

**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 June 30, 2018

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.

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 and posted on its corporate web site, if any, every Interactive Data File required to be submitted and posted 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 and post 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"/> (Do not check if a smaller reporting company)	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 Securities Exchange Act of 1934). Yes No

The number of shares of the Registrant's common stock, \$.01 par value per share, outstanding at July 31, 2018 was 65,127,082.

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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, 2017, filed with the SEC on February 21, 2018, 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. The safe harbor provisions of Section 21E of the Securities Exchange Act of 1934, as amended, or the Exchange Act, which preclude civil liability for certain forward-looking statements, do not apply to the forward-looking statements in this report.

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)

	June 30, 2018	December 31, 2017
Assets		
Investments at fair value		
Non-controlled, non-affiliated investments (amortized cost of \$1,739,334 and \$1,523,844, respectively)	\$ 1,776,358	\$ 1,557,803
Non-controlled, affiliated investments (amortized cost of \$39,219 and \$0, respectively)	39,210	—
Controlled, affiliated investments (amortized cost of \$160,755 and \$162,406, respectively)	139,514	135,920
Total investments at fair value (amortized cost of \$1,939,308 and \$1,686,250, respectively)	1,955,082	1,693,723
Cash and cash equivalents (restricted cash of \$7,181 and \$3,150, respectively)	10,308	6,665
Interest receivable	8,596	6,762
Prepaid expenses and other assets	4,493	13,088
Total Assets	\$ 1,978,479	\$ 1,720,238
Liabilities		
Debt (net of deferred financing costs of \$16,729 and \$11,770, respectively)	\$ 858,186	\$ 703,428
Management fees payable to affiliate	7,322	6,219
Incentive fees payable to affiliate	7,700	5,628
Dividends payable	25,306	23,488
Other payables to affiliate	2,236	1,901
Other liabilities	15,687	10,290
Total Liabilities	916,437	750,954
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, 65,009,606 and 60,336,281 shares issued, respectively; and 64,920,526 and 60,247,201 shares outstanding, respectively	650	603
Additional paid-in capital	985,541	906,521
Treasury stock at cost; 89,080 and 89,080 shares held, respectively	(1,359)	(1,359)
Undistributed net investment income	72,068	61,790
Net unrealized gains	12,944	6,718
Undistributed net realized losses	(7,802)	(4,989)
Total Net Assets	1,062,042	969,284
Total Liabilities and Net Assets	\$ 1,978,479	\$ 1,720,238
Net Asset Value Per Share	\$ 16.36	\$ 16.09

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		Six Months Ended	
	June 30, 2018	June 30, 2017	June 30, 2018	June 30, 2017
Income				
Investment income from non-controlled, non-affiliated investments:				
Interest from investments	\$ 58,640	\$ 54,900	\$ 106,607	\$ 102,670
Dividend income	—	—	196	—
Other income	3,035	2,353	8,854	4,479
Total investment income from non-controlled, non-affiliated investments	61,675	57,253	115,657	107,149
Investment income from non-controlled, affiliated investments:				
Interest from investments	375	—	375	—
Other income	216	—	216	—
Total investment income from non-controlled, affiliated investments	591	—	591	—
Investment income from controlled, affiliated investments:				
Interest from investments	4,084	1,516	7,818	2,516
Other income	51	50	103	102
Total investment income from controlled, affiliated investments	4,135	1,566	7,921	2,618
Total Investment Income	66,401	58,819	124,169	109,767
Expenses				
Interest	11,161	7,655	20,231	14,520
Management fees	7,322	5,977	13,982	12,048
Incentive fees	7,700	7,197	14,309	13,247
Professional fees	1,621	1,771	3,732	3,057
Directors' fees	98	96	204	201
Other general and administrative	1,297	1,311	2,535	2,613
Total expenses	29,199	24,007	54,993	45,686
Management and incentive fees waived (Note 3)	—	—	(63)	—
Net Expenses	29,199	24,007	54,930	45,686
Net Investment Income Before Income Taxes	37,202	34,812	69,239	64,081
Income taxes, including excise taxes	900	880	1,750	1,630
Net Investment Income	36,302	33,932	67,489	62,451
Unrealized and Realized Gains (Losses)				
Net change in unrealized gains (losses):				
Non-controlled, non-affiliated investments	(5,274)	(3,845)	3,065	7,394
Non-controlled, affiliated investments	(9)	—	(9)	—
Controlled, affiliated investments	8,616	21,046	5,244	13,297
Translation of other assets and liabilities in foreign currencies	4,886	(2,864)	3,905	(8,657)
Interest rate swaps	(1,785)	2,133	(5,979)	2,287
Total net change in unrealized gains	6,434	16,470	6,226	14,321
Realized gains (losses):				
Non-controlled, non-affiliated investments	448	3,272	3,093	4,595
Non-controlled, affiliated investments	—	—	—	—
Controlled, affiliated investments	(9,589)	(21,776)	(9,589)	(21,776)
Foreign currency transactions	(26)	(72)	186	513
Total net realized losses	(9,167)	(18,576)	(6,310)	(16,668)
Total Unrealized and Realized Gains (Losses)	(2,733)	(2,106)	(84)	(2,347)
Increase in Net Assets Resulting from Operations	\$ 33,569	\$ 31,826	\$ 67,405	\$ 60,104
Earnings per common share—basic and diluted	\$ 0.52	\$ 0.53	\$ 1.07	\$ 1.00
Weighted average shares of common stock outstanding—basic and diluted	64,758,752	59,912,804	62,810,429	59,855,088

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

TPG Specialty Lending, Inc.

Consolidated Schedule of Investments as of June 30, 2018
(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)(7)	Second-lien loan (\$59,621 par, due 9/2021)	6/30/2017	L + 9.05%	11.38%	\$ 59,621	\$ 57,981	5.5%
Business services							
Jive Software, Inc. (3)(5)	First-lien loan (\$53,460 par, due 6/2022)	6/12/2017	L + 9.25%	11.34%	51,799	55,999	5.3%
Motus, LLC (3)	First-lien loan (\$69,400 par, due 1/2024)	1/17/2018	L + 6.75%	8.84%	67,768	68,186	6.4%
	First-lien revolving loan (\$393 par, due 1/2023)	1/17/2018	L + 6.75%	8.84%	266	295	0.0%
Nintex Global Limited (3)(5)	First-lien loan (\$64,838 par, due 4/2024)	3/30/2018	L + 6.75%	8.84%	63,269	63,379	6.0%
Riskconnect, Inc. (3)	First-lien loan (\$42,800 par, due 6/2022)	6/30/2017	L + 7.75%	10.13%	42,002	42,561	4.0%
Sovos Compliance, LLC (3)	First-lien loan (\$34,149 par, due 3/2022)	7/1/2016	L + 6.00%	8.09%	33,738	34,246	3.2%
Tangoe, Inc. (3)(5)	First-lien loan (\$49,933 par, due 6/2022)	6/16/2017	L + 8.50%	11.01% (incl. 0.50% PIK)	48,323	49,309	4.6%
Validity, Inc. (3)(5)(6)	First-lien loan (\$36,000 par, due 5/2023)	5/31/2018	L + 6.50%	8.81%	35,379	35,370	3.3%
					<u>342,544</u>	<u>349,345</u>	<u>32.8%</u>
Chemicals							
Vertellus Specialties, Inc. (3)	First-lien loan (\$4,967 par, due 8/2018)	10/31/2016	L + 9.00%	10.99%	4,966	4,967	0.5%
	Second-lien loan (\$3,341 par, due 10/2021)	10/31/2016	L + 12.00%	13.99%	3,341	3,350	0.3%
					<u>8,307</u>	<u>8,317</u>	<u>0.8%</u>
Education							
Curriculum Associates, LLC (3)(5)	First-lien loan (\$50,000 par, due 2/2024)	2/28/2018	L + 7.50%	8.20%	48,515	48,625	4.6%
Finalsite Holdings, Inc. (3)(5)	First-lien loan (\$45,000 par, due 8/2022)	8/31/2016	L + 7.00%	9.33%	44,129	45,788	4.3%
Frontline Technologies Group, LLC (3)	First-lien loan (\$47,464 par, due 9/2023)	9/18/2017	L + 6.50%	8.59%	46,851	46,896	4.4%
Illuminate Education, Inc.(3)(5)	First-lien loan (\$65,000 par, due 8/2022)	8/25/2017	L + 7.25%	9.56%	63,804	64,025	6.0%
					<u>203,299</u>	<u>205,334</u>	<u>19.3%</u>
Financial services							
AppStar Financial, LLC (3)	First-lien loan (\$19,406 par, due 8/2020)	8/18/2015	L + 7.50%	9.59%	19,175	19,674	1.9%
AvidXchange, Inc. (3)	First-lien loan (\$54,449 par, due 8/2020)	8/7/2015	L + 9.50%	11.63%	53,977	55,402	5.2%

Government Brands, LLC (3)	First-lien loan (\$45,285 par, due 3/2023)	3/15/2018	L + 9.25%	11.38% (incl. 2.50% PIK)	44,329	44,405	4.2%
PayLease, LLC (3)	First-lien loan (\$56,242 par, due 7/2022)	7/28/2017	L + 7.00%	9.09%	55,237	55,795	5.3%
PaySimple, Inc. (3)(5)	First-lien loan (\$58,603 par, due 3/2022)	4/17/2018	L + 8.25%	10.63% (incl. 1.75% PIK)	58,295	58,310	5.5%
Swift Gift Limited (3)(5)	First-lien loan (\$29,021 par, due 1/2022)	7/31/2017	L + 6.50%	8.63%	28,402	29,964	2.8%
G Treasury SS, LLC (3)	First-lien loan (\$30,075 par, due 4/2022)	4/9/2018	L + 9.25%	11.62% (incl. 3.00% PIK)	29,372	29,426	2.8%
					<u>288,787</u>	<u>292,976</u>	<u>27.7%</u>
Healthcare							
Integrated Practice Solutions, Inc. (3)(5)	First-lien loan (\$32,175 par, due 6/2022)	6/30/2017	L + 8.00%	10.09%	31,404	31,853	3.0%
Helix Health, Ltd. (3)(4)	First-lien loan (EUR 35,810 par, due 9/2018)	9/30/2014	E + 10.50%	11.50%	42,655	42,020 (EUR 35,989)	4.0%
	First-lien revolving loan (EUR 300 par, due 9/2018)	9/30/2014	E + 10.50%	11.50%	349	374 (EUR 320)	0.0%
MatrixCare, Inc. (3)(5)	First-lien loan (\$56,869 par, due 12/2021)	12/17/2015	L + 5.25%	7.34%	56,116	57,580	5.4%
MedeAnalytics, Inc. (3)(5)	First-lien loan (\$42,427 par, due 9/2020)	9/30/2015	L + 7.50%	9.59%	41,788	42,851	4.0%
Quantros, Inc. (3)(5)	First-lien loan (\$28,715 par, due 2/2021)	2/29/2016	L + 7.75%	10.08%	28,120	29,288	2.8%
					<u>200,432</u>	<u>203,966</u>	<u>19.2%</u>
Hotel, gaming, and leisure							
IRGSE Holding Corp. (3)(7)	First-lien loan (\$22,986 par, due 9/2019)	9/29/2015	L + 9.50%	11.83% (incl. 5.00% PIK)	22,986	16,837	1.6%
	First-lien revolving loan (\$24,682 par, due 9/2019)	9/29/2015	L + 9.50%	11.83% (incl. 5.00% PIK)	24,682	18,080	1.7%
					<u>47,668</u>	<u>34,917</u>	<u>3.3%</u>
Human resource support services							
PageUp People Limited (3)(4)	First-lien loan (AUD 46,354 par, due 12/2022)	1/11/2018	B + 7.25%	9.19% (incl. 2.25% PIK)	35,749	33,585 (AUD 45,455)	3.2%
Insurance							
Insurity, Inc. (3)(5)	First-lien loan (\$62,493 par, due 10/2020)	10/31/2014	L + 6.75%	9.11%	62,140	63,587	6.0%
Internet services							
Lithium Technologies, LLC (3)	First-lien loan (\$50,000 par, due 10/2022)	10/3/2017	L + 8.00%	10.37%	48,940	49,463	4.7%
Higher Logic, LLC (3)(5)	First-lien loan (\$38,000 par, due 1/2022)	6/18/2018	L + 6.00%	8.10%	37,341	37,335	3.5%
					<u>86,281</u>	<u>86,798</u>	<u>8.2%</u>
Manufacturing							

