
**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION**

Washington, D.C. 20549

FORM 10-K

☒ **ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the fiscal year ended December 31, 2014

or

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

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)

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

301 Commerce Street, Suite 3300,
Fort Worth, TX
(Address of Principal Executive Offices)

76102
(Zip Code)

Registrant's Telephone Number, Including Area Code: (817) 871-4000

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

Title of each class
Common Stock, par value \$0.01 per share

Name of each exchange on which registered
The New York Stock Exchange

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

None

(Title of class)

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. YES ☐ NO ☒

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. YES ☐ NO ☒

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 if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of the registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. ☐

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

Large accelerated filer: ☒ Accelerated filer: ☐

Non-accelerated filer: ☐ (Do not check if a smaller reporting company) Smaller reporting company: ☐

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Act). YES ☐ NO ☒

The aggregate market value of the voting stock held by non-affiliates of the registrant on June 30, 2014, based on the closing price on that date of \$21.83 on The New York Stock Exchange, was approximately \$1,093,965,960. The number of shares of the registrant's common stock, \$.01 par value per share, outstanding at February 24, 2015 was 53,959,848.

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the Registrant's proxy statement for the 2015 annual meeting of stockholders are incorporated by reference in Part III.

TPG SPECIALTY LENDING, INC.
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Year Ended December 31, 2014

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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 or 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 are 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 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 because we are an investment company.

PART I

In this Annual Report, except where the context suggests otherwise, the terms “TSL,” “we,” “us,” “our,” and “the Company” refer to TPG Specialty Lending, Inc. The term “Adviser” refers to TSL Advisers, LLC, a Delaware limited liability company. The term “TSSP” refers to TPG Special Situations Partners. The term “TPG” refers to TPG Global, LLC and its affiliates.

ITEM 1. BUSINESS

General

Our Company

We are a specialty finance company focused on lending to middle-market companies. Since we began our investment activities in July 2011, through December 31, 2014, we have originated more than \$3.3 billion aggregate principal amount of investments and retained approximately \$2.4 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 loans and investments in corporate bonds and equity securities. By “middle-market companies,” we mean companies that have annual earnings before interest, income taxes, depreciation and amortization, or 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 December 31, 2014, our core portfolio, which excludes certain investments that fall outside of our typical borrower profile, companies had weighted average annual revenue of \$145 million and weighted average annual EBITDA of \$34 million.

We generate revenues primarily in the form of interest income from the investments we hold. In addition, we generate income from dividends on direct equity investments, capital gains on the sales of loans and debt and equity securities and various loan origination and other fees.

In conducting our investment activities, we believe that we benefit from the significant scale and resources of our Adviser and its affiliates. We have operated our business as a business development company, or a BDC, since we began our investment activities in July 2011, and we are currently one of the largest BDCs by total assets.

The companies in which we invest use our capital to support organic growth, acquisitions, market or product expansion and recapitalizations. We invest in first-lien debt, second-lien debt, mezzanine 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. As of December 31, 2014, based on fair value our portfolio consisted of 89.0% first-lien debt investments, 8.8% second-lien debt investments, 1.0% mezzanine debt investments, and 1.2% equity and other investments. Approximately 96.8% of our debt investments as of December 31, 2014 are floating rate in nature, subject to interest rate floors, which we believe helps act as a portfolio-wide hedge against inflation. As of December 31, 2014 and 2013, we had investments in 34 and 27 portfolio companies, respectively. As of December 31, 2014, our average investment size in each of our portfolio companies was approximately \$37 million. We expect that no single investment will represent more than 15% of our total investment portfolio.

As of December 31, 2014, our portfolio was invested across 19 different industries. The largest industries in our portfolio as of December 31, 2014 were healthcare and pharmaceuticals, business services, and financial services, which represented, as a percentage of our portfolio, 17.3%, 10.0%, and 8.4%, respectively, based on fair value.

We are an externally managed, closed-end, non-diversified management investment company that has elected to be regulated as a BDC under the Investment Company Act of 1940, as amended, or the 1940 Act. In addition, for U.S. income tax purposes, we have elected to be treated as a regulated investment company, or RIC, under Subchapter M of the Internal Revenue Code of 1986, as amended, which we refer to as the Code. Because we elected to be a BDC and have elected to be treated as a RIC for U.S. tax purposes, our portfolio is and will continue to be subject to diversification and other requirements to maintain such status elections.

We borrow money from time to time within the levels permitted by the 1940 Act to fund investments and for general corporate purposes. Under the 1940 Act, we can 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%. In determining whether to borrow money, we analyze the maturity, covenant package and rate structure of the proposed borrowings, as well as the risks of those borrowings compared to our investment outlook. The use of borrowed funds or the proceeds of preferred stock offerings to make investments has its own specific set of benefits and risks, and all of the costs of

borrowing funds or issuing preferred stock are borne by us, and ultimately the holders of our common stock. See “ITEM 1A. Risk Factors—*Risks Related to Our Business and Structure—We borrow money, which magnifies the potential for gain or loss and increases the risk of investing in us.*”

Our operations comprise only a single reportable segment.

On November 3, 2014, our Board of Directors approved a stock repurchase plan, which we refer to as 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 over a specified period, in accordance with the guidelines specified in Rule 10b-18 and Rule 10b5-1 of the Exchange Act. Unless extended or terminated by the Board of Directors, the Company 10b5-1 Plan will be in effect through the earlier of May 4, 2015 or such time as the approved \$50 million repurchase amount has been fully utilized, subject to certain conditions. On February 20, 2015, our Board of Directors authorized the extension of the termination date of the Company 10b5-1 Plan from May 4, 2015 to June 30, 2015. As of December 31, 2014, no shares had been repurchased under the Company 10b5-1 Plan.

Our Investment Adviser and Investments

Investment Adviser

TSL Advisers, LLC is our external manager. 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 Investment Advisers Act of 1940, as amended, or the Advisers Act.

Our Adviser sources and manages our portfolio through our Investment Team, a dedicated team of investment professionals predominately focused on us. Our Investment Team is led by our Chairman and Co-Chief Executive Officer and our Adviser’s Co-Chief Investment Officer Joshua Easterly, our Co-Chief Executive Officer Michael Fishman and our Adviser’s Co-Chief Investment Officer Alan Waxman, all 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 Special Situations Partners, LLC, or “TSSP”.

TSSP is the special situations and credit platform of TPG Global, LLC, or “TPG,” and encompasses TPG Specialty Lending, Inc., TPG Opportunities Partners and TSSP Adjacent Opportunities Partners, which invest in special situations and distressed investments across the credit cycle, Austin Credit Macro, which is focused on macro credit opportunities, and TPG Institutional Credit Partners, which is a “public-side” credit investment platform focused on investment opportunities in the broadly syndicated leveraged loan markets. TSSP had over \$11 billion of assets under management as of December 31, 2014. 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 90 investment and operating professionals as of December 31, 2014. Twenty four (24) of these personnel are dedicated to our business, including 17 investment professionals. The members of the Investment Review Committee are Joshua Easterly, Michael Fishman, Alan Waxman and David Stiepleman.

TPG is a leading global private investment firm founded in 1992 with \$65 billion of assets under management as of December 31, 2014, and offices in San Francisco, Fort Worth, New York and throughout the world. In addition to TSSP, TPG’s investment business includes discrete investment platforms focused on a range of alternative investment products, including TPG Capital, which is TPG’s flagship large capitalization private equity business and focuses on global investments across all major industry sectors; TPG Growth, which invests in small- and middle-market growth equity and corporate opportunities in all major industry sectors in North America and in other developed and emerging markets; TPG Biotechnology Partners, which invests in early- and late-stage venture capital opportunities in the biotechnology and related life sciences industries; and TPG Real Estate, which is the real estate platform of TPG. TPG has extensive experience with global public and private investments executed through leveraged buyouts, recapitalizations, spinouts, growth investments, joint ventures and restructurings, and has a team of over 250 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.

The Adviser is responsible for managing our day-to-day business affairs, including implementing investment policies and strategic initiatives set by our Investment Team and managing our portfolio under the general oversight of our Investment Review Committee.

On April 15, 2011, we entered into the Investment Advisory Agreement with our Adviser. The Investment Advisory Agreement was subsequently amended on December 12, 2011. Under the Investment Advisory Agreement, the Adviser provides investment advisory services to us.

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 us are not impaired. Under the terms of the Investment Advisory Agreement, we pay the Adviser the Management Fee and the Incentive Fee. For a discussion of the Management Fee and Incentive Fee payable by us to the Adviser, see "*Management Agreements—Investment Advisory Agreement; Administration Agreement; License Agreement.*" Our Board monitors the mix and performance of our investments over time and seeks to satisfy itself that the Adviser is acting in our interests and that our fee structure appropriately incentivizes the Adviser to do so.

On November 3, 2014, our Board renewed the Investment Advisory Agreement. Unless earlier terminated, the Investment Advisory Agreement will remain in effect until November 3, 2015, and may be extended subject to required approvals.

In 2014, the Adviser entered into a purchase agreement, which we refer to as the Adviser 10b5-1 Plan, in accordance with Rules 10b5-1 and 10b-18 under the Exchange Act, under which an agent for the Adviser would buy up to \$25 million in the aggregate of our common stock, subject to certain conditions. The Adviser 10b5-1 Plan expired in accordance with its terms on December 31, 2014. During the year ended December 31, 2014, 300 shares were purchased under the Adviser 10b5-1 Plan. These 300 shares were purchased prior to the approval and implementation of the Company 10b5-1 Plan.

Investment Criteria/Guidelines

Investment Decision Process

Our investment approach involves, among other things:

- an assessment of the markets, overall macroeconomic environment and how the assessment may impact industry and investment selection;
- substantial company-specific research and analysis; and
- with respect to each individual company, an emphasis on capital preservation, low volatility and management of downside risk.

The foundation of our investment philosophy incorporates intensive analysis, a management discipline based on both market technicals and fundamental value-oriented research, and consideration of diversification within our portfolio. We follow a rigorous investment process based on:

- a comprehensive analysis of issuer creditworthiness, including a quantitative and qualitative assessment of the issuer's business;
- an evaluation of management and its economic incentives;
- an analysis of business strategy and industry trends; and
- an in-depth examination of a prospective portfolio company's capital structure, financial results and projections.

