See Note 6 for further information related to investments at fair value.
- (11) This investment is valued using observable inputs and is considered a Level 2 investment. See Note 6 for further information related to investments at fair value.
- (12) This investment is valued using observable inputs and is considered a Level 1 investment. See Note 6 for further information related to investments at fair value.
- (13) This equity investment is non-income producing.
- (14) All or a portion of this security was acquired in transaction exempt from registration under the Securities Act of 1933, and may be deemed to be “restricted securities” under the Securities Act. As of December 31, 2018, the aggregate fair value of these securities is \$23,128, or 2.2% of the Company’s net assets.
- (15) Ownership of equity investments may occur through a holding company or partnership.

The accompanying notes are an integral part of these consolidated financial statements.

TPG Specialty Lending, Inc.

Consolidated Statements of Changes in Net Assets
(Amounts in thousands, except share amounts)
(Unaudited)

| | Common Stock | | Treasury Stock | | Paid in Capital in Excess of Par | Distributable Earnings | Total Net Assets |
|--|-------------------|---------------|----------------|-------------------|-------------------------------------|---------------------------|---------------------|
| | Shares | Par Amount | Shares | Cost | | | |
| Balance at December 31, 2018 | 65,412,817 | \$ 655 | 89,080 | \$ (1,359) | \$ 991,919 | \$ 71,987 | \$ 1,063,202 |
| Net increase in net assets resulting from operations: | | | | | | | |
| Net investment income | — | — | — | — | — | 26,638 | 26,638 |
| Net change in unrealized gains on investments and foreign currency translation | — | — | — | — | — | 11,461 | 11,461 |
| Net realized gain on investments and foreign currency transactions | — | — | — | — | — | 647 | 647 |
| Dividends to stockholders: | | | | | | | |
| Stock issued in connection with dividend reinvestment plan | 300,145 | 3 | — | — | 5,582 | — | 5,585 |
| Dividends declared from net investment income | — | — | — | — | — | (33,469) | (33,469) |
| Tax reclassification of stockholders' equity in accordance with GAAP (1) | — | — | — | — | (303) | 303 | — |
| Balance at March 31, 2019 | <u>65,712,962</u> | <u>\$ 658</u> | <u>89,080</u> | <u>\$ (1,359)</u> | <u>\$ 997,198</u> | <u>\$ 77,567</u> | <u>\$ 1,074,064</u> |
| Net increase in net assets resulting from operations: | | | | | | | |
| Net investment income | — | — | — | — | — | 31,142 | 31,142 |
| Net change in unrealized gains on investments and foreign currency translation | — | — | — | — | — | 16,423 | 16,423 |
| Net realized gain on investments and foreign currency transactions | — | — | — | — | — | 230 | 230 |
| Dividends to stockholders: | | | | | | | |
| Stock issued in connection with dividend reinvestment plan | 325,328 | 3 | — | — | 6,193 | — | 6,196 |
| Dividends declared from net investment income | — | — | — | — | — | (26,412) | (26,412) |
| Balance at June 30, 2019 | <u>66,038,290</u> | <u>\$ 661</u> | <u>89,080</u> | <u>\$ (1,359)</u> | <u>\$ 1,003,391</u> | <u>\$ 98,950</u> | <u>\$ 1,101,643</u> |
| Net increase in net assets resulting from operations: | | | | | | | |
| Net investment income | — | — | — | — | — | 36,743 | 36,743 |
| Net change in unrealized losses on investments and foreign currency translation | — | — | — | — | — | (11,478) | (11,478) |
| Net realized gain on investments and foreign currency transactions | — | — | — | — | — | 5,076 | 5,076 |
| Dividends to stockholders: | | | | | | | |
| Stock issued in connection with dividend reinvestment plan | 255,083 | 3 | — | — | 4,768 | — | 4,771 |
| Dividends declared from net investment income | — | — | — | — | — | (28,497) | (28,497) |
| Balance at September 30, 2019 | <u>66,293,373</u> | <u>\$ 664</u> | <u>89,080</u> | <u>\$ (1,359)</u> | <u>\$ 1,008,159</u> | <u>\$ 100,794</u> | <u>\$ 1,108,258</u> |

(1) The Company's tax year end is March 31st.

The accompanying notes are an integral part of these consolidated financial statements.

TPG Specialty Lending, Inc.

Consolidated Statements of Changes in Net Assets
(Amounts in thousands, except share amounts)
(Unaudited)

| | Common Stock | | Treasury Stock | | Paid in Capital in Excess of Par | Distributable Earnings | Total Net Assets |
|--|-------------------|---------------|----------------|-------------------|-------------------------------------|---------------------------|---------------------|
| | Shares | Par Amount | Shares | Cost | | | |
| Balance at December 31, 2017 | 60,247,201 | \$ 603 | 89,080 | \$ (1,359) | \$ 906,521 | \$ 63,519 | \$ 969,284 |
| Net increase in net assets resulting from operations: | | | | | | | |
| Net investment income | — | — | — | — | — | 31,186 | 31,186 |
| Net change in unrealized losses on investments and foreign currency translation | — | — | — | — | — | (207) | (207) |
| Net realized gain on investments and foreign currency transactions | — | — | — | — | — | 2,857 | 2,857 |
| Increase in Net Assets Resulting from Capital Share Transactions: | | | | | | | |
| Issuance of common shares, net of offering and underwriting costs | 3,750,000 | 38 | — | — | 62,977 | — | 63,015 |
| Dividends to stockholders: | | | | | | | |
| Stock issued in connection with dividend reinvestment plan | 169,750 | 2 | — | — | 3,198 | — | 3,200 |
| Dividends declared from net investment income | — | — | — | — | — | (25,368) | (25,368) |
| Tax reclassification of stockholders' equity in accordance with GAAP (1) | — | — | — | — | (853) | 853 | — |
| Balance at March 31, 2018 | <u>64,166,951</u> | <u>\$ 643</u> | <u>89,080</u> | <u>\$ (1,359)</u> | <u>\$ 971,843</u> | <u>\$ 72,840</u> | <u>\$ 1,043,967</u> |
| Net increase in net assets resulting from operations: | | | | | | | |
| Net investment income | — | — | — | — | — | 36,302 | 36,302 |
| Net change in unrealized gains on investments and foreign currency translation | — | — | — | — | — | 6,434 | 6,434 |
| Net realized losses on investments and foreign currency transactions | — | — | — | — | — | (9,167) | (9,167) |
| Increase in Net Assets Resulting from Capital Share Transactions: | | | | | | | |
| Issuance of common shares, net of offering and underwriting costs | 522,224 | 5 | — | — | 8,793 | — | 8,798 |
| Issuance of convertible notes | — | — | — | — | 1,010 | — | 1,010 |
| Dividends to stockholders: | | | | | | | |
| Stock issued in connection with dividend reinvestment plan | 231,351 | 2 | — | — | 3,895 | — | 3,897 |
| Dividends declared from net investment income | — | — | — | — | — | (29,199) | (29,199) |
| Balance at June 30, 2018 | <u>64,920,526</u> | <u>\$ 650</u> | <u>89,080</u> | <u>\$ (1,359)</u> | <u>\$ 985,541</u> | <u>\$ 77,210</u> | <u>\$ 1,062,042</u> |
| Net increase in net assets resulting from operations: | | | | | | | |
| Net investment income | — | — | — | — | — | 32,293 | 32,293 |
| Net change in unrealized gains on investments and foreign currency translation | — | — | — | — | — | 4,812 | 4,812 |
| Net realized gain on investments and foreign currency transactions | — | — | — | — | — | 275 | 275 |
| Dividends to stockholders: | | | | | | | |
| Stock issued in connection with dividend reinvestment plan | 247,725 | 3 | — | — | 4,366 | — | 4,369 |
| Dividends declared from net investment income | — | — | — | — | — | (30,610) | (30,610) |
| Balance at September 30, 2018 | <u>65,168,251</u> | <u>\$ 653</u> | <u>89,080</u> | <u>\$ (1,359)</u> | <u>\$ 989,907</u> | <u>\$ 83,980</u> | <u>\$ 1,073,181</u> |

(1) The Company's tax year end is March 31st.

The accompanying notes are an integral part of these consolidated financial statements.

TPG Specialty Lending, Inc.

Consolidated Statements of Cash Flows
(Amounts in thousands)
(Unaudited)

| | Nine Months Ended September 30, 2019 | Nine Months Ended September 30, 2018 |
|---|---|---|
| Cash Flows from Operating Activities | | |
| Increase in net assets resulting from operations | \$ 116,881 | \$ 104,785 |
| Adjustments to reconcile increase in net assets resulting from operations to net cash used in operating activities: | | |
| Net change in unrealized gains on investments | (4,733) | (16,702) |
| Net change in unrealized gains on foreign currency transactions | (765) | (2,316) |
| Net change in unrealized (gains) losses on interest rate swaps | (10,908) | 7,980 |
| Net realized (gains) losses on investments | (5,893) | 6,496 |
| Net realized (gains) losses on foreign currency transactions | 18 | (288) |
| Net realized gains on interest rate swaps | (41) | — |
| Net amortization of discount on investments | (13,011) | (15,226) |
| Amortization of deferred financing costs | 3,474 | 2,944 |
| Amortization of discount on debt | 680 | 632 |
| Purchases and originations of investments, net | (817,074) | (691,810) |
| Proceeds from investments, net | 14,221 | 17,339 |
| Repayments on investments | 490,304 | 414,713 |
| Paid-in-kind interest | (5,443) | (4,442) |
| Changes in operating assets and liabilities: | | |
| Interest receivable | (3,642) | (2,294) |
| Interest receivable paid-in-kind | (46) | (283) |
| Prepaid expenses and other assets | 1,465 | 8,632 |
| Management fees payable to affiliate | 805 | 1,319 |
| Incentive fees payable to affiliate | (1,562) | 1,222 |
| Payable to affiliate | 1,275 | 371 |
| Other liabilities | 12,031 | (3,871) |
| Net Cash Used in Operating Activities | <u>(221,964)</u> | <u>(170,799)</u> |
| Cash Flows from Financing Activities | | |
| Borrowings on debt | 963,003 | 1,032,897 |
| Repayments on debt | (668,470) | (850,613) |
| Deferred financing costs | (3,555) | (6,850) |
| Proceeds from issuance of common stock, net of offering and underwriting costs | — | 71,813 |
| Dividends paid to stockholders | (71,479) | (71,798) |
| Net Cash Provided by Financing Activities | <u>219,499</u> | <u>175,449</u> |
| Net Increase (Decrease) in Cash, Cash Equivalents, and Restricted Cash | <u>(2,465)</u> | <u>4,650</u> |
| Cash, cash equivalents, and restricted cash, beginning of period | 10,575 | 6,665 |
| Cash, Cash Equivalents, and Restricted Cash, End of Period | <u>\$ 8,110</u> | <u>\$ 11,315</u> |
| Supplemental Information: | | |
| Interest paid during the period | \$ 33,393 | \$ 27,215 |
| Excise taxes paid during the period | \$ 3,100 | \$ 2,500 |
| Dividends declared during the period | \$ 88,378 | \$ 85,177 |
| Reinvestment of dividends during the period | \$ 16,553 | \$ 11,466 |

The accompanying notes are an integral part of these consolidated financial statements.

TPG Specialty Lending, Inc.
Notes to Consolidated Financial Statements
(Unaudited)
(Amounts in thousands, unless otherwise indicated)

1. Organization and Basis of Presentation

Organization

TPG Specialty Lending, Inc. (“TSLX” or the “Company”) is a Delaware corporation formed on July 21, 2010. The Company was formed primarily to lend to, and selectively invest in, middle-market companies in the United States. The Company has elected to be regulated as a business development company (“BDC”) under the 1940 Act. In addition, for tax purposes, the Company has elected to be treated as a regulated investment company (“RIC”) under Subchapter M of the Internal Revenue Code of 1986, as amended (the “Code”). TSLX is managed by TSL Advisers, LLC (the “Adviser”). On June 1, 2011, the Company formed a wholly-owned subsidiary, TC Lending, LLC, a Delaware limited liability company. On March 22, 2012, the Company formed a wholly-owned subsidiary, TPG SL SPV, LLC, a Delaware limited liability company (“TPG SL SPV”). On May 19, 2014, the Company formed a wholly-owned subsidiary, TSL MR, LLC, a Delaware limited liability company.

On March 21, 2014, the Company completed its initial public offering (“IPO”) and the Company’s shares began trading on the New York Stock Exchange (“NYSE”) under the symbol “TSLX.”

Basis of Presentation

The accompanying consolidated financial statements are prepared in accordance with accounting principles generally accepted in the United States of America (“U.S. GAAP”), and include the accounts of the Company and its subsidiaries. In the opinion of management, all adjustments considered necessary for the fair presentation of the consolidated financial statements for the periods presented have been included. The results of operations for interim periods are not indicative of results to be expected for the full year. All intercompany balances and transactions have been eliminated in consolidation.

Certain financial information that is normally included in annual financial statements, including certain financial statement footnotes, prepared in accordance with U.S. GAAP, is not required for interim reporting purposes and has been condensed or omitted herein. These consolidated financial statements should be read in conjunction with the Company’s consolidated financial statements and notes related thereto included in the Company’s Annual Report on Form 10-K for the year ended December 31, 2018, which was filed with the Securities and Exchange Commission (“SEC”), on February 20, 2019.

Certain prior period information has been reclassified to conform to the current period presentation. These reclassifications have no effect on the Company’s financial position or its results of operations as previously reported.

The Company is an investment company and, therefore, applies the specialized accounting and reporting guidance in Accounting Standards Codification (“ASC”) Topic 946, *Financial Services – Investment Companies*.

Fiscal Year End

The Company’s fiscal year ends on December 31.

2. Significant Accounting Policies

Use of Estimates

The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements. Actual amounts could differ from those estimates and such differences could be material.

Cash and Cash Equivalents

Cash and cash equivalents may consist of demand deposits, highly liquid investments (e.g., money market funds, U.S. Treasury notes, and similar type instruments) with original maturities of three months or less, and restricted cash pledged as collateral. Cash and cash equivalents denominated in U.S. dollars are carried at cost, which approximates fair value. The Company deposits its cash and cash equivalents with highly-rated banking corporations and, at times, cash deposits may exceed the insured limits under applicable law.

Investments at Fair Value

Loan originations are recorded on the date of the binding commitment, which is generally the funding date. Investment transactions purchased through the secondary markets are recorded on the trade date. Realized gains or losses are measured by the difference between the net proceeds received (excluding prepayment fees, if any) and the amortized cost basis of the investment without regard to unrealized gains or losses previously recognized. The net change in unrealized gains or losses primarily reflects the change in investment values and also includes the reversal of previously recorded unrealized gains or losses with respect to investments realized during the period.

Investments for which market quotations are readily available are typically valued at those market quotations. To validate market quotations, the Company utilizes a number of factors to determine if the quotations are representative of fair value, including the source and number of the quotations. Debt and equity securities that are not publicly traded or whose market prices are not readily available, as is the case for substantially all of our investments, are valued at fair value as determined in good faith by the Company's Board of Directors (the "Board"), based on, among other things, the input of the Adviser, the Company's Audit Committee and independent third-party valuation firms engaged at the direction of the Board.

As part of the valuation process, the Board takes into account relevant factors in determining the fair value of its investments, including and in combination of: the estimated enterprise value of a portfolio company (that is, the total value of the portfolio company's net debt and equity), the nature and realizable value of any collateral, the portfolio company's ability to make payments based on its earnings and cash flow, the markets in which the portfolio company does business, a comparison of the portfolio company's securities to any similar publicly traded securities, and overall changes in the interest rate environment and the credit markets that may affect the price at which similar investments may be made in the future. When an external event such as a purchase transaction, public offering or subsequent equity sale occurs, the Board considers whether the pricing indicated by the external event corroborates its valuation.

The Board undertakes a multi-step valuation process, which includes, among other procedures, the following:

- The valuation process begins with each investment being initially valued by the investment professionals responsible for the portfolio investment in conjunction with the portfolio management team.
- The Adviser's management reviews the preliminary valuations with the investment professionals. Agreed upon valuation recommendations are presented to the Audit Committee.
- The Audit Committee reviews the valuations presented and recommends values for each investment to the Board.
- The Board reviews the recommended valuations and determines the fair value of each investment; valuations that are not based on readily available market quotations are valued in good faith based on, among other things, the input of the Adviser, Audit Committee and, where applicable, other third parties including independent third-party valuation firms engaged at the direction of the Board.

The Company conducts this valuation process on a quarterly basis.

The Board has engaged independent third-party valuation firms to perform certain limited procedures that the Board has identified and requested them to perform in connection with the valuation process. At September 30, 2019, the independent third-party valuation firms performed their procedures over substantially all of the Company's investments. Upon completion of such limited procedures, the third-party valuation firms concluded that the fair value, as determined by the Board, of those investments subjected to their limited procedures, appeared reasonable.

The Company applies Financial Accounting Standards Board Accounting Standards Codification 820, *Fair Value Measurement* ("ASC 820"), as amended, which establishes a framework for measuring fair value in accordance with U.S. GAAP and required disclosures of fair value measurements. ASC 820 determines fair value to be the price that would be received for an investment in a current sale, which assumes an orderly transaction between market participants on the measurement date. Market participants are defined as buyers and sellers in the principal or most advantageous market that are independent, knowledgeable, and willing and able to transact. In accordance with ASC 820, the Company considers its principal market to be the market that has the greatest volume and level of activity. ASC 820 specifies a fair value hierarchy that prioritizes and ranks the level of observability of inputs used in determination of fair value. In accordance with ASC 820, these levels are summarized below:

- Level 1—Valuations based on quoted prices in active markets for identical assets or liabilities that the Company has the ability to access.
- Level 2—Valuations based on quoted prices in markets that are not active or for which all significant inputs are observable, either directly or indirectly.
- Level 3—Valuations based on inputs that are unobservable and significant to the overall fair value measurement.

Transfers between levels, if any, are recognized at the beginning of the quarter in which the transfers occur. In addition to using the above inputs in investment valuations, the Company applies the valuation policy approved by its Board that is consistent with ASC 820. Consistent with the valuation policy, the Company evaluates the source of inputs, including any markets in which its investments are trading (or any markets in which securities with similar attributes are trading), in determining fair value. When a security is valued based on prices provided by reputable dealers or pricing services (that is, broker quotes), the Company subjects those prices to various additional criteria in making the determination as to whether a particular investment would qualify for treatment as a Level 2 or Level 3 investment. For example, the Company reviews pricing provided by dealers or pricing services in order to determine if observable market information is being used, versus unobservable inputs. Some additional factors considered include the number of prices obtained as well as an assessment as to their quality, such as the depth of the relevant market relative to the size of the Company's position.

Due to the inherent uncertainty of determining the fair value of investments that do not have a readily available market value, the fair value of the Company's investments may fluctuate from period to period. Additionally, the fair value of such investments may differ significantly from the values that would have been used had a ready market existed for such investments and may differ materially from the values that may ultimately be realized. Further, such investments are generally less liquid than publicly traded securities and may be subject to contractual and other restrictions on resale. If the Company were required to liquidate a portfolio investment in a forced or liquidation sale, it could realize amounts that are different from the amounts presented and such differences could be material.

In addition, changes in the market environment, including the impact of changes in broader market indices and credit spreads, and other events that may occur over the life of the investments may cause the gains or losses ultimately realized on these investments to be different than the unrealized gains or losses reflected herein.

Financial and Derivative Instruments

The Company recognizes all derivative instruments as assets or liabilities at fair value in its consolidated financial statements. Derivative contracts entered into by the Company are not designated as hedging instruments, and as a result the Company presents changes in fair value through current period earnings.

In the normal course of business, the Company has commitments and risks resulting from its investment transactions, which may include those involving derivative instruments. Derivative instruments are measured in terms of the notional contract amount and derive their value based upon one or more underlying instruments. While the notional amount gives some indication of the Company's derivative activity, it generally is not exchanged, but is only used as the basis on which interest and other payments are exchanged. Derivative instruments are subject to various risks similar to non-derivative instruments including market, credit, liquidity, and operational risks. The Company manages these risks on an aggregate basis as part of its risk management process.

Derivatives, including the Company's interest rate swaps, for which broker quotes are available are typically valued at those broker quotes.

Offsetting Assets and Liabilities

Foreign currency forward contract and interest rate swap receivables or payables pending settlement are offset, and the net amount is included with receivable or payable for foreign currency forward contracts or interest rate swaps in the consolidated balance sheets when, and only when, they are with the same counterparty, the Company has the legal right to offset the recognized amounts, and it intends to either settle on a net basis or realize the asset and settle the liability simultaneously.

Foreign Currency

Foreign currency amounts are translated into U.S. dollars on the following basis:

- cash and cash equivalents, market value of investments, outstanding debt on revolving credit facilities, other assets and liabilities: at the spot exchange rate on the last business day of the period; and
- purchases and sales of investments, borrowings and repayments of such borrowings, income and expenses: at the rates of exchange prevailing on the respective dates of such transactions.

Although net assets and fair values are presented based on the applicable foreign exchange rates described above, the Company does not isolate that portion of the results of operations resulting from changes in foreign exchange rates on investments from the fluctuations arising from changes in fair values of investments held. Such fluctuations are included with the net realized and unrealized gain or loss from investments. The Company's current approach to hedging the foreign currency exposure in its non-U.S. dollar denominated investments is primarily to borrow the par amount in local currency under the Company's Revolving Credit Facility to fund these investments. Fluctuations arising from the translation of foreign currency borrowings are included with the net change in unrealized gains (losses) on translation of assets and liabilities in foreign currencies on the consolidated statements of operations.

Investments denominated in foreign currencies and foreign currency transactions may involve certain considerations and risks not typically associated with those of domestic origin, including unanticipated movements in the value of the foreign currency relative to the U.S. dollar.

Equity Offering Expenses

The Company records expenses related to equity offerings as a reduction of capital upon completion of an offering of registered securities. The costs associated with renewals of the Company's shelf registration statement are expensed as incurred.

Debt Issuance Costs

The Company records origination and other expenses related to its debt obligations as deferred financing costs, which are presented as a direct deduction from the carrying value of the related debt liability. These expenses are deferred and amortized using the effective interest method, or straight-line method, over the stated maturity of the obligation.

Interest and Dividend Income Recognition

Interest income is recorded on an accrual basis and includes the amortization of discounts and premiums. Discounts and premiums to par value on securities purchased or originated are amortized into interest income over the contractual life of the respective security using the effective interest method. The amortized cost of investments represents the original cost adjusted for the amortization of discounts and premiums, if any.

Unless providing services in connection with an investment, such as syndication, structuring or diligence, all or a portion of any loan fees received by the Company will be deferred and amortized over the investment's life using the effective interest method.

Loans are generally placed on non-accrual status when principal or interest payments are past due 30 days or more or when management has reasonable doubt that the borrower will pay principal or interest in full. Accrued and unpaid interest is generally reversed when a loan is placed on non-accrual status. Interest payments received on non-accrual loans may be recognized as income or applied to principal depending upon management's judgment regarding collectability. Non-accrual loans are restored to accrual status when past due principal and interest has been paid and, in management's judgment, the borrower is likely to make principal and interest payments in the future. Management may determine to not place a loan on non-accrual status if, notwithstanding any failure to pay, the loan has sufficient collateral value and is in the process of collection.

Dividend income on preferred equity securities is recorded on an accrual basis to the extent that such amounts are payable by the portfolio company and are expected to be collected. Dividend income on common equity securities is recorded on the record date for private portfolio companies or on the ex-dividend date for publicly-traded portfolio companies.

Other Income

From time to time, the Company may receive fees for services provided to portfolio companies by the Adviser. The services that the Adviser provides vary by investment, but may include syndication, structuring, diligence fees, or other service-based fees, and fees for providing managerial assistance to our portfolio companies and are recognized as revenue when earned.

Reimbursement of Transaction-Related Expenses

The Company may receive reimbursement for certain transaction-related expenses in pursuing investments. Transaction-related expenses, which are expected to be reimbursed by third parties, are typically deferred until the transaction is consummated and are recorded in Prepaid expenses and other assets on the date incurred. The transaction-related costs of pursuing investments not otherwise reimbursed are borne by the Company and for successfully completed investments included as a component of the investment's cost basis.

Cash advances received in respect of transaction-related expenses are recorded as Cash and cash equivalents with an offset to Other liabilities or Payables to affiliates. Other liabilities or Payables to affiliates are relieved as reimbursable expenses are incurred.

Income Taxes, Including Excise Taxes

The Company has elected to be treated as a RIC under Subchapter M of the Code, and the Company intends to operate in a manner so as to continue to qualify for the tax treatment applicable to RICs. To qualify as a RIC, the Company must, among other things, distribute to its stockholders in each taxable year generally at least 90% of its investment company taxable income, as defined by the Code, and net tax-exempt income for that taxable year. To maintain its RIC status, the Company, among other things, has made and intends to continue to make the requisite distributions to its stockholders, which generally relieves the Company from corporate-level U.S. federal income taxes.

The Company evaluates tax positions taken or expected to be taken in the course of preparing its financial statements to determine whether the tax positions are “more-likely-than-not” to be sustained by the applicable tax authority. Tax positions not deemed to meet the “more-likely-than-not” threshold are reserved and recorded as a tax benefit or expense in the current year. All penalties and interest associated with income taxes are included in income tax expense. Conclusions regarding tax positions are subject to review and may be adjusted at a later date based on factors including, but not limited to, on-going analyses of tax laws, regulations and interpretations thereof.