Industrial Physics, LLC (3)	First-lien loan (\$9,925 par, due 10/2022)	10/23/2017	L + 7.00%	9.09%	9,749	9,826	0.9%
	First-lien loan (EUR 20,959 par, due 10/2022)	10/23/2017	E + 7.00%	8.00%	24,181	24,226 (EUR 20,749)	2.3%
	First-lien revolving loan (\$750 par, due 10/2022)	10/23/2017	L + 7.00%	9.09%	664	700	0.1%
ScentAir Technologies, Inc. (3)	First-lien loan (\$19,986 par, due 12/2019)	12/30/2014	L + 7.25%	9.34%	19,856	19,986	1.9%
	First-lien revolving loan (\$1,393 par, due 12/2019)	12/30/2014	L + 7.25%	9.34%	1,381	1,393	0.1%
					<u>55,831</u>	<u>56,131</u>	<u>5.3%</u>
Marketing services							
Bazaarvoice, Inc.(3)	First-lien loan (\$39,900 par, due 2/2024)	2/1/2018	L + 8.00%	10.09%	39,550	39,601	3.7%
	First-lien revolving loan (\$1,000 par, due 2/2024)	2/1/2018	P + 7.00%	12.00%	926	970	0.1%
Vivial Inc.(3)	First-lien loan (\$31,641 par, due 9/2022)	9/29/2017	L + 8.00%	10.09%	31,159	31,403	3.0%
					<u>71,635</u>	<u>71,974</u>	<u>6.8%</u>
Office products							
USR Parent Inc. (3)(5)	ABL FILO term loan (\$20,000 par, due 9/2022)	9/12/2017	L + 7.75%	9.72%	19,590	19,800	1.9%
Oil, gas and consumable fuels							
Mississippi Resources, LLC (3)(7)	First-lien loan (\$17,429 par, due 6/2020)	6/29/2018	L + 9.00%	11.09%	17,429	17,429	1.6%
Northern Oil and Gas, Inc. (3)	First-lien loan (\$58,500 par, due 11/2022)	11/1/2017	L + 7.75%	10.13%	57,181	59,475	5.6%
Rex Energy Corporation (3)	First-lien loan (\$26,132 par, due 4/2021)	4/28/2017	L + 8.75%	11.13%	25,512	26,131	2.5%
	DIP term loan (\$3,500 par, due 11/2018)	5/23/2018	L + 8.75%	11.13%	3,207	3,500	0.3%
					<u>103,329</u>	<u>106,535</u>	<u>10.0%</u>
Pharmaceuticals							
Ironwood Pharmaceuticals, Inc. (4)(5)(9)	Secured note (\$33,333 par, due 9/2026)	1/5/2017	8.38%	8.38%	33,196	34,000	3.2%
Nektar Therapeutics (4)(5)(9)	Secured note (\$74,950 par, due 10/2020)	10/5/2015	7.75%	7.75%	74,459	78,135	7.4%
					<u>107,655</u>	<u>112,135</u>	<u>10.6%</u>
Retail and consumer products							
99 Cents Only Stores LLC (3)	ABL FILO term loan (\$25,000 par, due 4/2021)	9/6/2017	L + 7.75%	10.06%	24,700	25,063	2.4%
American Achievement Corporation (3)(5)	First-lien loan (\$22,782 par, due 9/2020)	9/30/2015	L + 8.25%	10.24%	22,620	22,668	2.1%
Eddie Bauer LLC (3)	ABL FILO term loan (\$28,500 par, due 6/2019)	3/31/2017	L + 9.25%	11.58%	28,232	29,070	2.7%
PayLess Inc. (3)(5)	ABL FILO term loan (\$14,813 par, due 8/2022)	3/1/2018	L + 8.00%	10.00%	14,511	14,553	1.4%
Sears (3)(4)(11)	First-lien ABL loan (\$17,296 par, due 7/2020)	3/18/2016	L + 7.50%	9.50%	17,021	17,448	1.6%
					<u>107,084</u>	<u>108,802</u>	<u>10.2%</u>
Transportation							
Ferrellgas, L.P. (3)(4)(5)	First-lien loan (\$82,500 par, due 5/2023)	5/4/2018	L + 5.75%	7.86%	80,876	82,781	7.8%
Total Debt Investments					<u>1,880,828</u>	<u>1,894,964</u>	<u>178.6%</u>

Equity and Other Investments**Beverage, food and tobacco**

AFS Technologies, Inc. (7)(13)(14)	Class A Preferred Units (128,000 units)	6/30/2017	12,800	15,680	1.5%
	Class B Common Units (90,000 units)	6/30/2017	2	5,008	0.5%
			<u>12,802</u>	<u>20,688</u>	<u>2.0%</u>

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%
Riskconnect, Inc. (13)(14)	Preferred Class A Units (990 units)	6/30/2017	990	990	0.1%
	Common Class B Units (959,018 units)	6/30/2017	10	10	0.0%
Validity, Inc. (6)(13)(14)	Series A Preferred Shares (3,840,000 shares)	5/31/2018	3,840	3,840	0.4%
			<u>7,311</u>	<u>7,311</u>	<u>0.7%</u>

Chemicals

Vertellus Specialties, Inc. (13)	Common Units (2,672,990 units)	10/31/2016	3,828	3,761	0.4%
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Financial services

AvidXchange, Inc. (13)	Series E Preferred Shares (214,132 shares)	8/7/2015	3,846	7,481	0.7%
Swift Gift Limited (13)(14)	Common Shares (35,000 shares)	7/31/2017	3,500	7,096	0.7%
Oxford Square Capital Corp. (4)(12)	Common Shares (1,059 shares)	8/5/2015	7	7	0.0%
			<u>7,353</u>	<u>14,584</u>	<u>1.4%</u>

Healthcare

SRS Parent Corp. (13)	Common Shares Class A (1,980 shares)	12/28/2012	1,980	1,168	0.1%
	Common Shares Class B (2,953,020 shares)	12/28/2012	20	12	0.0%
			<u>2,000</u>	<u>1,180</u>	<u>0.1%</u>

Hotel, gaming, and leisure

IRGSE Holding Corp. (7)(13)	Class A Units (5,000,000 units)	9/29/2015	3,896	97	0.0%
	Class C-1 Units (8,800,000 units)	9/29/2015	100	48	0.0%
			<u>3,996</u>	<u>145</u>	<u>0.0%</u>

Oil, gas and consumable fuels

Mississippi Resources, LLC (7)(13)(14)	Class A-1 Member Units (1,360 units)	5/3/2017	10,366	8,354	0.8%
	Class A-2 Member Units (933 units)	6/4/2014	8,874	—	0.0%
Northern Oil and Gas, Inc. (12)(13)	Common Shares (1,300,000 shares)	5/15/2018	1,950	4,095	0.4%
			<u>21,190</u>	<u>12,449</u>	<u>1.2%</u>

Total Equity and Other Investments	58,480	60,118	5.8%
Total Investments	\$ 1,939,308	\$ 1,955,082	184.4%

Interest Rate Swaps as of June 30, 2018

	<u>Company Receives</u>	<u>Company Pays</u>	<u>Maturity Date</u>	<u>Notional Amount</u>	<u>Fair Market Value</u>	<u>Upfront Payments / Receipts</u>	<u>Change in Unrealized Gains / (Losses)</u>
Interest rate swap (b)	L	1.16%	10/5/2018	\$ 92,500	\$ 526	\$ —	\$ 46
Interest rate swap (b)	4.50%	L + 2.86%	12/15/2019	115,000	(1,874)	—	(850)
Interest rate swap (a)(b)	L	1.72%	1/10/2020	33,333	559	—	267
Interest rate swap (b)	4.50%	L + 2.37%	8/1/2022	115,000	(3,503)	—	(2,793)
Interest rate swap (b)	4.50%	L + 1.59%	8/1/2022	50,000	11	—	11
Interest rate swap (b)	4.50%	L + 1.60%	8/1/2022	7,500	(1)	—	(1)
Interest rate swap (b)	4.50%	L + 1.99%	1/22/2023	150,000	(2,659)	—	(2,659)
Cash collateral				—	6,941	—	—
Total				\$ 563,333	\$ —	\$ —	\$ (5,979)

- (a) Contract terms are shown net of Company receiving 6.65% and paying 8.38%.
(b) Contains a variable rate structure. Interest 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), Euro Interbank Offered Rate (“EURIBOR” or “E”), 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 June 30, 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 14.6% of total assets as of June 30, 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 hold 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 six months ended June 30, 2018 in which the issuer was an Affiliated Person of the portfolio company are as follows:

Non-controlled, Affiliated Investments during the six months ended June 30, 2018

<u>Company</u>	<u>Fair Value at December 31, 2017</u>	<u>Gross Additions (a)</u>	<u>Gross Reductions</u>	<u>Net Change In Unrealized Gain/(Loss)</u>	<u>Realized Gain/(Losses)</u>	<u>Fair Value at June 30, 2018</u>	<u>Other Income</u>	<u>Interest Income</u>
Validity, Inc.	\$ —	\$ 39,219	\$ —	\$ (9)	\$ —	\$ 39,210	\$ 216	\$ 375
Total	\$ —	\$ 39,219	\$ —	\$ (9)	\$ —	\$ 39,210	\$ 216	\$ 375

- (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.

- (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 six months ended June 30, 2018 in which the issuer was an Affiliated Person of and was deemed to Control a portfolio company are as follows:

Controlled, Affiliated Investments during the six months ended June 30, 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 June 30, 2018	Other Income	Interest Income
AFS Technologies, Inc.	\$ 75,780	\$ 300	\$ —	\$ 2,589	\$ —	\$ 78,669	\$ —	\$ 3,315
IRGSE Holding Corp.	34,748	3,589	—	(3,275)	—	35,062	3	2,652
Mississippi Resources, LLC	25,392	4,192	(142)	5,930	(9,589)	25,783	100	1,851
Total	\$ 135,920	\$ 8,081	\$ (142)	\$ 5,244	\$ (9,589)	\$ 139,514	\$ 103	\$ 7,818

- (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 are applied to the outstanding principal balance.

- (8) As of June 30, 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) Security 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 June 30, 2018, the aggregate fair value of these securities is \$43,449, or 4.1% of the Company's net assets.

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

TPG Specialty Lending, Inc.

Consolidated Schedule of Investments as of December 31, 2017
(Amounts in thousands, except share amounts)

Company (1)	Investment	Initial Acquisition Date	Reference Rate and Spread	Interest Rate	Amortized Cost (2)(7)	Fair Value (9)	Percentage of Net Assets
Debt Investments							
Automotive							
Heartland Automotive Holdings, LLC (3)	First-lien loan (\$25,725 par, due 1/2018)	8/28/2012	L + 10.25%	11.75%	\$ 25,724	\$ 25,789	2.7%
	First-lien revolving loan (\$4,056 par, due 1/2018)	8/28/2012	P + 9.00%	13.50%	4,056	4,066	0.4%
					<u>29,780</u>	<u>29,855</u>	<u>3.1%</u>
Beverage, food and tobacco							
AFS Technologies, Inc. (3)(6)	Second-lien loan (\$59,621 par, due 9/2021)	6/30/2017	L + 9.05%	10.74%	59,621	57,534	5.9%
Business services							
Jive Software, Inc. (3)(5)	First-lien loan (\$53,730 par, due 6/2022)	6/12/2017	L + 9.25%	10.69%	51,900	53,730	5.5%
Leaf US Holdings, Inc. (3)(4)	First-lien loan (\$33,221 par, due 6/2020)	6/30/2014	L + 8.00%	9.69%	32,879	33,221	3.4%
Motus, LLC (3)	First-lien loan (\$20,879 par, due 7/2021)	7/29/2016	L + 10.00%	11.57% (incl. 3.00% PIK)	20,496	21,975	2.3%
Riskconnect, Inc. (3)	First-lien loan (\$42,800 par, due 6/2022)	6/30/2017	L + 7.75%	9.50%	41,920	42,203	4.4%
Sovos Compliance, LLC (3)	First-lien loan (\$34,323 par, due 3/2022)	7/1/2016	L + 6.00%	7.57%	33,862	34,421	3.6%
Tangoe, Inc. (3)(5)	First-lien loan (\$49,975 par, due 6/2022)	6/16/2017	L + 8.50%	10.20% (incl. 0.50% PIK)	48,196	48,725	5.0%
					<u>229,253</u>	<u>234,275</u>	<u>24.2%</u>
Chemicals							
Vertellus Specialties, Inc. (3)	First-lien loan (\$4,967 par, due 4/2018)	10/31/2016	L + 9.00%	10.57%	4,959	4,967	0.5%
	Second-lien loan (\$3,341 par, due 10/2021)	10/31/2016	L + 12.00%	13.57%	3,341	3,366	0.3%
					<u>8,300</u>	<u>8,333</u>	<u>0.8%</u>
Communications							
iHeart Communications (3)(5)	ABL FILO term loan (\$115,000 par, due 11/2020)	11/30/2017	L + 4.75%	6.23%	111,613	112,700	11.6%
Education							
Finalsite Holdings, Inc. (3)(5)	First-lien loan (\$45,000 par, due 8/2022)	8/31/2016	L + 7.00%	8.69%	44,029	45,450	4.7%
Frontline Technologies Group, LLC (3)	First-lien loan (\$47,703 par, due 9/2023)	9/18/2017	L + 6.50%	8.09%	47,039	47,132	4.9%
Illuminate Education, Inc.(3)	First-lien loan (\$56,900 par, due 8/2022)	8/25/2017	L + 8.00%	9.48%	55,772	55,971	5.8%
					<u>146,840</u>	<u>148,553</u>	<u>15.4%</u>
Financial services							
AppStar Financial, LLC (3)	First-lien loan (\$20,364 par, due 8/2020)	8/18/2015	L + 8.00%	9.57%	20,071	20,643	2.1%