We seek to identify those companies exhibiting superior fundamental risk-reward profiles and strong defensible business franchises, while focusing on the absolute and relative value of the investment.

Investment Process Overview

Origination and Sourcing

The substantial majority of our investments are not intermediated and are originated without the assistance of investment banks or other traditional Wall Street sources. In addition to executing direct calling campaigns on companies based on the Adviser's sector and macroeconomic views, our Investment Team also maintains direct contact with financial sponsors, banks, corporate advisory firms, industry consultants, attorneys, investment banks, "club" investors and other potential sources of lending opportunities. The substantial majority of our deals are informed by our current sector views and are sourced directly by our Adviser through our network contacts. We also identify opportunities through our Adviser's relationships with TSSP and TPG.

Due Diligence Process

The process through which an investment decision is made involves extensive research into the company, its industry, its growth prospects and its ability to withstand adverse conditions. If the management group responsible for the transaction determines that an investment opportunity should be pursued, we will engage in an intensive due diligence process. Though each transaction will involve a somewhat different approach, our diligence of each opportunity may include:

- understanding the purpose of the loan, the key personnel and variables, as well as the sources and uses of the proceeds;

- meeting the company's management, including top and middle-level executives, to get an insider's view of the business, and to probe for potential weaknesses in business prospects;
- checking management's backgrounds and references;
- performing a detailed review of historical financial performance, including performance through various economic cycles, and the quality of earnings;
- contacting customers and vendors to assess both business prospects and standard practices;
- conducting a competitive analysis, and comparing the company to its main competitors on an operating, financial, market share and valuation basis;
- researching the industry for historic growth trends and future prospects as well as to identify future exit alternatives;
- assessing asset value and the ability of physical infrastructure and information systems to handle anticipated growth;
- leveraging TSSP and TPG internal resources with institutional knowledge of the company's business; and
- investigating legal and regulatory risks and financial and accounting systems and practices.

Selective Investment Process

After an investment has been identified and preliminary diligence has been completed, a credit research and analysis report is prepared. This report is reviewed by the senior investment professional in charge of the potential investment. If these senior and other investment professionals are in favor of the potential investment, then a more extensive due diligence process is employed. Additional due diligence with respect to any investment may be conducted on our behalf by attorneys, independent accountants, and other third-party consultants and research firms prior to the closing of the investment, as appropriate, on a case-by-case basis.

Issuance of Formal Commitment

Approval of an origination requires the approval of the Investment Review Committee or, depending on the size and nature of the investment, a portion thereof. Once we have determined that a prospective portfolio company is suitable for investment, we work with the management or sponsor of that company and its other capital providers, including senior, junior and equity capital providers, if any, to finalize the structure and terms of the investment.

Portfolio Monitoring

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 loan 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 borrower.

- An investment will be assigned a rating of 3 if it is paying as agreed but a covenant violation is expected. For these investments, in addition to monthly reports and quarterly asset reviews, the Adviser also adds the company to its “watch list” and researches any areas of concern with the objective of early intervention with the borrower.
- 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 loan 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 loans 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 borrower to have the default cured, to have the loan restructured or to have the loan repaid through a consensual workout.

For more information on the investment performance ratings of our portfolio, see “ITEM 7. MANAGEMENT’S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS—Portfolio and Investment Activity.”

Investment Review Committee

The Adviser manages our portfolio under the general oversight of the Investment Review Committee. The Investment Review Committee includes certain individuals who are senior personnel of the Adviser and TSSP, as well as certain other persons appointed by the Adviser from time to time. Our Investment Team and the Investment Review Committee are supported by and have access to the investment professionals, analytical capabilities and support personnel of TPG.

Structure of Investments

Since beginning our investment activities in July 2011, we have sought 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 loans and investments in corporate bonds and equity and other investments.

Debt Investments

The terms of our debt investments are tailored to the facts and circumstances of each transaction and prospective portfolio company. We negotiate the structure of each investment to protect our rights and manage our risk while providing funding to help the portfolio company achieve its business plan. We invest in the following types of debt:

- **First-lien debt.** First-lien debt is typically senior on a lien basis to other liabilities in the issuer’s capital structure and has the benefit of a first-priority security interest in assets of the issuer. The security interest ranks above the security interest of any second-lien lenders in those assets. Our first-lien debt may include stand-alone first-lien loans, “last out” first-lien loans, “unitranche” loans and secured corporate bonds with similar features to these categories of first-lien loans.
- **Stand-alone first-lien loans.** Stand-alone first-lien loans are traditional first-lien loans. All lenders in the facility have equal rights to the collateral that is subject to the first-priority security interest.
- **“Last out” first-lien loans.** “Last out” first-lien loans have a secondary priority behind super-senior “first out” first-lien loans in the collateral securing the loans in certain circumstances. The arrangements for a “last out” first-lien loan are set forth in an “agreement among lenders,” which provides lenders with “first out” and “last out” payment streams based on a single lien on the collateral. Since the “first out” lenders generally have priority over the “last out” lenders for receiving payment under certain specified events of default, or upon the occurrence of other triggering events under intercreditor agreements or agreements among lenders, the “last out” lenders bear a greater risk and, in exchange, receive a higher effective interest rate, through arrangements among the lenders, than the “first out” lenders or lenders in stand-alone first-lien loans. Agreements among lenders also typically provide greater voting rights to the “last out” lenders than the intercreditor agreements to which second-lien lenders often are subject.
- **“Unitranche” loans.** Unitranche loans combine features of first-lien, second-lien and mezzanine debt, generally in a first-lien position. In many cases, we may provide the borrower most, if not all, of the capital structure above the equity. The primary advantages to the borrower are the ability to negotiate the entire debt financing with one lender and the elimination of intercreditor issues.
- **Second-lien debt.** Our second-lien debt may include secured loans, and, to a lesser extent, secured corporate bonds, with a secondary priority behind first-lien debt. Second-lien debt typically is senior on a lien basis to other liabilities in the issuer’s

capital structure and has the benefit of a security interest over assets of the issuer, though ranking junior to first-lien debt secured by those assets. First-lien lenders and second-lien lenders typically have separate liens on the collateral, and an intercreditor agreement provides the first-lien lenders with priority over the second-lien lenders' liens on the collateral.

- **“Mezzanine” debt.** Structurally, mezzanine debt usually ranks subordinate in priority of payment to first-lien and second-lien debt, is often unsecured and may not have the benefit of financial covenants common in first-lien and second-lien debt. However, mezzanine debt ranks senior to common and preferred equity in an issuer's capital structure. Mezzanine debt investments generally offer lenders fixed returns in the form of interest payments and will often provide lenders an opportunity to participate in the capital appreciation, if any, of an issuer through an equity interest. This equity interest typically takes the form of an equity co-investment or warrants. Due to its higher risk profile and often less restrictive covenants compared to senior secured loans, mezzanine debt generally bears a higher stated interest rate than first-lien and second-lien debt.

Our debt investments are typically structured with the maximum seniority and collateral that we can reasonably obtain while seeking to achieve our total return target. We seek to limit the downside potential of our investments by:

- requiring a total return on our investments (including both interest and potential equity appreciation) that compensates us for credit risk; and
- negotiating covenants in connection with our investments that afford our portfolio companies as much flexibility in managing their businesses as possible, consistent with preservation of our capital. Such restrictions may include affirmative covenants (including reporting requirements), negative covenants (including financial covenants), lien protection, change of control provisions and board rights, including either observation or rights to a seat on the board under some circumstances.

Among the types of first-lien debt in which we invest, we generally are able to obtain higher effective interest rates on our “last out” first-lien loans than on other types of first-lien loans, since our “last-out” first-lien loans generally are more junior in the capital structure. Within our portfolio, we aim to maintain the appropriate proportion among the various types of first-lien loans, as well as second-lien debt and mezzanine debt, which allows us to achieve our target returns while maintaining our targeted amount of credit risk.

Equity and Other Investments

Our loans may include an equity interest in the issuer, such as a warrant or profit participation right. In certain instances, we also will make direct equity investments, although those situations are generally limited to those cases where we are also making an investment in a more senior part of the capital structure of the issuer.

Investments

As of December 31, 2014 and December 31, 2013, we had made investments with an aggregate fair value of \$1,263.5 million and \$1,016.5 million, respectively, in 34 and 27 portfolio companies, respectively.

Investments consisted of the following at December 31, 2014 and 2013:

(\$ in millions)	December 31, 2014		
	Amortized Cost (1)	Fair Value	Net Unrealized Gain (Loss)
First-lien debt investments	\$ 1,127.2	\$ 1,124.2	\$ (3.0)
Second-lien debt investments	111.1	111.4	0.3
Mezzanine debt investments	13.4	13.0	(0.4)
Equity and other investments	21.5	14.9	(6.6)
Total Investments	\$ 1,273.2	\$ 1,263.5	\$ (9.7)

(\$ in millions)	December 31, 2013		
	Amortized Cost (1)	Fair Value	Net Unrealized Gain (Loss)
First-lien debt investments	\$ 863.4	\$ 877.2	\$ 13.8
Second-lien debt investments	131.1	137.5	6.4
Mezzanine debt investments	—	—	—
Equity and other investments	2.8	1.8	(1.0)
Total Investments	\$ 997.3	\$ 1,016.5	\$ 19.2

- (1) 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 December 31, 2014 and 2013 was as follows:

	<u>December 31, 2014</u>	<u>December 31, 2013</u>
Aerospace and defense	—	5.3%
Automotive	2.7%	6.1%
Beverage, food, and tobacco	6.8%	4.5%
Business services	10.0%	16.5%
Communications	1.4%	—
Construction and building	—	5.1%
Containers and packaging	3.2%	4.6%
Education	2.2%	2.9%
Electronics	6.2%	—
Financial services	8.4%	11.6%
Healthcare and pharmaceuticals	17.3%	10.8%
Hotel, gaming, and leisure	5.9%	7.2%
Human resource support services	—	5.2%
Insurance	8.0%	3.2%
Internet services	3.2%	—
Manufacturing	3.5%	2.7%
Metals and mining	1.7%	3.3%
Office products	2.8%	2.0%
Oil, gas and consumable fuels	8.2%	3.9%
Other	0.4%	—
Retail	3.3%	—
Transportation	4.8%	5.1%
Total	<u>100.0%</u>	<u>100.0%</u>

We classify the industries of our portfolio companies by end-market (such as healthcare and pharmaceuticals, and business services) and not by the product or services (such as software) directed to those end-markets.