Depending on the level of taxable income earned in a tax year, the Company can be expected to carry forward taxable income (including net capital gains, if any) in excess of current year dividend distributions from the current tax year into the next tax year and pay a nondeductible 4% U.S. federal excise tax on such taxable income, as required. To the extent that the Company determines that the estimated current year annual taxable income will be in excess of estimated current year dividend distributions from such income, the Company accrues excise tax on estimated excess taxable income.

For the three and nine months ended September 30, 2019, we recorded a net expense of \$1.6 million and \$2.9 million, respectively, for U.S. federal excise tax and other taxes. For the three and nine months ended September 30, 2018, we recorded a net expense of \$0.7 million and \$2.4 million, respectively, for U.S. federal excise tax and other taxes.

Dividends to Common Stockholders

The amount to be paid out as a dividend is determined by the Board and is generally based upon the earnings estimated by the Adviser. Net realized long-term capital gains, if any, would generally be distributed at least annually, although the Company may decide to retain such capital gains.

The Company has adopted a dividend reinvestment plan that provides for reinvestment of any dividends declared in cash on behalf of stockholders, unless a stockholder elects to receive cash. As a result, if the Board authorizes, and it declares, a cash dividend, then the stockholders who have not “opted out” of the dividend reinvestment plan will have their cash dividends automatically reinvested in additional shares of the Company’s common stock, rather than receiving the cash dividend. The Company expects to use newly issued shares to satisfy the dividend reinvestment plan.

New Accounting Pronouncements

In August 2018, the Financial Accounting Standards Board issued Accounting Standards Update 2018-13 (“ASU 2018-13”) “Fair Value Measurement (Topic 820): Disclosure Framework – Changes to the Disclosure Requirements for Fair Value Measurement.” This guidance modifies the disclosure requirements on fair value measurements in ASC Topic 820, by eliminating, amending, and adding certain disclosure requirements. ASU 2018-13 is effective for financial statements issued for fiscal years beginning after December 15, 2019, including interim periods within those fiscal years. Early adoption is permitted for any period for which financial statements have not yet been issued or have not yet been made available for issuance. The Company expects that the adoption of this guidance will not have a material impact on the Company’s financial position, result of operations or cash flows.

3. Agreements and Related Party Transactions

Administration Agreement

On March 15, 2011, the Company entered into the Administration Agreement with the Adviser. Under the terms of the Administration Agreement, the Adviser provides administrative services to the Company. These services include providing office space, equipment and office services, maintaining financial records, preparing reports to stockholders and reports filed with the SEC, and managing the payment of expenses and the oversight of the performance of administrative and professional services rendered by others. Certain of these services are reimbursable to the Adviser under the terms of the Administration Agreement. In addition, the Adviser is permitted to delegate its duties under the Administration Agreement to affiliates or third parties and the Company pays or reimburses the Adviser for certain expenses incurred by any such affiliates or third parties for work done on its behalf.

In February 2017, the Board of Directors of the Company and the Adviser entered into an amended and restated administration agreement (the “Administration Agreement”) reflecting certain clarifications to the agreement to provide greater detail regarding the scope of the reimbursable costs and expenses of the Administrator’s services.

In November 2019, the Board renewed the Administration Agreement. Unless earlier terminated as described below, the Administration Agreement will remain in effect until November 2020, and may be extended subject to required approvals. The Administration Agreement may be terminated by either party without penalty on 60 days’ written notice to the other party.

No person who is an officer, director or employee of the Adviser or its affiliates and who serves as a director of the Company receives any compensation from the Company for his or her services as a director. However, the Company reimburses the Adviser (or its affiliates) for the allocable portion of the costs of compensation, benefits, and related administrative expenses of our officers who provide operational and administrative services to us pursuant to the Administration Agreement, their respective staffs and other professionals who provide services to us (including, in each case, employees of the Adviser or an affiliate). Such reimbursable amounts include the allocable portion of the compensation paid by the Adviser or its affiliates to the Company’s Chief Financial Officer, Chief Compliance Officer, and other professionals who provide operational and administrative services to us pursuant to the Administration Agreement, including individuals who provide “back office” or “middle office” financial, operational, legal and/or compliance services to us. The Company reimburses the Adviser (or its affiliates) for the allocable portion of the compensation paid by the Adviser (or its affiliates) to such individuals based on the percentage of time those individuals devote, on an estimated basis, to the business and affairs of the Company and in acting on behalf of the Company. The Company may also reimburse the Adviser or its affiliates for the allocable portion of overhead expenses (including rent, office equipment and utilities) attributable thereto. Directors who are not affiliated with the Adviser receive compensation for their services and reimbursement of expenses incurred to attend meetings.

For the three and nine months ended September 30, 2019, the Company incurred expenses of \$1.2 million and \$3.3 million, respectively, for administrative services payable to the Adviser under the terms of the Administration Agreement. For the three and nine months ended September 30, 2018, the Company incurred expenses of \$1.1 million and \$2.9 million, respectively, for administrative services payable to the Adviser under the terms of the Administration Agreement.

Investment Advisory Agreement

On April 15, 2011, the Company entered into the Investment Advisory Agreement with the Adviser. The Investment Advisory Agreement was subsequently amended on December 12, 2011. Under the terms of the Investment Advisory Agreement, the Adviser provides investment advisory services to the Company. The Adviser’s services under the Investment Advisory Agreement are not exclusive, and the Adviser is free to furnish similar or other services to others so long as its services to the Company are not impaired. Under the terms of the Investment Advisory Agreement, the Company will pay the Adviser the Management Fee and may also pay certain Incentive Fees.

The Management Fee is calculated at an annual rate of 1.5% based on the average value of the Company’s gross assets calculated using the values at the end of the two most recently completed calendar quarters, adjusted for any share issuances or repurchases during the period. The Management Fee is payable quarterly in arrears.

For the three and nine months ended September 30, 2019, Management Fees were \$7.9 million and \$21.9 million, respectively. For the three and nine months ended September 30, 2018, Management Fees (gross of waivers) were \$7.5 million and \$21.5 million, respectively.

The Adviser voluntarily waived the Management Fee on the Company’s ownership of shares of common stock in Triangle Capital Corp. (the “TCAP Shares”) for any period in which Triangle Capital Corp. remained a portfolio company. As of June 30, 2018 the Company had fully exited its position in the TCAP Shares.

The Adviser did not waive any Management Fees for the three and nine months ended September 30, 2019. For the nine months ended September 30, 2018, Management Fees of less than \$0.1 million were waived consisting solely of Management Fees attributable to the Company’s ownership of the TCAP Shares. The Adviser did not waive any Management Fees for the three months ended September 30, 2018.

Any waived Management Fees are not subject to recoupment by the Adviser.

The Adviser intends to waive a portion of the Management Fee payable under the Investment Advisory Agreement by reducing the Management Fee on assets financed using leverage over 200% asset coverage (in other words, over 1.0x debt to equity) (the “Leverage Waiver”). Pursuant to the Leverage Waiver, the Adviser intends to waive the portion of the Management Fee in excess of an annual rate of 1.0% (0.250% per quarter) on the average value of the Company’s gross assets as of the end of the two most recently

completed calendar quarters that exceeds the product of (i) 200% and (ii) the average value of our net asset value at the end of the two most recently completed calendar quarters. As of September 30, 2019, no Management Fees have been waived pursuant to the Leverage Waiver.

The Incentive Fee consists of two parts, as follows:

- (i) The first component, payable at the end of each quarter in arrears, equals 100% of the pre-Incentive Fee net investment income in excess of a 1.5% quarterly “hurdle rate,” the calculation of which is further explained below, until the Adviser has received 17.5% of the total pre-Incentive Fee net investment income for that quarter and, for pre-Incentive Fee net investment income in excess of 1.82% quarterly, 17.5% of all remaining pre-Incentive Fee net investment income for that quarter. The 100% “catch-up” provision for pre-Incentive Fee net investment income in excess of the 1.5% “hurdle rate” is intended to provide the Adviser with an Incentive Fee of 17.5% on all pre-Incentive Fee net investment income when that amount equals 1.82% in a quarter (7.28% annualized), which is the rate at which catch-up is achieved. Once the “hurdle rate” is reached and catch-up is achieved, 17.5% of any pre-Incentive Fee net investment income in excess of 1.82% in any quarter is payable to the Adviser.

Pre-Incentive Fee net investment income means dividends, interest and fee income accrued by the Company during the calendar quarter, minus the Company’s operating expenses for the quarter (including the Management Fee, expenses payable under the Administration Agreement to the Administrator, 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 pay-in-kind interest and zero coupon securities), accrued income that the Company may not have received in cash. Pre-Incentive Fee net investment income does not include any realized capital gains, realized capital losses or unrealized capital gains or losses.

- (ii) The second component, payable at the end of each fiscal year in arrears, equaled 15% through March 31, 2014 and, beginning April 1, 2014, equals a weighted percentage of cumulative realized capital gains from the Company’s inception to the end of that fiscal year, less cumulative realized capital losses and unrealized capital losses. This component of the Incentive Fee is referred to as the Capital Gains Fee. Each year, the fee paid for this component of the Incentive Fee is net of the aggregate amount of any previously paid Capital Gains Fee for prior periods. For capital gains that accrue following March 31, 2014, the Incentive Fee rate is 17.5%. The Company accrues, but does not pay, a capital gains Incentive Fee with respect to unrealized capital gains because a capital gains Incentive Fee would be owed to the Adviser if the Company were to sell the relevant investment and realize a capital gain. The weighted percentage is intended to ensure that for each fiscal year following the completion of the IPO, the portion of the Company’s realized capital gains that accrued prior to March 31, 2014, is subject to an Incentive Fee rate of 15% and the portion of the Company’s realized capital gains that accrued beginning April 1, 2014 is subject to an Incentive Fee rate of 17.5%.

For purposes of determining whether pre-Incentive Fee net investment income exceeds the hurdle rate, pre-Incentive Fee net investment income is expressed as a rate of return on the value of the Company’s net assets at the end of the immediately preceding calendar quarter.

Section 205(b)(3) of the Investment Advisers Act of 1940, as amended, prohibits the Adviser from receiving the payment of fees on unrealized gains until those gains are realized, if ever. There can be no assurance that such unrealized gains will be realized in the future.

For the three and nine months ended September 30, 2019, Incentive Fees were \$7.8 million and \$20.1 million, respectively, all of which were realized and payable to the Adviser. For the three and nine months ended September 30, 2018, Incentive Fees (gross of waivers) were \$6.9 million and \$21.2 million, respectively, all of which were realized and payable to the Adviser.

The Adviser voluntarily waived the Incentive Fees attributable to pre-Incentive Fee net investment income accrued by the Company as a result of its ownership of the TCAP Shares for any period in which Triangle Capital Corp. remained the Company’s portfolio company. The Adviser did not waive any part of the Capital Gains Fee attributable to the Company’s ownership of the TCAP Shares and, accordingly, any realized capital gains or losses and unrealized capital losses with respect to the TCAP Shares were applied against the Company’s cumulative realized capital gains on which the Capital Gains Fee is calculated.

The Adviser did not waive any Incentive Fees for the three and nine months ended September 30, 2019. For the nine months ended September 30, 2018, Incentive Fees of less than \$0.1 million were waived, consisting solely of Incentive Fees attributable to the Company’s ownership of the TCAP Shares. The Adviser did not waive any Incentive Fees for the three months ended September 30, 2018. Any waived Incentive Fees are not subject to recoupment by the Adviser.

Since the Company’s IPO, with the exception of its waiver of Management Fees and certain Incentive Fees attributable to the Company’s ownership of certain investments, including the TCAP Shares and the Leverage Waiver, the Adviser has not waived its right to receive any Management Fees or Incentive Fees payable pursuant to the Investment Advisory Agreement.

In November 2019, the Board renewed the Investment Advisory Agreement. Unless earlier terminated as described below, the Investment Advisory Agreement will remain in effect until November 2020, and may be extended subject to required approvals. The Investment Advisory Agreement will automatically terminate in the event of an assignment and may be terminated by either party without penalty upon 60 days' written notice to the other party.

From time to time, the Adviser may pay amounts owed by the Company to third-party providers of goods or services, including the Board, and the Company will subsequently reimburse the Adviser for such amounts paid on its behalf. Amounts payable to the Adviser are settled in the normal course of business without formal payment terms.

4. Investments at Fair Value

Under the 1940 Act, the Company is required to separately identify non-controlled investments where it owns 5% or more of a portfolio company's outstanding voting securities as investments in "affiliated" companies. In addition, under the 1940 Act, the Company is required to separately identify investments where it owns more than 25% of a portfolio company's outstanding voting securities and/or had the power to exercise control over the management or policies of such portfolio company as investments in "controlled" companies. Detailed information with respect to the Company's non-controlled, non-affiliated; non-controlled, affiliated; and controlled affiliated investments is contained in the accompanying consolidated financial statements, including the consolidated schedules of investments. The information in the tables below is presented on an aggregate portfolio basis, without regard to whether they are non-controlled non-affiliated, non-controlled affiliated or controlled affiliated investments.

Investments at fair value consisted of the following at September 30, 2019 and December 31, 2018:

| | September 30, 2019 | | |
|------------------------------|---------------------|---------------------|----------------------------|
| | Amortized Cost (1) | Fair Value | Net Unrealized Gain (Loss) |
| First-lien debt investments | \$ 1,973,414 | \$ 1,989,104 | \$ 15,690 |
| Second-lien debt investments | 13,805 | 14,087 | 282 |
| Mezzanine debt investments | 2,500 | 2,519 | 19 |
| Equity and other investments | 63,500 | 41,810 | (21,690) |
| Total Investments | \$ 2,053,219 | \$ 2,047,520 | \$ (5,699) |

| | December 31, 2018 | | |
|------------------------------|---------------------|---------------------|----------------------------|
| | Amortized Cost (1) | Fair Value | Net Unrealized Gain (Loss) |
| First-lien debt investments | \$ 1,642,015 | \$ 1,653,907 | \$ 11,892 |
| Second-lien debt investments | 4,128 | 4,137 | 9 |
| Mezzanine debt investments | 2,500 | 2,481 | (19) |
| Equity and other investments | 67,757 | 45,444 | (22,313) |
| Total Investments | \$ 1,716,400 | \$ 1,705,969 | \$ (10,431) |

- (1) The amortized cost represents the original cost adjusted for the amortization of discounts or premiums, as applicable, on debt investments using the effective interest method.

The industry composition of investments at fair value at September 30, 2019 and December 31, 2018 is as follows:

| | September 30, 2019 | December 31, 2018 |
|---------------------------------|-----------------------|----------------------|
| Beverage, food and tobacco | 2.4% | 2.7% |
| Business services | 18.1% | 19.3% |
| Chemicals | 0.4% | 0.7% |
| Education | 10.1% | 9.4% |
| Electronics | 0.2% | — |
| Financial services | 14.2% | 19.2% |
| Healthcare | 9.9% | 8.2% |
| Hotel, gaming and leisure | 1.7% | 2.0% |
| Human resource support services | 6.9% | 3.1% |
| Insurance | 2.5% | 6.6% |
| Internet services | 5.3% | 5.3% |
| Manufacturing | — | 1.2% |
| Marketing services | 0.6% | 2.3% |
| Office products | 0.6% | 0.8% |
| Oil, gas and consumable fuels | 4.8% | 2.3% |
| Pharmaceuticals | 3.7% | 6.4% |
| Retail and consumer products | 14.4% | 5.6% |
| Transportation | 4.2% | 4.9% |
| Total | 100.0% | 100.0% |

The geographic composition of investments at fair value at September 30, 2019 and December 31, 2018 is as follows:

| | September 30, 2019 | December 31, 2018 |
|---------------|-----------------------|----------------------|
| United States | | |
| Midwest | 16.8% | 12.0% |
| Northeast | 12.1% | 23.5% |
| South | 21.5% | 19.6% |
| West | 38.9% | 40.2% |
| Australia | 1.6% | 2.0% |
| Bermuda | 1.9% | — |
| Canada | 7.2% | 2.7% |
| Total | 100.0% | 100.0% |

5. Derivatives

Interest Rate Swaps

In January 2015, in connection with its 2019 Convertible Notes, the Company entered into two interest rate swap transactions, each with a \$57.5 million notional amount. The Company receives fixed rate interest at 4.50% and pays variable rate interest based on the three-month London Interbank Offered Rate (“LIBOR”) plus 2.86%. The swap transactions mature on December 15, 2019, matching the maturity date of the 2019 Convertible Notes.

In February 2017, in connection with the issuance of the 2022 Convertible Notes, the Company entered into an interest rate swap transaction with a \$115.0 million notional amount. The Company receives fixed rate interest at 4.50% and pays variable rate interest based on three-month LIBOR plus 2.37%. The swap transaction matures on August 1, 2022, matching the maturity date of the 2022 Convertible Notes.

In January 2018, in connection with the issuance of the 2023 Notes, the Company entered into an interest rate swap transaction with a \$150.0 million notional amount. The Company receives fixed rate interest at 4.50% and pays variable rate interest based on three-month LIBOR plus 1.99%. The swap transaction matures on January 22, 2023, matching the maturity date of the 2023 Notes.

In June 2018, in connection with the reopening and issuance of additional 2022 Convertible Notes, the Company entered into two interest rate swap transactions with notional amounts of \$50.0 million and \$7.5 million, respectively. The Company receives fixed rate interest on each swap at 4.50%, and pays variable rate interest based on three-month LIBOR plus 1.59%, and 1.60%, respectively. The swap transactions mature on August 1, 2022, matching the maturity date of the 2022 Convertible Notes.

In June 2019, upon maturity of the original swap transaction on an existing fixed rate investment, the Company entered into an interest rate swap transaction with a \$91.5 million notional amount. The Company receives three-month LIBOR and pays fixed rate interest at 1.97%. The swap transaction matures on June 25, 2020, matching the current expected repayment date of the investment.

In August 2019, in connection with two fixed rate investments, the Company entered into two interest rate swap transactions with notional amounts of \$11.7 million and \$3.2, respectively. The Company receives three-month LIBOR and pays fixed rate interest at 1.47% and 1.36%, respectively. The swap transactions mature on July 30, 2021 and July 29, 2022, respectively, matching the current expected repayment dates of each investment.

In September 2019, in connection with the repayment of a fixed rate investment, the Company closed out of a \$33.3 million notional amount interest rate swap transaction resulting in a realized gain of less than \$0.1 million.

The following tables present the amounts paid and received on the Company's interest rate swap transactions for the three and nine months ended September 30, 2019 and 2018:

| | Maturity Date | Notional Amount | For the Three Months Ended September 30, 2019 | | | For the Nine Months Ended September 30, 2019 | | |
|-------------------------------|---------------|-------------------|---|-----------------|-----------------|--|------------------|-----------------|
| | | | Paid | Received | Net | Paid | Received | Net |
| Interest rate swap (1) (2) | 6/27/2019 | \$ 91,500 | \$ — | \$ — | \$ — | \$ (1,233) | \$ 1,256 | \$ 23 |
| Interest rate swap | 12/15/2019 | 115,000 | (1,532) | 1,294 | (238) | (4,762) | 3,881 | (881) |
| Interest rate swap (1) (2) | 1/10/2020 | 33,333 | (698) | 764 | 66 | (2,094) | 2,340 | 246 |
| Interest rate swap | 6/25/2020 | 91,500 | (451) | 529 | 78 | (451) | 529 | 78 |
| Interest rate swap (1) | 7/30/2021 | 11,700 | (13) | 19 | 6 | (13) | 19 | 6 |
| Interest rate swap (1) | 7/29/2022 | 3,200 | (4) | 6 | 2 | (4) | 6 | 2 |
| Interest rate swap | 8/1/2022 | 115,000 | (1,412) | 1,294 | (118) | (4,312) | 3,881 | (431) |
| Interest rate swap | 8/1/2022 | 50,000 | (512) | 562 | 50 | (1,580) | 1,688 | 108 |
| Interest rate swap | 8/1/2022 | 7,500 | (77) | 84 | 7 | (237) | 253 | 16 |
| Interest rate swap | 1/22/2023 | 150,000 | (1,694) | 1,688 | (6) | (5,195) | 5,063 | (132) |
| Total | | \$ 668,733 | \$ (6,393) | \$ 6,240 | \$ (153) | \$ (19,881) | \$ 18,916 | \$ (965) |

| | Maturity Date | Notional Amount | For the Three Months Ended September 30, 2018 | | | For the Nine Months Ended September 30, 2018 | | |
|------------------------|---------------|-------------------|---|-----------------|---------------|--|------------------|---------------|
| | | | Paid | Received | Net | Paid | Received | Net |
| Interest rate swap (1) | 10/5/2018 | \$ 92,500 | \$ (272) | \$ 549 | \$ 277 | \$ (816) | \$ 1,268 | \$ 452 |
| Interest rate swap | 12/15/2019 | 115,000 | (1,562) | 1,294 | (268) | (4,305) | 3,881 | (424) |
| Interest rate swap | 1/10/2020 | 33,333 | (698) | 783 | 85 | (2,094) | 2,217 | 123 |
| Interest rate swap | 8/1/2022 | 115,000 | (1,368) | 1,294 | (74) | (3,911) | 3,881 | (30) |
| Interest rate swap | 8/1/2022 | 50,000 | (496) | 562 | 66 | (546) | 625 | 79 |
| Interest rate swap | 8/1/2022 | 7,500 | (74) | 84 | 10 | (74) | 84 | 10 |
| Interest rate swap | 1/22/2023 | 150,000 | (1,641) | 1,687 | 46 | (4,292) | 4,631 | 339 |
| Total | | \$ 563,333 | \$ (6,111) | \$ 6,253 | \$ 142 | \$ (16,038) | \$ 16,587 | \$ 549 |

- (1) The notional amount of certain interest rate swaps may be more or less than the Company's investment in individual portfolio companies as a result of arrangements with other lenders in the syndicate, amortization, or interest income paid-in-kind.
- (2) As of September 30, 2019 the notional amount of these interest rate swaps was zero.

For the three and nine months ended September 30, 2019, the Company recognized \$1.5 million and \$10.9 million, respectively, in net change in unrealized gains on interest rate swaps in the consolidated statement of operations related to the swap transactions. For the three and nine months ended September 30, 2018, the Company recognized \$2.0 million and \$8.0 million, respectively, in net change in unrealized losses on interest rate swaps in the consolidated statement of operations related to the swap transactions.

As of September 30, 2019, the swap transactions had a fair value of \$8.2 million which is netted against restricted cash collateral on the Company's consolidated balance sheet. As of December 31, 2018, the swap transactions had a fair value of (\$2.7) million which is netted against restricted cash collateral on the Company's consolidated balance sheet. The Company's interest rate swaps are with one counterparty and are centrally cleared through a registered commodities exchange.

The Company is required under the terms of its derivatives agreements to pledge assets as collateral to secure its obligations under the derivatives. The amount of collateral required varies over time based on the mark-to-market value, notional amount and remaining term of the derivatives, and may exceed the amount owed by the Company on a mark-to-market basis. Any failure by the Company to fulfill any collateral requirement (e.g., a so-called "margin call") may result in a default. In the event of a default by a counterparty, the Company would be an unsecured creditor to the extent of any such overcollateralization.

As of September 30, 2019, \$5.0 million of cash is pledged as collateral under the Company's derivative instruments and is included in restricted cash as a component of cash and cash equivalents on the Company's consolidated balance sheet. The Company had \$10.0 million of cash collateral posted as of December 31, 2018, of which \$7.3 million is included in restricted cash as a component of cash and cash equivalents on the Company's consolidated balance sheet.

The Company may enter into other derivative instruments and incur other exposures with the same or other counterparties in the future.

6. Fair Value of Financial Instruments

Investments

The following tables present fair value measurements of investments as of September 30, 2019 and December 31, 2018:

| | Fair Value Hierarchy at September 30, 2019 | | | |
|---------------------------------|--|------------------|---------------------|---------------------|
| | Level 1 | Level 2 | Level 3 | Total |
| First-lien debt investments | \$ — | \$ 9,915 | \$ 1,979,189 | \$ 1,989,104 |
| Second-lien debt investments | — | 9,940 | 4,147 | 14,087 |
| Mezzanine debt investments | — | — | 2,519 | 2,519 |
| Equity and other investments | 7 | — | 41,803 | 41,810 |
| Total investments at fair value | \$ 7 | \$ 19,855 | \$ 2,027,658 | \$ 2,047,520 |
| Interest rate swaps | — | 8,245 | — | 8,245 |
| Total | \$ 7 | \$ 28,100 | \$ 2,027,658 | \$ 2,055,765 |

| | Fair Value Hierarchy at December 31, 2018 | | | |
|---------------------------------|---|------------------|---------------------|---------------------|
| | Level 1 | Level 2 | Level 3 | Total |
| First-lien debt investments | \$ — | \$ 25,870 | \$ 1,628,037 | \$ 1,653,907 |
| Second-lien debt investments | — | — | 4,137 | 4,137 |
| Mezzanine debt investments | — | — | 2,481 | 2,481 |
| Equity and other investments | 2,210 | — | 43,234 | 45,444 |
| Total investments at fair value | \$ 2,210 | \$ 25,870 | \$ 1,677,889 | \$ 1,705,969 |
| Interest rate swaps | — | (2,663) | — | (2,663) |
| Total | \$ 2,210 | \$ 23,207 | \$ 1,677,889 | \$ 1,703,306 |

Transfers between levels, if any, are recognized at the beginning of the quarter in which the transfers occur.