AvidXchange, Inc. (3)	First-lien loan (\$54,449 par, due 8/2020)	8/7/2015	L + 9.50%	11.06%	53,879	55,266	5.7%
PayLease, LLC (3)	First-lien loan (\$56,525 par, due 7/2022)	7/28/2017	L + 7.00%	8.57%	55,413	55,627	5.7%
PaySimple, Inc. (3)	First-lien loan (\$50,601 par, due 3/2022)	3/7/2017	L + 8.25%	10.00% (incl. 1.75% PIK)	49,633	50,045	5.2%
Swift Gift Limited (3)(5)	First-lien loan (\$29,167 par, due 1/2022)	7/31/2017	L + 6.50%	8.13%	28,472	29,458	3.0%
					<u>207,468</u>	<u>211,039</u>	<u>21.7%</u>
Healthcare							
Integrated Practice Solutions, Inc. (3)(5)	First-lien loan (\$32,338 par, due 6/2022)	6/30/2017	L + 8.00%	9.57%	31,486	31,691	3.3%
Helix Health, Ltd. (3)(4)	First-lien loan (EUR 38,019 par, due 9/2019)	9/30/2014	E + 10.50%	11.50%	45,164	47,366 (EUR 39,445)	4.9%
	First-lien revolving loan (EUR 300 par, due 9/2019)	9/30/2014	E + 10.50%	11.50%	293	540 (EUR 450)	0.1%
MatrixCare, Inc. (3)(5)	First-lien loan (\$57,305 par, due 12/2021)	12/17/2015	L + 5.25%	6.94%	56,455	58,021	6.0%
MedeAnalytics, Inc. (3)(5)	First-lien loan (\$43,262 par, due 9/2020)	9/30/2015	L + 8.50%	10.19%	42,483	43,478	4.5%
Quantros, Inc. (3)(5)	First-lien loan (\$29,475 par, due 2/2021)	2/29/2016	L + 7.75%	9.44%	28,772	30,212	3.1%
					<u>204,653</u>	<u>211,308</u>	<u>21.9%</u>
Hotel, gaming, and leisure							
IRGSE Holding Corp. (3)(6)	First-lien loan (\$22,414 par, due 9/2019)	9/29/2015	L + 9.50%	11.19% (incl. 5.00% PIK)	22,414	17,596	1.8%
	First-lien revolving loan (\$21,665 par, due 9/2019)	9/29/2015	L + 9.50%	11.06% (incl. 5.00% PIK)	21,665	17,007	1.8%
					<u>44,079</u>	<u>34,603</u>	<u>3.6%</u>
Insurance							
Insurity, Inc. (3)(5)	First-lien loan (\$63,321 par, due 10/2020)	10/31/2014	L + 6.50%	8.25%	62,899	64,904	6.7%
Internet services							
Lithium Technologies, LLC (3)	First-lien loan (\$50,000 par, due 10/2022)	10/3/2017	L + 8.00%	9.39%	48,840	48,927	5.0%
Manufacturing							
Industrial Physics, LLC (3)	First-lien loan (\$9,975 par, due 10/2022)	10/23/2017	L + 7.00%	8.55%	9,686	9,750	1.0%
	First-lien loan (EUR 21,065 par, due 10/2022)	10/23/2017	E + 7.00%	8.00%	24,260	24,915 (EUR 20,749)	2.6%
ScentAir Technologies, Inc. (3)	First-lien loan (\$19,986 par, due 12/2019)	12/30/2014	L + 7.00%	8.57%	19,816	20,086	2.1%
	First-lien revolving loan (\$1,393 par, due 12/2019)	12/30/2014	L + 7.00%	8.57%	1,377	1,404	0.1%
					<u>55,139</u>	<u>56,155</u>	<u>5.8%</u>
Marketing services							
Marketo, Inc. (3)	First-lien loan (\$28,125 par, due 8/2021)	8/16/2016	L + 9.50%	11.19%	27,428	29,025	3.0%
Vivial Inc.(3)	First-lien loan (\$32,463 par, due 9/2022)	9/29/2017	L + 8.00%	9.69%	31,918	31,976	3.3%
					<u>59,346</u>	<u>61,001</u>	<u>6.3%</u>

Office products								
USR Parent Inc. (3)(5)	ABL FILO term loan (\$20,000 par, due 9/2022)	9/12/2017	L + 7.75%	8.99%	19,553	19,600	2.0%	
Oil, gas and consumable fuels								
Mississippi Resources, LLC (3)(6)	First-lien loan (\$25,229 par, due 6/2018)	5/3/2017	L + 10.50%	12.07%	25,180	25,229	2.6%	
Northern Oil and Gas, Inc. (3)	First-lien loan (\$48,750 par, due 11/2022)	11/1/2017	L + 7.75%	9.50%	47,563	47,450	4.9%	
Rex Energy Corporation (3)	First-lien loan (\$18,950 par, due 4/2021)	4/28/2017	L + 8.75%	10.50%	18,467	20,525	2.1%	
					<u>91,210</u>	<u>93,204</u>	<u>9.6%</u>	
Pharmaceuticals								
Ironwood Pharmaceuticals, Inc. (4)(5)(8)	Secured note (\$33,333 par, due 9/2026)	1/5/2017		8.38%	33,191	33,250	3.4%	
Model N, Inc. (3)(4)	First-lien loan (\$30,000 par, due 1/2022)	1/5/2017	L + 8.25%	9.88%	29,497	29,925	3.1%	
Nektar Therapeutics (4)(5)(8)	Secured note (\$74,950 par, due 10/2020)	10/5/2015		7.75%	74,363	76,449	7.9%	
					<u>137,051</u>	<u>139,624</u>	<u>14.4%</u>	
Retail and consumer products								
99 Cents Only Stores LLC (3)	ABL FILO term loan (\$25,000 par, due 4/2021)	9/6/2017	L + 7.75%	9.26%	24,654	24,875	2.6%	
American Achievement Corporation (3)(5)	First-lien loan (\$23,161 par, due 9/2020)	9/30/2015	L + 8.25%	9.62%	22,964	23,219	2.4%	
Destination Maternity Corporation (3)(5)	ABL FILO term loan (\$15,420 par, due 3/2021)	3/25/2016	L + 7.50%	8.74%	15,165	15,767	1.6%	
Eddie Bauer LLC (3)	ABL FILO term loan (\$29,250 par, due 6/2019)	3/31/2017	L + 9.25%	10.94%	28,847	29,396	3.0%	
Sears (3)(4)(10)	First-lien ABL loan (\$17,296 par, due 7/2020)	3/18/2016	L + 7.50%	8.89%	16,962	17,383	1.8%	
					<u>108,592</u>	<u>110,640</u>	<u>11.4%</u>	
					<u>1,624,237</u>	<u>1,642,255</u>	<u>169.4%</u>	
Total Debt Investments								
Equity and Other Investments								
Beverage, food and tobacco								
AFS Technologies, Inc. (6)(12)(13)	Class A Preferred Units (125,000 units)	6/30/2017			12,500	14,031	1.4%	
	Class B Common Units (90,000 units)	6/30/2017			2	4,215	0.4%	
					<u>12,502</u>	<u>18,246</u>	<u>1.8%</u>	
Business Services								
Riskconnect, Inc. (12)(13)	Preferred Class A Units (990 units)	6/30/2017			990	990	0.1%	
	Common Class B Units (959,018 units)	6/30/2017			10	10	0.0%	
					<u>1,000</u>	<u>1,000</u>	<u>0.1%</u>	
Chemicals								
Vertellus Specialties, Inc. (12)	Common Units (2,672,990 units)	10/31/2016			3,828	3,780	0.4%	
Financial services								
AvidXchange, Inc. (12)	Series E Preferred Equity (214,132 shares)	8/7/2015			3,846	7,481	0.8%	
Swift Gift Limited (12)(13)	Common Shares (35,000 shares)	7/31/2017			3,500	5,066	0.5%	

TICC Capital Corp. (4)(11)	Common Shares (1,059 shares)	8/5/2015	7	6	0.0%
Triangle Capital Corp. (4)(11)	Common Shares (1,384,570 shares)	11/3/2017	13,428	13,140	1.4%
			<u>20,781</u>	<u>25,693</u>	<u>2.7%</u>
Healthcare					
Helix Health, Ltd. (4)(12)	Warrants	9/30/2014	877	1,336 (EUR 1,112)	0.1%
SRS Parent Corp. (12)	Common Shares Class A (1,980 shares)	12/28/2012	1,980	1,094	0.1%
	Common Shares Class B (2,953,020 shares)	12/28/2012	20	11	0.0%
			<u>2,877</u>	<u>2,441</u>	<u>0.2%</u>
Hotel, gaming, and leisure					
IRGSE Holding Corp. (6)(12)	Class A Units (5,000,000 units)	9/29/2015	3,896	97	0.0%
	Class C-1 Units (8,800,000 units)	9/29/2015	100	48	0.0%
			<u>3,996</u>	<u>145</u>	<u>0.0%</u>
Oil, gas and consumable fuels					
Mississippi Resources, LLC (6)(12) (13)	Class A-1 Member Units (1,000 units)	5/3/2017	8,155	163	0.0%
	Class A-2 Member Units (933 units)	6/4/2014	8,874	—	0.0%
			<u>17,029</u>	<u>163</u>	<u>0.0%</u>
Total Equity and Other Investments					
Total Investments			<u>\$ 1,686,250</u>	<u>\$ 1,693,723</u>	<u>174.6%</u>

Interest Rate Swaps as of December 31, 2017

	<u>Company Receives</u>	<u>Company Pays</u>	<u>Maturity Date</u>	<u>Notional Amount</u>	<u>Fair Market Value</u>	<u>Upfront Payments / Receipts</u>	<u>Change in Unrealized Gains / (Losses)</u>
Interest rate swap (b)	L	1.16%	10/5/2018	\$ 92,500	\$ 480	\$ —	\$ 204
Interest rate swap (b)	4.50%	L + 2.86%	12/15/2019	115,000	(1,024)	—	(817)
Interest rate swap (a)(b)	L	1.72%	1/10/2020	33,333	292	—	292
Interest rate swap (b)	4.50%	L + 2.37%	8/1/2022	115,000	(710)	—	(710)
Cash collateral				—	962	—	—
Total				<u>\$ 355,833</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ (1,031)</u>

(a) Contract terms are shown net of Company receiving 6.65% and paying 8.38%.

(b) Contains a variable rate structure. Interest 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) Euro Interbank Offered Rate (“EURIBOR” or “E”) 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, 2017.
- (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 14.7% of total assets as of December 31, 2017.

- (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 hold the “last out” tranche.
- (6) 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, 2017 in which the issuer 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, 2017

Company	Fair Value at December 31, 2016	Gross Additions (a)	Gross Reductions (b)	Net Change In Unrealized Gain/(Loss)	Realized Gain/(Losses)	Fair Value at December 31, 2017	Other Income	Interest Income
AFS Technologies, Inc.	\$ —	\$ 72,122	\$ —	\$ 3,658	\$ —	\$ 75,780	\$ —	\$ 3,178
IRGSE Holding Corp.	31,974	8,014	—	(5,240)	—	34,748	4	4,302
Mississippi Resources, LLC	33,885	6,297	(2,264)	9,250	(21,776)	25,392	200	1,963
Total	\$ 65,859	\$ 86,433	\$ (2,264)	\$ 7,668	\$ (21,776)	\$ 135,920	\$ 204	\$ 9,443

- (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 are applied to the outstanding principal balance.
- (7) As of December 31, 2017, the tax cost of the Company’s investments approximates the amortized cost.
- (8) 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.
- (9) 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.
- (10) 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.
- (11) 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.
- (12) This equity investment is non-income producing.
- (13) Security 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, 2017, the aggregate fair value of these securities is \$24,475, or 2.5% of the Company’s net assets.

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)
(Unaudited)

	Six Months Ended June 30, 2018	Six Months Ended June 30, 2017
Increase (Decrease) in Net Assets Resulting from Operations		
Net investment income	\$ 67,489	\$ 62,451
Net change in unrealized gains	6,226	14,321
Net realized losses	(6,310)	(16,668)
Increase in Net Assets Resulting from Operations	<u>67,405</u>	<u>60,104</u>
Increase (Decrease) in Net Assets Resulting from Capital Share Transactions		
Issuance of common shares, net of offering and underwriting costs	71,813	—
Issuance of convertible notes	1,010	356
Reinvestment of dividends	7,098	4,543
Dividends declared from net investment income	(54,568)	(49,116)
Increase (Decrease) in Net Assets Resulting from Capital Share Transactions	<u>25,353</u>	<u>(44,217)</u>
Total Increase in Net Assets	<u>92,758</u>	<u>15,887</u>
Net assets, beginning of period	969,284	952,212
Net Assets, End of Period	<u>\$ 1,062,042</u>	<u>\$ 968,099</u>
Undistributed Net Investment Income Included in Net Assets at the End of the Period	<u>\$ 72,068</u>	<u>\$ 56,722</u>

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)

	Six Months Ended June 30, 2018	Six Months Ended June 30, 2017
Cash Flows from Operating Activities		
Increase in net assets resulting from operations	\$ 67,405	\$ 60,104
Adjustments to reconcile increase in net assets resulting from operations to net cash provided by (used) in operating activities:		
Net change in unrealized gains on investments	(8,300)	(20,691)
Net change in unrealized (gains) losses on foreign currency transactions	(3,905)	8,657
Net change in unrealized (gains) losses on interest rate swaps	5,979	(2,287)
Net realized losses on investments	6,496	17,181
Net realized gains on foreign currency transactions	(54)	(292)
Net amortization of discount on investments	(10,956)	(18,254)
Amortization of deferred financing costs	1,870	1,541
Amortization of discount on debt	701	330
Purchases and originations of investments, net	(552,960)	(412,085)
Proceeds from investments, net	17,340	80,149
Repayments on investments	289,618	455,265
Paid-in-kind interest	(2,578)	(3,452)
Changes in operating assets and liabilities:		
Interest receivable	(1,602)	1,309
Interest receivable paid-in-kind	(232)	181
Prepaid expenses and other assets	8,595	(8,239)
Management fees payable to affiliate	1,103	(292)
Incentive fees payable to affiliate	2,072	1,309
Payable to affiliate	335	801
Other liabilities	(582)	4,351
Net Cash Provided by (Used) in Operating Activities	<u>(179,655)</u>	<u>165,586</u>
Cash Flows from Financing Activities		
Borrowings on debt	860,240	539,500
Repayments on debt	(696,275)	(649,275)
Deferred financing costs	(6,829)	(3,818)
Proceeds from issuance of common stock, net of offering and underwriting costs	71,813	—
Dividends paid to stockholders	(45,651)	(44,481)
Net Cash Provided by (Used) in Financing Activities	<u>183,298</u>	<u>(158,074)</u>
Net Increase in Cash, Cash Equivalents, and Restricted Cash	3,643	7,512
Cash, cash equivalents, and restricted cash, beginning of period	6,665	5,954
Cash, Cash Equivalents, and Restricted Cash, End of Period	<u>\$ 10,308</u>	<u>\$ 13,466</u>
Supplemental Information:		
Interest paid during the period	\$ 14,154	\$ 8,139
Excise taxes paid during the period	\$ 2,500	\$ 2,100
Dividends declared during the period	\$ 54,568	\$ 49,116
Reinvestment of dividends during the period	\$ 7,098	\$ 4,543

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, 2017, which was filed with the Securities and Exchange Commission (“SEC”), on February 21, 2018.

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, and include investments charged off during the period, net of recoveries. The net change in unrealized gains or losses 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 June 30, 2018, 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 determined 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 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. Subsequent to closing, investments are recorded at fair value at each reporting period.