The geographic composition of investments at fair value at December 31, 2014 and 2013 was as follows:

	<u>December 31, 2014</u>	<u>December 31, 2013</u>
United States		
Midwest	13.1%	14.2%
Northeast	27.1%	21.7%
South	23.6%	19.7%
West	23.6%	35.5%
Canada	1.3%	—
Europe	11.3%	8.9%
Total	<u>100.0%</u>	<u>100.0%</u>

Loan Commitments

As of December 31, 2014 and 2013, we had the following commitments to fund investments:

(\$ in millions)	<u>December 31, 2014</u>	<u>December 31, 2013</u>
Senior secured revolving loan commitments	\$ 34.2	\$ 18.4
Senior secured term loan commitments	13.8	36.6
Total Portfolio Company Commitments	<u>\$ 48.0</u>	<u>\$ 55.0</u>

Competition

We compete for investments with a number of BDCs and other investment funds (including private equity funds and venture capital funds), special purpose acquisition company sponsors, investment banks with underwriting activities, hedge funds that invest in private investments in public equities, traditional financial services companies such as commercial banks, and other sources of financing. Many of these entities have greater financial and managerial resources than we do. In addition, many of our competitors are not subject to the regulatory restrictions that the 1940 Act imposes on us as a BDC. For additional information concerning the competitive risks we expect to face, see “ITEM 1A. RISK FACTORS—Risks Related to Our Business and Structure—We operate in a highly competitive market for investment opportunities.”

Capital Resources and Borrowings

We anticipate generating cash in the future from issuances of common stock and cash flows from operations, including interest received on our cash and cash equivalents, U.S. government securities and other high-quality debt investments that mature in one year or less.

Additionally, we are permitted, under specified conditions, to issue multiple classes of indebtedness and one class of shares senior to our common stock if our asset coverage, as defined in the 1940 Act, is at least equal to 200% immediately after each such issuance. As of December 31, 2014 and 2013, our asset coverage was 311.0% and 232.9%, respectively. See “Regulation as a Business Development Company—Senior Securities” below.

Furthermore, while any indebtedness and senior securities remain outstanding, we must make provisions to prohibit any distribution to our stockholders (which may cause us to fail to distribute amounts necessary to avoid entity-level taxation under the Code), or the repurchase of such securities or shares unless we meet the applicable asset coverage ratios at the time of the distribution or repurchase. In addition, we must also comply with positive and negative covenants customary for these types of facilities.

Debt Obligations. Our debt obligations consisted of the following as of December 31, 2014 and 2013:

(\$ in millions)	December 31, 2014		
	Borrowings		Amount
	Total Facility	Outstanding	Available (1)
SPV Asset Facility (2)	\$ 175.0	\$ 106.7	\$ 45.3
Revolving Credit Facility	781.3	177.2	466.2
Convertible Senior Notes	115.0	115.0	—
Total Debt Obligations	\$ 1,071.3	\$ 398.9	\$ 511.5

(\$ in millions)	December 31, 2013		
	Borrowings		Amount
	Total Facility	Outstanding	Available (1)
Subscription Credit Facility (3)	\$ 100.0	\$ 32.0	\$ 68.0
SPV Asset Facility	100.0	77.8	—
Revolving Credit Facility	400.0	322.5	77.5
Total Debt Obligations	\$ 600.0	\$ 432.3	\$ 145.5

- (1) The amount available reflects any limitations related to the respective debt facilities’ borrowing bases.
- (2) The reinvestment period under the SPV Asset Facility terminated on January 21, 2015 and accordingly any undrawn availability under the facility also terminated.
- (3) On February 27, 2014, we terminated the Subscription Credit Facility, effective March 4, 2014. The outstanding balance was paid down prior to terminating the facility.

For the years ended December 31, 2014, 2013 and 2012, the components of interest expense were as follows:

(\$ in millions)	Year Ended	Year Ended	Year Ended
	December 31, 2014	December 31, 2013	December 31, 2012
Interest expense	\$ 10.0	\$ 7.2	\$ 3.3
Commitment fees	2.3	1.4	1.2
Amortization of debt issuance costs	2.5	1.9	1.5
Accretion of original issue discount	0.3	—	—
Total Interest Expense	\$ 15.1	\$ 10.5	\$ 6.0

For more information on our debt, see “ITEM 7. MANAGEMENT’S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS—Financial Condition, Liquidity and Capital Resources.”

Dividend Policy

To maintain our status as a RIC, we must distribute (or be treated as distributing) in each taxable year dividends of an amount equal to at least 90% of our investment company taxable income (which includes, among other items, dividends, interest, the excess of any net short-term capital gains over net long-term capital losses, as well as other taxable income, excluding any net capital gains reduced by deductible expenses) and 90% of our net tax-exempt income for that taxable year. As a RIC, we generally will not be subject to corporate-level U.S. federal income tax on our investment company taxable income and net capital gains that we distribute to stockholders. In addition, to avoid the imposition of a nondeductible 4% U.S. federal excise tax, we must distribute (or be treated as distributing) in each calendar year an amount at least equal to the sum of:

- 98% of our net ordinary income, excluding certain ordinary gains and losses, recognized during a 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 such calendar year; and
- 100% of any income or gains recognized, but not distributed, in preceding years.

We have previously incurred, and can be expected to incur in the future, such excise tax on a portion of our income and gains. While we intend to distribute income and capital gains to minimize exposure to the 4% excise tax, we may not be able to, or may choose not to, distribute amounts sufficient to avoid the imposition of the tax entirely. In that event, we will be liable for the tax only on the amount by which we do not meet the foregoing distribution requirement. See “ITEM 1A. RISK FACTORS—Risks Related to Our Business and Structure—We will be subject to corporate-level income tax if we are unable to maintain our qualification as a RIC under Subchapter M of the Code.”

Dividend Reinvestment Plan

We have adopted a dividend reinvestment plan, pursuant to which we will reinvest all cash dividends or distributions declared by the Board on behalf of investors who do not elect to receive their cash dividends or distributions in cash as provided below. As a result, if the Board authorizes, and we declare, a cash dividend or distribution, then our stockholders who have not elected to “opt out” of our dividend reinvestment plan will have their cash dividends or distributions automatically reinvested in additional common stock as described below.

No action is required on the part of a registered stockholder to have its cash dividend or other distribution reinvested in our common stock. A registered stockholder is able to elect to receive an entire cash dividend or distribution in cash by notifying State Street Bank and Trust Company, the plan administrator and our transfer agent and registrar, in writing, so that notice is received by the plan administrator no later than 10 days prior to the record date for the cash dividend or distributions to the stockholders. The plan administrator has set up an account for shares acquired through the plan for each stockholder who has not elected to receive cash dividends or distributions in cash and hold the shares in non-certificated form.

Those stockholders whose shares are held by a broker or other financial intermediary may receive cash dividends and other distributions in cash by notifying their broker or other financial intermediary of their election. We expect to use primarily newly issued shares to make distributions under the plan, whether our shares are trading at a premium or at a discount to net asset value. We reserve the right to purchase shares in the open market in connection with our implementation of the plan. 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 our common stock at the close of regular trading on the New York Stock Exchange, or “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, we will issue shares at the greater of (i) the most recently computed net asset value per share and (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.

The number of shares of our common stock that will be outstanding after giving effect to payment of a cash dividend or distribution cannot be established until the value per share at which additional shares will be issued has been determined and elections of our stockholders have been tabulated. The number of shares to be issued to a stockholder pursuant to the foregoing will be rounded down to the nearest whole share to avoid the issuance of fractional shares, with any fractional shares being paid in cash. For non-U.S.

stockholders, the number of shares to be issued to the stockholder will be the amount equal to the total dollar amount of the cash dividend or distribution payable, net of applicable withholding taxes.

There are no brokerage charges or other charges to stockholders who participate in the plan. The plan is terminable by us upon notice in writing mailed to each stockholder of record at least 30 days prior to any record date for the payment of any cash dividend or distribution by us. If a participant elects by written notice to the plan administrator to have the plan administrator sell part or all of the shares held by the plan administrator in the participant's account and remit the proceeds to the participant, the plan administrator is authorized to deduct a \$15.00 transaction fee plus a brokerage commission from the proceeds.

Administration

Each of our executive officers is an employee of our Adviser or its affiliates. We do not currently have any employees and do not expect to have any employees. Individuals who are employees of our Adviser or its affiliates provide services necessary for our business under the terms of the Investment Advisory Agreement and the Administration Agreement. Our day-to-day investment operations are managed by our Adviser and the services necessary for the origination and administration of our investment portfolio are provided by investment professionals employed by our Adviser or its affiliates. Our Investment Team focuses on origination and transaction development and the ongoing monitoring of our investments. In addition, we reimburse the Adviser for the allocable portion of the compensation paid by the Adviser (or its affiliates) to 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). See "*Investment Advisory Agreement; Administration Agreement; License Agreement*" below.

Management Agreements

Investment Advisory Agreement; Administration Agreement; License Agreement

On April 15, 2011, we entered into the Investment Advisory Agreement with our Adviser. The Investment Advisory Agreement was subsequently amended on December 12, 2011.

Under the Investment Advisory Agreement, the Adviser:

- determines the composition of our portfolio, the nature and timing of the changes to our portfolio and the manner of implementing those changes;
- identifies, evaluates and negotiates the structure of the investments we make (including performing due diligence on our prospective portfolio companies);
- determines the assets we will originate, purchase, retain or sell;
- closes, monitors and administers the investments we make, including the exercise of any rights in our capacity as a lender or equity holder; and
- provides us other investment advisory, research and related services as we may, from time to time, reasonably require for the investment of our funds, including providing operating and managerial assistance to us and our portfolio companies, as required.

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 us are not impaired.

Under the terms of the Investment Advisory Agreement, we pay the Adviser a base management fee, or the "Management Fee," and may also pay certain incentive fees, or "Incentive Fees".

The Management Fee is calculated at an annual rate of 1.5% based on the average value of our 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 and is prorated for any partial month or quarter.