The following tables present the changes in the fair value of investments for which Level 3 inputs were used to determine the fair value as of and for the three and nine months ended September 30, 2019:

| | As of and for the Three Months Ended September 30, 2019 | | | | |
|--|--|------------------------------------|----------------------------------|------------------------------------|---------------------|
| | First-lien debt investments | Second-lien debt investments | Mezzanine debt investments | Equity and other investments | Total |
| Balance, beginning of period | \$ 2,001,181 | \$ 3,333 | \$ 2,544 | \$ 46,096 | \$ 2,053,154 |
| Purchases or originations | 298,065 | 806 | — | 1,494 | 300,365 |
| Repayments / redemptions | (313,603) | — | — | (8,603) | (322,206) |
| Paid-in-kind interest | 2,217 | — | — | — | 2,217 |
| Net change in unrealized gains (losses) | (14,270) | 8 | (25) | (1,941) | (16,228) |
| Net realized gains (losses) | (8) | — | — | 4,757 | 4,749 |
| Net amortization of discount on securities | 5,607 | — | — | — | 5,607 |
| Transfers within Level 3 | — | — | — | — | — |
| Transfers into (out of) Level 3 | — | — | — | — | — |
| Balance, End of Period | \$ 1,979,189 | \$ 4,147 | \$ 2,519 | \$ 41,803 | \$ 2,027,658 |

| | As of and for the Nine Months Ended September 30, 2019 | | | | |
|--|---|------------------------------------|----------------------------------|------------------------------------|---------------------|
| | First-lien debt investments | Second-lien debt investments | Mezzanine debt investments | Equity and other investments | Total |
| Balance, beginning of period | \$ 1,628,037 | \$ 4,137 | \$ 2,481 | \$ 43,234 | \$ 1,677,889 |
| Purchases or originations | 792,970 | 806 | — | 3,052 | 796,828 |
| Repayments / redemptions | (464,099) | (796) | — | (10,238) | (475,133) |
| Paid-in-kind interest | 5,443 | — | — | — | 5,443 |
| Net change in unrealized gains (losses) | 4,256 | (8) | 38 | 1,363 | 5,649 |
| Net realized gains (losses) | (80) | — | — | 4,392 | 4,312 |
| Net amortization of discount on securities | 12,662 | 8 | — | — | 12,670 |
| Transfers within Level 3 | — | — | — | — | — |
| Transfers into (out of) Level 3 | — | — | — | — | — |
| Balance, End of Period | \$ 1,979,189 | \$ 4,147 | \$ 2,519 | \$ 41,803 | \$ 2,027,658 |

The following tables present the changes in the fair value of investments for which Level 3 inputs were used to determine the fair value as of and for the three and nine months ended September 30, 2018:

| | As of and for the Three Months Ended September 30, 2018 | | | | |
|--|--|------------------------------------|----------------------------------|------------------------------------|---------------------|
| | First-lien debt investments | Second-lien debt investments | Mezzanine debt investments | Equity and other investments | Total |
| Balance, beginning of period | \$ 1,816,185 | \$ 61,331 | \$ — | \$ 56,016 | \$ 1,933,532 |
| Purchases or originations | 133,530 | — | 2,500 | 2,821 | 138,851 |
| Repayments / redemptions | (125,095) | — | — | — | (125,095) |
| Paid-in-kind interest | 1,864 | — | — | — | 1,864 |
| Net change in unrealized gains (losses) | 8,599 | 1,631 | — | (2,896) | 7,334 |
| Net realized losses | (1,442) | — | — | — | (1,442) |
| Net amortization of discount on securities | 4,239 | — | — | — | 4,239 |
| Transfers within Level 3 | — | — | — | — | — |
| Transfers into (out of) Level 3 | — | — | — | — | — |
| Balance, End of Period | \$ 1,837,880 | \$ 62,962 | \$ 2,500 | \$ 55,941 | \$ 1,959,283 |

| | As of and for the Nine Months Ended | | | | Total |
|--|-------------------------------------|------------------------------|----------------------------|------------------------------|---------------------|
| | September 30, 2018 | | | | |
| | First-lien debt investments | Second-lien debt investments | Mezzanine debt investments | Equity and other investments | |
| Balance, beginning of period | \$ 1,563,972 | \$ 60,900 | \$ — | \$ 38,322 | \$ 1,663,194 |
| Purchases or originations | 677,928 | — | 2,500 | 9,432 | 689,860 |
| Repayments / redemptions | (414,713) | — | — | (1,379) | (416,092) |
| Paid-in-kind interest | 4,442 | — | — | — | 4,442 |
| Net change in unrealized gains | 4,281 | 2,062 | — | 6,852 | 13,195 |
| Net realized gains (losses) | (10,955) | — | — | 503 | (10,452) |
| Net amortization of discount on securities | 15,136 | — | — | — | 15,136 |
| Transfers within Level 3 | (2,211) | — | — | 2,211 | — |
| Transfers into (out of) Level 3 | — | — | — | — | — |
| Balance, End of Period | <u>\$ 1,837,880</u> | <u>\$ 62,962</u> | <u>\$ 2,500</u> | <u>\$ 55,941</u> | <u>\$ 1,959,283</u> |

The following tables present information with respect to the net change in unrealized gains or losses on investments for which Level 3 inputs were used in determining fair value that are still held by the Company at September 30, 2019 and 2018:

| | Net Change in Unrealized Gains or (Losses) for the Three Months Ended September 30, 2019 on Investments Held at September 30, 2019 | Net Change in Unrealized Gains or (Losses) for the Three Months Ended September 30, 2018 on Investments Held at September 30, 2018 |
|------------------------------|--|--|
| First-lien debt investments | \$ (4,195) | \$ 10,649 |
| Second-lien debt investments | 8 | 1,631 |
| Mezzanine debt investments | (25) | — |
| Equity and other investments | 1,693 | (2,895) |
| Total | <u>\$ (2,519)</u> | <u>\$ 9,385</u> |

| | Net Change in Unrealized Gains or (Losses) for the Nine Months Ended September 30, 2019 on Investments Held at September 30, 2019 | Net Change in Unrealized Gains or (Losses) for the Nine Months Ended September 30, 2018 on Investments Held at September 30, 2018 |
|------------------------------|---|---|
| First-lien debt investments | \$ 8,892 | \$ 16,463 |
| Second-lien debt investments | (8) | 2,062 |
| Mezzanine debt investments | 38 | — |
| Equity and other investments | 4,074 | 7,311 |
| Total | <u>\$ 12,996</u> | <u>\$ 25,836</u> |

The following tables present the fair value of Level 3 Investments at fair value and the significant unobservable inputs used in the valuations as of September 30, 2019 and December 31, 2018. The tables are not intended to be all-inclusive, but instead capture the significant unobservable inputs relevant to the Company's determination of fair values.

September 30, 2019

| | Fair Value | Valuation Technique | Unobservable Input | Range (Weighted Average) | Impact to Valuation from an Increase to Input |
|------------------------------|---------------------|---------------------|---------------------|--------------------------|---|
| First-lien debt investments | \$ 1,979,189 | Income approach (1) | Discount rate | 5.5% — 14.7% (10.2%) | Decrease |
| Second-lien debt investments | 4,147 | Income approach | Discount rate | 15.2% — 15.2% (15.2%) | Decrease |
| Mezzanine debt investments | 2,519 | Income approach | Discount rate | 17.6% — 17.6% (17.6%) | Decrease |
| Equity and other investments | 41,803 | Market Multiple (2) | Comparable multiple | 3.0x — 14.0x (11.4x) | Increase |
| Total | \$ 2,027,658 | | | | |

- (1) Includes \$14.2 million of debt investments which were valued using an asset valuation waterfall and \$94.9 million of first-lien debt investments which, due to the proximity of the transactions relative to the measurement date, were valued using the cost of the investments.
- (2) Includes \$1.5 million of equity investments which were valued using a weighted valuation approach and \$1.1 million of equity investments which, due to the proximity of the transactions relative to the measurement date, were valued using the cost of the investments.

December 31, 2018

| | Fair Value | Valuation Technique | Unobservable Input | Range (Weighted Average) | Impact to Valuation from an Increase to Input |
|------------------------------|---------------------|---------------------|---------------------|--------------------------|---|
| First-lien debt investments | \$ 1,628,037 | Income approach (1) | Discount rate | 6.8% — 15.8% (11.8%) | Decrease |
| Second-lien debt investments | 4,137 | Income approach (2) | Discount rate | 15.8% — 15.8% (15.8%) | Decrease |
| Mezzanine debt investments | 2,481 | Income approach | Discount rate | 16.4% — 16.4% (16.4%) | Decrease |
| Equity and other investments | 43,234 | Market Multiple (3) | Comparable multiple | 3.0x — 13.2x (10.6x) | Increase |
| Total | \$ 1,677,889 | | | | |

- (1) Includes \$19.7 million of first-lien debt investments which, due to the proximity of the transactions relative to the measurement date, were valued using the cost of the investments.
- (2) Includes \$0.8 million of second-lien debt investments which, due to the proximity of the transactions relative to the measurement date, were valued using the cost of the investments.
- (3) Includes \$9.5 million of equity investments which were valued using a weighted valuation approach and \$4.2 million of equity investments which, due to the proximity of the transactions relative to the measurement date, were valued using the cost of the investments.

The Company typically determines the fair value of its performing Level 3 debt investments utilizing a yield analysis. In a yield analysis, a price is ascribed for each investment based upon an assessment of current and expected market yields for similar investments and risk profiles. Additional consideration is given to the expected life, portfolio company performance since close, and other terms and risks associated with an investment. Among other factors, a determinant of risk is the amount of leverage used by the portfolio company relative to the total enterprise value of the company, and the rights and remedies of our investment within each portfolio company's capital structure.

Significant unobservable quantitative inputs typically considered in the fair value measurement of the Company's Level 3 debt investments primarily include current market yields, including relevant market indices, but may also include quotes from brokers, dealers, and pricing services as indicated by comparable investments. If debt investments are credit impaired, an enterprise value analysis may be used to value such debt investments; however, in addition to the methods outlined above, other methods such as a liquidation or wind-down analysis may be utilized to estimate enterprise value. For the Company's Level 3 equity investments, multiples of similar companies' revenues, earnings before income taxes, depreciation and amortization ("EBITDA") or some combination thereof and comparable market transactions are typically used.

Financial Instruments Not Carried at Fair Value

Debt

The fair value of the Company's Revolving Credit Facility, which is categorized as Level 3 within the fair value hierarchy, as of September 30, 2019 and December 31, 2018, approximates its carrying value as the outstanding balance is callable at carrying value.

The fair value of the Company's Convertible Notes (consisting of the 2019 Convertible Notes and the 2022 Convertible Notes) and 2023 Notes, which are categorized as Level 2 within the fair value hierarchy, as of September 30, 2019 and December 31, 2018, was \$444.7 million and \$428.9 million, respectively, based on broker quotes received by the Company. The aggregate principal amount of the Company's Convertible Notes and 2023 Notes, as of both September 30, 2019 and December 31, 2018, was \$437.5 million.

Other Financial Assets and Liabilities

The carrying amounts of the Company's assets and liabilities, other than investments at fair value and Convertible Notes and 2023 Notes, approximate fair value due to their short maturities or their close proximity of the originations to the measurement date. Under the fair value hierarchy, cash and cash equivalents are classified as Level 1 while the Company's other assets and liabilities, other than investments at fair value and Revolving Credit Facility, are classified as Level 2.

7. Debt

In accordance with the 1940 Act, with certain limitations, the Company is allowed to borrow amounts such that its asset coverage, as defined in the 1940 Act, is at least 150% after such borrowing. As of September 30, 2019 and December 31, 2018, the Company's asset coverage was 220.7% and 270.5%, respectively.

On October 8, 2018, the Company's stockholders approved the application of the minimum asset coverage ratio of 150% to the Company, as set forth in Section 61(a)(2) of the 1940 Act, as amended by the Small Business Credit Availability Act (the "SBCAA"). As a result and subject to certain additional disclosure requirements, as of October 9, 2018, the Company's minimum asset coverage ratio was reduced from 200% to 150%. In other words, pursuant to Section 61(a) of the 1940 Act, as amended by the SBCAA, the Company is permitted to increase its maximum debt-to-equity ratio from an effective level of one-to-one to two-to-one.

Debt obligations consisted of the following as of September 30, 2019 and December 31, 2018:

| | September 30, 2019 | | | |
|---------------------------|---|--------------------------|---------------------|-----------------------|
| | Aggregate Principal Amount Committed | Outstanding Principal | Amount Available | Carrying Value (2) |
| Revolving Credit Facility | \$ 1,245,000 | \$ 481,246 | \$ 763,754 (1) | \$ 470,659 |
| 2019 Convertible Notes | 115,000 | 115,000 | — | 114,695 |
| 2022 Convertible Notes | 172,500 | 172,500 | — | 169,125 |
| 2023 Notes | 150,000 | 150,000 | — | 147,833 |
| Total Debt | \$ 1,682,500 | \$ 918,746 | \$ 763,754 | \$ 902,312 |

(1) The amount available reflects any limitations related to the Revolving Credit Facility borrowing base.

(2) The carrying values of the Revolving Credit Facility, Convertible Notes, and 2023 Notes are presented net of deferred financing costs and original issue discounts of \$10.6 million, \$3.7 million and \$2.2 million, respectively.

| | December 31, 2018 | | | |
|---------------------------|---|--------------------------|---------------------|-----------------------|
| | Aggregate Principal Amount Committed | Outstanding Principal | Amount Available | Carrying Value (2) |
| Revolving Credit Facility | \$ 940,000 | \$ 187,543 | \$ 752,457 (1) | \$ 178,807 |
| 2019 Convertible Notes | 115,000 | 115,000 | — | 113,606 |
| 2022 Convertible Notes | 172,500 | 172,500 | — | 168,251 |
| 2023 Notes | 150,000 | 150,000 | — | 147,343 |
| Total Debt | \$ 1,377,500 | \$ 625,043 | \$ 752,457 | \$ 608,007 |

- (1) The amount available reflects any limitations related to the Revolving Credit Facility borrowing base.
- (2) The carrying values of the Revolving Credit Facility, Convertible Notes, and 2023 Notes are presented net of deferred financing costs and original issue discounts of \$8.7 million, \$5.6 million and \$2.7 million, respectively.

For the three and nine months ended September 30, 2019 and 2018, the components of interest expense were as follows:

| | Three Months Ended | | Nine Months Ended | |
|--|-----------------------|-----------------------|-----------------------|-----------------------|
| | September 30, 2019 | September 30, 2018 | September 30, 2019 | September 30, 2018 |
| Interest expense | \$ 10,122 | \$ 10,097 | \$ 28,063 | \$ 27,435 |
| Commitment fees | 707 | 396 | 2,126 | 1,199 |
| Amortization of deferred financing costs | 1,206 | 1,075 | 3,474 | 2,945 |
| Accretion of original issue discount | 230 | 218 | 680 | 632 |
| Swap settlement | 305 | 220 | 1,321 | 26 |
| Total Interest Expense | \$ 12,570 | \$ 12,006 | \$ 35,664 | \$ 32,237 |
| Average debt outstanding (in millions) | \$ 946.0 | \$ 968.2 | \$ 858.1 | \$ 911.8 |
| Weighted average interest rate | 4.4% | 4.3% | 4.6% | 4.0% |
| Average 1-month LIBOR rate | 2.2% | 2.1% | 2.4% | 1.9% |

Revolving Credit Facility

On August 23, 2012, the Company entered into a senior secured revolving credit agreement with SunTrust Bank, as administrative agent, and J.P. Morgan Chase Bank, N.A., as syndication agent, and certain other lenders (as amended and restated, the “Revolving Credit Facility”).

As of December 31, 2018, aggregate commitments under the facility were \$940 million. Pursuant to an amendment to the Revolving Credit Facility dated as of February 14, 2019 (the “Eighth Amendment”), the aggregate commitments under the facility were increased to \$1,170 million. The facility includes an uncommitted accordion feature that allows the Company, under certain circumstances, to increase the size of the facility to up to \$1,500 million. On June 7, 2019 the Company exercised its right under the accordion feature and increased the size of the facility to \$1,245 million.

Pursuant to the Eighth Amendment, the revolving period, during which period the Company, subject to certain conditions, may make borrowings under the facility, was extended from February 18, 2022 to February 14, 2023 and the stated maturity date was extended from February 17, 2023 to February 14, 2024.

The Company may borrow amounts in U.S. dollars or certain other permitted currencies. As of September 30, 2019, the Company had outstanding debt denominated in Australian dollars (AUD) of 47.4 million, Canadian dollars (CAD) of 160.9 million, and Euro (EUR) of 7.3 million on its Revolving Credit Facility, included in the Outstanding Principal amount in the table above.

The Revolving Credit Facility also provides for the issuance of letters of credit up to an aggregate amount of \$75 million. As of September 30, 2019 and December 31, 2018, the Company had no outstanding letters of credit issued through the Revolving Credit Facility. The amount available for borrowing under the Revolving Credit Facility is reduced by any letters of credit issued through the Revolving Credit Facility.

Amounts drawn under the Revolving Credit Facility, including amounts drawn in respect of letters of credit, bear interest at either LIBOR plus a margin of either 1.75% or 1.875%, or the base rate plus a margin of either 0.75% or 0.875%, in each case, based on the total amount of the borrowing base relative to the sum of the total commitments (or, if greater, the total exposure) under the Revolving Credit Facility plus certain other designated secured debt. The Company may elect either the LIBOR or base rate at the time of drawdown, and loans may be converted from one rate to another at any time, subject to certain conditions. The Company also pays a fee of 0.375% on undrawn amounts and, in respect of each undrawn letter of credit, a fee and interest rate equal to the then applicable margin while the letter of credit is outstanding.

The Revolving Credit Facility is guaranteed by TPG SL SPV, LLC, TC Lending, LLC and TSL MR, LLC and may be guaranteed by certain domestic subsidiaries in the future. The Revolving Credit Facility is secured by a perfected first-priority security interest in substantially all the portfolio investments held by the Company and each guarantor. Proceeds from borrowings may be used for general corporate purposes, including the funding of portfolio investments.

The Revolving Credit Facility includes customary events of default, as well as customary covenants, including restrictions on certain distributions and financial covenants. The financial covenants, as amended on November 5, 2018, require:

- an asset coverage ratio of no less than 1.5 to 1 on the last day of any fiscal quarter;
- a liquidity test under which the Company must not maintain cash and liquid investments of less than 10% of the covered debt amount for more than 30 consecutive business days under circumstances where the Company's adjusted covered debt balance is greater than 90% of the Company's adjusted borrowing base under the facility;
- stockholders' equity of at least \$500 million plus 25% of the net proceeds of the sale of equity interests after November 5, 2018;
- a minimum asset coverage ratio of no less than 2 to 1 with respect to (i) the consolidated assets of the Company and the subsidiary guarantors (including certain limitations on the contribution of equity in financing subsidiaries) to (ii) the secured debt of the Company and its subsidiary guarantors plus unsecured senior securities of the Company and its subsidiary guarantors that mature within 90 days of the date of determination (the "Obligor Asset Coverage Ratio"); and
- minimum consolidated assets of the Company and the subsidiary guarantors (including certain limitations on the contribution of equity in financing subsidiaries), less total secured debt of the Company and the subsidiary guarantors, of at least \$350 million at the last day of any fiscal quarter.

The November 5, 2018 amendment also established certain additional concentration limits in connection with the calculation of the borrowing base, based on the Obligor Asset Coverage Ratio. Size, pricing and other significant terms in the Revolving Credit Facility remained unchanged.

Net proceeds received from the Company's common stock issuance in March 2018 and net proceeds received from the issuance of the 2022 Convertible Notes and 2023 Notes were used to pay down borrowings on the Revolving Credit Facility.

As of September 30, 2019 and December 31, 2018, the Company was in compliance with the terms of the Revolving Credit Facility.

2019 Convertible Notes

In June 2014, the Company issued in a private offering \$115 million aggregate principal amount convertible notes due December 2019 (the "2019 Convertible Notes"). The 2019 Convertible Notes were issued in a private placement only to qualified institutional buyers pursuant to Rule 144A under the Securities Act. The 2019 Convertible Notes are unsecured, and bear interest at a rate of 4.50% per year, payable semiannually. The 2019 Convertible Notes will mature on December 15, 2019. In certain circumstances, the 2019 Convertible Notes will be convertible into cash, shares of the Company's common stock or a combination of cash and shares of the Company's common stock, at the Company's election, at an initial conversion rate of 38.7162 shares of common stock per \$1,000 principal amount of 2019 Convertible Notes, which is equivalent to an initial conversion price of approximately \$25.83 per share of the Company's common stock, subject to customary anti-dilution adjustments. As of September 30, 2019, the estimated adjusted conversion price was approximately \$24.83 per share of common stock. The sale of the 2019 Convertible Notes generated net proceeds of approximately \$110.8 million. The Company used the net proceeds of the offering to pay down debt under the Revolving Credit Facility. In connection with the offering of 2019 Convertible Notes, the Company has entered into interest rate swaps to continue to align the interest rates of its liabilities with its investment portfolio, which consists of predominately floating rate loans. As a result of the swaps, the Company's effective interest rate on the 2019 Convertible Notes is three-month LIBOR plus 2.86%. See Note 5 for further information related to the Company's interest rate swaps.

Subsequent to June 15, 2019 until the close of business on the scheduled trading day immediately preceding the maturity date, holders may convert their notes at any time. To the extent the 2019 Convertible Notes are converted, the Company has elected to settle with a combination of cash and shares of common stock.

2022 Convertible Notes

In February 2017, the Company issued in a private offering \$115 million aggregate principal amount convertible notes due August 2022 (the "2022 Convertible Notes" and, together with the 2019 Convertible Notes, the "Convertible Notes"). The 2022 Convertible Notes were issued in a private placement only to qualified institutional buyers pursuant to Rule 144A under the Securities Act. The 2022 Convertible Notes are unsecured, and bear interest at a rate of 4.50% per year, payable semiannually. The 2022 Convertible Notes will mature on August 1, 2022. In certain circumstances, the 2022 Convertible Notes will be convertible into cash, shares of the Company's common stock or a combination of cash and shares of the Company's common stock, at the Company's election, at an initial conversion rate of 46.8516 shares of common stock per \$1,000 principal amount of 2022 Convertible Notes, which is equivalent to an initial conversion price of approximately \$21.34 per share of the Company's common stock, subject to customary anti-dilution adjustments. As of September 30, 2019, the estimated adjusted conversion price was approximately \$20.74 per share of common

stock. The sale of the 2022 Convertible Notes generated net proceeds of approximately \$111.2 million. The Company used the net proceeds of the offering to pay down debt under the Revolving Credit Facility. In connection with the offering of 2022 Convertible Notes, the Company has entered into an interest rate swap to continue to align the interest rates of its liabilities with its investment portfolio, which consists of predominately floating rate loans. As a result of the swap, the Company's effective interest rate on the original issuance of 2022 Convertible Notes is three-month LIBOR plus 2.37%. See Note 5 for further information related to the Company's interest rate swaps.

In June 2018, the Company issued an additional \$57.5 million aggregate principal amount of 2022 Convertible Notes. The additional Convertible Notes were issued with identical terms, and are fungible with and are part of a single series with the previously outstanding \$115 million aggregate principal amount of the Company's existing 2022 Convertible Notes issued in February 2017. In connection with the reopening of the 2022 Convertible Notes, the Company entered into interest rate swaps to continue to align the interest rates of its liabilities with its investment portfolio, which consists of predominantly floating rate loans. As a result of the additional swaps, the Company's effective interest rate on the additional 2022 Convertible Notes is approximately three-month LIBOR plus 1.60%. See Note 5 for further information related to the Company's interest rate swaps.

Holders may convert their 2022 Convertible Notes at their option at any time prior to February 1, 2022 only under the following circumstances: (1) during any calendar quarter commencing after the calendar quarter ending on June 30, 2017 (and only during such calendar quarter), if the last reported sale price of the common stock for at least 20 trading days (whether or not consecutive) during a period of 30 consecutive trading days ending on the last trading day of the immediately preceding calendar quarter is greater than or equal to 130% of the conversion price on each applicable trading day; (2) during the five business day period after any five consecutive trading day period (the "measurement period") in which the trading price (as defined in the indenture governing the 2022 Convertible Notes) per \$1,000 principal amount of notes for each trading day of the measurement period was less than 98% of the product of the last reported sale price of the Company's common stock and the conversion rate on each such trading day; or (3) upon the occurrence of specified corporate events. On or after February 1, 2022 until the close of business on the scheduled trading day immediately preceding the maturity date, holders may convert their notes at any time, regardless of the occurrence or nonoccurrence of any of the foregoing circumstances.

The Convertible Notes are the Company's unsecured obligations and rank senior in right of payment to the Company's future indebtedness that is expressly subordinated in right of payment to the Convertible Notes; equal in right of payment to the Company's existing and future indebtedness that is not so subordinated; effectively junior in right of payment to any of the Company's secured indebtedness (including unsecured indebtedness that the Company later secures) to the extent of the value of the assets securing such indebtedness; and structurally junior to all existing and future indebtedness (including trade payables) incurred by the Company's subsidiaries, financing vehicles or similar facilities.