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

The Company has elected to be treated as a BDC under the 1940 Act. The Company also has elected to be treated as a RIC under the Internal Revenue Code. So long as the Company maintains its status as a RIC, it will generally not pay corporate-level U.S. federal income or excise taxes on any ordinary income or capital gains that it distributes at least annually to its stockholders as dividends. As a result, any tax liability related to income earned and distributed by the Company represents obligations of the Company's stockholders and will not be reflected in the consolidated financial statements of the Company.

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.

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.

Accounting Standards Adopted in 2018

In May 2014, the Financial Accounting Standards Board issued Accounting Standards Update 2014-09 ("ASU 2014-09"), "Revenue from Contracts with Customers (Topic 606)." The guidance in this ASU supersedes the revenue recognition requirements in Topic 605, Revenue Recognition. Under the new guidance, an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The amendments in ASU 2014-09 are effective for public companies for interim and annual periods in fiscal years beginning after December 15, 2017, with early adoption permitted for interim and annual periods in fiscal years beginning after December 15, 2016. The Company's adoption of this guidance did not have a material impact on the Company's financial position, results of operations, cash flows or notes to the consolidated financial statements.

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 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.

On February 22, 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.

On November 7, 2017, the Board renewed the Administration Agreement. Unless earlier terminated as described below, the Administration Agreement will remain in effect until November 2018, 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.

For the three and six months ended June 30, 2018, the Company incurred expenses of \$1.0 million and \$1.9 million, respectively, for administrative services payable to the Adviser under the terms of the Administration Agreement. For the three and six months ended June 30, 2017 the Company incurred expenses of \$1.0 million and \$2.0 million, respectively, for administrative services payable to the Adviser under the terms of the Administration Agreement.

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 an allocable portion of the compensation paid by the Adviser or its affiliates to the Company's Chief Compliance Officer, Chief Financial Officer, and other professionals who spend time on such related activities (based on the percentage of time those individuals devote, on an estimated basis, to the business and affairs of the Company). Directors who are not affiliated with the Adviser receive compensation for their services and reimbursement of expenses incurred to attend meetings.

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 six months ended June 30, 2018, Management Fees (gross of waivers) were \$7.3 million and \$14.0 million, respectively. For the three and six months ended June 30, 2017, Management Fees (gross of waivers) were \$6.0 million and \$12.0 million, respectively.

The Adviser has voluntarily waived the Management Fee on our ownership of shares of common stock in Triangle Capital Corp. (the "TCAP Shares") for any period in which Triangle Capital Corp. remains our portfolio company. As of June 30, 2018, the Company had fully exited its position in the TCAP Shares.

For the six months ended June 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 June 30, 2018. The Adviser did not waive any Management Fees for the three and six months ended June 30, 2017.

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

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 six months ended June 30, 2018, Incentive Fees (gross of waivers) were \$7.7 million and \$14.3 million, respectively, all of which were realized and payable to the Adviser. For the three and six months ended June 30, 2017 Incentive Fees (gross of waivers) were \$7.2 million and \$13.2 million, respectively, all of which were realized and payable to the Adviser.

The Adviser has 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. remains the Company's portfolio company. The Adviser has not waived 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 will be applied against the Company's cumulative realized capital gains on which the Capital Gains Fee is calculated.

For the six months ended June 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 June 30, 2018. The Adviser did not waive any Incentive Fees for the three and six months ended June 30, 2017.

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, the Adviser has not waived its right to receive any Management Fees or Incentive Fees payable pursuant to the Investment Advisory Agreement.

In November 2017, the Board renewed the Investment Advisory Agreement. Unless earlier terminated as described below, the Investment Advisory Agreement will remain in effect until November 2018, 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 June 30, 2018 and December 31, 2017:

	June 30, 2018		
	Amortized Cost (1)	Fair Value	Net Unrealized Gain (Loss)
First-lien debt investments	\$ 1,817,866	\$ 1,833,633	\$ 15,767
Second-lien debt investments	62,962	61,331	(1,631)
Equity and other investments	58,480	60,118	1,638
Total Investments	\$ 1,939,308	\$ 1,955,082	\$ 15,774

	December 31, 2017		
	Amortized Cost (1)	Fair Value	Net Unrealized Gain (Loss)
First-lien debt investments	\$ 1,561,275	\$ 1,581,355	\$ 20,080
Second-lien debt investments	62,962	60,900	(2,062)
Equity and other investments	62,013	51,468	(10,545)
Total Investments	\$ 1,686,250	\$ 1,693,723	\$ 7,473

- (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 June 30, 2018 and December 31, 2017 is as follows:

	June 30, 2018	December 31, 2017
Automotive	—	1.8%
Beverage, food and tobacco	4.0%	4.5%
Business services	18.3%	13.8%
Chemicals	0.6%	0.7%
Communications	—	6.7%
Education	10.5%	8.8%
Financial services	15.7%	14.0%
Healthcare	10.5%	12.6%
Hotel, gaming, and leisure	1.8%	2.1%
Human resource support services	1.7%	—
Insurance	3.3%	3.8%
Internet services	4.4%	2.9%
Manufacturing	2.9%	3.3%
Marketing services	3.7%	3.6%
Office products	1.0%	1.2%
Oil, gas and consumable fuels	6.1%	5.5%
Pharmaceuticals	5.7%	8.2%
Retail and consumer products	5.6%	6.5%
Transportation	4.2%	—
Total	100.0%	100.0%

The geographic composition of Investments at fair value at June 30, 2018 and December 31, 2017 is as follows:

	<u>June 30, 2018</u>	<u>December 31, 2017</u>
United States		
Midwest	16.1%	10.0%
Northeast	26.4%	22.9%
South	17.1%	21.6%
West	36.5%	40.6%
Canada	—	2.0%
Europe	2.2%	2.9%
Australia	1.7%	—
Total	<u>100.0%</u>	<u>100.0%</u>

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 LIBOR plus 2.86%. The swap transactions mature on December 15, 2019.

In November 2015, in connection with a fixed rate investment, the Company entered into two interest rate swap transactions, each with a \$46.3 million notional amount. The Company receives three-month LIBOR and pays fixed rate interest at 1.16%. The swap transactions mature on October 5, 2018.

In January 2017, in connection with a fixed rate investment, the Company entered into an interest rate swap transaction with a \$33.3 million notional amount. On a net basis, the Company receives three-month LIBOR and pays fixed rate interest at 1.72%. The swap transaction matures on January 10, 2020.

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.

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.

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.

The following tables present the gross and net information on the Company's interest rate swap transactions that are eligible for offset in the Company's consolidated balance sheets as of June 30, 2018 and December 31, 2017.

June 30, 2018					
	Maturity Date	Notional Amount	Gross Amount of Recognized Asset (Liability)	Gross Amount Offset in the Consolidated Balance Sheets	Net Amount of Assets in the Consolidated Balance Sheets
Interest rate swap (1)	10/5/2018	\$ 92,500	\$ 526	\$ (526)	\$ —
Interest rate swap	12/15/2019	115,000	(1,874)	1,874	—
Interest rate swap	1/10/2020	33,333	559	(559)	—
Interest rate swap	8/1/2022	115,000	(3,503)	3,503	—
Interest rate swap	8/1/2022	50,000	11	(11)	—
Interest rate swap	8/1/2022	7,500	(1)	1	—
Interest rate swap	1/22/2023	150,000	(2,659)	2,659	—
Total		\$ 563,333	\$ (6,941)	\$ 6,941	\$ —

December 31, 2017					
	Maturity Date	Notional Amount	Gross Amount of Recognized Assets	Gross Amount Offset in the Consolidated Balance Sheets	Net Amount of Assets in the Consolidated Balance Sheets
Interest rate swap (1)	10/5/2018	\$ 92,500	\$ 480	\$ (480)	\$ —
Interest rate swap	12/15/2019	115,000	(1,024)	1,024	—
Interest rate swap	1/10/2020	33,333	292	(292)	—
Interest rate swap	8/1/2022	115,000	(710)	710	—
Total		\$ 355,833	\$ (962)	\$ 962	\$ —

(1) The notional amount of certain interest rate swaps may exceed the Company's investment in individual portfolio companies as a result of arrangements with other lenders in the syndicate.

The following tables present the amounts paid and received on the Company's interest rate swap transactions for the three and six months ended June 30, 2018 and 2017.

	Maturity Date	Notional Amount	For the Three Months Ended June 30, 2018			For the Six Months Ended June 30, 2018		
			Paid	Received	Net	Paid	Received	Net
Interest rate swap (1)	10/5/2018	\$ 92,500	\$ (269)	\$ 398	\$ 129	\$ (544)	\$ 719	\$ 175
Interest rate swap	12/15/2019	115,000	(1,465)	1,294	(171)	(2,744)	2,588	(156)
Interest rate swap	1/10/2020	33,333	(698)	748	50	(1,396)	1,434	38
Interest rate swap	8/1/2022	115,000	(1,374)	1,294	(80)	(2,542)	2,588	46
Interest rate swap	8/1/2022	50,000	(50)	63	13	(50)	63	13
Interest rate swap	8/1/2022	7,500	—	—	—	—	—	—
Interest rate swap	1/22/2023	150,000	(1,647)	1,688	41	(2,651)	2,944	293
Total		\$ 563,333	\$ (5,503)	\$ 5,485	\$ (18)	\$ (9,927)	\$ 10,336	\$ 409

	Maturity Date	Notional Amount	For the Three Months Ended June 30, 2017			For the Six Months Ended June 30, 2017		
			Paid	Received	Net	Paid	Received	Net
Interest rate swap (1)	10/5/2018	\$ 92,500	\$ (269)	\$ 237	\$ (32)	\$ (538)	\$ 439	\$ (99)
Interest rate swap	12/15/2019	115,000	(1,173)	1,294	121	(2,272)	2,588	316
Interest rate swap	1/10/2020	33,333	(698)	663	(35)	(1,202)	1,107	(95)
Interest rate swap	8/1/2022	115,000	(968)	—	(968)	(968)	—	(968)
Total		\$ 355,833	\$ (3,108)	\$ 2,194	\$ (914)	\$ (4,980)	\$ 4,134	\$ (846)

- (1) The notional amount of certain interest rate swaps may exceed the Company's investment in individual portfolio companies as a result of arrangements with other lenders in the syndicate.

For the three and six months ended June 30, 2018, the Company recognized \$1.8 million and \$6.0 million of net change in unrealized losses, respectively, on interest rate swaps in the consolidated statement of operations related to the swap transactions. For the three and six months ended June 30, 2017 the Company recognized \$2.1 million and \$2.3 million, respectively, of net change in unrealized gains on interest rate swaps in the consolidated statement of operations related to the swap transactions.

As of June 30, 2018 and December 31, 2017, the swap transactions had a fair value of \$(6.9) million and \$(1.0) million, respectively, which is netted against restricted cash collateral on the Company's consolidated balance sheet.

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 June 30, 2018, \$14.1 million of cash is pledged as collateral under the Company's derivative instruments and \$7.2 million is included in restricted cash as a component of cash and cash equivalents on the Company's consolidated balance sheet. The Company had \$4.1 million of cash collateral posted as of December 31, 2017, of which \$3.2 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 June 30, 2018 and December 31, 2017:

	Fair Value Hierarchy at June 30, 2018			
	Level 1	Level 2	Level 3	Total
First-lien debt investments	\$ —	\$ 17,448	\$ 1,816,185	\$ 1,833,633
Second-lien debt investments	—	—	61,331	61,331
Equity and other investments	4,102	—	56,016	60,118
Total investments at fair value	\$ 4,102	\$ 17,448	\$ 1,933,532	\$ 1,955,082
Interest rate swaps	—	(6,941)	—	(6,941)
Total	\$ 4,102	\$ 10,507	\$ 1,933,532	\$ 1,948,141

	Fair Value Hierarchy at December 31, 2017			
	Level 1	Level 2	Level 3	Total
First-lien debt investments	\$ —	\$ 17,383	\$ 1,563,972	\$ 1,581,355
Second-lien debt investments	—	—	60,900	60,900
Equity and other investments	13,146	—	38,322	51,468
Total investments at fair value	\$ 13,146	\$ 17,383	\$ 1,663,194	\$ 1,693,723
Interest rate swaps	—	(962)	—	(962)
Total	\$ 13,146	\$ 16,421	\$ 1,663,194	\$ 1,692,761

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 six months ended June 30, 2018:

	As of and for the Three Months Ended June 30, 2018			
	First-lien debt investments	Second-lien debt investments	Equity and other investments	Total
Balance, beginning of period	\$ 1,785,527	\$ 61,364	\$ 42,555	\$ 1,889,446
Purchases or originations	227,627	—	4,140	231,767
Repayments / redemptions	(188,528)	—	—	(188,528)
Paid-in-kind interest	1,585	—	—	1,585
Net change in unrealized gains (losses)	(5,630)	(33)	7,110	1,447
Net realized losses	(9,572)	—	—	(9,572)
Net amortization of discount on securities	7,387	—	—	7,387
Transfers within Level 3	(2,211)	—	2,211	—
Transfers into (out of) Level 3	—	—	—	—
Balance, End of Period	<u>\$ 1,816,185</u>	<u>\$ 61,331</u>	<u>\$ 56,016</u>	<u>\$ 1,933,532</u>

	As of and for the Six Months Ended June 30, 2018			
	First-lien debt investments	Second-lien debt investments	Equity and other investments	Total
Balance, beginning of period	\$ 1,563,972	\$ 60,900	\$ 38,322	\$ 1,663,194
Purchases or originations	544,397	—	6,614	551,011
Repayments / redemptions	(289,617)	—	(1,379)	(290,996)
Paid-in-kind interest	2,578	—	—	2,578
Net change in unrealized gains (losses)	(4,318)	431	9,746	5,859
Net realized gains (losses)	(9,513)	—	502	(9,011)
Net amortization of discount on securities	10,897	—	—	10,897
Transfers within Level 3	(2,211)	—	2,211	—
Transfers into (out of) Level 3	—	—	—	—
Balance, End of Period	<u>\$ 1,816,185</u>	<u>\$ 61,331</u>	<u>\$ 56,016</u>	<u>\$ 1,933,532</u>

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 six months ended June 30, 2017:

	As of and for the Three Months Ended June 30, 2017			
	First-lien debt investments	Second-lien debt investments	Equity and other investments	Total
Balance, beginning of period	\$ 1,436,641	\$ 3,358	\$ 14,262	\$ 1,454,261
Purchases or originations	234,958	—	13,502	248,460
Repayments / redemptions	(214,977)	—	(2,472)	(217,449)
Paid-in-kind interest	1,572	—	—	1,572
Net change in unrealized gains (losses)	21,066	(2,070)	3,301	22,297
Net realized gains (losses)	(21,134)	—	2,108	(19,026)
Net amortization of discount on securities	3,831	—	—	3,831
Transfers within Level 3	(67,775)	59,621	8,154	—
Transfers into (out of) Level 3	—	—	—	—
Balance, End of Period	<u>\$ 1,394,182</u>	<u>\$ 60,909</u>	<u>\$ 38,855</u>	<u>\$ 1,493,946</u>

	As of and for the Six Months Ended June 30, 2017			
	First-lien debt investments	Second-lien debt investments	Equity and other investments	Total
Balance, beginning of period	\$ 1,454,087	\$ 3,350	\$ 12,465	\$ 1,469,902
Purchases or originations	398,584	—	13,501	412,085
Repayments / redemptions	(403,320)	—	(2,472)	(405,792)
Paid-in-kind interest	3,452	—	—	3,452
Net change in unrealized gains (losses)	17,774	(2,062)	5,098	20,810
Net realized gains (losses)	(21,207)	—	2,109	(19,098)
Net amortization of discount on securities	12,587	—	—	12,587
Transfers within Level 3	(67,775)	59,621	8,154	—
Transfers into (out of) Level 3	—	—	—	—
Balance, End of Period	\$ 1,394,182	\$ 60,909	\$ 38,855	\$ 1,493,946

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 June 30, 2018 and 2017:

	Net Change in Unrealized Gains or (Losses) for the Three Months Ended June 30, 2018 on Investments Held at June 30, 2018		Net Change in Unrealized Gains or (Losses) for the Three Months Ended June 30, 2017 on Investments Held at June 30, 2017	
	First-lien debt investments	\$ (2,037)	\$ 1,513	
Second-lien debt investments	(33)	(2,070)		
Equity and other investments	7,109	(4,992)		
Total	\$ 5,039	\$ (5,549)		

	Net Change in Unrealized Gains or (Losses) for the Six Months Ended June 30, 2018 on Investments Held at June 30, 2018		Net Change in Unrealized Gains or (Losses) for the Six Months Ended June 30, 2017 on Investments Held at June 30, 2017	
	First-lien debt investments	\$ 2,732	\$ 8,846	
Second-lien debt investments	430	(2,062)		
Equity and other investments	10,206	(3,255)		
Total	\$ 13,368	\$ 3,529		

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 June 30, 2018 and December 31, 2017. 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.

	June 30, 2018				
	Fair Value	Valuation Technique	Unobservable Input	Range (Weighted Average)	Impact to Valuation from an Increase to Input
First-lien debt investments	\$ 1,816,185	Income approach (1)	Market yield	6.0% — 14.4% (10.5%)	Decrease
Second-lien debt investments	61,331	Income approach	Market yield	13.5% — 14.5% (13.6%)	Decrease
Equity and other investments	56,016	Market Multiple (2)	Comparable multiple	4.6x — 13.2x (11.0x)	Increase
Total	\$ 1,933,532				

- (1) Includes \$34.9 million of first-lien debt investments which were valued using an enterprise valuation waterfall and \$72.7 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 \$29.2 million of equity investments which were valued using a weighted valuation approach and \$3.8 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, 2017					
	Fair Value	Valuation Technique	Unobservable Input	Range (Weighted Average)	Impact to Valuation from an Increase to Input
First-lien debt investments	\$ 1,563,972	Income approach (1)	Market yield	7.3% — 14.6% (10.2%)	Decrease
Second-lien debt investments	60,900	Income approach	Market yield	12.9% — 14.0% (13.0%)	Decrease
Equity and other investments	38,322	Market Multiple (2)	Comparable multiple	4.6x — 13.2x (11.2x)	Increase
Total	\$ 1,663,194				

- (1) Includes \$34.6 million of first-lien debt investments which were valued using an asset valuation waterfall.
- (2) Includes \$18.6 million of equity investments which were valued using a weighted valuation approach.

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 June 30, 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 June 30, 2018, was \$434.4 million, based on broker quotes received by the Company.

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 200% after such borrowing. As of June 30, 2018 and December 31, 2017, the Company's asset coverage was 221.4% and 235.5%, respectively.

Debt obligations consisted of the following as of June 30, 2018 and December 31, 2017:

	June 30, 2018			
	Aggregate Principal Amount Committed	Outstanding Principal	Amount Available (1)	Carrying Value (2)
Revolving Credit Facility	\$ 940,000	\$ 439,380	\$ 500,620	\$ 430,472
2019 Convertible Notes	115,000	115,000	—	112,887
2022 Convertible Notes	172,500	172,500	—	167,685
2023 Notes	150,000	150,000	—	147,142
Total Debt	\$ 1,377,500	\$ 876,880	\$ 500,620	\$ 858,186

- (1) The amount available reflects any limitations related to the respective debt facilities' borrowing bases.
(2) The carrying values of the Company's Revolving Credit Facility, Convertible Notes, and 2023 Notes are presented net of deferred financing costs of \$8.9 million, \$5.0 million and \$2.8 million, respectively.

	December 31, 2017			
	Aggregate Principal Amount Committed	Outstanding Principal	Amount Available (1)	Carrying Value (2)
Revolving Credit Facility	\$ 975,000	\$ 486,808	\$ 488,192	\$ 479,724
2019 Convertible Notes	115,000	115,000	—	112,182
2022 Convertible Notes	115,000	115,000	—	111,522
Total Debt	\$ 1,205,000	\$ 716,808	\$ 488,192	\$ 703,428

- (1) The amount available reflects any limitations related to the respective debt facilities' borrowing bases.
(2) The carrying values of the Company's Revolving Credit Facility and Convertible Notes are presented net of deferred financing costs of \$7.1 million and \$4.7 million, respectively.

For the three and six months ended June 30, 2018 and 2017, the components of interest expense were as follows:

	Three Months Ended		Six Months Ended	
	June 30, 2018	June 30, 2017	June 30, 2018	June 30, 2017
Interest expense	\$ 9,379	\$ 5,336	\$ 17,337	\$ 11,024
Commitment fees	349	558	804	972
Amortization of deferred financing costs	999	806	1,870	1,541
Accretion of original issue discount	236	168	414	330
Swap settlement (1)	198	787	(194)	653
Total Interest Expense	\$ 11,161	\$ 7,655	\$ 20,231	\$ 14,520
Average debt outstanding (in millions)	\$ 938.7	\$ 539.5	\$ 883.1	\$ 646.1
Weighted average interest rate	4.08%	4.13%	3.88%	3.61%
Average 1-month LIBOR rate	1.97%	1.06%	1.81%	0.94%

- (1) Includes the settlement of the interest rate swaps related to the Company's Convertible Notes, and 2023 Notes.

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 June 30, 2018, aggregate commitments under the facility were \$940 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 \$1.25 billion.

The revolving period, during which period the Company, subject to certain conditions, may make borrowings under the facility, ends February 18, 2022 and the stated maturity date is February 17, 2023.

The Company may borrow amounts in U.S. dollars or certain other permitted currencies. As of June 30, 2018, the Company had outstanding debt denominated in Australian Dollars (AUD) of 46.4 million and Euro (EUR) of 57.1 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 June 30, 2018 and December 31, 2017, 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 requiring:

- an asset coverage ratio of no less than 2 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; and
- stockholders' equity of at least \$500 million plus 25% of the net proceeds of the sale of equity interests after February 20, 2018.

Net proceeds received from the Company's common stock issuance in March 2018 and net proceeds received from the issuance of the additional 2022 Convertible Notes and 2023 Notes were used to pay down borrowings on 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 June 30, 2018, the estimated adjusted conversion price was approximately \$25.26 per share of the Company's 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.

Holder may convert their 2019 Convertible Notes at their option at any time prior to June 15, 2019 only under the following circumstances: (1) during any calendar quarter commencing after the calendar quarter ending on September 30, 2014 (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 2019 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 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, regardless of the occurrence or nonoccurrence of any of the foregoing circumstances.

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 June 30, 2018, the estimated adjusted conversion price was approximately \$21.05 per share of the Company’s 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 has 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 six months ended June 30, 2018 and 2017, the components of interest expense related to the Convertible Notes were as follows:

	Three Months Ended		Six Months Ended	
	June 30, 2018	June 30, 2017	June 30, 2018	June 30, 2017
Interest expense	\$ 2,657	\$ 2,587	\$ 5,245	\$ 4,744
Accretion of original issue discount	234	168	410	330
Amortization of deferred financing costs	373	367	734	669
Total Interest Expense	\$ 3,264	\$ 3,122	\$ 6,389	\$ 5,743

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 six months ended June 30, 2018, the Company received \$2.6 million and \$5.2 million, respectively, and paid \$2.9 million and \$5.3 million, respectively, related to the settlements of its interest rate swaps related to the Convertible Notes. During the three and six months ended June 30, 2017, the Company received \$1.3 million and \$2.6 million, respectively, and paid \$2.1 million and \$3.2 million, respectively, related to the settlements of its interest rate swaps related to the Convertible Notes. These net amounts are included 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 June 30, 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.

As of June 30, 2018, the components of the carrying value of the Convertible Notes and the stated interest rate were as follows:

	June 30, 2018	
	2019 Convertible Notes	2022 Convertible Notes
Principal amount of debt	\$ 115,000	\$ 172,500
Original issue discount, net of accretion	(986)	(936)
Deferred financing costs	(1,127)	(3,879)
Carrying value of debt	<u>\$ 112,887</u>	<u>\$ 167,685</u>
Stated interest rate	4.50%	4.50%

	December 31, 2017	
	2019 Convertible Notes	2022 Convertible Notes
Principal amount of debt	\$ 115,000	\$ 115,000
Original issue discount, net of accretion	(1,308)	(302)
Deferred financing costs	(1,510)	(3,176)
Carrying value of debt	<u>\$ 112,182</u>	<u>\$ 111,522</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 June 30, 2018, the Company was in compliance with the terms of each 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.

2023 Notes

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 six months ended June 30, 2018, the components of interest expense related to the 2023 Notes were as follows:

	Three Months Ended June 30, 2018	Six Months Ended June 30, 2018
Interest expense	\$ 1,688	\$ 2,981
Accretion of original issue discount	2	4
Amortization of deferred financing costs	154	268
Total Interest Expense	\$ 1,844	\$ 3,253

Total interest expense in the table above does not include the effect of the interest rate swaps related to the 2023 Notes. During the three and six months ended June 30, 2018, the Company received \$1.7 million and \$2.9 million, respectively, and paid \$1.6 million and \$2.7 million, respectively, related to the settlements of its interest rate swaps related to the Notes. These net amounts are included 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 June 30, 2018, the components of the carrying value of the 2023 Notes and the stated interest rate were as follows:

	2023 Notes	
Principal amount of debt	\$	150,000
Original issue discount, net of accretion		(43)
Deferred financing costs		(2,815)
Carrying value of debt	\$	147,142
Stated interest rate		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 2023 Notes is three month LIBOR plus 1.99%.

As of June 30, 2018 and December 31, 2017, the Company was in compliance with the terms of its debt obligations.

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 June 30, 2018 and December 31, 2017, the Company had the following commitments to fund investments in current portfolio companies:

	June 30, 2018	December 31, 2017
AppStar Financial, LLC - Revolver	\$ 2,000	\$ 2,000
Bazaarvoice, Inc. - Revolver	3,000	—
Ferrellgas, L.P. - Revolver	30,000	—
Frontline Technologies Group, LLC - Delayed Draw	9,377	9,377
G Treasury SS, LLC - Delayed Draw	5,000	—
G Treasury SS, LLC - Revolver	2,000	—
Helix Health, Ltd. - Revolver	4,320	4,443
Illuminate Education, Inc. - Revolver	—	5,000
Industrial Physics, LLC - Revolver	4,250	5,000
IRGSE Holding Corp. - Revolver	318	335
Lithium Technologies, LLC - Revolver	3,659	3,659
Leaf US Holdings, Inc. - Revolver	—	2,000
Motus, LLC - Revolver	5,226	—
Government Brands, LLC - Revolver	5,000	—
Marketo, Inc. - Revolver	—	1,875
Northern Oil and Gas, Inc. - Delayed Draw	6,500	16,250
PageUp People Limited - Delayed Draw	3,694	—
PayLease, LLC - Revolver	3,333	3,333
PaySimple, Inc. - Revolver	—	5,000
Rex Energy Corporation DIP - Delayed Draw	6,500	11,050
Riskconnect, Inc. - Revolver	5,000	5,000
ScentAir Technologies, Inc. - Revolver	750	750
Sovos Compliance, LLC - Delayed Draw	3,030	3,030
Sovos Compliance, LLC - Revolver	1,657	1,657
Total Portfolio Company Commitments	\$ 104,614	\$ 79,759

Other Commitments and Contingencies

As of June 30, 2018 and December 31, 2017, the Company did not have any unfunded commitments to fund investments to new borrowers that were not current portfolio companies as of such date.

From time to time, the Company may become a party to certain legal proceedings incidental to the normal course of its business. As of June 30, 2018 and December 31, 2017, management is not aware of any pending or threatened litigation.

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 six months ended June 30, 2018 and 2017. All shares issued to stockholders in the tables below are newly issued shares.