For the year ended December 31, 2014, Management Fees were \$18.3 million, of which \$2.5 million were waived (see below).

Until our initial public offering, or IPO, in March 2014, the Adviser had waived its right to receive the Management Fee in excess of the sum of (i) 0.25% of aggregate committed but undrawn capital and (ii) 0.75% of aggregate drawn capital (including capital drawn to pay our expenses) as determined as of the end of any calendar quarter. Any waived Management Fees were not subject to recoupment by the Adviser. Following the IPO, the Adviser has not waived its right to receive the full Management Fee and accordingly, we will be required to continue to pay the full amount of the Management Fee.

The Incentive Fee consists of two parts, as follows:

- (i) Through March 31, 2014, the quarter in which we completed our IPO, the first component, payable at the end of each quarter in arrears, equaled 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 had received 15% of the total pre-Incentive Fee net investment income for that quarter and, for pre-Incentive Fee net investment income in excess of 1.76% quarterly, 15% 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 15% on all pre-Incentive Fee net investment income when that amount equals 1.76% in a quarter (7.04% annualized), which was the rate at which catch-up was achieved. Once the “hurdle rate” was reached and catch-up was achieved, 15% of any pre-Incentive Fee net investment income in excess of 1.76% in any quarter was payable to the Adviser.

Beginning April 1, 2014, the first quarter after our IPO, 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 (including reinvested dividends), interest and fee income accrued by us during the calendar quarter, minus our 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 we 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 appreciation or depreciation.

- (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 our inception to the end of that fiscal year, less cumulative realized capital losses and unrealized capital depreciation. We refer to this component of the Incentive Fee 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%. We accrue, but do not pay, a Capital Gains Incentive Fee with respect to unrealized appreciation because a Capital Gains Incentive Fee would be owed to the Adviser if we 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 our realized capital gains that accrued prior to March 31, 2014 is subject to an Incentive Fee rate of 15% and the portion of our realized capital gains that accrued beginning April 1, 2014 is subject to an Incentive Fee rate of 17.5%.

To determine whether pre-Incentive Fee net investment income exceeds the hurdle rate, prior to the IPO, the pre-Incentive Fee net investment income was expressed as a rate of return on an average daily hurdle calculation value. The average daily hurdle calculation value, on any given day, equaled:

- our net assets as of the end of the calendar quarter immediately preceding the day; plus
- the aggregate amount of capital drawn from investors (or reinvested pursuant to our dividend reinvestment plan) from the beginning of the current quarter to the day; minus
- the aggregate amount of distributions (including share repurchases) made by us from the beginning of the current quarter to the day (but only to the extent the distributions were not declared and accounted for on our books and records in a previous quarter).

Following the IPO, 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 our net assets at the end of the immediately preceding calendar quarter.

Pre-Incentive Fee net investment income does not include any realized capital gains, realized capital losses or unrealized capital appreciation or depreciation. Because of the structure of the Incentive Fee, 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 and therefore the likelihood of us paying an Incentive Fee 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 because gross assets are total assets (including cash received) before deducting liabilities (such as declared dividend payments).

We accrue the Incentive Fee taking into account unrealized gains and losses; however, Section 205(b)(3) of the Advisers Act, as amended, prohibits the Adviser from receiving the payment of fees until those gains are realized, if ever. There can be no assurance that such unrealized gains will be realized in the future. For the year ended December 31, 2014, Incentive Fees were \$17.8 million, comprised of fees related to pre-incentive fee net investment income of \$20.8 million offset by (\$2.9) million of incentive fees related to capital gains and losses attributable to unrealized losses on investments and realized losses on foreign exchange transactions.

On November 3, 2014, the Board renewed the Investment Advisory Agreement. Unless earlier terminated as described below, the Investment Advisory Agreement will remain in effect until November 3, 2015, 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 on 60 days' written notice to the other party.

The December 12, 2011 amendment to the Investment Advisory Agreement revised the base against which the 1.5% hurdle rate is measured when calculating the Adviser's entitlement to receive a portion of our pre-Incentive Fee net investment income in any given calendar quarter. The amendment applied retroactively to October 1, 2011. Since the completion of our IPO, the base against which the hurdle rate is calculated is determined as described above in this section.

Our Board monitors the mix and performance of our investments over time and seeks to satisfy itself that the Adviser is acting in our interests and that our fee structure appropriately incentivizes the Adviser to do so.

On March 15, 2011, we entered into the Administration Agreement with our Adviser. Under the terms of the Administration Agreement, the Adviser 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 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. See "*—Payment of Our Expenses*" below. In addition, the Adviser is permitted to delegate its duties under the Administration Agreement to affiliates or third parties and we pay or reimburse the Adviser expenses incurred by any such affiliates or third parties for work done on our behalf. For the year ended December 31, 2014, we incurred expenses of \$2.7 million for administrative services payable under the terms of the Administration Agreement.

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

On November 3, 2014, the Board renewed the Administration Agreement. Unless earlier terminated as described below, the Administration Agreement will remain in effect until November 3, 2015, and may be extended subject to required approvals. The Administration Agreement may be terminated by either party without penalty on 60 days' written notice to the other party.

No person who is an officer, director or employee of the Adviser or its affiliates and who serves as our director receives any compensation from us for his or her services as a director. However, we reimburse the Adviser or its affiliates for an allocable portion of the compensation paid by the Adviser or its affiliates to our 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 our business and affairs). Directors who are not affiliated with the Adviser receive compensation for their services and reimbursement of expenses incurred to attend meetings. See "*ITEM 1A. RISK FACTORS—Risks Related to Our Business and Structure —We are dependent upon management personnel of the Adviser, TSSP, TPG and their affiliates for our future success.*"

The Adviser does not assume any responsibility to us other than to render the services described in, and on the terms of the Investment Advisory Agreement and the Administration Agreement, and is not responsible for any action of our Board in declining to follow the advice or recommendations of the Adviser. Under the terms of the Investment Advisory Agreement and the Administration Agreement, the Adviser (and its members, managers, officers, employees, agents, controlling persons and any other person or entity affiliated with it) shall not be liable to us for any action taken or omitted to be taken by the Adviser in connection with the performance of any of its duties or obligations under the Investment Advisory Agreement, the Administration Agreement or otherwise as an investment adviser of ours (except to the extent specified in Section 36(b) of the 1940 Act concerning loss resulting from a breach of fiduciary duty (as the same is finally determined by judicial proceedings) with respect to the receipt of compensation for services). We shall, to the fullest extent permitted by law, provide indemnification and the right to the advancement of expenses, to each person who was or is made a party or is threatened to be made a party to or is involved (including, without limitation, as a

witness) in any actual or threatened action, suit or proceeding, whether civil, criminal, administrative or investigative, by reason of the fact that he or she is or was a member, manager, officer, employee, agent, controlling person of the Adviser or any other person or entity affiliated with the Adviser, or is or was a member of the Adviser's Investment Review Committee, on the same general terms set forth in Article VIII of our certificate of incorporation.

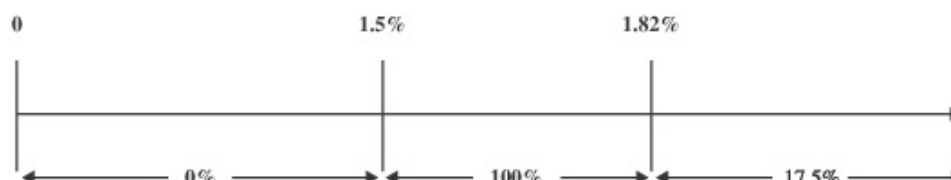
United States federal and state securities laws may impose liability under certain circumstances on persons who act in good faith. Nothing in the Investment Advisory Agreement will constitute a waiver or limitation of any rights that we may have under any applicable federal or state securities laws.

We also have a license agreement with an affiliate of TPG, pursuant to which we have been granted 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.

The following is a graphical representation of the calculation of the income-related portion of the Incentive Fee:

Quarterly Incentive Fee Based on Net Investment Income

Pre-Incentive Fee Net Investment Income (expressed as a percentage of the value of net assets)



Percentage of pre-Incentive Fee net investment income allocated to income-related portion of Incentive Fee

Examples of Quarterly Incentive Fee Calculation:

Example 1: Income Related Portion of Incentive Fee (*):

Alternative 1

Assumptions

Investment income (including interest, dividends, fees, etc.) = 2%
Hurdle rate (1) = 1.5%
Management fee (2) = 0.375%
Other expenses (legal, accounting, custodian, transfer agent, etc.) (3) = 0.20%
Pre-Incentive Fee net investment income
(investment income – (management fee + other expenses)) = 1.425%

Pre-Incentive Fee net investment income does not exceed hurdle rate, therefore there is no Incentive Fee.

Alternative 2

Assumptions

Investment income (including interest, dividends, fees, etc.) = 2.375%
Hurdle rate (1) = 1.5%
Management fee (2) = 0.375%
Other expenses (legal, accounting, custodian, transfer agent, etc.) (3) = 0.20%
Pre-Incentive Fee net investment income
(investment income – (management fee + other expenses)) = 1.8%
Incentive Fee = 100% × pre-Incentive Fee net investment income, subject to the "catch-up" (4)
= 100% × (1.8% – 1.5%)
= 0.3%

Alternative 3

Assumptions

Investment income (including interest, dividends, fees, etc.) = 3.5%
Hurdle rate (1) = 1.5%
Management fee (2) = 0.375%
Other expenses (legal, accounting, custodian, transfer agent, etc.) (3) = 0.20%
Pre-Incentive Fee net investment income
(investment income – (management fee + other expenses)) = 2.925%
Incentive Fee = 17.5% × pre-Incentive Fee net investment income, subject to “catch-up” (4)
Incentive Fee = 100% × “catch-up” + (17.5% × (pre-Incentive Fee net investment income – 1.82%))
Catch-up = 1.82% – 1.5% = 0.32%
Incentive Fee = (100% × 0.32%) + (17.5% × (2.925% – 1.82%))
= 0.32% + (17.5% × 1.105%)
= 0.32% + 0.193%
= 0.513%

- (1) Represents 6.0% annualized hurdle rate.
- (2) Represents 1.5% annualized management fee.
- (3) Excludes organizational and offering expenses.
- (4) The “catch-up” provision is intended to provide the Adviser with an Incentive Fee of 17.5% on all of our pre-Incentive Fee net investment income as if a hurdle rate did not apply when our net investment income exceeds 17.5% in any calendar quarter and is not applied once the Adviser has received 17.5% of investment income in a quarter. The “catch-up” portion of our pre-Incentive Fee Net Investment Income is the portion that exceeds the 1.5% hurdle rate but is less than or equal to approximately 1.82% (that is, 1.5% divided by (1 – 0.175)) in any fiscal quarter.
- (*) The hypothetical amount of pre-Incentive Fee net investment income shown is based on a percentage of total net assets.