For the three and nine months ended September 30, 2019 and 2018, the components of interest expense related to the Convertible Notes were as follows:

| | Three Months Ended | | Nine Months Ended | |
|--|-----------------------|-----------------------|-----------------------|-----------------------|
| | September 30, 2019 | September 30, 2018 | September 30, 2019 | September 30, 2018 |
| Interest expense | \$ 3,234 | \$ 3,234 | \$ 9,703 | \$ 8,479 |
| Accretion of original issue discount | 228 | 216 | 673 | 626 |
| Amortization of deferred financing costs | 435 | 435 | 1,290 | 1,169 |
| Total Interest Expense | <u>\$ 3,897</u> | <u>\$ 3,885</u> | <u>\$ 11,666</u> | <u>\$ 10,274</u> |

Total interest expense in the table above does not include the effect of the interest rate swaps related to the Convertible Notes. During the three and nine months ended September 30, 2019, the Company received \$3.2 million and \$9.7 million, respectively, and paid \$3.5 million and \$10.9 million, respectively, related to the settlements of its interest rate swaps related to the Convertible Notes. During the three and nine months ended September 30, 2018, the Company received \$3.2 million and \$8.5 million, respectively, and paid \$3.5 million and \$8.8 million, respectively, related to the settlements of its interest rate swaps related to the Convertible Notes. These net amounts are reflected in interest expense in the Company's consolidated statements of operations. Please see Note 5 for further information about the Company's interest rate swaps.

As of September 30, 2019 and December 31, 2018, the components of the carrying value of the Convertible Notes and the stated interest rate were as follows:

| | September 30, 2019 | |
|---|------------------------------|------------------------------|
| | 2019 Convertible Notes | 2022 Convertible Notes |
| Principal amount of debt | \$ 115,000 | \$ 172,500 |
| Original issue discount, net of accretion | (144) | (672) |
| Deferred financing costs | (161) | (2,703) |
| Carrying value of debt | <u>\$ 114,695</u> | <u>\$ 169,125</u> |
| Stated interest rate | 4.50% | 4.50% |

| | December 31, 2018 | |
|---|------------------------------|------------------------------|
| | 2019 Convertible Notes | 2022 Convertible Notes |
| Principal amount of debt | \$ 115,000 | \$ 172,500 |
| Original issue discount, net of accretion | (656) | (833) |
| Deferred financing costs | (738) | (3,416) |
| Carrying value of debt | <u>\$ 113,606</u> | <u>\$ 168,251</u> |
| Stated interest rate | 4.50% | 4.50% |

The stated interest rate in the table above does not include the effect of the interest rate swaps. The Company's swap-adjusted interest rate on the Convertible Notes is three month LIBOR plus 2.86% for the 2019 Convertible Notes, and three month LIBOR plus 2.11% (on a weighted average basis) for the 2022 Convertible Notes. Please see Note 5 for further information about the Company's interest rate swaps.

The indentures governing the Convertible Notes contain certain covenants, including covenants requiring the Company to comply with the applicable asset coverage ratio requirement under the 1940 Act and to provide financial information to the holders of the Convertible Notes under certain circumstances. These covenants are subject to important limitations and exceptions that are described in the indentures governing the Convertible Notes. As of September 30, 2019 and December 31, 2018, the Company was in compliance with the terms of the indentures governing the Convertible Notes.

The Convertible Notes are accounted for in accordance with Accounting Standards Codification ("ASC") 470-20. Upon conversion of any of the Convertible Notes, the Company intends to pay the outstanding principal amount in cash and, to the extent that the conversion value exceeds the principal amount, the Company has the option to pay in cash or shares of the Company's common stock (or a combination of cash and shares) in respect of the excess amount, subject to the requirements of the indentures governing the Convertible Notes. The Company has determined that the embedded conversion options in each series of Convertible Notes are not required to be separately accounted for as a derivative under U.S. GAAP. In accounting for the Convertible Notes, the Company estimated at the time of issuance separate debt and equity components of each series of Convertible Notes. An original issue discount equal to the equity components of each series of Convertible Notes was recorded in "additional paid-in capital" in the accompanying consolidated balance sheet. Additionally, the issuance costs associated with the Convertible Notes were allocated to the debt and equity components in proportion to the allocation of the proceeds and accounted for as deferred financing costs and equity issuance costs, respectively.

As of September 30, 2019 and 2018, the principal amount of the Convertible Notes exceeded the value of the underlying shares multiplied by the per share closing price of the Company's common stock.

In January 2018, the Company issued \$150.0 million aggregate principal amount of unsecured notes that mature on January 22, 2023 (the “2023 Notes”). The principal amount of the 2023 Notes is payable at maturity. The 2023 Notes bear interest at a rate of 4.50% per year, payable semi-annually commencing on July 22, 2018, and may be redeemed in whole or in part at the Company’s option at any time at par plus a “make whole” premium. Total proceeds from the issuance of the 2023 Notes, net of underwriting discounts and offering costs, were \$146.9 million. The Company used the net proceeds of the 2023 Notes to repay outstanding indebtedness under the Revolving Credit Facility.

In connection with the 2023 Notes offering, the Company entered into an interest rate swap to continue to align the interest rates of its liabilities with the Company’s investment portfolio, which consists of predominately floating rate loans. As a result of the swap, the Company’s effective interest rate on the 2023 Notes is three-month LIBOR plus 1.99%. Please see Note 5 for further information about the Company’s interest rate swaps.

For the three and nine months ended September 30, 2019 and 2018, the components of interest expense related to the 2023 Notes were as follows:

| | Three Months Ended | | Nine Months Ended | |
|--|--------------------|--------------------|--------------------|--------------------|
| | September 30, 2019 | September 30, 2018 | September 30, 2019 | September 30, 2018 |
| Interest expense | \$ 1,688 | \$ 1,688 | \$ 5,063 | \$ 4,669 |
| Accretion of original issue discount | 2 | 2 | 7 | 6 |
| Amortization of deferred financing costs | 162 | 156 | 481 | 424 |
| Total Interest Expense | \$ 1,852 | \$ 1,846 | \$ 5,551 | \$ 5,099 |

Total interest expense in the table above does not include the effect of the interest rate swap related to the 2023 Notes. During the three and nine months ended September 30, 2019, the Company received \$1.7 million and \$5.1 million, respectively, and paid \$1.7 million and \$5.2 million, respectively, related to the settlements of its interest rate swap related to the 2023 Notes. During the three and nine months ended September 30, 2018 the Company received \$1.7 million and \$4.6 million, respectively, and paid \$1.6 million and \$4.3 million, respectively, related to the settlements of its interest rate swap related to the 2023 Notes. These net amounts are reflected in interest expense in the Company’s consolidated statements of operations. Please see Note 5 for further information about the Company’s interest rate swaps.

As of September 30, 2019 and December 31, 2018, the components of the carrying value of the 2023 Notes and the stated interest rate were as follows:

| | September 30, 2019 | December 31, 2018 |
|---|--------------------|-------------------|
| Principal amount of debt | \$ 150,000 | \$ 150,000 |
| Original issue discount, net of accretion | (32) | (38) |
| Deferred financing costs | (2,135) | (2,619) |
| Carrying value of debt | <u>\$ 147,833</u> | <u>\$ 147,343</u> |
| Stated interest rate | 4.50% | 4.50% |

The stated interest rate in the table above does not include the effect of the interest rate swap. The Company’s swap-adjusted interest rate on the 2023 Notes is three month LIBOR plus 1.99%. Please see Note 5 for further information about the Company’s interest rate swaps.

As of September 30, 2019 and December 31, 2018, the Company was in compliance with the terms of the indenture governing the 2023 Notes.

8. Commitments and Contingencies

Portfolio Company Commitments

From time to time, the Company may enter into commitments to fund investments; such commitments are incorporated into the Company’s assessment of its liquidity position. The Company’s senior secured revolving loan commitments are generally available on a borrower’s demand and may remain outstanding until the maturity date of the applicable loan. The Company’s senior secured term loan commitments are generally available on a borrower’s demand and, once drawn, generally have the same remaining term as the

associated loan agreement. Undrawn senior secured term loan commitments generally have a shorter availability period than the term of the associated loan agreement.

As of September 30, 2019 and December 31, 2018, the Company had the following commitments to fund investments in current portfolio companies:

| | September 30, 2019 | December 31, 2018 |
|--|--------------------|-------------------|
| Alpha Midco, Inc. - Delayed Draw | \$ 22,500 | \$ — |
| AppStar Financial, LLC - Revolver | 2,000 | 2,000 |
| Caris Life Sciences, Ltd. - Delayed Draw | 2,500 | 2,500 |
| ClearCompany, LLC - Delayed Draw | 3,000 | 3,000 |
| Clinicient, Inc. - Revolver | 4,000 | — |
| Dye & Durham Corp. - Revolver | 2,643 | — |
| Energy Alloys, LLC - Delayed Draw | 15,000 | — |
| Ferrellgas, L.P. - Revolver | 30,000 | 30,000 |
| Frontline Technologies Group, LLC - Delayed Draw | — | 9,377 |
| G Treasury SS, LLC - Delayed Draw | 1,400 | 5,000 |
| G Treasury SS, LLC - Revolver | 2,000 | 2,000 |
| Gainsight, Inc. - Delayed Draw | 1,785 | — |
| Government Brands, LLC - Revolver | — | 5,000 |
| Integration Appliance, Inc. - Revolver | 1,310 | 2,619 |
| IRGSE Holding Corp. - Revolver | 959 | 3,000 |
| Kyriba Corp. - Delayed Draw | 8,323 | — |
| Kyriba Corp. - Revolver | 1,832 | — |
| Lithium Technologies, LLC - Revolver | 3,167 | 3,959 |
| Lucidworks, Inc. - Revolver | 3,333 | — |
| MD America Energy, LLC - Delayed Draw | 10,500 | 15,000 |
| Motus, LLC - Revolver | — | 5,619 |
| PageUp People, Ltd. - Revolver | 3,372 | 2,112 |
| PayLease, LLC - Revolver | 3,333 | 3,333 |
| PayScale Holdings, Inc. - Delayed Draw | 7,667 | — |
| PrimeRevenue, Inc. - Revolver | 6,250 | 6,250 |
| ScentAir Technologies, Inc. - Revolver | — | 750 |
| Sovos Compliance, LLC - Delayed Draw | — | 545 |
| Sovos Compliance, LLC - Revolver | — | 1,657 |
| TherapeuticsMD, Inc. - Delayed Draw A1 | 7,500 | — |
| TherapeuticsMD, Inc. - Delayed Draw A2 | 7,500 | — |
| Valant Medical Solutions, Inc. - Delayed Draw | 2,564 | — |
| Valant Medical Solutions, Inc. - Revolver | 2,000 | — |
| Verdad Resources Intermediate Holdings, LLC - Delayed Draw | 7,778 | — |
| Total Portfolio Company Commitments | \$ 164,216 | \$ 103,721 |

Other Commitments and Contingencies

As of September 30, 2019 and December 31, 2018, the Company did not have any unfunded commitments to fund investments to new borrowers that were not current portfolio companies as of September 30, 2019 or December 31, 2018, respectively.

From time to time, the Company may become a party to certain legal proceedings incidental to the normal course of its business. As of September 30, 2019 and December 31, 2018, management is not aware of any pending or threatened litigation that would require accounting recognition or financial statement disclosure.

9. Net Assets

In March 2018, the Company issued a total of 3,750,000 shares of common stock at \$17.45 per share. Net of underwriting fees and offering costs, the Company received total cash proceeds of \$63.0 million. Subsequent to the offering the Company issued an

additional 522,224 shares in April 2018 pursuant to the overallotment option granted to underwriters and received, net of underwriting fees, total cash proceeds of \$8.8 million.

The Company has a dividend reinvestment plan, whereby the Company may buy shares of its common stock in the open market or issue new shares in order to satisfy dividend reinvestment requests. The number of shares to be issued to a stockholder is determined by dividing the total dollar amount of the cash dividend or distribution payable to a stockholder by the market price per share of the Company's common stock at the close of regular trading on the NYSE on the payment date of a distribution, or if no sale is reported for such day, the average of the reported bid and ask prices. However, if the market price per share on the payment date of a cash dividend or distribution exceeds the most recently computed net asset value per share, the Company will issue shares at the greater of (i) the most recently computed net asset value per share or (ii) 95% of the current market price per share (or such lesser discount to the current market price per share that still exceeded the most recently computed net asset value per share). Shares purchased in open market transactions by the plan administrator will be allocated to a stockholder based on the average purchase price, excluding any brokerage charges or other charges, of all shares of common stock purchased in the open market.

Pursuant to the Company's dividend reinvestment plan, the following tables summarize the shares issued to stockholders who have not opted out of the Company's dividend reinvestment plan during the nine months ended September 30, 2019 and 2018. All shares issued to stockholders in the tables below are newly issued shares.

| Nine Months Ended September 30, 2019 | | | | |
|---|--------------|-------------------|-----------------------|----------------|
| Date Declared | Dividend (1) | Record Date | Date Shares Issued | Shares Issued |
| November 6, 2018 | Base | December 14, 2018 | January 15, 2019 | 212,818 |
| February 20, 2019 | Supplemental | February 28, 2019 | March 29, 2019 | 87,327 |
| February 20, 2019 | Base | March 15, 2019 | April 15, 2019 | 318,114 |
| May 2, 2019 | Supplemental | May 31, 2019 | June 28, 2019 | 7,214 |
| May 2, 2019 | Base | June 14, 2019 | July 15, 2019 | 232,427 |
| July 31, 2019 | Supplemental | August 30, 2019 | September 30, 2019 | 22,656 |
| Total Shares Issued | | | | 880,556 |

| Nine Months Ended September 30, 2018 | | | | |
|---|--------------|-------------------|-----------------------|----------------|
| Date Declared | Dividend (1) | Record Date | Date Shares Issued | Shares Issued |
| November 7, 2017 | Base | December 15, 2017 | January 12, 2018 | 153,295 |
| February 21, 2018 | Supplemental | February 28, 2018 | March 30, 2018 | 16,455 |
| February 21, 2018 | Base | March 15, 2018 | April 13, 2018 | 198,296 |
| May 3, 2018 | Supplemental | May 31, 2018 | June 29, 2018 | 33,055 |
| May 3, 2018 | Base | June 15, 2018 | July 13, 2018 | 206,556 |
| August 1, 2018 | Supplemental | August 31, 2018 | September 28, 2018 | 41,169 |
| Total Shares Issued | | | | 648,826 |

(1) See Note 11 for further information on base and supplemental dividends.

On August 4, 2015, the Company's Board approved a stock repurchase plan, the Company 10b5-1 Plan, to acquire up to \$50 million in the aggregate of the Company's common stock at prices just below the Company's net asset value per share over an initial six month period, in accordance with the guidelines specified in Rule 10b-18 and Rule 10b5-1 of the Exchange Act, and has continued to authorize extensions of the plan termination date prior to its expiration since that time.

The Company 10b5-1 Plan is designed to allow the Company to repurchase its common stock at times when it otherwise might be prevented from doing so under insider trading laws. The Company 10b5-1 Plan, as currently in effect, requires Goldman Sachs & Co. LLC, as agent, to repurchase shares of common stock on the Company's behalf when the market price per share is just below 1.05x the most recently reported net asset value per share in the Company's public financial statements or publicly announced by the Company, less the amount of any supplemental dividend that has been publicly announced by the Company but that has yet to be reflected in the net asset value per share most recently reported in public financial statements (including any updates, corrections or adjustments publicly announced by the Company to any such net asset value per share or supplemental dividend). Under the Company 10b5-1 Plan, the agent will increase the volume of purchases made as the price of the Company's common stock declines, subject to volume restrictions. The timing and amount of any stock repurchases depend on the terms and conditions of the Company 10b5-1

Plan, the market price of the common stock and trading volumes, and no assurance can be given that any particular amount of common stock will be repurchased.

The purchase of shares pursuant to the Company 10b5-1 Plan is intended to satisfy the conditions of Rule 10b5-1 and Rule 10b-18 under the Exchange Act, and will otherwise be subject to applicable law, including Regulation M, which may prohibit purchases under certain circumstances.

On November 5, 2019, the Board authorized an amendment to the Company 10b5-1 Plan to extend the termination date to May 31, 2020. Unless otherwise extended or terminated by the Board, the Company 10b5-1 Plan will be in effect through the earlier of the termination date or such time as the current approved repurchase amount of up to \$50 million has been fully utilized, subject to certain conditions.

During the three and nine months ended September 30, 2019 and 2018, no shares were repurchased under the Company 10b5-1 Plan.

10. Earnings per share

The following table sets forth the computation of basic and diluted earnings per common share:

| | Three Months Ended | | Nine Months Ended | |
|---|-----------------------|-----------------------|-----------------------|-----------------------|
| | September 30, 2019 | September 30, 2018 | September 30, 2019 | September 30, 2018 |
| Increase in net assets resulting from operations | \$ 30,341 | \$ 37,380 | \$ 116,881 | \$ 104,785 |
| Weighted average shares of common stock outstanding—basic and diluted | 66,235,594 | 65,101,482 | 65,940,148 | 63,582,506 |
| Earnings per common share—basic and diluted | \$ 0.46 | \$ 0.57 | \$ 1.77 | \$ 1.65 |

For the purpose of calculating diluted earnings per common share, the average daily closing price of the Company's common stock for the three and nine months ended September 30, 2019 was less than the estimated adjusted conversion price for the Convertible Notes outstanding as of September 30, 2019. Therefore, for all periods presented in the consolidated financial statements, the underlying shares for the intrinsic value of the embedded options in the Convertible Notes have no impact on the computation of diluted earnings per common share.

11. Dividends

The Company has historically paid a dividend to stockholders on a quarterly basis. The Company has a dividend framework that provides for a quarterly base dividend and a variable supplemental dividend, subject to satisfaction of certain measurement tests and the approval of the Board.

The following tables summarize dividends declared during the nine months ended September 30, 2019 and 2018:

| Date Declared | Nine Months Ended September 30, 2019 | | | |
|---------------------------------|---|--------------------|--------------------|--------------------|
| | Dividend | Record Date | Payment Date | Dividend per Share |
| February 20, 2019 | Supplemental | February 28, 2019 | March 29, 2019 | \$ 0.12 |
| February 20, 2019 | Base | March 15, 2019 | April 15, 2019 | 0.39 |
| May 2, 2019 | Supplemental | May 31, 2019 | June 28, 2019 | 0.01 |
| May 2, 2019 | Base | June 14, 2019 | July 15, 2019 | 0.39 |
| July 31, 2019 | Supplemental | August 30, 2019 | September 30, 2019 | 0.04 |
| July 31, 2019 | Base | September 13, 2019 | October 15, 2019 | 0.39 |
| Total Dividends Declared | | | | \$ 1.34 |

| Date Declared | Nine Months Ended September 30, 2018 | | | Dividend per Share |
|---------------------------------|---|--------------------|--------------------|--------------------|
| | Dividend | Record Date | Payment Date | |
| February 21, 2018 | Supplemental | February 28, 2018 | March 30, 2018 | \$ 0.03 |
| February 21, 2018 | Base | March 15, 2018 | April 13, 2018 | 0.39 |
| May 3, 2018 | Supplemental | May 31, 2018 | June 29, 2018 | 0.06 |
| May 3, 2018 | Base | June 15, 2018 | July 13, 2018 | 0.39 |
| August 1, 2018 | Supplemental | August 31, 2018 | September 28, 2018 | 0.08 |
| August 1, 2018 | Base | September 14, 2018 | October 15, 2018 | 0.39 |
| Total Dividends Declared | | | | \$ 1.34 |

The dividends declared during the three and nine months ended September 30, 2019 and 2018 were derived from net investment income, determined on a tax basis.

12. Financial Highlights

The following per share data and ratios have been derived from information provided in the consolidated financial statements. The following are the financial highlights for one share of common stock outstanding during the nine months ended September 30, 2019 and 2018.

| | Nine Months Ended September 30, 2019 | | Nine Months Ended September 30, 2018 | |
|--|---|--------------|---|--------------|
| Per Share Data (7) | | | | |
| Net asset value, beginning of period | \$ | 16.25 | \$ | 16.09 |
| Net investment income (1) | | 1.43 | | 1.57 |
| Net realized and unrealized gain (1) | | 0.34 | | 0.08 |
| Total from operations | | 1.77 | | 1.65 |
| Issuance of common stock, net of offering costs (2) | | 0.03 | | 0.08 |
| Dividends declared from net investment income (2) | | (1.34) | | (1.34) |
| Total increase in net assets | | 0.46 | | 0.39 |
| Net Asset Value, End of Period | \$ | 16.72 | \$ | 16.47 |
| Per share market value at end of period | \$ | 20.98 | \$ | 20.39 |
| Total return based on market value (3) | | 23.38% | | 9.75% |
| Total return based on net asset value (4) | | 11.14% | | 10.69% |
| Shares Outstanding, End of Period | | 66,293,373 | | 65,168,251 |
| Ratios / Supplemental Data (5) | | | | |
| Ratio of net expenses to average net assets (6) | | 11.10% | | 11.24% |
| Ratio of net investment income to average net assets | | 11.60% | | 12.83% |
| Portfolio turnover | | 34.44% | | 30.56% |
| Net assets, end of period | \$ | 1,108,258 | \$ | 1,073,181 |

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

(2) The per share data was derived by using the actual shares outstanding at the date of the relevant transactions.

(3) Total return based on market value is calculated as the change in market value per share during the period plus declared dividends per share, divided by the beginning market value per share.

(4) Total return based on net asset value is calculated as the change in net asset value per share during the period plus declared dividends per share, divided by the beginning net asset value per share.

(5) The ratios reflect an annualized amount.

- (6) The ratio of net expenses to average net assets in the table above reflects the Adviser's waivers of its right to receive a portion of the Management Fee and Incentive Fees with respect to the Company's ownership of shares of common stock of Triangle Capital Corp. Excluding the effects of waivers, the ratio of net expenses to average net assets would have been 11.24% for the nine months ended September 30, 2018. The Adviser did not waive any Management Fees or Incentive Fees for the nine months ended September 30, 2019.
- (7) Table may not sum due to rounding.

13. Subsequent Events

On November 1, 2019, the Company issued \$300.0 million aggregate principal amount of unsecured notes that mature on November 1, 2024 (the "2024 Notes"). The principal amount of the 2024 Notes is payable at maturity. The 2024 Notes bear interest at a rate of 3.875% per year, payable semi-annually commencing on May 1, 2020, and may be redeemed in whole or in part at the Company's option at any time at par plus a "make whole" premium. Total proceeds from the issuance of the 2024 Notes, net of underwriting discounts and estimated offering costs, were approximately \$293.1 million. The Company used the net proceeds of the 2024 Notes to repay outstanding indebtedness under the Revolving Credit Facility.

In connection with the offering, the Company entered into an interest rate swap to better align the interest rates of its liabilities with the Company's investment portfolio, which consists of predominately floating rate loans. As a result of the swap, the Company's effective interest rate on the 2024 Notes is three-month LIBOR plus 225 basis points. The swap transaction matures on November 1, 2024.

ITEM 2. MANAGEMENT’S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The information contained in this section should be read in conjunction with the consolidated financial statements and notes thereto appearing elsewhere in this report. This discussion also should be read in conjunction with the “Cautionary Statement Regarding Forward Looking Statements” set forth on page 3 of this Quarterly Report on Form 10-Q.

Overview

TPG Specialty Lending, Inc. is a Delaware corporation formed on July 21, 2010. The Adviser is our external manager. We have three wholly owned subsidiaries, TC Lending, LLC, a Delaware limited liability company, which holds a California finance lender and broker license, TPG SL SPV, LLC, a Delaware limited liability company, in which we hold assets that were previously used to support our asset-backed credit facility, and TSL MR, LLC, a Delaware limited liability company, in which we hold certain investments.

We have elected to be regulated as a BDC under the 1940 Act and as a RIC under the Code. We made our BDC election on April 15, 2011. As a result, we are required to comply with various statutory and regulatory requirements, such as:

- the requirement to invest at least 70% of our assets in “qualifying assets”;
- source of income limitations;
- asset diversification requirements; and
- the requirement to distribute (or be treated as distributing) in each taxable year at least 90% of our investment company taxable income and tax-exempt interest for that taxable year.

Our shares are currently listed on the NYSE under the symbol “TSLX.”

On August 4, 2015, our Board authorized us to enter into a stock repurchase plan, the Company 10b5-1 Plan, to acquire up to \$50 million in the aggregate of our common stock at prices just below our net asset value per share over an initial six month period, in accordance with the guidelines specified in Rule 10b-18 and Rule 10b5-1 of the Exchange Act, and has continued to authorize extensions of the plan termination date prior to its expiration since that time. We put the Company 10b5-1 Plan in place because we believe that if our common stock is trading near or below our then-current net asset value per share, it is in the best interest of our stockholders for us to reinvest in our existing portfolio and increase our leverage ratio through share repurchases.

The Company 10b5-1 Plan is designed to allow us to repurchase our common stock at times when we otherwise might be prevented from doing so under insider trading laws. The Company 10b5-1 Plan, as currently in effect, requires Goldman Sachs & Co. LLC, as agent, to repurchase shares of common stock on our behalf when the market price per share is just below 1.05x the most recently reported net asset value per share in our public financial statements or publicly announced by us, less the amount of any supplemental dividend that we have publicly announced but that has yet to be reflected in the net asset value per share most recently reported in public financial statements (including any updates, corrections or adjustments publicly announced by us to any such net asset value per share or supplemental dividend). Under the Company 10b5-1 Plan, the agent will increase the volume of purchases made as the price of our common stock declines, subject to volume restrictions. The timing and amount of any stock repurchases depend on the terms and conditions of the Company 10b5-1 Plan, the market price of the common stock and trading volumes, and no assurance can be given that any particular amount of common stock will be repurchased.