Six Months Ended June 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
Total Shares Issued				401,101

Six Months Ended June 30, 2017				
Date Declared	Dividend (1)	Record Date	Date Shares Issued	Shares Issued
November 7, 2016	Base	December 31, 2016	February 1, 2017	122,836
February 22, 2017	Base	April 7, 2017 (2)	May 1, 2017	109,847
May 3, 2017	Supplemental	May 31, 2017	June 30, 2017	11,786
Total Shares Issued				244,469

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

(2) Subsequent to the declaration date, the record date for the dividend declared on February 22, 2017 was moved from its original date of March 31, 2017 to a revised date of April 7, 2017 in order to ensure compliance with notification requirements promulgated by the NYSE. The dividend payable associated with this declaration was recognized in the Company's consolidated balance sheet as of March 31, 2017. There was no change to the dividend amount or payment date.

On November 3, 2014, 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 a specified period, in accordance with the guidelines specified in Rule 10b-18 and Rule 10b5-1 of the Exchange Act.

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 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 below the most recently reported net asset value per share (including any updates, corrections or adjustments publicly announced by the Company to any previously announced net asset value per share). 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 August 1, 2018, the Board authorized the extension of the termination date of the Company 10b5-1 Plan to February 28, 2019. Unless extended or terminated by the Board, the Company 10b5-1 Plan will be in effect through the earlier of February 28, 2019 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 six months ended June 30, 2018 and 2017, 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		Six Months Ended	
	June 30, 2018	June 30, 2017	June 30, 2018	June 30, 2017
Increase in net assets resulting from operations	\$ 33,569	\$ 31,826	\$ 67,405	\$ 60,104
Weighted average shares of common stock outstanding—basic and diluted	64,758,752	59,912,804	62,810,429	59,855,088
Earnings per common share—basic and diluted	\$ 0.52	\$ 0.53	\$ 1.07	\$ 1.00

For the purpose of calculating diluted earnings per common share, the average closing price of the Company's common stock for the three and six months ended June 30, 2018 was less than the conversion price for the Convertible Notes outstanding as of June 30, 2018. 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. Following the completion of the quarter ended March 31, 2017, the Company introduced 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 six months ended June 30, 2018 and 2017:

Date Declared	Six Months Ended June 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
Total Dividends Declared					\$ 0.87

Date Declared	Six Months Ended June 30, 2017				Dividend per Share
	Dividend	Record Date	Payment Date		
February 22, 2017	Base	April 7, 2017 (1)	April 28, 2017		\$ 0.39
May 3, 2017	Supplemental	May 31, 2017	June 30, 2017		0.04
May 3, 2017	Base	June 15, 2017	July 14, 2017		0.39
Total Dividends Declared					\$ 0.82

- (1) Subsequent to the declaration date, the record date for the dividend declared on February 22, 2017 was moved from its original date of March 31, 2017 to a revised date of April 7, 2017 in order to ensure compliance with notification requirements promulgated by the NYSE. The dividend payable associated with this declaration was recognized in the Company's consolidated balance sheet as of March 31, 2017. There was no change to the dividend amount or payment date.

The dividends declared during the three and six months ended June 30, 2018 and 2017 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 six months ended June 30, 2018 and 2017.

	Six Months Ended June 30, 2018	Six Months Ended June 30, 2017
Per Share Data (7)		
Net asset value, beginning of period	\$ 16.09	\$ 15.95
Net investment income (1)	1.07	1.04
Net realized and unrealized gain (loss) (1)	—	(0.04)
Total from operations	1.07	1.00
Issuance of common stock, net of offering costs (2)	0.07	—
Dividends declared from net investment income (2)	(0.87)	(0.82)
Total increase in net assets	0.27	0.18
Net Asset Value, End of Period	\$ 16.36	\$ 16.15
Per share market value at end of period	\$ 17.94	\$ 20.45
Total return based on market value (3)	(5.00)%	13.87%
Total return based on net asset value (4)	7.09%	6.39%
Shares Outstanding, End of Period	64,920,526	59,960,674
Ratios / Supplemental Data (5)		
Ratio of net expenses to average net assets (6)	11.74%	10.37%
Ratio of net investment income to average net assets	14.17%	14.14%
Portfolio turnover	33.14%	49.53%
Net assets, end of period	\$ 1,062,042	\$ 968,099

- (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 TCAP shares. Excluding the effects of waivers, the ratio of net expenses to average net assets would have been 11.77% for the six months ended June 30, 2018. The Adviser did not waive any Management Fees or Incentive Fees for the six months ended June 30, 2017.
- (7) Table may not sum due to rounding.

13. Subsequent Events

The Company's management has evaluated subsequent events through the date of issuance of the consolidated financial statements included herein. There have been no subsequent events that occurred during such period that would require disclosure in this Form 10-Q or would be required to be recognized in the consolidated financial statements as of and for the three and six months ended June 30, 2018, except as disclosed below.

On August 1, 2018, the Board, including a "required majority" (as defined in Section 57(o) of the 1940 Act), 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, the Company's minimum asset coverage ratio will be changed from 200% to 150% for purposes of the 1940 Act leverage limitation as of August 1, 2019. In other words, pursuant to Section 61(a) of the 1940 Act, as amended by the SBCAA, the Company will be permitted to potentially increase its debt-to-equity ratio from a maximum of 1:1 to a maximum of 2:1.

In addition, on the same day, the Board also authorized the Company to submit to its stockholders a proposal to approve the application of the lower minimum asset coverage ratio of 150% to the Company, to take place at a special meeting of stockholders, so that the Company may increase its leverage limitation under the 1940 Act sooner than August 1, 2019. The date of the special meeting has not yet been determined. If the proposal is approved by the Company's stockholders at the special meeting, the application of the 150% minimum asset coverage ratio would be effective as of the day after the special meeting.

Once the 150% minimum asset coverage ratio is in effect (either after a special meeting or on August 1, 2019), the Adviser intends to waive a portion of the Management Fee payable under the Company's 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 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 the Company's net asset value at the end of the two most recently completed calendar quarters.

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.”

We have in place a stock repurchase plan, the Company 10b5-1 Plan, to acquire up to \$50 million in the aggregate of our common stock at prices below our net asset value per share over a specified period, in accordance with the guidelines specified in Rule 10b-18 and Rule 10b5-1 of the Exchange Act. We put the Company 10b5-1 Plan in place because we believe that if our common stock is trading below our then-current net asset value, 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 requires Goldman Sachs & Co. LLC, as our agent, to repurchase shares of common stock on our behalf when the market price per share is below 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). 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 will depend on the terms and conditions of the Company 10b5-1 Plan, the market price of our common stock and trading volumes, and no assurance can be given that any particular amount of common stock will be repurchased.

On August 4, 2015, our Board authorized us to enter into a new 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 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. On August 1, 2018, the Board authorized the extension of the termination date of the Company 10b5-1 Plan to February 28, 2019. Unless extended or terminated by the Board, the Company 10b5-1 Plan will be in effect through the earlier of February 28, 2019 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 June 30, 2018, we have originated approximately than \$8.9 billion aggregate principal amount of investments and retained approximately \$4.9 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 June 30, 2018, our core portfolio companies, which excludes certain investments that fall outside of our typical borrower profile and represent 86.1% of our total investments based on fair value, had weighted average annual revenue of \$124.0 million and weighted average annual EBITDA of \$32.3 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), 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 June 30, 2018, the largest single investment based on fair value represented 4.2% of our total investment portfolio.

As of June 30, 2018, the average investment size in each of our portfolio companies was approximately \$40.7 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 June 30, 2018, the largest industry represented 18.3% 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 June 30, 2018, approximately 96.9% of our portfolio was invested in secured debt, including 93.8% 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 June 30, 2018, the weighted average term on new investment commitments in new portfolio companies was 4.6 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 June 30, 2018, we had call protection on 91.2% of our debt investments based on fair value, with weighted average call prices of 105.7% for the first year, 103.0% for the second year and 101.3% for the third year, in each case from the date of the initial investment. As of June 30, 2018, 100.0% of our debt investments based on fair value bore interest at floating rates (when including investment specific hedges), with 94.1% of these subject to interest rate floors, which we believe helps act as a portfolio-wide hedge against inflation.

Relationship with our Adviser, TSSP and TPG

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, or TSSP.

TSSP, with approximately \$24 billion of assets under management as of March 31, 2018, is TPG's special situations and credit platform and encompasses TPG Specialty Lending, TPG Opportunities Partners and TSSP Adjacent Opportunities Partners, which invest in special situations and distressed investments across the credit cycle, TSL Europe, which is aimed at European middle-market loan originations, and TPG Institutional Credit Partners, which is a "public-side" credit investment platform focused on investment opportunities in broadly syndicated leveraged loan markets. 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 190 investment and operating professionals. As of June 30, 2018, thirty (30) of these personnel are dedicated to our business, including twenty three (23) investment professionals.

Our Adviser consults with TSSP and TPG in connection with a substantial number of our investments. The TSSP and TPG platforms provide us with a breadth of large and scalable investment resources. We believe we benefit from their market expertise, insights into 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 and TPG 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 and TPG 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 June 30, 2018, 100.0% of these investments based on fair value bore interest at a floating rate (when including investment specific hedges), with 94.1% 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 six months ended June 30, 2018, 2.3% 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 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 spend time on those related activities (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 200% immediately after any borrowing (or 150% if we satisfy the requirements to elect to be subject to such lower asset coverage requirement under the Small Business Credit Availability Act (the "SBCAA")), 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 August 1, 2018, the Board, including a "required majority" (as defined in Section 57(o) of the 1940 Act), 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, our minimum asset coverage ratio will be changed from 200% to 150% for purposes of the 1940 Act leverage limitation as of August 1, 2019. In other words, pursuant to Section 61(a) of the 1940 Act, as amended by the SBCAA, we will be permitted to potentially increase our debt-to-equity ratio from a maximum of 1:1 to a maximum of 2:1.

In addition, on the same day, the Board also authorized us to submit to our stockholders a proposal to approve the application of the lower minimum asset coverage ratio of 150% to us, to take place at a special meeting of stockholders, so that we may increase our leverage limitation under the 1940 Act sooner than August 1, 2019. The date of the special meeting has not yet been determined. If the proposal is approved by our stockholders at the special meeting, the application of the 150% minimum asset coverage ratio would be effective as of the day after the special meeting.

Once the 150% minimum asset coverage ratio is in effect (either after a special meeting or on August 1, 2019), 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 June 30, 2018, our portfolio based on fair value consisted of 93.8% first-lien debt investments, 3.1% second-lien debt investments, and 3.1% equity and other investments. As of December 31, 2017, our portfolio based on fair value consisted of 93.4% first-lien debt investments, 3.6% second-lien debt investments, and 3.0% equity and other investments.

As of June 30, 2018 and December 31, 2017, 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 11.4% and 10.7%, 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 11.4% and 10.8%, respectively.

As of June 30, 2018 and December 31, 2017, we had investments in 48 and 45 portfolio companies, respectively, with an aggregate fair value of \$1,955.1 million and \$1,693.7 million, respectively.

For the three months ended June 30, 2018, we made new investment commitments of \$265.1 million in four new portfolio companies and six existing portfolio companies. For this period, we had \$182.9 million aggregate principal amount in exits and repayments.

For the three months ended June 30, 2017, we made new investment commitments of \$267.7 million in five new portfolio companies and five existing portfolio companies. For this period, we had \$270.7 million aggregate principal amount in exits and repayments.

Our investment activity for the three months ended June 30, 2018 and 2017 is presented below (information presented herein is at par value unless otherwise indicated).

(\$ in millions)	Three Months Ended	
	June 30, 2018	June 30, 2017
New investment commitments:		
Gross originations	\$ 944.4	\$ 397.7
Less: Syndications/sell downs	679.3	130.0
Total new investment commitments	\$ 265.1	\$ 267.7
Principal amount of investments funded:		
First-lien	\$ 215.5	\$ 233.0
Second-lien	—	—
Mezzanine and unsecured	—	—
Equity and other	6.1	13.5
Total	\$ 221.6	\$ 246.5
Principal amount of investments sold or repaid:		
First-lien	\$ 180.7	\$ 270.3
Second-lien	—	—
Mezzanine and unsecured	—	—
Equity and other	2.2	0.4
Total	\$ 182.9	\$ 270.7
Number of new investment commitments in new portfolio companies		
	4	5
Average new investment commitment amount in new portfolio companies		
	\$ 56.8	\$ 43.7
Weighted average term for new investment commitments in new portfolio companies (in years)		
	4.6	4.9
Percentage of new debt investment commitments at floating rates		
	100.0%	100.0%
Percentage of new debt investment commitments at fixed rates		
	—	—
Weighted average interest rate of new investment commitments		
	10.6%	11.2%
Weighted average spread over LIBOR of new floating rate investment commitments		
	8.4%	9.9%
Weighted average interest rate on investments sold or paid down		
	9.5%	9.7%

As of June 30, 2018 and December 31, 2017, our investments consisted of the following:

(\$ in millions)	June 30, 2018		December 31, 2017	
	Fair Value	Amortized Cost	Fair Value	Amortized Cost
First-lien debt investments	\$ 1,833.7	\$ 1,817.9	\$ 1,581.3	\$ 1,561.3
Second-lien debt investments	61.3	63.0	60.9	63.0
Equity and other investments	60.1	58.4	51.5	62.0
Total	\$ 1,955.1	\$ 1,939.3	\$ 1,693.7	\$ 1,686.3

The following tables show the fair value and amortized cost of our performing and non-accrual investments as of June 30, 2018 and December 31, 2017:

(\$ in millions)	June 30, 2018		December 31, 2017	
	Fair Value	Percentage	Fair Value	Percentage
Performing	\$ 1,955.1	100.0%	\$ 1,693.7	100.0%
Non-accrual (1)	—	—	—	—
Total	\$ 1,955.1	100.0%	\$ 1,693.7	100.0%

(\$ in millions)	June 30, 2018		December 31, 2017	
	Amortized Cost	Percentage	Amortized Cost	Percentage
Performing	\$ 1,939.3	100.0%	\$ 1,686.3	100.0%
Non-accrual (1)	—	—	—	—
Total	\$ 1,939.3	100.0%	\$ 1,686.3	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 June 30, 2018 and December 31, 2017 were as follows:

	June 30, 2018	December 31, 2017
Weighted average total yield of debt and income producing securities (1)	11.4%	10.7%
Weighted average interest rate of debt and income producing securities	10.8%	10.2%
Weighted average spread over LIBOR of all floating rate investments (2)	8.7%	8.8%

- (1) Weighted average total portfolio yield at fair value was 11.0% at June 30, 2018 and 10.5% at December 31, 2017.