Example 2: Capital Gains Portion of Incentive Fee:

Assumptions

- Year 1: \$10 million investment made in Company A (“Investment A”), \$10 million investment made in Company B (“Investment B”), \$10 million investment made in Company C (“Investment C”), \$10 million investment made in Company D (“Investment D”) and \$10 million investment made in Company E (“Investment E”).
- Year 2: Investment A sold for \$20 million, fair market value (“FMV”) of Investment B determined to be \$8 million, FMV of Investment C determined to be \$12 million, and FMV of Investments D and E each determined to be \$10 million.
- Year 3: IPO of the Company occurs. At IPO, FMV of Investment of B determined to be \$8 million, FMV of Investment C determined to be \$14 million, FMV of Investment D determined to be \$14 million and FMV of Investment E determined to be \$16 million.
- Year 4: \$10 million investment made in Company F (“Investment F”), Investment D sold for \$12 million, FMV of Investment B determined to be \$10 million, FMV of Investment C determined to be \$16 million and FMV of Investment E determined to be \$14 million.
- Year 5: Investment C sold for \$20 million, FMV of Investment B determined to be \$14 million, FMV of Investment E determined to be \$10 million and FMV of Investment F determined to be \$12 million.
- Year 6: Investment B sold for \$16 million, FMV of Investment E determined to be \$8 million and FMV of Investment F determined to be \$15 million.
- Year 7: Investment E sold for \$8 million and FMV of Investment F determined to be \$17 million.
- Year 8: Investment F sold for \$18 million.

These assumptions are summarized in the following chart:

	Investment A	Investment B	Investment C	Investment D	Investment E	Investment F	Cumulative Unrealized Capital Depreciation	Cumulative Realized Capital Losses	Cumulative Realized Capital Gains
Year 1	\$10 million (cost basis)	\$10 million (cost basis)	\$10 million (cost basis)	\$10 million (cost basis)	\$10 million (cost basis)	—	—	—	—
Year 2	\$20 million (sale price)	\$8 million FMV	\$12 million FMV	\$10 million FMV	\$10 million FMV	—	\$2 million	—	\$10 million
Year 3 (IPO)	—	\$8 million FMV at IPO	\$14 million FMV at IPO	\$14 million FMV at IPO	\$16 million FMV at IPO	—	\$2 million	—	\$10 million
Year 4	—	\$10 million FMV	\$16 million FMV	\$12 million (sale price)	\$14 million FMV	\$10 million (cost basis)	—	—	\$12 million
Year 5	—	\$14 million FMV	\$20 million (sale price)	—	\$10 million FMV	\$12 million FMV	—	—	\$22 million
Year 6	—	\$16 million (sale price)	—	—	\$8 million FMV	\$15 million FMV	\$2 million	—	\$28 million
Year 7	—	—	—	—	\$8 million (sale price)	\$17 million FMV	—	\$2 million	\$28 million
Year 8	—	—	—	—	—	\$18 million (sale price)	—	\$2 million	\$36 million

The capital gains portion of the Incentive Fee would be:

- Year 1: None

- Year 2:

Capital Gains Fee = 15% multiplied by (\$10 million realized capital gains on sale of Investment A less \$2 million cumulative capital depreciation) = **\$1.2 million**

- Year 3:

Capital Gains Fee = (Weighted Percentage multiplied by (\$10 million cumulative realized capital gains less \$2 million cumulative capital depreciation)) less \$1.2 million cumulative Capital Gains Fee previously paid = \$1.2 million less \$1.2 million = **\$0.00**

Weighted Percentage = (15% multiplied by (\$10 million Pre-IPO Gain Amount divided by \$10 million Total Gain Amount)) plus (17.5% multiplied by (\$0 Post-IPO Gain Amount divided by \$10 million Total Gain Amount)) = **15%**

- Year 4:

Capital Gains Fee = (Weighted Percentage multiplied by (\$12 million cumulative realized capital gains)) less \$1.2 million cumulative Capital Gains Fee previously paid = \$1.8 million less \$1.2 million = **\$0.6 million**

Weighted Percentage = (15% multiplied by (\$12 million Pre-IPO Gain Amount divided by \$12 million Total Gain Amount)) plus (17.5% multiplied by (\$0 Post-IPO Gain Amount divided by \$10 million Total Gain Amount)) = **15%**

- Year 5:

Capital Gains Fee = (Weighted Percentage multiplied by (\$22 million cumulative realized capital gains)) less \$1.8 million cumulative Capital Gains Fee previously paid = \$3.45 million less \$1.8 million = **\$1.65 million**

Weighted Percentage = (15% multiplied by (\$16 million Pre-IPO Gain Amount divided by \$22 million Total Gain Amount)) plus (17.5% multiplied by (\$6 million Post-IPO Gain Amount divided by \$22 million Total Gain Amount)) = **15.68%**

- Year 6:

Capital Gains Fee = (Weighted Percentage multiplied by (\$28 million cumulative realized capital gains less \$2 million cumulative capital depreciation)) less \$3.45 million cumulative Capital Gains Fee previously paid = \$4.18 million less \$3.45 million = **\$0.73 million**

Weighted Percentage = (15% multiplied by (\$16 million Pre-IPO Gain Amount divided by \$28 million Total Gain Amount)) plus (17.5% multiplied by (\$12 million Post-IPO Gain Amount divided by \$28 million Total Gain Amount)) = **16.07%**

- Year 7:

Capital Gains Fee = (Weighted Percentage multiplied by (\$28 million cumulative realized capital gains less \$2 million cumulative realized capital losses)) less \$4.18 million cumulative Capital Gains Fee previously paid = \$4.18 million less \$4.18 million = **\$0.00**

Weighted Percentage = (15% multiplied by (\$16 million Pre-IPO Gain Amount divided by \$28 million Total Gain Amount)) plus (17.5% multiplied by (\$12 million Post-IPO Gain Amount divided by \$28 million Total Gain Amount)) = **16.07%**

- Year 8:

Capital Gains Fee = (Weighted Percentage multiplied by (\$36 million cumulative realized capital gains less \$2 million cumulative realized capital losses)) less \$4.18 million cumulative Capital Gains Fee previously paid = \$5.57 million less \$4.18 million = **\$1.39 million**

Weighted Percentage = (15% multiplied by (\$16 million Pre-IPO Gain Amount divided by \$36 million Total Gain Amount)) plus (17.5% multiplied by (\$18 million Post-IPO Gain Amount divided by \$36 million Total Gain Amount)) = **16.39%**

Payment of Our Expenses

The costs associated with our Investment Team and staff of the Adviser, when and to the extent engaged in providing us investment advisory and management services are paid for by the Adviser. 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;
- 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;
- 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 financial officer and chief compliance officer and their respective staffs;
- 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.

In addition, from time to time, the Adviser pays amounts owed by us to third-party providers of goods or services. We subsequently reimburse the Adviser for those amounts paid on our behalf. We also reimburse the Adviser for the allocable portion of the compensation paid by the Adviser or its affiliates to 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).

All of the expenses described above are ultimately borne by our stockholders.

Duration and Termination

Unless earlier terminated as described below, both the Investment Advisory Agreement and the Administration Agreement will remain in effect until November 3, 2015, and each may be extended subject to required approvals. Each agreement will remain in effect from year to year thereafter if approved annually by our Board or by the affirmative vote of the holders of a majority of our outstanding voting securities, and, in either case, if also approved by a majority of the directors of the Board who are not "interested persons" of us, the Adviser or any of our or its respective affiliates, as defined in the 1940 Act (known as Independent Directors). The Investment Advisory Agreement automatically terminates in the event of its assignment, as defined in the 1940 Act, by the Adviser. Each agreement may be terminated by either party without penalty on 60 days' written notice to the other party. The holders of a majority of our outstanding voting securities may also terminate each agreement without penalty on 60 days' written notice. See *"ITEM 1A. RISK FACTORS—Risks Related to Our Business and Structure—We are dependent upon management personnel of the Adviser, TSSP, TPG and their affiliates for our future success."*

Indemnification

The Investment Advisory Agreement and the Administration Agreement provide that the Adviser and its members, managers, officers, employees, agents, controlling persons and any other person or entity affiliated with it shall not be liable to us for any action taken or omitted to be taken by the Adviser in connection with the performance of any of its duties or obligations under the Investment Advisory Agreement, the Administration Agreement or otherwise as an investment adviser of ours (except to the extent specified in Section 36(b) of the 1940 Act concerning loss resulting from a breach of fiduciary duty (as the same is finally determined by judicial proceedings) with respect to the receipt of compensation for services). We will, to the fullest extent permitted by law, provide indemnification and the right to the advancement of expenses, to each person who was or is made a party or is threatened to be made a party to or is involved (including, without limitation, as a witness) in any actual or threatened action, suit or proceeding, whether civil, criminal, administrative or investigative, because he or she is or was a member, manager, officer, employee, agent, controlling person or any other person or entity affiliated with the Adviser, including without limitation the Administrator, or is or was a member of the Adviser's Investment Review Committee, on the same general terms set forth in our certificate of incorporation. Our obligation to provide indemnification and advancement of expenses is subject to the requirements of the 1940 Act and Investment Company Act Release No. 11330, which, among other things, preclude indemnification for any liability (whether or not there is an adjudication of liability or the matter has been settled) arising by reason of willful misfeasance, bad faith, gross negligence, or reckless disregard of duties, and require reasonable and fair means for determining whether indemnification will be made.