On November 5, 2019, the Board authorized an amendment to the Company 10b5-1 Plan to extend the termination date to May 31, 2020. Unless otherwise extended or terminated by the Board, the Company 10b5-1 Plan will be in effect through the earlier of the termination date or such time as the current approved repurchase amount of up to \$50 million has been fully utilized, subject to certain conditions.

Our Investment Framework

We are a specialty finance company focused on lending to middle-market companies. Since we began our investment activities in July 2011, through September 30, 2019, we have originated more than \$11.8 billion aggregate principal amount of investments and retained approximately \$6.0 billion aggregate principal amount of these investments on our balance sheet prior to any subsequent exits and repayments. We seek to generate current income primarily in U.S.-domiciled middle-market companies through direct originations of senior secured loans and, to a lesser extent, originations of mezzanine and unsecured loans and investments in corporate bonds and equity securities.

By “middle-market companies,” we mean companies that have annual EBITDA, which we believe is a useful proxy for cash flow, of \$10 million to \$250 million, although we may invest in larger or smaller companies on occasion. As of September 30, 2019, our core portfolio companies, which excludes certain investments that fall outside of our typical borrower profile and represent 78.1% of our total investments based on fair value, had weighted average annual revenue of \$105.7 million and weighted average annual EBITDA of \$33.6 million.

We invest in first-lien debt, second-lien debt, mezzanine and unsecured debt and equity and other investments. Our first-lien debt may include stand-alone first-lien loans; “last out” first-lien loans, which are loans that have a secondary priority behind super-senior “first out” first-lien loans; “unitranche” loans, which are loans that combine features of first-lien, second-lien and mezzanine debt, generally in a first-lien position; and secured corporate bonds with similar features to these categories of first-lien loans. Our second-lien debt may include secured loans, and, to a lesser extent, secured corporate bonds, with a secondary priority behind first-lien debt.

The debt in which we invest typically is not rated by any rating agency, but if these instruments were rated, they would likely receive a rating of below investment grade (that is, below BBB- or Baa3 as defined by Standard & Poor’s and Moody’s Investors Services, respectively), which is often referred to as “junk.”

The companies in which we invest use our capital to support organic growth, acquisitions, market or product expansion and recapitalizations (including restructurings). As of September 30, 2019, the largest single investment based on fair value represented 4.2% of our total investment portfolio.

As of September 30, 2019, the average investment size in each of our portfolio companies was approximately \$37.2 million based on fair value.

Through our Adviser, we consider potential investments utilizing a four-tiered investment framework and against our existing portfolio as a whole:

Business and sector selection. We focus on companies with enterprise value between \$50 million and \$1 billion. When reviewing potential investments, we seek to invest in businesses with high marginal cash flow, recurring revenue streams and where we believe credit quality will improve over time. We look for portfolio companies that we think have a sustainable competitive advantage in growing industries or distressed situations. We also seek companies where our investment will have a low loan-to-value ratio.

We currently do not limit our focus to any specific industry and we may invest in larger or smaller companies on occasion. We classify the industries of our portfolio companies by end-market (such as healthcare, and business services) and not by the products or services (such as software) directed to those end-markets.

As of September 30, 2019, the largest industry represented 18.1% of our total investment portfolio based on fair value.

Investment Structuring. We focus on investing at the top of the capital structure and protecting that position. As of September 30, 2019, approximately 97.8% of our portfolio was invested in secured debt, including 97.2% in first-lien debt investments. We carefully perform diligence and structure investments to include strong investor covenants. As a result, we structure investments with a view to creating opportunities for early intervention in the event of non-performance or stress. In addition, we seek to retain effective voting control in investments over the loans or particular class of securities in which we invest through maintaining affirmative voting positions or negotiating consent rights that allow us to retain a blocking position. We also aim for our loans to mature on a medium term, between two to six years after origination. For the three months ended September 30, 2019, the weighted average term on new investment commitments in new portfolio companies was 4.5 years.

Deal Dynamics. We focus on, among other deal dynamics, direct origination of investments, where we identify and lead the investment transaction. A substantial majority of our portfolio investments are sourced through our direct or proprietary relationships.

Risk Mitigation. We seek to mitigate non-credit-related risk on our returns in several ways, including call protection provisions to protect future interest income. As of September 30, 2019, we had call protection on 86.4% of our debt investments based on fair value, with weighted average call prices of 105.7% for the first year, 103.3% for the second year and 101.4% for the third year, in each case from the date of the initial investment. As of September 30, 2019, 99.1% of our debt investments based on fair value bore interest at floating rates (when including investment specific hedges), with 96.2% of these subject to interest rate floors, which we believe helps act as a portfolio-wide hedge against inflation.

Relationship with our Adviser and TSSP

Our Adviser is a Delaware limited liability company. Our Adviser acts as our investment adviser and administrator and is a registered investment adviser with the SEC under the Advisers Act. Our Adviser sources and manages our portfolio through a dedicated team of investment professionals predominately focused on us. Our Investment Team is led by our Chairman and Chief Executive Officer and our Adviser's Co-Chief Investment Officer Joshua Easterly, and our Adviser's Co-Chief Investment Officer Alan Waxman, both of whom have substantial experience in credit origination, underwriting and asset management. Our investment decisions are made by our Investment Review Committee, which includes senior personnel of our Adviser and TPG Sixth Street Partners, LLC, or TSSP.

TSSP is a global finance and investment firm with over \$32 billion of assets under management as of June 30, 2019. TSSP is in a strategic partnership with TPG, the global alternative asset firm. TSSP's core platforms include TPG Specialty Lending, TSL Europe, which is aimed at European middle-market loan originations, TSSP Adjacent Opportunities, which has the flexibility to invest across all of TSSP's private credit market investments, TSSP Opportunities Partners, which focuses on actively managed opportunistic investments across the credit cycle, TPG Institutional Credit Partners, which is a "public-side" credit investment platform focused on investment opportunities in broadly syndicated leveraged loan markets, and TSSP Capital Solutions, which provides financing solutions to growing companies. TSSP has a long-term oriented, highly flexible capital base that allows it to invest across industries, geographies, capital structures and asset classes. TSSP has extensive experience with highly complex, global public and private investments executed through primary originations, secondary market purchases and restructurings, and has a team of over 240 investment and operating professionals. As of September 30, 2019, thirty four (34) of these personnel are dedicated to our business, including twenty six (26) investment professionals.

Our Adviser consults with TSSP in connection with a substantial number of our investments. The TSSP platform provides us with a breadth of large and scalable investment resources. We believe we benefit from TSSP's market expertise, insights into industry, sector and macroeconomic trends and intensive due diligence capabilities, which help us discern market conditions that vary across industries and credit cycles, identify favorable investment opportunities and manage our portfolio of investments. TSSP and TPG will refer all middle-market loan origination activities for companies domiciled in the United States to us and conduct those activities through us. The Adviser will determine whether it would be permissible, advisable or otherwise appropriate for us to pursue a particular investment opportunity allocated to us by TSSP and TPG.

On December 16, 2014, we were granted an exemptive order from the SEC that allows us to co-invest, subject to certain conditions and to the extent the size of an investment opportunity exceeds the amount our Adviser has independently determined is appropriate to invest, with affiliates of TSSP and TPG in middle-market loan origination activities for companies domiciled in the United States and certain "follow-on" investments in companies in which we have already co-invested pursuant to the order and remain invested.

We believe our ability to co-invest with TSSP affiliates is particularly useful where we identify larger capital commitments than otherwise would be appropriate for us. We expect that with the ability to co-invest with TSSP affiliates we will continue to be able to provide "one-stop" financing to a potential portfolio company in these circumstances, which may allow us to capture opportunities where we alone could not commit the full amount of required capital or would have to spend additional time to locate unaffiliated co-investors.

Under the terms of the Investment Advisory Agreement and Administration Agreement, the Adviser's services are not exclusive, and the Adviser is free to furnish similar or other services to others, so long as its services to us are not impaired. Under the terms of the Investment Advisory Agreement, we will pay the Adviser the base management fee, or the Management Fee, and may also pay certain incentive fees, or the Incentive Fees.

Under the terms of the Administration Agreement, the Adviser also provides administrative services to us. These services include providing office space, equipment and office services, maintaining financial records, preparing reports to stockholders and reports filed with the SEC, and managing the payment of expenses and the oversight of the performance of administrative and professional services rendered by others. Certain of these services are reimbursable to the Adviser under the terms of the Administration Agreement.

Key Components of Our Results of Operations

Investments

We focus primarily on the direct origination of loans to middle-market companies domiciled in the United States.

Our level of investment activity (both the number of investments and the size of each investment) can and does vary substantially from period to period depending on many factors, including the amount of debt and equity capital generally available to middle-market companies, the level of merger and acquisition activity for such companies, the general economic environment and the competitive environment for the types of investments we make.

In addition, as part of our risk strategy on investments, we may reduce certain levels of investments through partial sales or syndication to additional investors.

Revenues

We generate revenues primarily in the form of interest income from the investments we hold. In addition, we may generate income from dividends on direct equity investments, capital gains on the sale of investments and various loan origination and other fees. Our debt investments typically have a term of two to six years, and, as of September 30, 2019, 99.1% of these investments based on fair value bore interest at a floating rate (when including investment specific hedges), with 96.2% of these subject to interest rate floors. Interest on debt investments is generally payable quarterly or semiannually. Some of our debt investments provide for deferred interest payments or PIK interest. For the three and nine months ended September 30, 2019, 2.6% and 3.0% respectively of our total investment income was comprised of PIK interest.

Changes in our net investment income are primarily driven by the spread between the payments we receive from our investments in our portfolio companies against our cost of funding, rather than by changes in interest rates. Our investment portfolio primarily consists of floating rate loans, and our credit facilities, 2023 Notes and Convertible Notes, after taking into account the effect of the interest rate swaps we have entered into in connection with the Convertible Notes and 2023 Notes, all bear interest at floating rates. Macro trends in base interest rates like LIBOR may affect our net investment income over the long term. However, because we generally originate loans to a small number of portfolio companies each quarter, and those investments also vary in size, our results in any given period—including the interest rate on investments that were sold or repaid in a period compared to the interest rate of new investments made during that period—often are idiosyncratic, and reflect the characteristics of the particular portfolio companies that we invested in or exited during the period and not necessarily any trends in our business.

In addition to interest income, our net investment income is also driven by prepayment and other fees, which also can vary significantly from quarter to quarter. The level of prepayment fees is generally correlated to the movement in credit spreads and risk premiums, but also will vary based on corporate events that may take place at an individual portfolio company in a given period—e.g., merger and acquisition activity, initial public offerings and restructurings. As noted above, generally a small but varied number of portfolio companies may make prepayments in any quarter, meaning that changes in the amount of prepayment fees received can vary significantly between periods and can vary without regard to underlying credit trends.

Loan origination fees, original issue discount and market discount or premium are capitalized, and we accrete or amortize such amounts as interest income using the effective interest method for term instruments and the straight-line method for revolving or delayed draw instruments. Repayments of our debt investments can reduce interest income from period to period. We record prepayment premiums on loans as interest income when earned. We also may generate revenue in the form of commitment, amendment, structuring, syndication or due diligence fees, fees for providing managerial assistance and consulting fees. The frequency or volume of these repayments may fluctuate significantly.

Dividend income on common equity investments is recorded on the record date for private portfolio companies or on the ex-dividend date for publicly traded portfolio companies.

Our portfolio activity also reflects the proceeds of sales of investments. We recognize realized gains or losses on investments based on the difference between the net proceeds from the disposition and the amortized cost basis of the investment without regard to unrealized gains or losses previously recognized. We record current period changes in fair value of investments that are measured at fair value as a component of the net change in unrealized gains (losses) on investments in the consolidated statements of operations.

Expenses

Our primary operating expenses include the payment of fees to our Adviser under the Investment Advisory Agreement, expenses reimbursable under the Administration Agreement and other operating costs described below. Additionally, we pay interest expense on our outstanding debt. We bear all other costs and expenses of our operations, administration and transactions, including those relating to:

- calculating individual asset values and our net asset value (including the cost and expenses of any independent valuation firms);
- expenses, including travel expenses, incurred by the Adviser, or members of our Investment Team, or payable to third parties, in respect of due diligence on prospective portfolio companies and, if necessary, in respect of enforcing our rights with respect to investments in existing portfolio companies;
- the costs of any public offerings of our common stock and other securities, including registration and listing fees;
- the Management Fee and any Incentive Fee;
- certain costs and expenses relating to distributions paid on our shares;
- administration fees payable under our Administration Agreement;
- costs of preparing financial statements and maintaining books and records and filing reports or other documents with the SEC (or other regulatory bodies) and other reporting and compliance costs, and the compensation of professionals responsible for the preparation of the foregoing, including the allocable portion of the compensation of our Chief Compliance Officer, Chief Financial Officer and other professionals who provide operational and administrative services to us pursuant to the Administration Agreement (based on the percentage of time those individuals devote, on an estimated basis, to our business and affairs);
- debt service and other costs of borrowings or other financing arrangements;
- the Adviser's allocable share of costs incurred in providing significant managerial assistance to those portfolio companies that request it;
- amounts payable to third parties relating to, or associated with, making or holding investments;
- transfer agent and custodial fees;
- costs of hedging;
- commissions and other compensation payable to brokers or dealers;
- taxes;
- Independent Director fees and expenses;
- the costs of any reports, proxy statements or other notices to our stockholders (including printing and mailing costs), the costs of any stockholders' meetings and the compensation of investor relations personnel responsible for the preparation of the foregoing and related matters;
- our fidelity bond;
- directors and officers/errors and omissions liability insurance, and any other insurance premiums;
- indemnification payments;
- direct costs and expenses of administration, including audit, accounting, consulting and legal costs; and
- all other expenses reasonably incurred by us in connection with making investments and administering our business.

We expect that during periods of asset growth, our general and administrative expenses will be relatively stable or will decline as a percentage of total assets, and will increase as a percentage of total assets during periods of asset declines.

Leverage

While as a BDC the amount of leverage that we are permitted to use is limited in significant respects, we use leverage to increase our ability to make investments. The amount of leverage we use in any period depends on a variety of factors, including cash available for investing, the cost of financing and general economic and market conditions, however, our total borrowings are limited so that our asset coverage ratio cannot fall below 150% immediately after any borrowing, as defined in the 1940 Act. In any period, our interest expense will depend largely on the extent of our borrowing and we expect interest expense will increase as we increase leverage over time within the limits of the 1940 Act. In addition, we may dedicate assets as collateral to financing facilities from time to time.

On October 8, 2018, our stockholders approved the application of the minimum asset coverage ratio of 150% to us, as set forth in Section 61(a)(2) of the 1940 Act, as amended by the SBCAA. As a result and subject to certain additional disclosure requirements, as of October 9, 2018, our minimum asset coverage ratio was reduced from 200% to 150%. In other words, pursuant to Section 61(a) of the 1940 Act, as amended by the SBCAA, we are permitted to increase our maximum debt-to-equity ratio from an effective level of one-to-one to two-to-one. The Adviser intends to waive a portion of the Management Fee payable under the Investment Advisory Agreement by reducing the Management Fee on assets financed using leverage over 200% asset coverage (in other words, over 1.0x debt to equity). Pursuant to the waiver, the Adviser intends to waive the portion of the Management Fee in excess of an annual rate of 1.0% (0.250% per quarter) on the average value of our gross assets as of the end of the two most recently completed calendar quarters that exceeds the product of (i) 200% and (ii) the average value of our net asset value at the end of the two most recently completed calendar quarters.

Market Trends

We believe trends in the middle-market lending environment, including the limited availability of capital, strong demand for debt capital and specialized lending requirements, are likely to continue to create favorable opportunities for us to invest at attractive risk-adjusted rates.

The limited number of dedicated providers of capital to middle-market companies, combined with increases in required capital levels for regulated financial institutions, reduces the capacity of traditional lenders to serve middle-market companies. We believe that the limited availability of capital creates a significant opportunity for us to directly originate investments. We also believe that the large amount of uninvested capital held by private equity firms will continue to drive deal activity, which may in turn create additional demand for debt capital.

The limited number of providers is further exacerbated by the specialized due diligence and underwriting capabilities, as well as extensive ongoing monitoring, required for middle-market lending. We believe middle-market lending is generally more labor-intensive than lending to larger companies due to smaller investment sizes and the lack of publicly available information on these companies.

An imbalance between the supply of, and demand for, middle-market debt capital creates attractive pricing dynamics for investors such as BDCs. The negotiated nature of middle-market financings also generally provides for more favorable terms to the lenders, including stronger covenant and reporting packages, better call protection and lender-protective change of control provisions. We believe that BDCs have flexibility to develop loans that reflect each borrower's distinct situation, provide long-term relationships and a potential source for future capital, which renders BDCs, including us, attractive lenders.

Portfolio and Investment Activity

As of September 30, 2019, our portfolio based on fair value consisted of 97.2% first-lien debt investments, 0.7% second-lien debt investments, 0.1% mezzanine debt investments, and 2.0% equity and other investments. As of December 31, 2018, our portfolio based on fair value consisted of 96.9% first-lien debt investments, 0.2% second-lien debt investments, 0.2% mezzanine debt investments, and 2.7% equity and other investments.

As of September 30, 2019 and December 31, 2018, our weighted average total yield of debt and income-producing securities at fair value (which includes interest income and amortization of fees and discounts) was 10.7% and 11.6%, respectively, and our weighted average total yield of debt and income-producing securities at amortized cost (which includes interest income and amortization of fees and discounts) was 10.8% and 11.7%, respectively.

As of September 30, 2019 and December 31, 2018, we had investments in 55 and 46 portfolio companies, respectively, with an aggregate fair value of \$2,047.5 million and \$1,706.0 million, respectively.

For the three months ended September 30, 2019, the principal amount of new investments funded was \$309.1 million in seven new portfolio companies and four existing portfolio companies. For this period, we had \$309.9 million aggregate principal amount in exits and repayments.

For the three months ended September 30, 2018, the principal amount of new investments funded was \$134.0 million in four new portfolio companies and two existing portfolio companies. For this period, we had \$118.8 million aggregate principal amount in exits and repayments.

Our investment activity for the three months ended September 30, 2019 and 2018 is presented below (information presented herein is at par value unless otherwise indicated).

| (\$ in millions) | Three Months Ended | |
|---|-----------------------|-----------------------|
| | September 30, 2019 | September 30, 2018 |
| New investment commitments: | | |
| Gross originations | \$ 616.5 | \$ 317.1 |
| Less: Syndications/sell downs | 260.9 | 175.0 |
| Total new investment commitments | \$ 355.6 | \$ 142.1 |
| Principal amount of investments funded: | | |
| First-lien | \$ 298.9 | \$ 128.9 |
| Second-lien | 8.7 | — |
| Mezzanine | — | 2.5 |
| Equity and other | 1.5 | 2.6 |
| Total | \$ 309.1 | \$ 134.0 |
| Principal amount of investments sold or repaid: | | |
| First-lien | \$ 305.8 | \$ 118.8 |
| Second-lien | — | — |
| Mezzanine | — | — |
| Equity and other | 4.1 | — |
| Total | \$ 309.9 | \$ 118.8 |
| Number of new investment commitments in new portfolio companies | 7 | 4 |
| Average new investment commitment amount in new portfolio companies | \$ 43.6 | \$ 33.7 |
| Weighted average term for new investment commitments in new portfolio companies (in years) | 4.5 | 5.0 |
| Percentage of new debt investment commitments at floating rates (1) | 100.0% | 95.0% |
| Percentage of new debt investment commitments at fixed rates | 0.0% | 5.0% |
| Weighted average interest rate of new investment commitments | 9.5% | 9.8% |
| Weighted average spread over LIBOR of new floating rate investment commitments | 7.6% | 7.8% |
| Weighted average interest rate on investments sold or paid down | 12.2% | 11.4% |

(1) Includes two fixed rate investments for the three months ended September 30, 2019, for which we entered into interest rate swap agreements to swap to floating rates.

As of September 30, 2019 and December 31, 2018, our investments consisted of the following:

| (\$ in millions) | September 30, 2019 | | December 31, 2018 | |
|------------------------------|--------------------|-------------------|-------------------|-------------------|
| | Fair Value | Amortized Cost | Fair Value | Amortized Cost |
| First-lien debt investments | \$ 1,989.1 | \$ 1,973.4 | \$ 1,653.9 | \$ 1,642.0 |
| Second-lien debt investments | 14.1 | 13.8 | 4.1 | 4.1 |
| Mezzanine debt investments | 2.5 | 2.5 | 2.5 | 2.5 |
| Equity and other investments | 41.8 | 63.5 | 45.5 | 67.8 |
| Total | \$ 2,047.5 | \$ 2,053.2 | \$ 1,706.0 | \$ 1,716.4 |

The following tables show the fair value and amortized cost of our performing and non-accrual investments as of September 30, 2019 and December 31, 2018:

| (\$ in millions) | September 30, 2019 | | December 31, 2018 | |
|------------------|--------------------|---------------|-------------------|---------------|
| | Fair Value | Percentage | Fair Value | Percentage |
| Performing | \$ 2,047.5 | 100.0% | \$ 1,706.0 | 100.0% |
| Non-accrual (1) | — | — | — | — |
| Total | \$ 2,047.5 | 100.0% | \$ 1,706.0 | 100.0% |

| (\$ in millions) | September 30, 2019 | | December 31, 2018 | |
|------------------|--------------------|---------------|-------------------|---------------|
| | Amortized Cost | Percentage | Amortized Cost | Percentage |
| Performing | \$ 2,053.2 | 100.0% | \$ 1,716.4 | 100.0% |
| Non-accrual (1) | — | — | — | — |
| Total | \$ 2,053.2 | 100.0% | \$ 1,716.4 | 100.0% |

- (1) Loans are generally placed on non-accrual status when principal or interest payments are past due 30 days or more or when management has reasonable doubt that the borrower will pay principal or interest in full. Accrued and unpaid interest is generally reversed when a loan is placed on non-accrual status. Non-accrual loans are restored to accrual status when past due principal and interest has been paid and, in management's judgment, the borrower is likely to make principal and interest payments in the future. Management may determine to not place a loan on non-accrual status if, notwithstanding any failure to pay, the loan has sufficient collateral value and is in the process of collection.

The weighted average yields and interest rates of our performing debt investments at fair value as of September 30, 2019 and December 31, 2018 were as follows:

| | September 30, 2019 | December 31, 2018 |
|--|--------------------|-------------------|
| Weighted average total yield of debt and income producing securities (1) | 10.7% | 11.6% |
| Weighted average interest rate of debt and income producing securities | 10.2% | 11.1% |
| Weighted average spread over LIBOR of all floating rate investments (2) | 8.1% | 8.6% |

- (1) Weighted average total portfolio yield at fair value was 10.5% at September 30, 2019 and 11.3% at December 31, 2018.
(2) Includes fixed rate investments for which we entered into interest rate swap agreements to swap to floating rates.

The Adviser monitors our portfolio companies on an ongoing basis. The Adviser monitors the financial trends of each portfolio company to determine if it is meeting its business plans and to assess the appropriate course of action for each company. The Adviser has a number of methods of evaluating and monitoring the performance and fair value of our investments, which may include the following:

- assessment of success of the portfolio company in adhering to its business plan and compliance with covenants;
- periodic and regular contact with portfolio company management and, if appropriate, the financial or strategic sponsor, to discuss financial position, requirements and accomplishments;
- comparisons to other companies in the industry;

- attendance at, and participation in, board meetings; and
- review of monthly and quarterly financial statements and financial projections for portfolio companies.

As part of the monitoring process, the Adviser regularly assesses the risk profile of each of our investments and, on a quarterly basis, grades each investment on a risk scale of 1 to 5. Risk assessment is not standardized in our industry and our risk assessment may not be comparable to ones used by our competitors. Our assessment is based on the following categories:

- An investment is rated 1 if, in the opinion of the Adviser, it is performing as agreed and there are no concerns about the portfolio company's performance or ability to meet covenant requirements. For these investments, the Adviser generally prepares monthly reports on investment performance and intensive quarterly asset reviews.
- An investment is rated 2 if it is performing as agreed, but, in the opinion of the Adviser, there may be concerns about the company's operating performance or trends in the industry. For these investments, in addition to monthly reports and quarterly asset reviews, the Adviser also researches any areas of concern with the objective of early intervention with the portfolio company.
- An investment will be assigned a rating of 3 if it is paying its obligations to us as agreed but a material covenant violation is expected. For these investments, in addition to monthly reports and quarterly asset reviews, the Adviser also adds the investment to its "watch list" and researches any areas of concern with the objective of early intervention with the portfolio company.
- An investment will be assigned a rating of 4 if a material covenant has been violated, but the company is making its scheduled payments on its obligations to us. For these investments, the Adviser generally prepares a bi-monthly asset review email and generally has monthly meetings with the portfolio company's senior management. For investments where there have been material defaults, including bankruptcy filings, failures to achieve financial performance requirements or failure to maintain liquidity or loan-to-value requirements, the Adviser often will take immediate action to protect its position. These remedies may include negotiating for additional collateral, modifying investment terms or structure, or payment of amendment and waiver fees.
- A rating of 5 indicates an investment is in default on its interest and/or principal payments. For these investments, our Adviser reviews the investments on a bi-monthly basis and, where possible, pursues workouts that achieve an early resolution to avoid further deterioration of our investment. The Adviser retains legal counsel and takes actions to preserve our rights, which may include working with the portfolio company to have the default cured, to have the investment restructured or to have the investment repaid through a consensual workout.