- (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 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. For these investments, the Adviser prepares a bi-monthly asset review email and generally has monthly meetings with 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 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. 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 June 30, 2018 and December 31, 2017. 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	June 30, 2018		December 31, 2017	
	Investments at Fair Value (\$ in millions)	Percentage of Total Portfolio	Investments at Fair Value (\$ in millions)	Percentage of Total Portfolio
1	\$ 1,547.2	79.2%	\$ 1,382.7	81.6%
2	347.0	17.7	250.9	14.8
3	60.9	3.1	60.1	3.6
4	—	—	—	—
5	—	—	—	—
Total	\$ 1,955.1	100.0%	\$ 1,693.7	100.0%

Results of Operations

Operating results for the three and six months ended June 30, 2018 and 2017 were as follows:

(\$ in millions)	For the Three Months Ended June 30,		For the Six Months Ended June 30,	
	2018	2017	2018	2017
Total investment income	\$ 66.4	\$ 58.8	\$ 124.2	\$ 109.8
Less: Net expenses	29.2	24.0	55.0	45.7
Net investment income before income taxes	37.2	34.8	69.2	64.1
Less: Income taxes, including excise taxes	0.9	0.9	1.7	1.6
Net investment income	36.3	33.9	67.5	62.5
Net realized losses (1)	(9.2)	(18.6)	(6.3)	(16.7)
Net change in unrealized gains (1)	6.5	16.5	6.2	14.3
Net increase in net assets resulting from operations	\$ 33.6	\$ 31.8	\$ 67.4	\$ 60.1

(1) Includes foreign exchange hedging activity.

Investment Income

(\$ in millions)	For the Three Months Ended June 30,		For the Six Months Ended June 30,	
	2018	2017	2018	2017
Interest from investments	\$ 63.1	\$ 56.4	\$ 114.8	\$ 105.2
Dividend income	0.0	0.0	0.2	0.0
Other income	3.3	2.4	9.2	4.6
Total investment income	\$ 66.4	\$ 58.8	\$ 124.2	\$ 109.8

Interest from investments, which includes amortization of upfront fees and prepayment fees, increased from \$56.4 million for the three months ended June 30, 2017 to \$63.1 million for the three months ended June 30, 2018. The average size of our investment portfolio increased from \$1.6 billion for the three months ended June 30, 2017 to \$1.9 billion for the three months ended June 30, 2018. Accelerated amortization of upfront fees primarily from unscheduled paydowns decreased from \$7.1 million for the three months ended June 30, 2017 to \$4.6 million for the three months ended June 30, 2018. Prepayment fees decreased from \$8.7 million for the three months ended June 30, 2017 to \$3.0 million for the three months ended June 30, 2018. During the three months ended June 30, 2017 accelerated amortization and prepayment fees primarily resulted from full paydowns on six portfolio investments, a partial paydown on one portfolio investment and earning prepayment fees on five portfolio investments. During the three months ended June 30, 2018 accelerated amortization and prepayment fees primarily resulted from full paydowns on three portfolio investments, a partial realization on one portfolio investment, and earning prepayment fees on three portfolio investments. Dividend income remained flat at less than \$0.1 million for both the three months ended June 30, 2017 and 2018. Other income increased from \$2.4 million for the three months ended June 30, 2017 to \$3.3 million for the three months ended June 30, 2018, primarily due to higher syndication fees during the second quarter of 2018 compared to the same period in 2017.

Interest from investments, which includes amortization of upfront fees and prepayment fees, increased from \$105.2 million for the six months ended June 30, 2017 to \$114.8 million for the six months ended June 30, 2018. The average size of our investment portfolio increased from \$1.6 billion for the six months ended June 30, 2017 to \$1.9 billion for six months ended June 30, 2018. In addition, accelerated amortization of upfront fees primarily from unscheduled paydowns decreased from \$14.1 million for the six months ended June 30, 2017 to \$5.9 million for the six months ended June 30, 2018; and prepayment fees decreased from \$9.7 million for the six months ended June 30, 2017 to \$6.7 million for the six months ended June 30, 2018. The accelerated amortization and prepayment fees primarily resulted from full paydowns on ten portfolio investments; partial paydowns on six portfolio investments and earning prepayment fees on eight portfolio investments during the six months ended June 30, 2017 and full paydowns on six portfolio investments, a partial paydown on one portfolio investment, a partial realization on one portfolio investment, and earning prepayment fees on eight portfolio investments during the six months ended June 30, 2018. The decrease in paydowns during the six months ended June 30, 2018 compared to the six months ended June 30, 2017 was primarily the result of widening of credit spreads during 2018. Other income increased from \$4.6 million for the six months ended June 30, 2017 to \$9.2 million for the six months ended June 30, 2018, primarily due to higher syndication, amendment, commitment and agency fees earned during the first half of 2018.

Expenses

Operating expenses for the three and six months ended June 30, 2018 and 2017 were as follows:

(\$ in millions)	For the Three Months Ended June 30,		For the Six Months Ended June 30,	
	2018	2017	2018	2017
Interest	\$ 11.2	\$ 7.6	\$ 20.2	\$ 14.5
Management fees (net of waivers)	7.3	6.0	14.0	12.1
Incentive fees related to pre-incentive fee net investment income (net of waivers)	7.7	7.2	14.3	13.2
Incentive fees related to realized/unrealized capital gains	—	—	—	—
Professional fees	1.6	1.8	3.7	3.1
Directors fees	0.1	0.1	0.2	0.2
Other general and administrative	1.3	1.3	2.6	2.6
Net Expenses	\$ 29.2	\$ 24.0	\$ 55.0	\$ 45.7

Interest

Interest expense, including other debt financing expenses, increased from \$7.6 million for the three months ended June 30, 2017 to \$11.2 million for the three months ended June 30, 2018. This increase was primarily due to an increase in LIBOR and a larger outstanding debt balance during the three months ended June 30, 2018. The average interest rate on our debt outstanding was 4.1% for the three months ended June 30, 2017 and the three months ended June 30, 2018.

Interest expense, including other debt financing expenses, increased from \$14.5 million for the six months ended June 30, 2017 to \$20.2 million for the six months ended June 30, 2018. This increase was primarily due to a larger outstanding debt balance during the six months ended June 30, 2018 and an increase in the average interest rate on our debt outstanding from 3.6% for the six months

ended June 30, 2017 to 3.9% for the six months ended June 30, 2018 following issuance of the 2023 Notes, the additional issuance of the 2022 Convertible Notes and an increase in LIBOR.

Management Fees

Management Fees (net of waivers) increased from \$6.0 million for the three months ended June 30, 2017 to \$7.3 million for the three months ended June 30, 2018 due to an increase in assets for the three months ended June 30, 2018 compared to the same period in 2017. The Adviser did not waive any Management Fees for the three months ended June 30, 2017 and 2018.

Management Fees (net of waivers) increased from \$12.1 million for the six months ended June 30, 2017 to \$14.0 million for the six months ended June 30, 2018. Management Fees (gross of waivers) increased from \$12.1 million for the six months ended June 30, 2017 to \$14.0 million for the six months ended June 30, 2018 due to an increase in total assets compared to the same period in 2017. Management Fees waived were less than \$0.1 million for the six months ended June 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 six months ended June 30, 2017.

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

Incentive Fees

Incentive Fees (net of waivers) related to pre-Incentive Fee net investment income increased from \$7.2 million for the three months ended June 30, 2017 to \$7.7 million for the three months ended June 30, 2018. This increase resulted from an increase in pre-incentive fee net investment income resulting from our larger investment portfolio for the three months ended June 30, 2018. The Adviser did not waive any Incentive Fees related to pre-Incentive Fee net investment income for the three months ended June 30, 2017 and 2018. There were no Incentive Fees related to capital gains and losses for each of the three months ended June 30, 2018 and 2017 due to cumulative realized losses on our investments.

Incentive Fees (net of waivers) related to pre-Incentive Fee net investment income increased from \$13.2 million for the six months ended June 30, 2017 to \$14.3 million for the six months ended June 30, 2018. This increase resulted from an increase in pre-incentive fee net investment income resulting from our larger investment portfolio six months ended June 30, 2018. For the six months ended June 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 six months ended June 30, 2017. There were no Incentive Fees related to capital gains and losses for the six months ended June 30, 2018 and 2017 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 \$1.8 million for the three months ended June 30, 2017 to \$1.6 million for the three months ended June 30, 2018. Other general and administrative fees remained flat at \$1.3 million for the three months ended June 30, 2017 and 2018.

Professional fees increased from \$3.1 million for the six months ended June 30, 2017 to \$3.7 million for the six months ended June 30, 2018 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. Other general and administrative fees remained flat at \$2.6 million for the six months ended June 30, 2017 and 2018.

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 six months ended June 30, 2018, we recorded a net expense of \$0.9 million and \$1.7 million, respectively, for U.S. federal excise tax. For the three and six months ended June 30, 2017, we recorded a net expense of \$0.9 million and \$1.6 million, respectively, for U.S. federal excise tax.

Net Realized and Unrealized Gains and Losses

The following table summarizes our net realized and unrealized gains (losses) for the three and six months ended June 30, 2018 and 2017:

(\$ in millions)	For the Three Months Ended June 30,		For the Six Months Ended June 30,	
	2018	2017	2018	2017
Net realized losses on investments	\$ (9.1)	\$ (18.5)	\$ (6.5)	\$ (17.2)
Net realized gains (losses) on foreign currency transactions	(0.0)	(0.0)	0.1	0.2
Net realized gains (losses) on foreign currency investments	(0.1)	(0.1)	0.0	(4.8)
Net realized gains (losses) on foreign currency borrowings	0.0	(0.0)	0.1	5.1
Net realized losses	\$ (9.2)	\$ (18.6)	\$ (6.3)	\$ (16.7)
Change in unrealized gains on investments	\$ 30.9	\$ 45.4	\$ 37.4	\$ 52.7
Change in unrealized losses on investments	(27.6)	(28.2)	(29.1)	(32.0)
Net Change in Unrealized Gains (Losses) on Investments	\$ 3.3	\$ 17.2	\$ 8.3	\$ 20.7
Unrealized gains (losses) on foreign currency borrowings	4.9	(2.8)	3.9	(8.7)
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	(1.7)	2.1	(6.0)	2.3
Net Change in Unrealized Gains (Losses) on Foreign Currency Transactions and Interest Rate Swaps	\$ 3.2	\$ (0.7)	\$ (2.1)	\$ (6.4)
Net Change in Unrealized Gains	\$ 6.5	\$ 16.5	\$ 6.2	\$ 14.3

For the three and six months ended June 30, 2018 we had net realized losses on investments of \$9.1 million and \$6.5 million, respectively. For the three and six months ended June 30, 2018, we had net realized losses of less than \$0.1 million and net realized gains of \$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 six months ended June 30, 2018, we had net realized losses of \$0.1 million and net realized gains of less than \$0.1 million, respectively, on foreign currency investments. For the three and six months ended June 30, 2018, 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 and foreign currency investments for the three and six months ended June 30, 2018 were a result of a partial realization on one investment.

For the three months ended June 30, 2018 we had \$30.9 million in unrealized gains on 27 portfolio company investments, which was offset by \$27.6 million in unrealized losses on 26 portfolio company investments. For the six months ended June 30, 2018 we had \$37.4 million in unrealized gains on 33 portfolio company investments, which was offset by \$29.1 million in unrealized losses on 25 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 six months ended June 30, 2018, we had unrealized gains on foreign currency borrowings of \$4.9 million and \$3.9 million, respectively, as a result of fluctuations in the EUR and AUD exchange rates. For both the three and six months ended June 30, 2018, we had unrealized losses on foreign currency cash and forward contracts of less than \$0.1 million. For the three and six months ended June 30, 2018, we had unrealized losses on interest rate swaps of \$1.7 million and \$6.0 million, respectively, on interest rate swaps due to fluctuations in interest rates and the periodic settlement of interest rate swaps.

For the three and six months ended June 30, 2017 we had net realized losses on investments of \$18.5 million and \$17.2 million, respectively. For the three and six months ended June 30, 2017, we had net realized losses 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 the three and six months ended June 30, 2017, we had net realized losses of \$0.1 million and \$4.8 million, respectively, on foreign currency investments. For the three and six months ended June 30, 2017, we had net realized losses of less than \$0.1 million and net realized gains of \$5.1 million, respectively, on foreign currency borrowings. The net realized gains on foreign currency borrowings and net realized losses on foreign currency investments for the six months ended June 30, 2017 were a result of exiting two investments and a partial realization on one investment.

For the three months ended June 30, 2017 we had \$45.4 million in unrealized gains on 28 portfolio company investments, which was offset by \$28.2 million in unrealized losses on 26 portfolio company investments. For the six months ended June 30, 2017 we had \$52.7 million in unrealized gains on 37 portfolio company investments, which was offset by \$32.0 million in unrealized losses on 27 portfolio company investments. Unrealized gains resulted from an increase in fair value, primarily due to a tightening spread environment and positive credit-related adjustments. Unrealized losses primarily resulted from the reversal of prior period unrealized gains and in some instances negative credit-related adjustments.

For the three and six months ended June 30, 2017, we had unrealized losses on foreign currency borrowings of \$2.8 million and \$8.7 million, respectively, as a result of fluctuations in the GBP and EUR exchange rates. For the three and six months ended June 30, 2017, we had unrealized losses on foreign currency cash and forward contracts of less than \$0.1 million and unrealized gains of less than \$0.1 million, respectively. For the three and six months ended June 30, 2017, we had unrealized gains on interest rate swaps of \$2.1 million and \$2.3 million, respectively, on interest rate swaps due to fluctuations in interest rates.