Board Approval of the Investment Advisory Agreement

Our Board, including our Independent Directors, and holders of a majority of our outstanding securities, approved our Investment Advisory Agreement in December 2011. Our Board, including a majority of the Independent Directors, renewed it in November 2014. In its consideration of the Investment Advisory Agreement at the time of approval and renewal, the Board focused on information it had received relating to, among other things:

- the nature, quality and extent of the advisory and other services to be provided to us by the Adviser;
- our investment performance and the performance of the Adviser;
- the extent to which economies of scale would be realized as we grow, and whether the fees payable under the Investment Advisory Agreement reflect these economies of scale for the benefit of our stockholders;
- comparative data with respect to advisory fees or similar expenses paid by other BDCs with similar investment objectives;
- our projected operating expenses and expense ratio compared to BDCs with similar investment objectives;
- any existing and potential sources of indirect income to the Adviser from its relationships with us and the profitability of those income sources;
- information about the services to be performed and the personnel performing those services under the Investment Advisory Agreement;
- the organizational capability and financial condition of the Adviser and its respective affiliates; and
- the possibility of obtaining similar services from other third-party service providers or through an internally managed structure.

The Board also takes into consideration the reimbursement of expenses incurred by the Adviser on our behalf, which expenses include travel expenses, when determining whether to approve renewal of the Investment Advisory Agreement and the Administration Agreement.

Based on the information reviewed and the discussion thereof, the Board, including a majority of the Independent Directors, concluded that the investment advisory fee rates are reasonable in relation to the services to be provided.

Regulation as a Business Development Company

We are regulated as a BDC under the 1940 Act. A BDC must be organized in the United States for the purpose of investing in or lending to primarily private companies and making significant managerial assistance available to them. A BDC may use capital provided by public stockholders and from other sources to make long-term, private investments in businesses.

As with other companies regulated by the 1940 Act, a BDC must adhere to certain substantive regulatory requirements. A majority of our directors must be persons who are not “interested persons,” as that term is defined in the 1940 Act. Additionally, we are required to provide and maintain a bond issued by a reputable fidelity insurance company to protect us against larceny and embezzlement. Furthermore, as a BDC, we are prohibited from protecting any director or officer against any liability to us or our stockholders arising from willful misfeasance, bad faith, gross negligence or reckless disregard of the duties involved in the conduct of such person’s office.

As a BDC, we are permitted, under specified conditions, to issue multiple classes of indebtedness and one class of shares senior to our common stock if our asset coverage, as defined in the 1940 Act, is at least equal to 200% immediately after any borrowing or issuance. In addition, while any preferred stock or publicly traded debt securities are outstanding, we may be prohibited from making distributions to our stockholders or repurchasing securities or shares unless we meet the applicable asset coverage ratio at the time of the distribution or repurchase. We may also borrow amounts up to 5% of the value of our total assets for temporary or emergency purposes without regard to asset coverage. For a discussion of the risks associated with leverage, see “*ITEM 1A. RISK FACTORS—Risks Related to Our Business and Structure—We borrow money, which magnifies the potential for gain or loss and increases the risk of investing in us.*” As of December 31, 2014 and 2013, our asset coverage was 311.0% and 232.9%, respectively.

We may not change the nature of our business so as to cease to be, or withdraw our election as, a BDC unless authorized by vote of a majority of the outstanding voting securities, as required by the 1940 Act. A majority of the outstanding voting securities of a company is defined under the 1940 Act as the lesser of: (a) 67% or more of such company’s voting securities present at a meeting if more than 50% of the outstanding voting securities of such company are present or represented by proxy, and (b) more than 50% of the outstanding voting securities of such company.

We do not anticipate any substantial change in the nature of our business.

We do not intend to acquire securities issued by any investment company that exceed the limits imposed by the 1940 Act. Under these limits, except for registered money market funds, we generally cannot acquire more than 3% of the voting stock of any investment company, invest more than 5% of the value of our total assets in the securities of one investment company or invest more than 10% of the value of our total assets in the securities of investment companies in the aggregate. The portion of our portfolio invested in securities issued by investment companies ordinarily will subject our stockholders to additional expenses. Our investment portfolio is also subject to diversification requirements by virtue of our status as a RIC for U.S. federal income tax purposes. See “—Regulated Investment Company Classification” for more information.

In addition, investment companies registered under the 1940 Act and private funds that are excluded from the definition of “investment company” pursuant to either Section 3(c)(1) or 3(c)(7) of the 1940 Act may not acquire directly or through a controlled entity more than 3% of our total outstanding voting stock (measured at the time of the acquisition), unless the funds comply with an exemption under the 1940 Act. As a result, certain of our investors may hold a smaller position in our shares than if they were not subject to these restrictions.

We are generally not able to issue and sell our common stock at a price below net asset value per share. See “*ITEM 1A. RISK FACTORS—Risks Related to Our Business and Structure—Regulations governing our operation as a BDC affect our ability to, and the way in which we, raise additional capital.*” 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. We may in the future seek such approval; however, there is no assurance such approval will be obtained. In this 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 such securities. In addition, we may generally issue new common stock at a price below net asset value in rights offerings to existing stockholders, in payment of dividends and in certain other limited circumstances.

We may also be prohibited under the 1940 Act from knowingly participating in certain transactions with our affiliates, including our officers, directors, investment adviser, and principal underwriters, and certain of their affiliates, without the prior approval of the members of our Board who are not interested persons and, in some cases, prior approval by the SEC through an exemptive relief order (other than in certain limited situations pursuant to current regulatory guidance).

On December 16, 2014, we were granted an exemptive relief order from the SEC that, if certain conditions are met, allows us to co-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. These conditions include, among others, prior approval by a majority of our Independent Directors. The terms and conditions of the investment applicable to any affiliates of TSSP and TPG also must be the same as those applicable to us.

Pursuant to the exemptive relief order, to the extent the size of an investment opportunity exceeds the amount our Adviser independently determines is appropriate for us to invest, our affiliates may be able to co-invest with us, subject to the approval of a majority of our independent directors. We believe our ability to co-invest with TSSP and TPG affiliates will be 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 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.

Further, in accordance with the exemptive relief order, we have undertaken that, in connection with any commitment to a co-investment or follow-on investment, a “required majority” (as defined in Section 57(o) of the 1940 Act) of Independent Directors must make certain conclusions, including that:

- the terms of the proposed transaction (including the consideration to be paid) are reasonable and fair to us and our stockholders and do not involve overreaching of us or our stockholders on the part of any person concerned;
- the transaction is consistent with the interests of our stockholders and our investment strategies and policies;
- the investment by our affiliate would not disadvantage us, and our participation is not on a basis different from or less advantageous than that of our affiliate; and
- our investment will not benefit any affiliate other than the affiliate participating in the investment, and as otherwise permitted by the order.

See “*ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS, AND DIRECTOR INDEPENDENCE.*”

We are subject to periodic examination by the SEC for compliance with the 1940 Act.

As a BDC, we are subject to certain risks and uncertainties. See “*ITEM 1A. RISK FACTORS—Risks Related to Our Business and Structure.*”

Qualifying Assets

Under the 1940 Act, a BDC may not acquire any assets other than assets of the type listed in Section 55(a) of the 1940 Act, which are referred to as qualifying assets, unless, at the time the acquisition is made, qualifying assets represent at least 70% of the company’s total assets. The principal categories of qualifying assets relevant to our business are the following:

- Securities purchased in transactions not involving any public offering from the issuer of such securities, which issuer (subject to certain limited exceptions) is an eligible portfolio company, or from any person who is, or has been during the preceding 13 months, an affiliated person of an eligible portfolio company, or from any other person, subject to such rules as may be prescribed by the SEC. An eligible portfolio company is defined in the 1940 Act as any issuer which:
 - is organized under the laws of, and has its principal place of business in, the United States;
 - is not an investment company (other than a small business investment company wholly owned by us) or a company that would be an investment company but for certain exclusions under the 1940 Act; and
 - satisfies any of the following:
 - has an equity market capitalization of less than \$250 million or does not have any class of securities listed on a national securities exchange;
 - is controlled by a BDC or a group of companies including a BDC, the BDC actually exercises a controlling influence over the management or policies of the eligible portfolio company, and, as a result thereof, the BDC has an affiliated person who is a director of the eligible portfolio company; or
 - is a small and solvent company having total assets of not more than \$4 million and capital and surplus of not less than \$2 million.
- Securities of any eligible portfolio company that we control.
- Securities purchased in a private transaction from a U.S. issuer that is not an investment company or from an affiliated person of the issuer, or in transactions incident thereto, if the issuer is in bankruptcy and subject to reorganization or if the issuer, immediately prior to the purchase of its securities was unable to meet its obligations as they came due without material assistance other than conventional lending or financing arrangements.
- Securities of an eligible portfolio company purchased from any person in a private transaction if there is no ready market for such securities and we already own 60% of the outstanding equity of the eligible portfolio company.
- Securities received in exchange for or distributed on or with respect to securities described above, or pursuant to the exercise of warrants or rights relating to such securities.
- Cash, cash equivalents, U.S. Government securities or high-quality debt securities maturing in one year or less from the time of investment.

Pending investment in other types of “qualifying assets,” as described above, our investments may consist of cash, cash equivalents, U.S. Government securities or high-quality debt securities maturing in one year or less from the time of investment, which we refer to, collectively, as temporary investments, such that at least 70% of our assets are qualifying assets. Our Adviser will monitor the creditworthiness of the counterparties with which we enter into repurchase agreement transactions.

Managerial Assistance to Portfolio Companies

A BDC must be operated for the purpose of making investments in the types of securities described under “Qualifying Assets” above. However, to count portfolio securities as qualifying assets for the purpose of the 70% test, the BDC must offer to make available to the issuer of the securities (other than small and solvent companies described above) significant managerial assistance; except that, where the BDC purchases such securities in conjunction with one or more other persons acting together, the BDC will satisfy this test if one of the other persons in the group makes available such managerial assistance. Making available managerial assistance means, among other things, either controlling the issuer of the securities or any arrangement whereby the BDC, through its directors, officers or employees, offers to provide, and, if accepted, does in fact provide, significant guidance and counsel concerning the management, operations or business objectives and policies of a portfolio company.

Senior Securities

As a BDC, we generally must have 200% asset coverage for our debt after incurring any new indebtedness, meaning that the total value of our assets must be at least twice the amount of the debt (i.e., 50% leverage). As of December 31, 2014 and 2013, our asset coverage was 311.0% and 232.9%, respectively.