The following table shows the distribution of our investments on the 1 to 5 investment performance rating scale at fair value as of September 30, 2019 and December 31, 2018. Investment performance ratings are accurate only as of those dates and may change due to subsequent developments relating to a portfolio company's business or financial condition, market conditions or developments, and other factors.

| Investment Performance Rating | September 30, 2019 | | December 31, 2018 | |
|-------------------------------------|--|----------------------------------|--|----------------------------------|
| | Investments at Fair Value (\$ in millions) | Percentage of Total Portfolio | Investments at Fair Value (\$ in millions) | Percentage of Total Portfolio |
| 1 | \$ 1,829.0 | 89.4% | \$ 1,531.4 | 89.8% |
| 2 | 168.8 | 8.2 | 118.1 | 6.9 |
| 3 | 49.7 | 2.4 | 56.5 | 3.3 |
| 4 | — | — | — | — |
| 5 | — | — | — | — |
| Total | <u>\$ 2,047.5</u> | <u>100.0%</u> | <u>\$ 1,706.0</u> | <u>100.0%</u> |

Results of Operations

Operating results for the three and nine months ended September 30, 2019 and 2018 were as follows:

| (\$ in millions) | Three Months Ended | | Nine Months Ended | |
|---|--------------------|--------------------|--------------------|--------------------|
| | September 30, 2019 | September 30, 2018 | September 30, 2019 | September 30, 2018 |
| Total investment income | \$ 70.1 | \$ 63.0 | \$ 185.0 | \$ 187.2 |
| Less: Net expenses | 31.8 | 30.1 | 87.6 | 85.0 |
| Net investment income before income taxes | 38.3 | 32.9 | 97.4 | 102.2 |
| Less: Income taxes, including excise taxes | 1.6 | 0.6 | 2.9 | 2.4 |
| Net investment income | 36.7 | 32.3 | 94.5 | 99.8 |
| Net realized gains (losses) (1) | 5.1 | 0.3 | 6.0 | (6.0) |
| Net change in unrealized gains (losses) (1) | (11.5) | 4.8 | 16.4 | 11.0 |
| Net increase in net assets resulting from operations | \$ 30.3 | \$ 37.4 | \$ 116.9 | \$ 104.8 |

(1) Includes foreign exchange hedging activity.

Investment Income

| (\$ in millions) | Three Months Ended | | Nine Months Ended | |
|--------------------------------|--------------------|--------------------|--------------------|--------------------|
| | September 30, 2019 | September 30, 2018 | September 30, 2019 | September 30, 2018 |
| Interest from investments | \$ 67.4 | \$ 61.8 | \$ 178.2 | \$ 176.6 |
| Dividend income | 0.0 | 0.0 | 0.0 | 0.2 |
| Other income | 2.7 | 1.2 | 6.8 | 10.4 |
| Total investment income | \$ 70.1 | \$ 63.0 | \$ 185.0 | \$ 187.2 |

Interest from investments, which includes amortization of upfront fees and prepayment fees, increased from \$61.8 million for the three months ended September 30, 2018 to \$67.4 million for the three months ended September 30, 2019. The increase in interest from investments was primarily a result of an increase in accelerated amortization of upfront fees and prepayment fees. The average size of our investment portfolio was \$2.0 billion for both the three months ended September 30, 2018 and 2019. Accelerated amortization of upfront fees, which were primarily from unscheduled paydowns, increased from \$1.7 million for the three months ended September 30, 2018 to \$3.3 million for the three months ended September 30, 2019. Prepayment fees increased from \$3.5 million for the three months ended September 30, 2018 to \$8.0 million for the three months ended September 30, 2019. The accelerated amortization of upfront fees and prepayment fees primarily resulted from full paydowns on three portfolio investments and earning prepayment fees on one portfolio investment during the three months ended September 30, 2018. The accelerated amortization of upfront fees and prepayment fees primarily resulted from full paydowns on seven portfolio investments and earning prepayment fees on five portfolio investments during the three months ended September 30, 2019. Other income increased from \$1.2 million for the three months ended September 30, 2018 to \$2.7 million for the three months ended September 30, 2019, primarily due to higher commitment and agency fees during the three months ended September 30, 2019 compared to the same period in 2018.

Interest from investments, which includes amortization of upfront fees and prepayment fees, increased from \$176.6 million for the nine months ended September 30, 2018 to \$178.2 million for the nine months ended September 30, 2019. The increase in interest from investments was primarily a result of an increase in interest received and prepayment fees, partially offset by a decrease in accelerated amortization of upfront fees. The average size of our investment portfolio increased from \$1.9 billion for the nine months ended September 30, 2018 to \$2.0 billion for the nine months ended September 30, 2019. Accelerated amortization of upfront fees, which were primarily from unscheduled paydowns, decreased from \$7.8 million for the nine months ended September 30, 2018 to \$6.3 million for the nine months ended September 30, 2019; and prepayment fees increased from \$10.3 million for the nine months ended September 30, 2018 to \$11.0 million for the nine months ended September 30, 2019. The accelerated amortization of upfront fees and prepayment fees primarily resulted from full paydowns on nine portfolio investments, a partial paydown on one portfolio investment, a partial realization on one portfolio investment, and earning prepayment fees on nine portfolio investments during the nine months ended September 30, 2018 and full paydowns on twelve portfolio investments, one partial paydown and earning prepayment fees on eight portfolio investment during the nine months ended September 30, 2019. Other income decreased from \$10.4 million for the nine months ended September 30, 2018 to \$6.8 million for the nine months ended September 30, 2019, primarily due to higher syndication fees earned during the first three quarters of 2018.

Expenses

Operating expenses for the three and nine months ended September 30, 2019 and 2018 were as follows:

| (\$ in millions) | Three Months Ended | | Nine Months Ended | |
|--|-----------------------|-----------------------|-----------------------|-----------------------|
| | September 30, 2019 | September 30, 2018 | September 30, 2019 | September 30, 2018 |
| Interest | \$ 12.6 | \$ 12.0 | \$ 35.7 | \$ 32.2 |
| Management fees (net of waivers) | 7.9 | 7.5 | 21.9 | 21.5 |
| Incentive fees related to pre-incentive fee net investment income (net of waivers) | 7.8 | 6.9 | 20.1 | 21.2 |
| Incentive fees related to realized/unrealized capital gains | — | — | — | — |
| Professional fees | 1.8 | 2.1 | 4.9 | 5.8 |
| Directors fees | 0.1 | 0.1 | 0.4 | 0.3 |
| Other general and administrative | 1.6 | 1.5 | 4.6 | 4.0 |
| Net Expenses | \$ 31.8 | \$ 30.1 | \$ 87.6 | \$ 85.0 |

Interest

Interest expense, including other debt financing expenses, increased from \$12.0 million for the three months ended September 30, 2018 to \$12.6 million for the three months ended September 30, 2019. This increase was primarily due to an increase in the average interest rate on our debt outstanding from the three months ended September 30, 2018 to the three months ended September 30, 2019. The average interest rate on our debt outstanding increased from 4.3% for three months ended September 30, 2018 to 4.4% for the three months ended September 30, 2019. The average debt outstanding decreased from \$968.2 million for the three months ended September 30, 2018 to \$946.0 million for the three months ended September 30, 2019.

Interest expense, including other debt financing expenses, increased from \$32.2 million for the nine months ended September 30, 2018 to \$35.7 million for the nine months ended September 30, 2019. This increase was primarily due to an increase in the average interest rate on our debt outstanding from 4.0% for the nine months ended September 30, 2018 to 4.6% for the nine months ended September 30, 2019. The average debt outstanding decreased from \$911.8 million for the nine months ended September 30, 2018 to \$858.1 million for the nine months ended September 30, 2019.

Management Fees

Management Fees increased from \$7.5 million for the three months ended September 30, 2018 to \$7.9 million for the three months ended September 30, 2019 due to an increase in assets for the three months ended September 30, 2019 compared to the same period in 2018. The Adviser did not waive any Management Fees for the three months ended September 30, 2019 or 2018.

Management Fees (net of waivers) increased from \$21.5 million for the nine months ended September 30, 2018 to \$21.9 million for the nine months ended September 30, 2019 due to a small increase in average total assets for the nine months ended September 30, 2019 as compared to the same period in 2018. Management Fees waived were less than \$0.1 million for the nine months ended September 30, 2018, consisting solely of Management Fees attributable to our ownership of shares of common stock in the TCAP Shares. The Adviser did not waive any Management Fees for the nine months ended September 30, 2019.

Any waived Management Fees are not subject to recoupment by the Adviser.

Incentive Fees

Incentive Fees related to pre-Incentive Fee net investment income increased from \$6.9 million for the three months ended September 30, 2018 to \$7.8 million for the three months ended September 30, 2019. This increase resulted from an increase in investment income resulting from higher interest and other income for the three months ended September 30, 2019. The Adviser did not waive any Incentive Fees related to pre-Incentive Fee net investment income for the three months ended September 30, 2019 or 2018. There were no Incentive Fees related to capital gains and losses for each of the three months ended September 30, 2019 and 2018 due to cumulative realized losses on our investments.

Incentive Fees (net of waivers) related to pre-Incentive Fee net investment income decreased from \$21.2 million for the nine months ended September 30, 2018 to \$20.1 million for the nine months ended September 30, 2019. This decrease resulted from a decrease in other income resulting from lower syndication fees for the nine months ended September 30, 2019. For the nine months ended September 30, 2018, Incentive Fees related to pre-Incentive Fee net investment income of less than \$0.1 million were waived, consisting solely of Incentive Fees attributable to our ownership of the TCAP Shares. There were no Incentive Fees related to pre-Incentive Fee net investment income waived for the nine months ended September 30, 2019. There were no Incentive Fees related to capital gains and losses for the nine months ended September 30, 2019 and 2018 due to cumulative realized losses on our investments.

Any waived Incentive Fees are not subject to recoupment by the Adviser.

Professional Fees and Other General and Administrative Expenses

Professional fees decreased from \$2.1 million for the three months ended September 30, 2018 to \$1.8 million for the three months ended September 30, 2019 primarily due to expenses related to the special meeting of stockholders in October 2018. Other general and administrative fees increased from \$1.5 million for the three months ended September 30, 2018 to \$1.6 million for the three months ended September 30, 2019.

Professional fees decreased from \$5.8 million for the nine months ended September 30, 2018 to \$4.9 million for the nine months ended September 30, 2019 primarily due to the recognition of remaining non-recurring expenses associated with the initial shelf registration statement that were previously recorded as deferred financing costs during the nine months ended September 30, 2018. Other general and administrative fees increased from \$4.0 million for the nine months ended September 30, 2018 to \$4.6 million for the nine months ended September 30, 2019.

Income Taxes, Including Excise Taxes

We have elected to be treated as a RIC under Subchapter M of the Code, and we intend to operate in a manner so as to continue to qualify for the tax treatment applicable to RICs. To qualify as a RIC, we must, among other things, distribute to our stockholders in each taxable year generally at least 90% of our investment company taxable income, as defined by the Code, and net tax-exempt income for that taxable year. To maintain our RIC status, we, among other things, have made and intend to continue to make the requisite distributions to our stockholders, which generally relieve us from corporate-level U.S. federal income taxes.

Depending on the level of taxable income earned in a tax year, we can be expected to carry forward taxable income (including net capital gains, if any) in excess of current year dividend distributions from the current tax year into the next tax year and pay a nondeductible 4% U.S. federal excise tax on such taxable income, as required. To the extent that we determine that our estimated current year annual taxable income will be in excess of estimated current year dividend distributions from such income, we accrue excise tax on estimated excess taxable income.

For the three and nine months ended September 30, 2019, we recorded a net expense of \$1.6 million and \$2.9 million, respectively, for U.S. federal excise tax and other taxes. For the three and nine months ended September 30, 2018, we recorded a net expense of \$0.7 million and \$2.4 million, respectively, for U.S. federal excise tax and other taxes.

Net Realized and Unrealized Gains and Losses

The following table summarizes our net realized and unrealized gains (losses) for the three and nine months ended September 30, 2019 and 2018:

| (\$ in millions) | Three Months Ended | | Nine Months Ended | |
|---|--------------------|--------------------|--------------------|--------------------|
| | September 30, 2019 | September 30, 2018 | September 30, 2019 | September 30, 2018 |
| Net realized gains (losses) on investments | \$ 4.9 | \$ 0.0 | \$ 6.0 | \$ (6.5) |
| Net realized gains on foreign currency transactions | 0.2 | 0.0 | 0.0 | 0.2 |
| Net realized gains (losses) on foreign currency investments | (0.0) | (1.4) | (0.1) | (1.4) |
| Net realized gains on foreign currency borrowings | 0.0 | 1.7 | 0.1 | 1.7 |
| Net realized gains on interest rate swaps | 0.0 | — | 0.0 | — |
| Net Realized Gains (Losses) | \$ 5.1 | \$ 0.3 | \$ 6.0 | \$ (6.0) |
| Change in unrealized gains on investments | \$ 9.3 | \$ 16.8 | \$ 33.4 | \$ 50.2 |
| Change in unrealized losses on investments | (25.2) | (8.4) | (28.7) | (33.5) |
| Net Change in Unrealized Gains (Losses) on Investments | \$ (15.9) | \$ 8.4 | \$ 4.7 | \$ 16.7 |
| Unrealized gains (losses) on foreign currency borrowings | 2.9 | (1.6) | 0.8 | 2.3 |
| Unrealized gains (losses) on foreign currency cash and forward contracts | (0.0) | 0.0 | 0.0 | 0.0 |
| Unrealized gains (losses) on interest rate swaps | 1.5 | (2.0) | 10.9 | (8.0) |
| Net Change in Unrealized Gains (Losses) on Foreign Currency Transactions and Interest Rate Swaps | \$ 4.4 | \$ (3.6) | \$ 11.7 | \$ (5.7) |
| Net Change in Unrealized Gains (Losses) | \$ (11.5) | \$ 4.8 | \$ 16.4 | \$ 11.0 |

For the three and nine months ended September 30, 2019 we had net realized gains on investments of \$4.9 million and \$6.0 million, respectively. For the three and nine months ended September 30, 2019 we had net realized gains of \$0.2 million and less than \$0.1 million, respectively, on foreign currency transactions, primarily as a result of translating foreign currency related to our non-USD denominated investments. For the three and nine months ended September 30, 2019 we had net realized losses of less than \$0.1 million and \$0.1 million, respectively, on foreign currency investments. For the three and nine months ended September 30, 2019 we had net realized gains of less than \$0.1 million and \$0.1 million, respectively, on foreign currency borrowings. The net realized gains on foreign currency borrowings were a result of payments on our revolving credit facility. For both the three and nine months ended September 30, 2019 we had net realized gains of less than \$0.1 million on interest rate swaps.

For the three months ended September 30, 2019 we had \$9.3 million in unrealized gains on 26 portfolio company investments, which was offset by \$25.2 million in unrealized losses on 36 portfolio company investments. Unrealized gains resulted from an increase in fair value, primarily due to positive credit-related adjustments. Unrealized losses primarily resulted from reversal of prior period unrealized gains and in some instances negative credit-related adjustments. For the nine months ended September 30, 2019 we had \$33.4 million in unrealized gains on 37 portfolio company investments, which was offset by \$28.7 million in unrealized losses on 30 portfolio company investments. Unrealized gains resulted from an increase in fair value, primarily due to a tightening spread environment and positive investment-related adjustments. Unrealized losses primarily resulted from reversal of prior period unrealized gains and in some instances negative credit-related adjustments.

For the three and nine months ended September 30, 2019, we had unrealized gains on foreign currency borrowings of \$2.9 million and \$0.8 million, respectively, as a result of fluctuations in the AUD, CAD and EUR exchange rates. For the three and nine months ended September 30, 2019 we had unrealized losses on foreign currency cash and forward contracts of less than \$0.1 million and unrealized gains on foreign currency cash and forward contracts of less than \$0.1 million, respectively. For the three and nine months ended September 30, 2019 we had unrealized gains on interest rate swaps of \$1.5 million and \$10.9 million, respectively, on interest rate swaps due to fluctuations in interest rates and the periodic settlement of interest rate swaps.

For the three and nine months ended September 30, 2018 we had net realized gains on investments of less than \$0.1 million and net realized losses on investments of \$6.5 million, respectively. For the three and nine months ended September 30, 2018, we had net realized gains of less than \$0.1 million and net realized gains of \$0.2 million, respectively, on foreign currency transactions, primarily as a result of translating foreign currency related to our non-USD denominated investments. For both the three and nine months ended September 30, 2018, we had net realized losses of \$1.4 million on foreign currency investments. For both the three and nine months ended September 30, 2018, we had net realized gains of 1.7 million on foreign currency borrowings. The net realized gains on foreign currency borrowings and foreign currency investments for the three and nine months ended September 30, 2018 were a result of a full paydown on one investment and a partial realization on one investment.

For the three months ended September 30, 2018 we had \$16.8 million in unrealized gains on 31 portfolio company investments, which was offset by \$8.4 million in unrealized losses on 21 portfolio company investments. For the nine months ended September 30, 2018 we had \$50.2 million in unrealized gains on 35 portfolio company investments, which was offset by \$33.5 million in unrealized losses on 27 portfolio company investments. Unrealized gains resulted from an increase in fair value, primarily due to positive credit-related adjustments offset by widening of credit spreads. Unrealized losses primarily resulted from the reversal of prior period unrealized gains and in some instances negative credit-related adjustments.

For the three and nine months ended September 30, 2018, we had unrealized losses on foreign currency borrowings of \$1.6 million and unrealized gains on foreign currency borrowings of \$2.3 million, respectively, as a result of fluctuations in the EUR, AUD, and CAD exchange rates. For both the three and nine months ended September 30, 2018, we had unrealized gains on foreign currency cash and forward contracts of less than \$0.1 million. For the three and nine months ended September 30, 2018, we had unrealized losses on interest rate swaps of \$2.0 million and \$8.0 million, respectively, due to fluctuations in interest rates and the periodic settlement of interest rate swaps.

Realized Gross Internal Rate of Return

Since we began investing in 2011 through September 30, 2019, weighted by capital invested, our exited investments have generated an average realized gross internal rate of return to us of 18.6% (based on total capital invested of \$3.9 billion and total proceeds from these exited investments of \$4.9 billion). Eighty nine percent of these exited investments resulted in a realized gross internal rate of return to us of 10% or greater.

Gross IRR, with respect to an investment, is calculated based on the dates that we invested capital and dates we received distributions, regardless of when we made distributions to our stockholders. Initial investments are assumed to occur at time zero, and all cash flows are deemed to occur on the fifteenth of each month in which they occur.

Gross IRR reflects historical results relating to our past performance and is not necessarily indicative of our future results. In addition, gross IRR does not reflect the effect of Management Fees, expenses, Incentive Fees or taxes borne, or to be borne, by us or our stockholders, and would be lower if it did.

Average gross IRR is the average of the gross IRR for each of our exited investments (each calculated as described above), weighted by the total capital invested for each of those investments.

Average gross IRR on our exited investments reflects only invested and realized cash amounts as described above, and does not reflect any unrealized gains or losses in our portfolio.

Internal rate of return, or IRR, is a measure of our discounted cash flows (inflows and outflows). Specifically, IRR is the discount rate at which the net present value of all cash flows is equal to zero. That is, IRR is the discount rate at which the present value of total capital invested in each of our investments is equal to the present value of all realized returns from that investment. Our IRR calculations are unaudited.

Capital invested, with respect to an investment, represents the aggregate cost basis allocable to the realized or unrealized portion of the investment, net of any upfront fees paid at closing for the term loan portion of the investment. Capital invested also includes realized losses on hedging activity, with respect to an investment, which represents any inception-to-date realized losses on foreign currency forward contracts allocable to the investment, if any.

Realized returns, with respect to an investment, represents the total cash received with respect to each investment, including all amortization payments, interest, dividends, prepayment fees, upfront fees (except upfront fees paid at closing for the term loan portion of an investment), administrative fees, agent fees, amendment fees, accrued interest, and other fees and proceeds. Realized returns also include realized gains on hedging activity, with respect to an investment, which represents any inception-to-date realized gains on foreign currency forward contracts allocable to the investment, if any.

Hedging

Our current approach to hedging the foreign currency exposure in our non-U.S. dollar denominated investments is primarily to borrow the par amount in local currency under our Revolving Credit Facility to fund these investments. For the three and nine months ended September 30, 2019, we incurred \$2.9 million and \$0.8 million, respectively, of unrealized gains on the translation of our non-U.S. dollar denominated debt into U.S. dollars; such amounts approximate the corresponding unrealized gains and losses on the translation of our non-U.S. dollar denominated investments into U.S. dollars for the three and nine months ended September 30, 2019.

For the three and nine months ended September 30, 2018, we incurred \$1.6 million of unrealized losses and \$2.3 million of unrealized gains, respectively, on the translation of our non-U.S. dollar denominated debt into U.S. dollars; such amounts approximate the corresponding unrealized gains and losses on the translation of our non-U.S. dollar denominated investments into U.S. dollars for the three and nine months ended September 30, 2018.

See Note 2 for additional disclosure regarding our accounting for foreign currency. See Note 7 for additional disclosure regarding the amounts of outstanding debt denominated in each foreign currency at September 30, 2019. See our consolidated schedule of investments for additional disclosure regarding the foreign currency amounts (in both par and fair value) of our non-U.S. dollar denominated investments.

Financial Condition, Liquidity and Capital Resources

Our liquidity and capital resources are derived primarily from proceeds from equity issuances, advances from our credit facilities, and cash flows from operations. The primary uses of our cash and cash equivalents are:

- investments in portfolio companies and other investments and to comply with certain portfolio diversification requirements;
- the cost of operations (including paying our Adviser);
- debt service, repayment, and other financing costs; and
- cash dividends to the holders of our shares.

We intend to continue to generate cash primarily from cash flows from operations, future borrowings and future offerings of securities. We may from time to time enter into additional debt facilities, increase the size of existing facilities or issue debt securities. Any such incurrence or issuance would be subject to prevailing market conditions, our liquidity requirements, contractual and regulatory restrictions and other factors. In accordance with the 1940 Act, with certain limited exceptions, we are only allowed to incur borrowings, issue debt securities or issue preferred stock if immediately after the borrowing or issuance the ratio of total assets (less total liabilities other than indebtedness) to total indebtedness plus preferred stock, is at least 150% (prior to October 9, 2018, our minimum asset coverage requirement was 200%). For more information, see “Key Components of Our Results of Operations — Leverage” above. As of September 30, 2019 and December 31, 2018, our asset coverage ratio was 220.7% and 270.5%, respectively. We carefully consider our unfunded commitments for the purpose of planning our capital resources and ongoing liquidity, including our financial leverage. Further, we maintain sufficient borrowing capacity within the 150% asset coverage limitation under the 1940 Act and the asset coverage limitation under our credit facilities to cover any outstanding unfunded commitments we are required to fund.

Cash and cash equivalents as of September 30, 2019, taken together with cash available under our credit facilities, is expected to be sufficient for our investing activities and to conduct our operations in the near term. As of September 30, 2019, we had approximately \$763.8 million of availability on our Revolving Credit Facility, subject to asset coverage limitations.

As of September 30, 2019, we had \$8.1 million in cash and cash equivalents, including \$5.0 million of restricted cash, a decrease of \$2.5 million from December 31, 2018. During the nine months ended September 30, 2019, we used \$222.0 million in cash from operating activities, primarily as a result of funding portfolio investments of \$817.1 million and other operating activity of \$26.3 million, which was offset by repayments and proceeds from investments of \$504.5 million and an increase in net assets resulting from operations of \$116.9 million. Lastly, cash provided by financing activities was \$219.5 million during the period, primarily due to borrowings of \$963.0 million on our Revolving Credit Facility, which was partially offset by paydowns on our Revolving Credit Facility of \$668.4 million, dividends paid of \$71.5 million and deferred financing costs of \$3.6 million.

As of September 30, 2019, we had \$5.0 million of restricted cash pledged as collateral under our interest rate swap agreements, a decrease of \$2.3 million from December 31, 2018 primarily due to increases in the fair value of our swaps.

Equity

On March 21, 2018, we issued 3,750,000 shares of common stock at \$17.45 per share. Net of underwriting fees and offering costs, we received total cash proceeds of \$63.0 million. Subsequent to the offering we issued an additional 522,224 shares in April 2018 pursuant to the overallotment option granted to underwriters and received, net of underwriting fees, total cash proceeds of \$8.8 million.

During the nine months ended September 30, 2019 and 2018, we also issued 880,556 and 648,826 shares of our common stock, respectively, to investors who have not opted out of our dividend reinvestment plan for proceeds of \$16.5 million and \$11.5 million, respectively. On October 15, 2019, we issued 187,202 shares of our common stock through our dividend reinvestment plan for proceeds of \$3.7 million, which is not reflected in the number of shares issued for the nine months ended September 30, 2019 in this section or the consolidated financial statements for the three and nine months ended September 30, 2019.