Realized Gross Internal Rate of Return

Since we began investing in 2011 through June 30, 2018, weighted by capital invested, our exited investments have generated an average realized gross internal rate of return to us of 18.8% (based on total capital invested of \$2.9 billion and total proceeds from these exited investments of \$3.6 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 six months ended June 30, 2018, we incurred \$4.9 million and \$3.9 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 six months ended June 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 June 30, 2018. 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 currently 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 200%. As of June 30, 2018 and December 31, 2017, our asset coverage ratio was 221.4% and 235.5%, 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 200% asset coverage limitation to cover any outstanding unfunded commitments we are required to fund.

Cash and cash equivalents as of June 30, 2018, 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 June 30, 2018, we had approximately \$500.6 million of availability on our Revolving Credit Facility, subject to asset coverage limitations.

As of June 30, 2018, we had \$10.3 million in cash and cash equivalents, including \$7.2 million of restricted cash, an increase of \$3.6 million from December 31, 2017. During the six months ended June 30, 2018, we used \$179.7 million in cash from operating activities, primarily as a result of funding portfolio investments of \$553.0 million and other operating activity of \$1.1 million, which was offset by repayments and proceeds from investments of \$307.0 million and an increase in net assets resulting from operations of \$67.4 million. Lastly, cash provided by financing activities was \$183.3 million during the period, primarily due to borrowings of \$860.2 million (including the issuance of \$150.0 million principal amount of our 2023 Notes and \$57.5 million principal amount of our 2022 Convertible Notes in a reopening), and proceeds from issuance of common stock, net of offering and underwriting costs, of \$71.8 million, which was partially offset by repayments on our Revolving Credit Facility of \$696.3 million (including \$146.9 million net proceeds from our 2023 Notes, \$58.1 million net proceeds from the issuance of our 2022 Convertible Notes in a reopening, and \$71.8 million net proceeds from our equity offering in March 2018), dividends paid of \$45.6 million and deferred financing costs of \$6.8 million.

As of June 30, 2018, we had \$7.2 million of restricted cash pledged as collateral under our interest rate swap agreements, an increase of \$4.0 million from December 31, 2017.

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 six months ended June 30, 2018 and 2017, we issued 401,101 and 244,469 shares of our common stock, respectively, to investors who have not opted out of our dividend reinvestment plan for proceeds of \$7.1 million and \$4.5 million, respectively. On July 13, 2018, we issued 206,556 shares of our common stock through our dividend reinvestment plan for proceeds of \$3.6 million, which is not reflected in the number of shares issued for the six months ended June 30, 2018 in this section or the consolidated financial statements for the three and six months ended June 30, 2018.

On November 3, 2014, the Board approved 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 over a specified period, in accordance with the guidelines specified in Rule 10b-18 and Rule 10b5-1 of the Exchange Act. We put the Company 10b5-1 Plan in place because we believe that, in current market conditions, if our common stock is trading below our then-current net asset value, 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 requires Goldman Sachs & Co. LLC, as our agent, to repurchase shares of common stock on our behalf when the market price per share is below 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). 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 will depend on the terms and conditions of the Company 10b5-1 Plan, the market price of our 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.

The Company 10b5-1 Plan expired in accordance with its terms on June 30, 2015. On August 4, 2015, the Board authorized us to enter into a new stock repurchase plan, on substantially the same terms as the prior stock repurchase plan, over an initial six month period, and has continued to authorize extensions of the plan termination date prior to its expiration since that time. On August 1, 2018 the Board authorized the extension of the termination date of the Company 10b5-1 Plan to February 28, 2019. Unless extended or terminated by the Board, the Company 10b5-1 Plan will be in effect through the earlier of February 28, 2018 or such time as the current approved repurchase amount of up to \$50 million has been fully utilized, subject to certain conditions.

For the six months ended June 30, 2018, no shares were repurchased under the Company 10b5-1 Plan.

Debt

Debt obligations consisted of the following as of June 30, 2018 and December 31, 2017:

(\$ in millions)	June 30, 2018			
	Aggregate Principal	Outstanding	Amount	Carrying
	Amount Committed	Principal	Available (1)	Value (2)
Revolving Credit Facility	\$ 940.0	\$ 439.4	\$ 500.6	\$ 430.5
2019 Convertible Notes	115.0	115.0	—	112.9
2022 Convertible Notes	172.5	172.5	—	167.7
2023 Notes	150.0	150.0	—	147.1
Total Debt	\$ 1,377.5	\$ 876.9	\$ 500.6	\$ 858.2

- (1) The amount available reflects any limitations related to the respective debt facilities' borrowing bases.
- (2) The carrying values of the Revolving Credit Facility, Convertible Notes, and 2023 Notes are presented net of deferred financing costs of \$8.9 million, \$5.0 million and \$2.8 million, respectively.

(\$ in millions)	December 31, 2017			
	Aggregate Principal	Outstanding	Amount	Carrying
	Amount Committed	Principal	Available (1)	Value (2)
Revolving Credit Facility	\$ 975.0	\$ 486.8	\$ 488.2	\$ 479.7
2019 Convertible Notes	115.0	115.0	—	112.2
2022 Convertible Notes	115.0	115.0	—	111.5
Total Debt	<u>\$ 1,205.0</u>	<u>\$ 716.8</u>	<u>\$ 488.2</u>	<u>\$ 703.4</u>

- (1) The amount available reflects any limitations related to the respective debt facilities' borrowing bases.
- (2) The carrying values of the Revolving Credit Facility and Convertible Notes are presented net of deferred financing costs of \$7.1 million and \$4.7 million, respectively.

As of June 30, 2018 and December 31, 2017, 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 June 30, 2018, aggregate commitments under the facility were \$940 million. The facility includes an uncommitted accordion feature that allows us, under certain circumstances, to increase the size of the facility to up to \$1.25 billion.

The revolving period, during which period we, subject to certain conditions, may make borrowings under the facility, ends February 18, 2022 and the stated maturity date is February 17, 2023.

We may borrow amounts in U.S. dollars or certain other permitted currencies. As of June 30, 2018, we had outstanding debt denominated in Australian Dollars (AUD) of 46.4 million and Euro (EUR) of 57.1 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 June 30, 2018 and December 31, 2017, 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 requiring:

- an asset coverage ratio of no less than 2 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; and
- stockholders' equity of at least \$500 million plus 25% of the net proceeds of the sale of equity interests after February 20, 2018.

Net proceeds received from our 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.

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 June 30, 2018, the estimated adjusted conversion price was approximately \$25.26 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%.

Holders may convert their 2019 Convertible Notes at their option at any time prior to June 15, 2019 only under the following circumstances: (1) during any calendar quarter commencing after the calendar quarter ending on September 30, 2014 (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 2019 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 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, regardless of the occurrence or nonoccurrence of any of the foregoing circumstances.

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 June 30, 2018, the estimated adjusted conversion price was approximately \$21.05 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 June 30, 2018, 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 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 June 30, 2018, we were in compliance with the terms of each 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 incorporated 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 June 30, 2018 and December 31, 2017, we had the following commitments to fund investments in current portfolio companies:

(\$ in millions)	June 30, 2018	December 31, 2017
AppStar Financial, LLC - Revolver	\$ 2.0	\$ 2.0
Bazaarvoice, Inc. - Revolver	3.0	—
Ferrellgas, L.P. - Revolver	30.0	—
Frontline Technologies Group, LLC - Delayed Draw	9.4	9.4
G Treasury SS, LLC - Delayed Draw	5.0	—
G Treasury SS, LLC - Revolver	2.0	—
Helix Health, Ltd. - Revolver	4.3	4.4
Illuminate Education, Inc. - Revolver	—	5.0
Industrial Physics, LLC - Revolver	4.3	5.0
IRGSE Holding Corp. - Revolver	0.3	0.3
Lithium Technologies, LLC - Revolver	3.7	3.7
Leaf US Holdings, Inc. - Revolver	—	2.0
Motus, LLC - Revolver	5.2	—
Government Brands, LLC - Revolver	5.0	—
Marketo, Inc. - Revolver	—	1.9
Northern Oil and Gas, Inc. - Delayed Draw	6.5	16.2
PageUp People Limited - Delayed Draw	3.6	—
PayLease, LLC - Revolver	3.3	3.3
PaySimple, Inc. - Revolver	—	5.0
Rex Energy Corporation DIP - Delayed Draw	6.5	11.1
Riskconnect, Inc. - Revolver	5.0	5.0
ScentAir Technologies, Inc. - Revolver	0.8	0.8
Sovos Compliance, LLC - Delayed Draw	3.0	3.0
Sovos Compliance, LLC - Revolver	1.7	1.7
Total Portfolio Company Commitments	\$ 104.6	\$ 79.8

Other Commitments and Contingencies

As of June 30, 2018 and December 31, 2017, 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 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, the fees and expenses associated with performing compliance functions and our allocable portion of the compensation of our Chief Compliance Officer, Chief Financial Officer and other professionals who spend time on those related activities (based on a percentage of time those individuals devote, on an estimated basis, to our business and affairs). 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 June 30, 2018 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	\$ 439.4	\$ —	\$ —	\$ 439.4	\$ —
2019 Convertible Notes	115.0	—	115.0	—	—
2022 Convertible Notes	172.5	—	—	172.5	—
2023 Notes	150.0	—	—	150.0	—
Total Contractual Obligations	\$ 876.9	\$ —	\$ 115.0	\$ 761.9	\$ —

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, 2017, filed with the SEC on February 21, 2018, 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 June 30, 2018, 100.0% of our debt investments based on fair value in our portfolio bore interest at floating rates (when including investment specific hedges), with 94.1% 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 a fixed rate, we entered into fixed-to-floating interest rate swaps in order to continue to align the nature of interest rates of our liabilities with the nature of interest rates of our investment portfolio.

Assuming that our consolidated balance sheet as of June 30, 2018 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 Income	
Up 300 basis points	\$ 57.0	\$ 26.3	\$	30.7
Up 200 basis points	\$ 38.0	\$ 17.5	\$	20.5
Up 100 basis points	\$ 19.0	\$ 8.8	\$	10.2
Down 25 basis points	\$ (4.7)	\$ (2.0)	\$	(2.7)

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, 2017 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.

As a BDC, under the 1940 Act we generally are 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, we have the ability to elect to become subject to a lower asset coverage requirement of 150%, subject to our receipt of the requisite board or stockholder approvals under the SBCAA and satisfaction of certain other conditions.

Specifically, we may receive approval to increase our amount of available leverage under the 1940 Act either from stockholders holding a majority of the votes cast at a meeting at which a quorum is present, or from our board, including a majority of our board members who are not “interested persons” within the meaning of the 1940 Act. If we receive board approval to reduce our asset coverage requirement, though, we must wait one year from the date of such approval prior to its effectiveness. In both cases, we would be required to make certain disclosures on our website and in SEC filings regarding, among other things, the receipt of approval to increase our leverage, our leverage capacity and usage, and risks related to leverage.

On August 1, 2018, the Board, including a “required majority” thereof (as defined in Section 57(o) of the 1940 Act), 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, our minimum asset coverage ratio will be changed from 200% to 150% for purposes of the 1940 Act leverage limitation as of August 1, 2019. In other words, pursuant to Section 61(a) of the 1940 Act, as amended by the SBCAA, we will be permitted to potentially increase our debt-to-equity ratio from a maximum of 1:1 to a maximum of 2:1.

In addition, on the same day, the Board also authorized us to submit to our stockholders a proposal to approve the application of the lower minimum asset coverage ratio of 150% to us, to take place at a special meeting of stockholders, so that we may increase our leverage limitation under the 1940 Act sooner than August 1, 2019. The date of the special meeting has not yet been determined. If the proposal is approved by our stockholders at the special meeting, the application of the 150% minimum asset coverage ratio would be effective as of the day after the special meeting.

As a result, you may face increased investment risk.

The terms of our credit facilities may contractually limit our ability to incur additional indebtedness.

Even though our Board has approved the application of the minimum asset coverage ratio of 150% to be effective on August 1, 2019, (or, if we receive approval of our stockholders, to be effective the day after a special meeting to be held for that purpose), contractual leverage limitations under our existing credit facilities or future borrowings may limit our ability to incur additional indebtedness. Currently, our Revolving Credit Facility limits us to a minimum asset coverage ratio of 200%. We cannot assure you that we will be able to negotiate a change to our credit facilities to allow us to incur additional leverage or that any such an amendment will be available to us on favorable terms. An inability on our part to amend the contractual asset coverage limitation and access additional leverage could limit our ability to take advantage of the benefits related to our ability to incur additional leverage and could decrease our earnings, if any, which would have an adverse effect on our business, financial condition and results of operations and the value of our securities.

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, 2017.

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 200% or, effective August 1, 2019 (unless our stockholders approve the application of the 150% minimum asset coverage ratio to us at an earlier special meeting, in which case effective as of the first day after the special meeting), 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 May 17, 2018, 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 May 17, 2019. 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 June 30, 2018, 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 June 30, 2018, we had \$876.9 million of outstanding indebtedness, which had an annualized interest cost of 4.1% 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 June 30, 2018, 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% and 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 1.8%. 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 June 30, 2018

	Assumed Return on Our Portfolio (net of expenses)				
	-10%	-5%	0%	5%	10%
Corresponding return to stockholder ⁽¹⁾	-22.0%	-12.7%	-3.4%	5.9%	15.3%

(1) Assumes, as of June 30, 2018, (i) \$2.0 billion in total assets, (ii) \$876.9 million in outstanding indebtedness, (iii) \$1.1 billion in net assets and (iv) annualized interest cost of 4.1%, under the terms of our debt.

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 [First Supplemental Indenture, dated as of June 19, 2018, between TPG Specialty Lending, Inc. and Wells Fargo Bank, National Association, as Trustee \(incorporated by reference to Exhibit 4.1 to the Company's Current Report on Form 8-K filed on June 19, 2018\)](#)
- 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: August 1, 2018

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

Date: August 1, 2018

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;
 - 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: August 1, 2018

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;
 - 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: August 1, 2018

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 June 30, 2018, 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: August 1, 2018

/s/ Ian Simmonds

Name: Ian Simmonds
Title: Chief Financial Officer
Date: August 1, 2018

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.