We are permitted, under specified conditions, to issue multiple classes of indebtedness and one class of shares senior to our common stock if our asset coverage, as defined in the 1940 Act, is at least equal to 200% immediately after each such issuance. In addition, while any preferred stock or publicly-traded debt securities are outstanding, we may be prohibited from making distributions to our stockholders or the repurchasing of such securities or shares unless we meet the applicable asset coverage ratios at the time of the distribution or repurchase. We may also borrow amounts up to 5% of the value of our total assets for temporary or emergency purposes without regard to asset coverage.

The 1940 Act imposes limitations on a BDC's issuance of preferred stock, which is considered "senior securities" and thus is subject to the 200% asset coverage requirement described above.

Code of Ethics

As required by the Advisers Act and the 1940 Act, we and the Adviser have adopted a code of ethics which applies to, among others, our and our Adviser's executive officers, including our Co-Chief Executive Officers and Chief Financial Officer, as well as our Adviser's officers, directors and employees. The code of ethics establishes procedures for personal investments and restricts certain personal securities transactions. Personnel subject to the code may invest in securities for their personal investment accounts, including securities that may be purchased or held by us, so long as such investments are made in accordance with the code's requirements. There have been no material changes to our Code of Business Conduct and Ethics or material waivers of the code that apply to our Co-Chief Executive Officers or Chief Financial Officer.

We hereby undertake to provide a copy of the code to any person, without charge, upon request. Requests for a copy of this code may be made in writing addressed to the Secretary of the Company, Jennifer Mello, TPG Specialty Lending, Inc., 345 California Street, Suite 3300, San Francisco, CA 94104, Attention: TSL Investor Relations, or by emailing us at IRTSL@tpg.com.

Compliance Policies and Procedures

We and our Adviser have adopted and implemented written policies and procedures reasonably designed to detect and prevent violation of the federal securities laws and we are required to review these compliance policies and procedures annually for their adequacy and the effectiveness of their implementation and designate a Chief Compliance Officer to be responsible for administering the policies and procedures.

Sarbanes-Oxley Act of 2002

The Sarbanes-Oxley Act of 2002 imposes a wide variety of regulatory requirements on certain publicly held companies and their insiders. Assuming certain requirements are met, many of these requirements affect us. For example:

- pursuant to Rule 13a-14 of the Exchange Act, our Co-Chief Executive Officers and Chief Financial Officer certify the accuracy of the financial statements contained in our periodic reports;
- pursuant to Item 307 of Regulation S-K, our periodic reports disclose our conclusions about the effectiveness of our disclosure controls and procedures;
- pursuant to Rule 13a-15 of the Exchange Act, subject to certain assumptions, our management is required to prepare an annual report regarding its assessment of our internal control over financial reporting, which is required to be audited by our independent registered public accounting firm; and,
- pursuant to Item 308 of Regulation S-K and Rule 13a-15 of the Exchange Act, our periodic reports disclose whether there were significant changes in our internal controls over financial reporting or in other factors that could significantly affect these controls subsequent to the date of their evaluation, including any corrective actions with regard to significant deficiencies and material weaknesses.

The Sarbanes-Oxley Act requires us to review our policies and procedures to determine whether we comply with the Sarbanes-Oxley Act and the regulations promulgated thereunder. We continue to monitor our compliance with all regulations that are adopted under the Sarbanes-Oxley Act and take actions necessary to ensure that we are in compliance therewith.

The NYSE Corporate Governance Rules

The NYSE has adopted corporate governance rules that listed companies must comply with. We are in compliance with these rules.

Proxy Voting Policies and Procedures

We delegate our proxy voting responsibility to our Adviser. The Proxy Voting Policies and Procedures of our Adviser are set forth below. The guidelines are reviewed periodically by the Adviser and our Independent Directors, and, accordingly, are subject to change.

An investment adviser registered under the Advisers Act has a fiduciary duty to act solely in the best interests of its clients. As part of this duty, the Adviser recognizes that it must vote client securities in a timely manner free of conflicts of interest and in the best interests of its clients. These policies and procedures for voting proxies for the Adviser's investment advisory clients are intended to comply with Section 206 of, and Rule 206(4)-6 under, the Advisers Act.

The Adviser will vote all proxies based upon the guiding principle of seeking the maximization of the ultimate long-term economic value of our stockholders' holdings, and ultimately all votes are cast on a case-by-case basis, taking into consideration the contractual obligations under the relevant advisory agreements or comparable documents, and all other relevant facts and circumstances at the time of the vote. All proxy voting decisions will require a mandatory conflicts of interest review by our Chief Compliance Officer in accordance with these policies and procedures, which will include consideration of whether the Adviser or any investment professional or other person recommending how to vote the proxy has an interest in how the proxy is voted that may present a conflict of interest. It is the Adviser's general policy to vote or give consent on all matters presented to security holders in any proxy, and these policies and procedures have been designed with that in mind. However, the Adviser reserves the right to abstain on any particular vote or otherwise withhold its vote or consent on any matter if, in the judgment of our Chief Compliance Officer or the relevant investment professional(s), the costs associated with voting such proxy outweigh the benefits to our stockholders or if the circumstances make such an abstention or withholding otherwise advisable and in the best interest of the relevant stockholder(s).

Privacy Principles

We are committed to maintaining the confidentiality, integrity and security of nonpublic personal information relating to investors. The following information is provided to help investors understand what personal information we collect, how we protect that information and why, in certain cases, we may share information with select other parties.

We generally will not receive any nonpublic personal information relating to stockholders who purchase common stock. We may collect nonpublic personal information regarding certain investors from sources such as subscription agreements, investor questionnaires and other forms; individual investors' account histories; and correspondence between us and individual investors. We may share information that we collect regarding an investor with our affiliates and the employees of such affiliates for legitimate business purposes, for example, to service the investor's accounts or provide the investor with information about other products and services offered by us or our affiliates that may be of interest to the investor. In addition, we may disclose information that we collect regarding investors to third parties who are not affiliated with us (i) as authorized by our investors in investor subscription agreements or our organizational documents; (ii) as required by law or in connection with regulatory or law enforcement inquiries; or, (iii) as otherwise permitted by law to the extent necessary to effect, administer or enforce investor transactions or our transactions.

Any party that receives nonpublic personal information relating to investors from us is permitted to use the information only for legitimate business purposes or as otherwise required or permitted by applicable law or regulation. In this regard, our officers, employees and agents and those of our affiliates, access to such information is restricted to those who need such access to provide services to us and our investors. We maintain physical, electronic and procedural safeguards to seek to guard investor nonpublic personal information.

Reporting Obligations

We will furnish our stockholders with annual reports containing audited financial statements, quarterly reports, and such other periodic reports, as we determine to be appropriate or as may be required by law. We are required to comply with all periodic reporting, proxy solicitation and other applicable requirements under the Exchange Act.

We make available on our website (www.tpgspecialtylending.com) our proxy statements, our annual reports on Form 10-K, quarterly reports on Form 10-Q and our current reports on Form 8-K. We also provide electronic or paper copies of our filings free of charge upon request. Requests may be made in writing addressed to us at 345 California Street, Suite 3300, San Francisco, CA 94104, Attention: TSL Investor Relations, or by emailing us at IRTSL@tpg.com.

Investors and the public may also read and copy any materials we file with the SEC at the SEC's Public Reference Room at 100 F Street, Room 1580 Washington, DC 20549. The public may also obtain information on the operation of the Public Reference Room by calling the SEC at 1-800-SEC-0330. The SEC also maintains a website (www.sec.gov) that contains this information.

Regulated Investment Company Classification

As a BDC, we have elected to be treated as a RIC for U.S. federal income tax purposes. Our status as a RIC enables us to deduct qualifying distributions to our stockholders, so that we will be subject to corporate-level U.S. federal income taxation only in respect of income and gains that we retain and do not distribute. In addition, certain distributions that we make to certain non-U.S. stockholders with respect to our taxable years commencing April 1, 2015 may be eligible for look-through tax treatment if Congress extends certain rules to apply to such taxable years.

To maintain our status as a RIC, we must, among other things:

- maintain our election under the 1940 Act to be treated as a BDC;
- derive in each taxable year at least 90% of our gross income from dividends, interest, gains from the sale or other disposition of stock or securities and other specified categories of investment income; and
- maintain diversified holdings so that, subject to certain exceptions and cure periods, at the end of each quarter of our taxable year:
 - at least 50% of the value of our total gross assets is represented by cash and cash items, U.S. government securities, the securities of other RICs and "other securities," provided that such "other securities" shall not include any amount of any one issuer, if our holdings of such issuer are greater in value than 5% of our total assets or greater than 10% of the outstanding voting securities of such issuer, and
 - no more than 25% of the value of our assets may be invested in securities of any one issuer, the securities of any two or more issuers that are controlled by us and are engaged in the same or similar or related trades or businesses (excluding U.S. government securities and securities of other RICs), or the securities of one or more "qualified publicly traded partnerships."

To maintain our status as a RIC, we must distribute (or be treated as distributing) in each taxable year dividends for tax purposes of an amount equal to at least 90% of our investment company taxable income (which includes, among other items, dividends, interest, the excess of any net short-term capital gains over net long-term capital losses, as well as other taxable income, excluding any net capital gains reduced by deductible expenses) and 90% of our net tax-exempt income for that taxable year. As a RIC, we generally will not be subject to corporate-level U.S. federal income tax on our investment company taxable income and net capital gains that we distribute to stockholders. In addition, to avoid the imposition of a nondeductible 4% U.S. federal excise tax, we must distribute (or be treated as distributing) in each calendar year an amount at least equal to the sum of:

- 98% of our net ordinary income, excluding certain ordinary gains and losses, recognized during a 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 such calendar year; and
- 100% of any income or gains recognized, but not distributed, in preceding years.

We have previously incurred, and can be expected to incur in the future, such excise tax on a portion of our income and gains. While we intend to distribute income and capital gains to minimize exposure to the 4% excise tax, we may not be able to, or may choose not to, distribute amounts sufficient to avoid the imposition of the tax entirely. In that event, we will be liable for the tax only on the amount by which we do not meet the foregoing distribution requirement.