On August 4, 2015, our Board authorized us to enter into a stock repurchase plan, the Company 10b5-1 Plan, to acquire up to \$50 million in the aggregate of our common stock at prices just below our net asset value per share over an initial six month period, in accordance with the guidelines specified in Rule 10b-18 and Rule 10b5-1 of the Exchange Act, and has continued to authorize extensions of the plan termination date prior to its expiration since that time. We put the Company 10b5-1 Plan in place because we believe that if our common stock is trading near or below our then-current net asset value per share, it is in the best interest of our stockholders for us to reinvest in our portfolio and increase our leverage ratio through share repurchases.

The Company 10b5-1 Plan is designed to allow us to repurchase our common stock at times when we otherwise might be prevented from doing so under insider trading laws. The Company 10b5-1 Plan, as currently in effect, requires Goldman Sachs & Co. LLC, as agent, to repurchase shares of common stock on our behalf when the market price per share is just below 1.05x the most recently reported net asset value per share in our public financial statements or publicly announced by us, less the amount of any supplemental dividend that we have publicly announced but that has yet to be reflected in the net asset value per share most recently reported in public financial statements (including any updates, corrections or adjustments publicly announced by us to any such net asset value per share or supplemental dividend). Under the Company 10b5-1 Plan, the agent will increase the volume of purchases made as the price of our common stock declines, subject to volume restrictions. The timing and amount of any stock repurchases depend on the terms and conditions of the Company 10b5-1 Plan, the market price of the common stock and trading volumes, and no assurance can be given that any particular amount of common stock will be repurchased.

The purchase of shares pursuant to the Company 10b5-1 Plan is intended to satisfy the conditions of Rule 10b5-1 and Rule 10b-18 under the Exchange Act, and will otherwise be subject to applicable law, including Regulation M, which may prohibit purchases under certain circumstances.

On November 5, 2019, the Board authorized an amendment to the Company 10b5-1 Plan to extend the termination date to May 31, 2020. Unless otherwise extended or terminated by the Board, the Company 10b5-1 Plan will be in effect through the earlier of the termination date or such time as the current approved repurchase amount of up to \$50 million has been fully utilized, subject to certain conditions.

For the nine months ended September 30, 2019 and 2018, no shares were repurchased under the Company 10b5-1 Plan.

Debt

Debt obligations consisted of the following as of September 30, 2019 and December 31, 2018:

| (\$ in millions) | September 30, 2019 | | | |
|---------------------------|---|--------------------------|---------------------|-----------------------|
| | Aggregate Principal Amount Committed | Outstanding Principal | Amount Available | Carrying Value (2) |
| Revolving Credit Facility | \$ 1,245.0 | \$ 481.2 | \$ 763.8 (1) | \$ 470.7 |
| 2019 Convertible Notes | 115.0 | 115.0 | — | 114.7 |
| 2022 Convertible Notes | 172.5 | 172.5 | — | 169.1 |
| 2023 Notes | 150.0 | 150.0 | — | 147.8 |
| Total Debt | \$ 1,682.5 | \$ 918.7 | \$ 763.8 | \$ 902.3 |

- (1) The amount available reflects any limitations related to the Revolving Credit Facility borrowing base.
(2) The carrying values of the Revolving Credit Facility, Convertible Notes, and 2023 Notes are presented net of deferred financing costs and original issue discounts of \$10.6 million, \$3.7 million and \$2.2 million, respectively.

| (\$ in millions) | December 31, 2018 | | | |
|---------------------------|---------------------|-----------------|-----------------|-----------------|
| | Aggregate Principal | Outstanding | Amount | Carrying |
| | Amount Committed | Principal | Available | Value (2) |
| Revolving Credit Facility | \$ 940.0 | \$ 187.5 | \$ 752.5 (1) | \$ 178.8 |
| 2019 Convertible Notes | 115.0 | 115.0 | — | 113.6 |
| 2022 Convertible Notes | 172.5 | 172.5 | — | 168.3 |
| 2023 Notes | 150.0 | 150.0 | — | 147.3 |
| Total Debt | \$ 1,377.5 | \$ 625.0 | \$ 752.5 | \$ 608.0 |

- (1) The amount available reflects any limitations related to the Revolving Credit Facility borrowing base.
(2) The carrying values of the Revolving Credit Facility, Convertible Notes, and 2023 Notes are presented net of deferred financing costs and original issue discounts of \$8.7 million, \$5.6 million and \$2.7 million, respectively.

As of September 30, 2019 and December 31, 2018, we were in compliance with the terms of our debt arrangements. We intend to continue to utilize our credit facilities to fund investments and for other general corporate purposes.

Revolving Credit Facility

On August 23, 2012, we entered into a senior secured revolving credit agreement with SunTrust Bank, as administrative agent, and J.P. Morgan Chase Bank, N.A., as syndication agent, and certain other lenders (as amended and restated, the “Revolving Credit Facility”).

As of December 31, 2018, aggregate commitments under the facility were \$940 million. Pursuant to an amendment to the Revolving Credit Facility dated as of February 14, 2019 (the “Eighth Amendment”), the aggregate commitments under the facility were increased to \$1,170 million. The facility includes an uncommitted accordion feature that allows us, under certain circumstances, to increase the size of the facility to up to \$1,500 million. On June 7, 2019 we exercised our right under the accordion feature and increased the size of the facility to \$1,245 million.

The revolving period, during which period we, subject to certain conditions, may make borrowings under the facility, ends February 14, 2023 and the stated maturity date is February 14, 2024.

We may borrow amounts in U.S. dollars or certain other permitted currencies. As of September 30, 2019, we had outstanding debt denominated in Australian Dollars (AUD) of 47.4 million, Canadian Dollars (CAD) of 160.9 million, and Euro (EUR) of 7.3 million on our Revolving Credit Facility, included in the Outstanding Principal amount in the table above.

The Revolving Credit Facility also provides for the issuance of letters of credit up to an aggregate amount of \$75 million. As of September 30, 2019 and December 31, 2018, we had no outstanding letters of credit issued through the Revolving Credit Facility. The amount available for borrowing under the Revolving Credit Facility is reduced by any letters of credit issued through the Revolving Credit Facility.

Amounts drawn under the Revolving Credit Facility, including amounts drawn in respect of letters of credit, bear interest at either LIBOR plus a margin of either 1.75% or 1.875%, or the base rate plus a margin of either 0.75% or 0.875%, in each case, based on the total amount of the borrowing base relative to the sum of the total commitments (or, if greater, the total exposure) under the Revolving Credit Facility plus certain other designated secured debt. We may elect either the LIBOR or base rate at the time of drawdown, and loans may be converted from one rate to another at any time, subject to certain conditions. We also pay a fee of 0.375% on undrawn amounts and, in respect of each undrawn letter of credit, a fee and interest rate equal to the then applicable margin while the letter of credit is outstanding.

The Revolving Credit Facility is guaranteed by TPG SL SPV, LLC, TC Lending, LLC and TSL MR, LLC and may be guaranteed by certain domestic subsidiaries in the future. The Revolving Credit Facility is secured by a perfected first-priority security interest in substantially all the portfolio investments held by us and each guarantor. Proceeds from borrowings may be used for general corporate purposes, including the funding of portfolio investments.

The Revolving Credit Facility includes customary events of default, as well as customary covenants, including restrictions on certain distributions and financial covenants. The financial covenants require:

- an asset coverage ratio of no less than 1.5 to 1 on the last day of any fiscal quarter;
- a liquidity test under which we must not maintain cash and liquid investments of less than 10% of the covered debt amount for more than 30 consecutive business days under circumstances where our adjusted covered debt balance is greater than 90% of our adjusted borrowing base under the facility;
- stockholders' equity of at least \$500 million plus 25% of the net proceeds of the sale of equity interests after November 5, 2018;
- minimum asset coverage ratio of no less than 2 to 1 with respect to (i) the consolidated assets of the Company and the subsidiary guarantors (including certain limitations on the contribution of equity in financing subsidiaries) to (ii) the secured debt of the Company and its subsidiary guarantors plus unsecured senior securities of the Company and its subsidiary guarantors that mature within 90 days of the date of determination (the "Obligor Asset Coverage Ratio"); and
- minimum consolidated assets of the Company and the subsidiary guarantors (including certain limitations on the contribution of equity in financing subsidiaries), less total secured debt of the Company and the subsidiary guarantors, of at least \$350 million at the last day of any fiscal quarter.

The Revolving Credit Facility also contains certain additional concentration limits in connection with the calculation of the borrowing base, based on the Obligor Asset Coverage Ratio.

Net proceeds received from our common stock issuance in March 2018 and net proceeds received from the issuance of the 2022 Convertible Notes, 2023 Notes and 2024 Notes were used to pay down borrowings on the Revolving Credit Facility.

2019 Convertible Notes

In June 2014, we issued in a private offering \$115 million aggregate principal amount convertible notes due December 2019. The 2019 Convertible Notes were issued in a private placement only to qualified institutional buyers pursuant to Rule 144A under the Securities Act. The 2019 Convertible Notes are unsecured and bear interest at a rate of 4.50% per year, payable semiannually. The 2019 Convertible Notes will mature on December 15, 2019. In certain circumstances, the 2019 Convertible Notes will be convertible into cash, shares of our common stock or a combination of cash and shares of our common stock, at our election, at an initial conversion rate of 38.7162 shares of common stock per \$1,000 principal amount of 2019 Convertible Notes, which is equivalent to an initial conversion price of approximately \$25.83 per share of our common stock, subject to customary anti-dilution adjustments. As of September 30, 2019, the estimated adjusted conversion price was approximately \$24.83 per share of common stock. The sale of the 2019 Convertible Notes generated net proceeds of approximately \$110.8 million. We used the net proceeds of the offering to pay down debt under the Revolving Credit Facility. In connection with the offering of 2019 Convertible Notes, we have entered into interest rate swaps to continue to align the interest rates of our liabilities with our investment portfolio, which consists of predominately floating rate loans. As a result of the swaps, our effective interest rate on the 2019 Convertible Notes is three-month LIBOR plus 2.86%.

Subsequent to June 15, 2019 until the close of business on the scheduled trading day immediately preceding the maturity date, holders may convert their notes at any time. To the extent the 2019 Convertible Notes are converted, the Company has elected to settle with a combination of cash and shares of common stock.

2022 Convertible Notes

In February 2017, we issued in a private offering \$115 million aggregate principal amount convertible notes due August 2022. The 2022 Convertible Notes were issued in a private placement only to qualified institutional buyers pursuant to Rule 144A under the Securities Act. The 2022 Convertible Notes are unsecured, and bear interest at a rate of 4.50% per year, payable semiannually. The 2022 Convertible Notes will mature on August 1, 2022. In certain circumstances, the 2022 Convertible Notes will be convertible into cash, shares of our common stock or a combination of cash and shares of our common stock, at our election, at an initial conversion rate of 46.8516 shares of common stock per \$1,000 principal amount of 2022 Convertible Notes, which is equivalent to an initial conversion price of approximately \$21.34 per share of our common stock, subject to customary anti-dilution adjustments. As of September 30, 2019, the estimated adjusted conversion price was approximately \$20.74 per share of common stock. The sale of the 2022 Convertible Notes generated net proceeds of approximately \$111.2 million. We used the net proceeds of the offering to pay down debt under the Revolving Credit Facility. In connection with the offering of 2022 Convertible Notes, we have entered into an interest rate swap to continue to align the interest rates of our liabilities with our investment portfolio, which consists of predominately floating rate loans. As a result of the swaps, our effective interest rate on the original issuance of 2022 Convertible Notes is three-month LIBOR plus 2.37%.

In June 2018, we issued an additional \$57.5 million aggregate principal amount of 2022 Convertible Notes. The additional 2022 Convertible Notes were issued with identical terms, and are fungible with and are part of a single series with the previously outstanding \$115 million aggregate principal amount of our 2022 Convertible Notes issued in February 2017. In connection with the reopening of the 2022 Convertible Notes, we entered into interest rate swaps to continue to align the interest rates of its liabilities with its investment portfolio, which consists of predominantly floating rate loans. As a result of the additional swaps, our effective interest rate on the additional 2022 Convertible Notes is approximately three-month LIBOR plus 1.60%. See Note 5 for further information related to our interest rate swaps.

Holder may convert their 2022 Convertible Notes at their option at any time prior to February 1, 2022 only under the following circumstances: (1) during any calendar quarter commencing after the calendar quarter ending on June 30, 2017 (and only during such calendar quarter), if the last reported sale price of the common stock for at least 20 trading days (whether or not consecutive) during a period of 30 consecutive trading days ending on the last trading day of the immediately preceding calendar quarter is greater than or equal to 130% of the conversion price on each applicable trading day; (2) during the five business day period after any five consecutive trading day period (the "measurement period") in which the trading price (as defined in the indenture governing the 2022 Convertible Notes) per \$1,000 principal amount of notes for each trading day of the measurement period was less than 98% of the product of the last reported sale price of our common stock and the conversion rate on each such trading day; or (3) upon the occurrence of specified corporate events. On or after February 1, 2022 until the close of business on the scheduled trading day immediately preceding the maturity date, holders may convert their notes at any time, regardless of the occurrence or nonoccurrence of any of the foregoing circumstances.

The Convertible Notes are our unsecured obligations and rank senior in right of payment to our future indebtedness that is expressly subordinated in right of payment to the Convertible Notes; equal in right of payment to our existing and future indebtedness that is not so subordinated; effectively junior in right of payment to any of our secured indebtedness (including unsecured indebtedness that we later secure) to the extent of the value of the assets securing such indebtedness; and structurally junior to all existing and future indebtedness (including trade payables) incurred by our subsidiaries, financing vehicles or similar facilities.

As of September 30, 2019, the principal amount of the Convertible Notes exceeded the value of the underlying shares multiplied by the per share closing price of our common stock.

The indentures governing the Convertible Notes contain certain covenants, including covenants requiring us to comply with the applicable asset coverage ratio requirement under the 1940 Act and to provide financial information to the holders of the Convertible Notes under certain circumstances. These covenants are subject to important limitations and exceptions that are described in the indentures governing the Convertible Notes. As of September 30, 2019, we were in compliance with the terms of the indentures governing the Convertible Notes.

The Convertible Notes are accounted for in accordance with Accounting Standards Codification (“ASC”) 470-20. Upon conversion of any of the Convertible Notes, we intend to pay the outstanding principal amount in cash and, to the extent that the conversion value exceeds the principal amount, we have the option to pay in cash or shares of our common stock (or a combination of cash and shares) in respect of the excess amount, subject to the requirements of the indentures governing the Convertible Notes. We have determined that the embedded conversion options in each series of Convertible Notes are not required to be separately accounted for as a derivative under U.S. GAAP. In accounting for the Convertible Notes, we estimated at the time of issuance separate debt and equity components of each series of Convertible Notes. An original issue discount equal to the equity components of each series of Convertible Notes was recorded in “additional paid-in capital” in the accompanying consolidated balance sheet. Additionally, the issuance costs associated with the Convertible Notes were allocated to the debt and equity components in proportion to the allocation of the proceeds and accounted for as deferred financing costs and equity issuance costs, respectively.

2023 Notes

In January 2018, we issued \$150.0 million aggregate principal amount of unsecured notes that mature on January 22, 2023 (the “2023 Notes”). The principal amount of the 2023 Notes is payable at maturity. The 2023 Notes bear interest at a rate of 4.50% per year, payable semi-annually commencing on July 22, 2018, and may be redeemed in whole or in part at our option at any time at par plus a “make whole” premium. Total proceeds from the issuance of the 2023 Notes, net of underwriting discounts and offering costs, were \$146.9 million. We used the net proceeds of the 2023 Notes to repay outstanding indebtedness under the Revolving Credit Facility.

In connection with the 2023 Notes offering, we entered into an interest rate swap to continue to align the interest rates of our liabilities with our investment portfolio, which consists of predominately floating rate loans. As a result of the swap, our effective interest rate on the 2023 Notes is three-month LIBOR plus 1.99%.

Off-Balance Sheet Arrangements

Portfolio Company Commitments

From time to time, we may enter into commitments to fund investments. We incorporate these commitments into our assessment of our liquidity position. Our senior secured revolving loan commitments are generally available on a borrower's demand and may remain outstanding until the maturity date of the applicable loan. Our senior secured term loan commitments are generally available on a borrower's demand and, once drawn, generally have the same remaining term as the associated loan agreement. Undrawn senior secured term loan commitments generally have a shorter availability period than the term of the associated loan agreement. As of September 30, 2019 and December 31, 2018, we had the following commitments to fund investments in current portfolio companies:

| (\$ in millions) | September 30, 2019 | December 31, 2018 |
|--|-----------------------|----------------------|
| Alpha Midco, Inc. - Delayed Draw | \$ 22.5 | \$ — |
| AppStar Financial, LLC - Revolver | 2.0 | 2.0 |
| Caris Life Sciences, Ltd. - Delayed Draw | 2.5 | 2.5 |
| ClearCompany, LLC - Delayed Draw | 3.0 | 3.0 |
| Clinicient, Inc. - Revolver | 4.0 | — |
| Dye & Durham Corp. - Revolver | 2.6 | — |
| Energy Alloys, LLC - Delayed Draw | 15.0 | — |
| Ferrellgas, L.P. - Revolver | 30.0 | 30.0 |
| Frontline Technologies Group, LLC - Delayed Draw | — | 9.4 |
| G Treasury SS, LLC - Delayed Draw | 1.4 | 5.0 |
| G Treasury SS, LLC - Revolver | 2.0 | 2.0 |
| Gainsight, Inc. - Delayed Draw | 1.8 | — |
| Government Brands, LLC - Revolver | — | 5.0 |
| Integration Appliance, Inc. - Revolver | 1.3 | 2.6 |
| IRGSE Holding Corp. - Revolver | 1.0 | 3.0 |
| Kyriba Corp. - Delayed Draw | 8.3 | — |
| Kyriba Corp. - Revolver | 1.8 | — |
| Lithium Technologies, LLC - Revolver | 3.2 | 4.0 |
| Lucidworks, Inc. - Revolver | 3.3 | — |
| MD America Energy, LLC - Delayed Draw | 10.5 | 15.0 |
| Motus, LLC - Revolver | — | 5.6 |
| PageUp People, Ltd. - Revolver | 3.3 | 2.0 |
| PayLease, LLC - Revolver | 3.3 | 3.3 |
| PayScale Holdings, Inc. - Delayed Draw | 7.7 | — |
| PrimeRevenue, Inc. - Revolver | 6.3 | 6.3 |
| ScentAir Technologies, Inc. - Revolver | — | 0.8 |
| Sovos Compliance, LLC - Delayed Draw | — | 0.5 |
| Sovos Compliance, LLC - Revolver | — | 1.7 |
| TherapeuticsMD, Inc. - Delayed Draw A1 | 7.5 | — |
| TherapeuticsMD, Inc. - Delayed Draw A2 | 7.5 | — |
| Valant Medical Solutions, Inc. - Delayed Draw | 2.6 | — |
| Valant Medical Solutions, Inc. - Revolver | 2.0 | — |
| Verdad Resources Intermediate Holdings, LLC - Delayed Draw | 7.8 | — |
| Total Portfolio Company Commitments | \$ 164.2 | \$ 103.7 |

Other Commitments and Contingencies

As of September 30, 2019 and December 31, 2018, we did not have any unfunded commitments to fund new investments to new borrowers that were not current portfolio companies as of such date.

We have certain contracts under which we have material future commitments. Under the Investment Advisory Agreement, our Adviser provides us with investment advisory and management services. For these services, we pay the Management Fee and the Incentive Fee.

Under the Administration Agreement, our Adviser furnishes us with office facilities and equipment, provides us clerical, bookkeeping and record keeping services at such facilities and provides us with other administrative services necessary to conduct our day-to-day operations. We reimburse our Adviser or its affiliates for the allocable portion (subject to the review and approval of our Board) of expenses incurred by it in performing its obligations under the Administration Agreement, and the fees and expenses associated with performing compliance functions. Such reimbursable amounts include the allocable portion of the compensation of our Chief Compliance Officer, Chief Financial Officer and other professionals who provide operational and administrative services to us pursuant to the Administration Agreement. We reimburse the Adviser (or its affiliates) for the allocable portion of the compensation paid by the Adviser (or its affiliates) to such individuals based on a percentage of time those individuals devote, on an estimated basis, to our business and affairs. We may also reimburse the Adviser or its affiliates for the allocable portion of overhead expenses (including rent, office equipment and utilities) attributable thereto. Our Adviser also offers on our behalf significant managerial assistance to those portfolio companies to which we are required to offer to provide such assistance.

Contractual Obligations

A summary of our contractual payment obligations as of September 30, 2019 is as follows:

| (\$ in millions) | Payments Due by Period | | | | |
|--------------------------------------|------------------------|---------------------|-----------------|-----------------|---------------|
| | Total | Less than 1 year | 1-3 years | 3-5 years | After 5 years |
| Revolving Credit Facility | \$ 481.2 | \$ — | \$ — | \$ 481.2 | \$ — |
| 2019 Convertible Notes | 115.0 | 115.0 | — | — | — |
| 2022 Convertible Notes | 172.5 | — | 172.5 | — | — |
| 2023 Notes | 150.0 | — | — | 150.0 | — |
| Total Contractual Obligations | \$ 918.7 | \$ 115.0 | \$ 172.5 | \$ 631.2 | \$ — |

In addition to the contractual payment obligations in the tables above, we also have commitments to fund investments and to pledge assets as collateral under the terms of our derivatives agreements.

Distributions

We have elected and qualified to be treated for U.S. federal income tax purposes as a RIC under subchapter M of the Code. To maintain our RIC status, we must distribute (or be treated as distributing) in each taxable year dividends for tax purposes equal to at least 90 percent of the sum of our:

- investment company taxable income (which is generally our ordinary income plus the excess of realized net short-term capital gains over realized net long-term capital losses), determined without regard to the deduction for dividends paid, for such taxable year; and
- net tax-exempt interest income (which is the excess of our gross tax-exempt interest income over certain disallowed deductions) for such taxable year.

As a RIC, we (but not our stockholders) generally will not be subject to U.S. federal income tax on investment company taxable income and net capital gains that we distribute to our stockholders.

We intend to distribute annually all or substantially all of such income. To the extent that we retain our net capital gains or any investment company taxable income, we generally will be subject to corporate-level U.S. federal income tax. We may choose to retain our net capital gains or any investment company taxable income, and pay the U.S. federal excise tax described below.

Amounts not distributed on a timely basis in accordance with a calendar year distribution requirement are subject to a nondeductible 4% U.S. federal excise tax payable by us. To avoid this tax, we must distribute (or be treated as distributing) during each calendar year an amount at least equal to the sum of:

- 98% of our net ordinary income excluding certain ordinary gains or losses for that calendar year;
- 98.2% of our capital gain net income, adjusted for certain ordinary gains and losses, recognized for the twelve-month period ending on October 31 of that calendar year; and
- 100% of any income or gains recognized, but not distributed, in preceding years.

While we intend to distribute any income and capital gains in the manner necessary to minimize imposition of the 4% U.S. federal excise tax, sufficient amounts of our taxable income and capital gains may not be distributed to avoid entirely the imposition of this tax. In that event, we will be liable for this tax only on the amount by which we do not meet the foregoing distribution requirement.

We intend to pay quarterly dividends to our stockholders out of assets legally available for distribution. All dividends will be paid at the discretion of our Board and will depend on our earnings, financial condition, maintenance of our RIC status, compliance with applicable BDC regulations and such other factors as our Board may deem relevant from time to time.

To the extent our current taxable earnings for a year fall below the total amount of our distributions for that year, a portion of those distributions may be deemed a return of capital to our stockholders for U.S. federal income tax purposes. Thus, the source of a distribution to our stockholders may be the original capital invested by the stockholder rather than our income or gains. Stockholders should read any written disclosure carefully and should not assume that the source of any distribution is our ordinary income or gains.

We have adopted an “opt out” dividend reinvestment plan for our common stockholders. As a result, if we declare a cash dividend or other distribution, each stockholder that has not “opted out” of our dividend reinvestment plan will have their dividends or distributions automatically reinvested in additional shares of our common stock rather than receiving cash dividends. Stockholders who receive distributions in the form of shares of common stock will be subject to the same U.S. federal, state and local tax consequences as if they received cash distributions.

Related-Party Transactions

We have entered into a number of business relationships with affiliated or related parties, including the following:

- the Investment Advisory Agreement;
- the Administration Agreement; and
- a license agreement with an affiliate of TPG under which the affiliate granted us a non-exclusive license to use the TPG name and logo, for a nominal fee, for so long as the Adviser or one of its affiliates remains our investment adviser. Other than with respect to this limited license, we have no legal right to the “TPG” name or logo.

Critical Accounting Policies

The preparation of our consolidated financial statements requires us to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenues, and expenses. Changes in the economic environment, financial markets, and any other parameters used in determining such estimates could cause actual results to differ. Our critical accounting policies, including those relating to the valuation of our investment portfolio, are described in our Annual Report on Form 10-K for the year ended December 31, 2018, filed with the SEC on February 20, 2019, and elsewhere in our filings with the SEC.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

We are subject to financial market risks, including valuation risk, interest rate risk and currency risk.

Valuation Risk

We have invested, and plan to continue to invest, primarily in illiquid debt and equity securities of private companies. Most of our investments will not have a readily available market price, and we value these investments at fair value as determined in good faith by our Board in accordance with our valuation policy. There is no single standard for determining fair value. As a result, determining fair value requires that judgment be applied to the specific facts and circumstances of each portfolio investment while employing a consistently applied valuation process for the types of investments we make. If we were required to liquidate a portfolio investment in a forced or liquidation sale, we may realize amounts that are different from the amounts presented and such differences could be material.

Interest Rate Risk

Interest rate sensitivity refers to the change in earnings that may result from changes in the level of interest rates. We also fund portions of our investments with borrowings. Our net investment income is affected by the difference between the rate at which we invest and the rate at which we borrow. Accordingly, we cannot assure you that a significant change in market interest rates will not have a material adverse effect on our net investment income.

We regularly measure our exposure to interest rate risk. We assess interest rate risk and manage our interest rate exposure on an ongoing basis by comparing our interest rate-sensitive assets to our interest rate-sensitive liabilities. Based on that review, we determine whether or not any hedging transactions are necessary to mitigate exposure to changes in interest rates.

As of September 30, 2019, 99.1% of our debt investments based on fair value in our portfolio bore interest at floating rates (when including investment specific hedges), with 96.2% of these subject to interest rate floors. Our credit facilities also bear interest at floating rates, and in connection with our Convertible Notes and 2023 Notes, which bear interest at fixed rates, we entered into fixed-to-floating interest rate swaps in order to continue to align the interest rates of our liabilities with our investment portfolio.

Assuming that our consolidated balance sheet as of September 30, 2019 were to remain constant and that we took no actions to alter our existing interest rate sensitivity, the following table shows the annualized impact of hypothetical base rate changes in interest rates (considering interest rate floors for floating rate instruments):

| (\$ in millions) | | | |
|---------------------------|------------------------|-------------------------|----------------------------|
| Basis Point Change | Interest Income | Interest Expense | Net Interest Income |
| Up 300 basis points | \$ 60.2 | \$ 27.5 | \$ 32.7 |
| Up 200 basis points | \$ 40.1 | \$ 18.4 | \$ 21.7 |
| Up 100 basis points | \$ 20.0 | \$ 9.2 | \$ 10.8 |
| Down 25 basis points | \$ (4.9) | \$ (2.3) | \$ (2.6) |
| Down 50 basis points | \$ (9.6) | \$ (4.5) | \$ (5.1) |

Although we believe that this analysis is indicative of our existing sensitivity to interest rate changes, it does not adjust for changes in the credit market, credit quality, the size and composition of the assets in our portfolio and other business developments that could affect our net income. Accordingly, we cannot assure you that actual results would not differ materially from the analysis above.

We may in the future hedge against interest rate fluctuations by using hedging instruments such as additional interest rate swaps, futures, options and forward contracts. While hedging activities may mitigate our exposure to adverse fluctuations in interest rates, certain hedging transactions that we may enter into in the future, such as interest rate swap agreements, may also limit our ability to participate in the benefits of changes in interest rates with respect to our portfolio investments.

Currency Risk

From time to time, we may make investments that are denominated in a foreign currency. These investments are translated into U.S. dollars at each balance sheet date, exposing us to movements in foreign exchange rates. We may employ hedging techniques to minimize these risks, but we cannot assure you that such strategies will be effective or without risk to us. We may seek to utilize instruments such as, but not limited to, forward contracts to seek to hedge against fluctuations in the relative values of our portfolio positions from changes in currency exchange rates. We also have the ability to borrow in certain foreign currencies under our Revolving Credit Facility. Instead of entering into a foreign exchange forward contract in connection with loans or other investments we have made that are denominated in a foreign currency, we may borrow in that currency to establish a natural hedge against our loan or investment. To the extent the loan or investment is based on a floating rate other than a rate under which we can borrow under our Revolving Credit Facility, we may seek to utilize interest rate derivatives to hedge our exposure to changes in the associated rate.

ITEM 4. CONTROLS AND PROCEDURES

Evaluation of Disclosure Controls and Procedures. As of the end of the period covered by this report, we carried out an evaluation, under the supervision and with the participation of our management, including our Chief Executive Officer and Chief Financial Officer, of the effectiveness of the design and operation of our disclosure controls and procedures (as defined in Rule 13a-15 under the Exchange Act). Based on that evaluation, our Chief Executive Officer and Chief Financial Officer have concluded that our current disclosure controls and procedures are effective in timely alerting them to material information relating to us that is required to be disclosed by us in the reports we file or submit under the Exchange Act.

Changes in Internal Control over Financial Reporting. There have been no changes in our internal control over financial reporting that occurred during our most recently completed fiscal quarter that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

PART II – OTHER INFORMATION

ITEM 1. Legal Proceedings

From time to time, we may be a party to certain legal proceedings in the ordinary course of business, including proceedings relating to the enforcement of our rights under loans to or other contracts with our portfolio companies. We are not currently subject to any material legal proceedings, nor, to our knowledge, is any material legal proceeding threatened against us.

Item 1A. Risk Factors.

In addition to the other information set forth in this report, you should carefully consider the risk factors discussed in Part I, “Item 1A. Risk Factors” in our Annual Report on Form 10-K for the fiscal year ended December 31, 2018 and the risk factors set forth below, which could materially affect our business, financial condition and/or operating results. These risks are not the only risks facing our Company. Additional risks and uncertainties not currently known to us or that we currently deem to be immaterial also may materially and adversely affect our business, financial condition and/or operating results.

Legislation allows us to incur additional leverage.

Under the 1940 Act, a BDC generally is not permitted to incur borrowings, issue debt securities or issue preferred stock unless immediately after the borrowing or issuance the ratio of total assets (less total liabilities other than indebtedness) to total indebtedness plus preferred stock is at least 200%. However, under the SBCAA, which became law in March 2018, BDCs have the ability to elect to become subject to a lower asset coverage requirement of 150%, subject to the receipt of the requisite board or stockholder approvals under the SBCAA and satisfaction of certain other conditions.

On October 8, 2018, our stockholders approved the application of the minimum asset coverage ratio of 150% to us, as set forth in Section 61(a) (2) of the 1940 Act, as amended by the SBCAA. As a result and subject to certain additional disclosure requirements, as of October 9, 2018, our minimum asset coverage ratio was reduced from 200% to 150%. In other words, pursuant to Section 61(a) of the 1940 Act, as amended by the SBCAA, we are permitted to increase our maximum debt-to-equity ratio from an effective level of one-to-one to two-to-one.

As a result, you may face increased investment risk. We may not be able to implement our strategy to utilize additional leverage successfully. Any impact on returns or equity or our business associated with additional leverage may not outweigh the additional risk.

Purchases of our common stock by us under the Company 10b5-1 Plan may result in dilution to our net asset value per share.

On May 2, 2019, the Board authorized an amendment to the Company 10b5-1 Plan to, among other things, revise the market prices at which Goldman Sachs & Co. LLC, as our agent, is required to repurchase shares of common stock on our behalf from just below our most recently reported net asset value per share to just below 1.05 times the most recently reported net asset value per share, less the amount of any supplemental dividend declared for that quarter but not yet reflected in the most recently reported net asset value per share (including any updates, corrections or adjustments publicly announced by us to any previously announced net asset value per share or supplemental dividend). Under the Company 10b5-1 Plan, the agent will increase the volume of purchases made as the price of our common stock declines, subject to volume restrictions.

Dilution to our net asset value per share will occur if we purchase shares of our common stock at a price above the net asset value per share, as it would cause a proportionately smaller increase in our stockholders’ interest in our earnings and assets and their voting interest in us than the decrease in our assets resulting from such repurchase.

As a result of any such dilution, our market price per share may decline. The actual dilutive effect will depend on the number of shares of common stock that could be so repurchased, the price and the timing of any repurchases under the Company 10b5-1 Plan.

The interest rates of our debt investments to our portfolio companies and our indebtedness that extend beyond 2021 might be subject to change based on recent regulatory changes.

LIBOR, the London Interbank Offered Rate, is the basic rate of interest used in lending transactions between banks on the London interbank market and is widely used as a reference for setting the interest rate on loans globally. We typically use LIBOR as a reference rate in term loans we extend to portfolio companies such that the interest due to us pursuant to a term loan extended to a portfolio company is calculated using LIBOR. The terms of our debt investments generally include minimum interest rate floors which are calculated based on LIBOR. Amounts drawn under the Revolving Credit Facility also currently bear interest at LIBOR plus a margin, and obligations under interest rate swaps we enter into are also referenced to LIBOR.

On July 27, 2017, the United Kingdom's Financial Conduct Authority, which regulates LIBOR, announced that it intends to phase out LIBOR by the end of 2021. It is unclear if at that time LIBOR will cease to exist or if new methods of calculating LIBOR will be established such that it continues to exist after 2021. The U.S. Federal Reserve, in conjunction with the Alternative Reference Rates Committee, a steering committee comprised of large U.S. financial institutions, is considering replacing U.S. dollar LIBOR with a new index calculated by short term repurchase agreements, backed by Treasury securities called the Secured Overnight Financing Rate ("SOFR"). The first publication of SOFR was released in April 2018. Whether or not SOFR attains market traction as a LIBOR replacement remains a question and the future of LIBOR at this time is uncertain.

If LIBOR ceases to exist, we may need to renegotiate the credit agreements extending beyond 2021 with our portfolio companies that utilize LIBOR as a factor in determining the interest rate, in order to replace LIBOR with the new standard that is established, which may have an adverse effect on our ability to receive attractive returns. In addition, if LIBOR ceases to exist, we may need to renegotiate certain terms of our Revolving Credit Facility to replace LIBOR with the new standard that is established in its place. If we are unable to do so, amounts drawn under the Revolving Credit Facility may bear interest at a higher rate, which would increase the cost of our borrowings and, in turn, affect our return on capital. If LIBOR ceases to exist we will also have to renegotiate the terms of any outstanding interest rate swaps.

In addition, pursuant to Section 61(a)(2)(C)(ii) of the 1940 Act, the principal risk factors associated with our senior securities are set forth below. However, since we already use leverage in optimizing our investment portfolio, the principal risk factors associated with our senior securities do not represent material changes to the risk factors previously disclosed in our Annual Report on Form 10-K for the fiscal year ended December 31, 2018.

Regulations governing our operation as a BDC affect our ability to, and the way in which we, raise additional capital.

The 1940 Act imposes numerous constraints on the operations of BDCs. For example, BDCs are required to invest at least 70% of their total assets in securities of nonpublic or thinly traded U.S. companies, cash, cash equivalents, U.S. government securities and other high-quality debt investments that mature in one year or less. These constraints may hinder the Adviser's ability to take advantage of attractive investment opportunities and to achieve our investment objective.

We may need to periodically access the debt and equity capital markets to raise cash to fund new investments in excess of our repayments, and we may also need to access the capital markets to refinance existing debt obligations to the extent such maturing obligations are not repaid with availability under our revolving credit facilities or cash flows from operations.

Regulations governing our operation as a BDC affect our ability to raise additional capital, and the ways in which we can do so. Raising additional capital may expose us to risks, including the typical risks associated with leverage, and may result in dilution to our current stockholders. The 1940 Act limits our ability to incur borrowings and issue debt securities and preferred stock, which we refer to as senior securities, requiring that after any borrowing or issuance the ratio of total assets (less total liabilities other than indebtedness) to total indebtedness plus preferred stock, is at least 150%.

We may need to continue to borrow from financial institutions and issue additional securities to fund our growth. Unfavorable economic or capital market conditions may increase our funding costs, limit our access to the capital markets or could result in a decision by lenders not to extend credit to us. An inability to successfully access the capital markets may limit our ability to refinance our existing debt obligations as they come due and/or to fully execute our business strategy and could limit our ability to grow or cause us to have to shrink the size of our business, which could decrease our earnings, if any. Consequently, if the value of our assets declines or we are unable to access the capital markets we may be required to sell a portion of our investments and, depending on the nature of our leverage, repay a portion of our indebtedness at a time when this may be disadvantageous. Also, any amounts that we use to service our indebtedness would not be available for distributions to our common stockholders. If we borrow money or issue senior securities, we will be exposed to typical risks associated with leverage, including an increased risk of loss.

If we issue preferred stock, the preferred stock would rank senior to common stock in our capital structure. Preferred stockholders would have separate voting rights on certain matters and may have other rights, preferences or privileges more favorable than those of our common stockholders. The issuance of preferred stock could have the effect of delaying, deferring or preventing a transaction or a change of control that might involve a premium price for holders of our common stock or otherwise be in your best interest. Holders of our common stock will directly or indirectly bear all of the costs associated with offering and servicing any preferred stock that we issue. In addition, any interests of preferred stockholders may not necessarily align with the interests of holders of our common stock and the rights of holders of shares of preferred stock to receive dividends would be senior to those of holders of shares of our common stock.

Our Board may decide to issue additional common stock to finance our operations rather than issuing debt or other senior securities. However, we generally are not able to issue and sell our common stock at a price below net asset value per share. We may, however, elect to issue and sell our common stock, or warrants, options or rights to acquire our common stock, at a price below the then-current net asset value of our common stock if our Board determines that the sale is in our best interests and the best interests of our stockholders, and our stockholders have approved our policy and practice of making these sales within the preceding 12 months. Pursuant to approval granted at a special meeting of stockholders held on June 14, 2019, we are currently permitted to sell or otherwise issue shares of our common stock at a price below our then-current net asset value per share, subject to the approval of our Board and certain other conditions. Such stockholder approval expires on June 14, 2020. In any such case, the price at which our securities are to be issued and sold may not be less than a price that, in the determination of our Board, closely approximates the market value of those securities (less any distribution commission or discount). In the event we sell shares of our common stock at a price below net asset value per share, existing stockholders will experience net asset value dilution. This dilution would occur as a result of the sale of shares at a price below the then current net asset value per share of our common stock and would cause a proportionately greater decrease in the stockholders' interest in our earnings and assets and their voting interest in us than the increase in our assets resulting from such issuance. As a result of any such dilution, our market price per share may decline. Because the number of shares of common stock that could be so issued and the timing of any issuance is not currently known, the actual dilutive effect cannot be predicted.

In addition to issuing securities to raise capital as described above, we could securitize our investments to generate cash for funding new investments. To securitize our investments, we likely would create a wholly owned subsidiary, contribute a pool of loans to the subsidiary and have the subsidiary issue primarily investment grade debt securities to purchasers who we would expect would be willing to accept a substantially lower interest rate than the loans earn. We would retain all or a portion of the equity in the securitized pool of loans. Our retained equity would be exposed to any losses on the portfolio of investments before any of the debt securities would be exposed to the losses. An inability to successfully securitize our investment portfolio could limit our ability to grow or fully execute our business and could adversely affect our earnings, if any. The successful securitization of our investment could expose us to losses because the portions of the securitized investments that we would typically retain tend to be those that are riskier and more apt to generate losses. The 1940 Act also may impose restrictions on the structure of any securitization. In connection with any future securitization of investments, we may incur greater set-up and administration fees relating to such vehicles than we have in connection with financing of our investments in the past.

We borrow money, which magnifies the potential for gain or loss and increases the risk of investing in us.

As part of our business strategy, we borrow from and may in the future issue additional senior debt securities to banks, insurance companies and other lenders. Holders of these loans or senior securities would have fixed-dollar claims on our assets that have priority over the claims of our stockholders. If the value of our assets decreases, leverage will cause our net asset value to decline more sharply than it otherwise would have without leverage. Similarly, any decrease in our income would cause our net income to decline more sharply than it would have if we had not borrowed. This decline could negatively affect our ability to make dividend payments on our common stock. Our ability to service our borrowings depends largely on our financial performance and is subject to prevailing economic conditions and competitive pressures. In addition, the Management Fee is payable based on our gross assets, including cash and assets acquired through the use of leverage, which may give our Adviser an incentive to use leverage to make additional investments. The amount of leverage that we employ will depend on our Adviser's and our Board's assessment of market and other factors at the time of any proposed borrowing. We cannot assure you that we will be able to obtain credit at all or on terms acceptable to us.

Our credit facilities and indentures governing our indebtedness also impose financial and operating covenants that restrict our business activities, remedies on default and similar matters. As of September 30, 2019, we are in compliance with the covenants of our credit facilities and indentures. However, our continued compliance with these covenants depends on many factors, some of which are beyond our control. Accordingly, although we believe we will continue to be in compliance, we cannot assure you that we will continue to comply with the covenants in our credit facilities and indentures. Failure to comply with these covenants could result in a default. If we were unable to obtain a waiver of a default from the lenders or holders of that indebtedness, as applicable, those lenders or holders could accelerate repayment under that indebtedness. An acceleration could have a material adverse impact on our business, financial condition and results of operations. Lastly, we may be unable to obtain additional leverage, which would, in turn, affect our return on capital.

Lastly, the SEC has issued a proposed rule, Rule 18f-4, that if adopted would potentially constrain our ability to use leverage if we have substantial exposure to swaps and other derivatives, or have significant outstanding financial commitments to our portfolio companies.

As of September 30, 2019, we had \$918.7 million of outstanding indebtedness, which had an annualized interest cost of 4.41% under the terms of our debt, excluding fees (such as fees on undrawn amounts and amortization of upfront fees) and giving effect to the swap-adjusted interest rates on our Convertible Notes and 2023 Notes. As of September 30, 2019, the interest rate on the 2019 Convertible Notes, as adjusted to give effect to the interest rate swaps, was three-month London Interbank Offered Rate, or LIBOR, plus 2.86%, the interest rate on the 2022 Convertible Notes was three-month LIBOR plus 2.11% (on a weighted-average basis) and the interest rate on the 2023 Notes was three-month LIBOR plus 1.99%.

For us to cover these annualized interest payments on indebtedness, we must achieve annual returns on our investments of at least 2.0%. Since we generally pay interest at a floating rate on our debt, an increase in interest rates will generally increase our borrowing costs. We expect that our annualized interest cost and returns required to cover interest will increase if we issue additional debt securities.

In order to assist investors in understanding the effects of leverage, the following table illustrates the effect of leverage on returns from an investment in our common stock assuming various annual returns, net of expenses. Leverage generally magnifies the return of stockholders when the portfolio return is positive and magnifies their losses when the portfolio return is negative. Actual returns may be greater or less than those appearing in the table. The calculations in the table below are hypothetical and actual returns may be higher or lower than those appearing below.

Effects of Leverage Based on Actual Amount of Borrowings Incurred by us as of September 30, 2019

| | Assumed Return on Our Portfolio (net of expenses) (1) | | | | |
|---|--|--------|-------|------|-------|
| | -10% | -5% | 0% | 5% | 10% |
| Corresponding return to stockholder (2) | -22.4% | -13.0% | -3.7% | 5.7% | 15.1% |

- (1) The assumed portfolio return is required by SEC regulations and is not a prediction of, and does not represent, our projected or actual performance. Actual returns may be greater or less than those appearing in the table. Pursuant to SEC regulations, this table is calculated as of September 30, 2019. As a result, it has not been updated to take into account any changes in assets or leverage since September 30, 2019.
- (2) In order to compute the “Corresponding return to stockholder,” the “Assumed Return on Our Portfolio” is multiplied by the total value of our assets at September 30, 2019 to obtain an assumed return to us. From this amount, the interest expense (calculated by multiplying the weighted average stated interest rate of 4.4% by the approximately \$918.7 million of principal debt outstanding) is subtracted to determine the return available to stockholders. The return available to stockholders is then divided by the total value of our net assets at September 30, 2019 to determine the “Corresponding return to stockholder.”

Our indebtedness could adversely affect our business, financial conditions or results of operations.

We cannot assure you that our business will generate sufficient cash flow from operations or that future borrowings will be available to us under our credit facilities or otherwise in an amount sufficient to enable us to pay our indebtedness or to fund our other liquidity needs. We may need to refinance all or a portion of our indebtedness on or before it matures. We cannot assure you that we will be able to refinance any of our indebtedness on commercially reasonable terms or at all. If we cannot service our indebtedness, we may have to take actions such as selling assets or seeking additional equity. We cannot assure you that any such actions, if necessary, could be effected on commercially reasonable terms or at all, or on terms that would not be disadvantageous to our stockholders or on terms that would not require us to breach the terms and conditions of our existing or future debt agreements.

Even in the event the value of your investment declines, the Management Fee and, in certain circumstances, the Incentive Fee will still be payable to the Adviser.

Even in the event the value of your investment declines, the Management Fee and, in certain circumstances, the Incentive Fee will still be payable to the Adviser. The Management Fee is calculated as a percentage of the value of our gross assets at a specific time, which would include any borrowings for investment purposes, and may give our Adviser an incentive to use leverage to make additional investments. In addition, the Management Fee is payable regardless of whether the value of our gross assets or your investment have decreased. The use of increased leverage may increase the likelihood of default, which would disfavor holders of our common stock. Given the subjective nature of the investment decisions that our Adviser will make on our behalf, we may not be able to monitor this potential conflict of interest.

The Incentive Fee is calculated as a percentage of pre-Incentive Fee net investment income. Since pre-Incentive Fee net investment income does not include any realized capital gains, realized capital losses or unrealized capital gains or losses, it is possible that we may pay an Incentive Fee in a quarter in which we incur a loss. For example, if we receive pre-Incentive Fee net investment income in excess of the quarterly minimum hurdle rate, we will pay the applicable Incentive Fee even if we have incurred a loss in that quarter due to realized and unrealized capital losses. In addition, because the quarterly minimum hurdle rate is calculated based on our net assets, decreases in our net assets due to realized or unrealized capital losses in any given quarter may increase the likelihood that the hurdle rate is reached in that quarter and, as a result, that an Incentive Fee is paid for that quarter. Our net investment income used to calculate this component of the Incentive Fee is also included in the amount of our gross assets used to calculate the Management Fee.

Also, one component of the Incentive Fee is calculated annually based upon our realized capital gains, computed net of realized capital losses and unrealized capital losses on a cumulative basis. As a result, we may owe the Adviser an Incentive Fee during one year as a result of realized capital gains on certain investments, and then incur significant realized capital losses and unrealized capital losses on the remaining investments in our portfolio during subsequent years. Incentive Fees earned in prior years cannot be clawed back even if we later incur losses.

In addition, the Incentive Fee payable by us to the Adviser may create an incentive for the Adviser to make investments on our behalf that are risky or more speculative than would be the case in the absence of such a compensation arrangement. The Adviser receives the Incentive Fee based, in part, upon capital gains realized on our investments. Unlike the portion of the Incentive Fee that is based on income, there is no hurdle rate applicable to the portion of the Incentive Fee based on capital gains. As a result, the Adviser may have an incentive to invest more in companies whose securities are likely to yield capital gains, as compared to income-producing investments. Such a practice could result in our making more speculative investments than would otherwise be the case, which could result in higher investment losses, particularly during cyclical economic downturns.

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

None.

Item 3. Defaults Upon Senior Securities.

Not applicable.

Item 4. Mine Safety Disclosures.

Not applicable.

Item 5. Other Information.

Not applicable.

Item 6. Exhibits.

(a) Exhibits.

- 4.1 [Second Supplemental Indenture, dated as of November 1, 2019, between TPG Specialty Lending, Inc. and Wells Fargo Bank, National Association, as Trustee \(incorporated by reference to Exhibit 4.2 to the Company's Current Report on Form 8-K filed on November 1, 2019\).](#)
- 4.2 [Form of 3.875% Note Due 2024 \(incorporated by reference to the Exhibit 4.3 to the Company's Current Report on the Form 8-K filed on November 1, 2019\).](#)
- 31.1 [Certification of Chief Executive Officer Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002](#)
- 31.2 [Certification of Chief Financial Officer Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002](#)
- 32 [Certification of CEO and CFO Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002](#)

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, as amended, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

TPG SPECIALTY LENDING, INC.

Date: November 5, 2019

By: /s/ Joshua Easterly
Joshua Easterly
Chief Executive Officer

Date: November 5, 2019

By: /s/ Ian Simmonds
Ian Simmonds
Chief Financial Officer

CEO CERTIFICATION

I, Joshua Easterly, certify that:

- (1) I have reviewed this quarterly report on Form 10-Q of TPG Specialty Lending, Inc.;
- (2) Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
- (3) Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
- (4) The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles; and
 - c. Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d. Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
- (5) The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: November 5, 2019

By: /s/ Joshua Easterly

Joshua Easterly
Chief Executive Officer

CFO CERTIFICATION

I, Ian Simmonds, certify that:

- (1) I have reviewed this quarterly report on Form 10-Q of TPG Specialty Lending, Inc.;
- (2) Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
- (3) Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
- (4) The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles; and
 - c. Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d. Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
- (5) The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: November 5, 2019

By: /s/ Ian Simmonds

Ian Simmonds
Chief Financial Officer

**Certification of CEO and CFO Pursuant to
18 U.S.C. Section 1350,
as Adopted Pursuant to
Section 906 of the Sarbanes-Oxley Act of 2002**

In connection with the quarterly report on Form 10-Q of TPG Specialty Lending, Inc. (the "Company") for the quarterly period ended September 30, 2019, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), Joshua Easterly as Chief Executive Officer of the Company, and Ian Simmonds, as Chief Financial Officer of the Company, each hereby certifies, pursuant to 18 U.S.C. § 1350, as adopted pursuant to § 906 of the Sarbanes-Oxley Act of 2002, that, to such officer's knowledge:

- (1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

/s/ Joshua Easterly

Name: Joshua Easterly
Title: Chief Executive Officer
Date: November 5, 2019

/s/ Ian Simmonds

Name: Ian Simmonds
Title: Chief Financial Officer
Date: November 5, 2019

The foregoing certification is being furnished solely pursuant to 18 U.S.C. §1350 and is not being filed as part of the Report or as a separate disclosure document.