We generally expect to distribute substantially all of our earnings on a quarterly basis, but will reinvest dividends and distributions on behalf of those investors that do not elect to receive their dividends in cash. See "*—Dividend Policy*" and "*—Dividend Reinvestment Plan*" for a description of our dividend policy and obligations. One or more of the considerations described below, however, could result in the deferral of dividend distributions until the end of the fiscal year:

- We may make investments that are subject to tax rules that require us to include amounts in our income before we receive cash corresponding to that income or that defer or limit our ability to claim the benefit of deductions or losses. For example, if we hold securities issued with original issue discount, that original issue discount may be accrued in income before we receive any corresponding cash payments.
- In cases where our taxable income exceeds our available cash flow, we will need to fund distributions with the proceeds of sale of securities or with borrowed money, and may raise funds for this purpose opportunistically over the course of the year.

- The withholding tax treatment of certain dividends payable to certain non-U.S. stockholders depends on whether and when Congress extends the look-through rules applicable to “interest-related dividends” and “short-term capital gain dividends.” The look-through rules expired for taxable years beginning after December 31, 2014.

In certain circumstances (e.g., where we are required to recognize income before or without receiving cash representing such income), we may have difficulty making distributions in the amounts necessary to satisfy the requirements for maintaining RIC status and for avoiding U.S. federal income and excise taxes. Accordingly, we may have to sell investments at times we would not otherwise consider advantageous, raise additional debt or equity capital or reduce new investment originations to meet these distribution requirements. If we are not able to obtain cash from other sources, we may fail to qualify as a RIC and thereby be subject to corporate-level U.S. federal income tax.

If in any particular taxable year, we do not qualify as a RIC, all of our taxable income (including our net capital gains) will be subject to tax at regular corporate rates without any deduction for distributions to stockholders, and distributions will be taxable to our stockholders as ordinary dividends to the extent of our current or accumulated earnings and profits, and distributions would not be required. Distributions in excess of our current and accumulated earnings and profits would be treated first as a return of capital to the extent of the stockholder’s tax basis, and any remaining distributions would be treated as capital gain. If we fail to qualify as a RIC for a period greater than two consecutive taxable years, to qualify as a RIC in a subsequent year we may be subject to regular corporate tax on any net built-in gains with respect to certain of our assets (that is, the excess of the aggregate gains, including items of income, over aggregate losses that would have been realized with respect to such assets if we had sold the property at fair market value at the end of the taxable year) that we elect to recognize on requalification or when recognized over the next ten years.

In the event we invest in foreign securities, we may be subject to withholding and other foreign taxes with respect to those securities. We do not expect to satisfy the conditions necessary to pass through to our stockholders their share of the foreign taxes paid by us.

ITEM 1A. RISK FACTORS

Investing in our securities involves a number of significant risks. Before you invest in our securities, you should be aware of various risks associated with the investment, including those described below. The risks set out below are not the only risks we face. Additional risks and uncertainties not presently known to us or not presently deemed material by us may also impair our operations and performance. If any of the following events occur, our business, financial condition and results of operations could be materially and adversely affected. In such case, our net asset value and the trading price of our securities could decline, and you may lose all or part of your investment.

Risks Related to Our Business and Structure

We are dependent upon management personnel of the Adviser, TSSP, TPG and their affiliates for our future success.

We depend on the experience, diligence, skill and network of business contacts of senior members of our Investment Team. Our Investment Team, together with other professionals at TSSP and TPG and their affiliates, identifies, evaluates, negotiates, structures, closes, monitors and manages our investments. Our success will depend to a significant extent on the continued service and coordination of the senior members of our Investment Team. The senior members of our Investment Team are not contractually restricted from leaving the Adviser. The departure of any of these key personnel, including members of our Adviser’s Investment Review Committee, could have a material adverse effect on us.

In addition, we cannot assure you that the Adviser will remain our investment adviser or that we will continue to have access to TSSP, TPG or their investment professionals. The Investment Advisory Agreement may be terminated by either party without penalty on 60 days’ written notice to the other party. The holders of a majority of our outstanding voting securities may also terminate the Investment Advisory Agreement without penalty on 60 days’ written notice.

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. See “ITEM 1. BUSINESS—Regulation as a Business Development Company” for a discussion of BDC limitations. 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.

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%. Consequently, if the value of our assets declines, 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. We may in the future seek such approval; however, there is no assurance such approval will be obtained. 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. See “—*Risks Related to Our Portfolio Company Investments—We may securitize certain of our investments, which may subject us to certain structured financing risks.*”

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 are superior to 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. See “—*Risks Related to Our Business and Structure—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 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 also impose financial and operating covenants that restrict our business activities, remedies on default and similar matters. As of the date of this Annual Report, we are in compliance with the covenants of our credit facilities. 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. 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.

As of December 31, 2014, we had \$395.9 million of outstanding indebtedness, which had an annualized interest cost of 3.2% under the terms of our debt, excluding fees (such as fees on undrawn amounts and amortization of upfront fees). As of December 31, 2014, the interest rate on our 4.50% Convertible Senior Notes due 2019, or the Convertible Senior Notes, as adjusted to give effect to the interest rate swap, was three-month LIBOR plus 252.9 basis points.

For us to cover these annualized interest payments on indebtedness, we must achieve annual returns on our investments of at least 1.0%. Since we generally pay interest at a floating rate on our debt, an increase in interest rates will generally increase our borrowing costs. We expect that our annualized interest cost and returns required to cover interest will increase if we issue additional debt securities.

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.

Pending legislation may allow 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%. Legislation introduced in the U.S. House of Representatives, if passed, would modify this section of the 1940 Act and increase the amount of debt that BDCs may incur by modifying the asset coverage percentage from 200% to 150%. As a result, we may be able to incur additional indebtedness in the future and you may face increased investment risk. In addition, since our Management Fee is calculated as a percentage of the value of our gross assets, which includes cash, cash equivalents and any borrowings for investment purposes, our Management Fee expenses will increase if we incur additional indebtedness.

We operate in a highly competitive market for investment opportunities.

Other public and private entities, including commercial banks, commercial financing companies, other BDCs and insurance companies compete with us to make the types of investments that we make in middle-market companies. Certain of these competitors may be substantially larger, have considerably greater financial, technical and marketing resources than we have and offer a wider array of financial services. For example, some competitors may have a lower cost of funds and access to funding sources that are not available to us. In addition, some of our competitors may have higher risk tolerances or different risk assessments, which could allow them to consider a wider variety of investments and establish more relationships. We may lose investment opportunities if we do not match our competitors' pricing, terms and structure. If we match our competitors' pricing, terms and structure, however, we may experience decreased net interest income and increased risk of credit loss.

In addition, many competitors are not subject to the regulatory restrictions that the 1940 Act imposes on us as a BDC or the restrictions that the Code imposes on us as a RIC. As a result, we face additional constraints on our operations, which may put us at a competitive disadvantage. As a result of this existing and potentially increasing competition, we may not be able to take advantage of attractive investment opportunities and we cannot assure you that we will be able to identify and make investments that are consistent with our investment objective. The competitive pressures we face could have a material adverse effect on our ability to achieve our investment objective.

If we are unable to source investments, access financing or manage future growth effectively, we may be unable to achieve our investment objective.

Our ability to achieve our investment objective depends on our Investment Team's ability to identify, evaluate, finance and invest in suitable companies that meet our investment criteria. Accomplishing this result on a cost-effective basis is largely a function of our marketing capabilities, our management of the investment process, our ability to provide efficient services and our access to financing sources on acceptable terms, including equity financing (since we no longer have the ability to call capital from our pre-IPO investors). Moreover, our ability to structure investments may also depend upon the participation of other prospective investors. For example, our ability to offer loans above a certain size and to structure loans in a certain way may depend on our ability to partner with other investors. As a result, we could fail to capture some investment opportunities if we cannot provide "one-stop" financing to a potential portfolio company either alone or with other investment partners.

In addition to monitoring the performance of our existing investments, members of our Investment Team may also be called upon to provide managerial assistance to our portfolio companies. These demands on their time may distract them or slow the rate of investment. To grow, our Adviser may need to hire, train, supervise and manage new employees. Failure to manage our future growth effectively could have a material adverse effect on our growth prospects and ability to achieve our investment objective.

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, including investors in offerings of common stock pursuant to this prospectus. 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 appreciation or depreciation, 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 depreciation 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 later incur significant realized capital losses and unrealized capital depreciation 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.

To the extent that we do not realize income or choose not to retain after-tax realized net capital gains, we will have a greater need for additional capital to fund our investments and operating expenses.

To maintain our status as a RIC for U.S. federal income tax purposes, we must distribute (or be treated as distributing) in each taxable year dividends for tax purposes equal to at least 90% of our investment company taxable income and net tax-exempt income for that taxable year, and may either distribute or retain our realized net capital gains from investments. Unless investors elect to reinvest dividends, earnings that we are required to distribute to stockholders will not be available to fund future investments. Accordingly, we may have insufficient funds to make new and follow-on investments, which could have a material adverse effect on

our financial condition and results of operations. Because of the structure and objectives of our business, we may experience operating losses and expect to rely on proceeds from sales of investments, rather than on interest and dividend income, to pay our operating expenses. We cannot assure you that we will be able to sell our investments and thereby fund our operating expenses.

We will be subject to corporate-level U.S. federal income tax if we are unable to maintain our qualification as a RIC under Subchapter M of the Code, including as a result of our failure to satisfy the RIC distribution requirements.

We will incur corporate-level U.S. federal income tax costs if we are unable to maintain our qualification as a RIC for U.S. federal income tax purposes, including as a result of our failure to satisfy the RIC distribution requirements. Although we have elected to be treated as a RIC for U.S. federal income tax purposes, we cannot assure you that we will be able to continue to qualify for and maintain RIC status. To maintain RIC status under the Code and to avoid corporate-level U.S. federal income tax, we must meet the following annual distribution, income source and asset diversification requirements:

- We must distribute (or be treated as distributing) dividends for tax purposes in each taxable year equal to at least 90% of each of:
 - the sum of our net ordinary income and realized net short-term capital gains in excess of realized net long-term capital losses or, investment company taxable income, if any, for that taxable year; and
 - our net tax-exempt income for that taxable year.

The asset coverage ratio requirements under the 1940 Act and financial covenants under our loan and credit agreements could, under certain circumstances, restrict us from making distributions necessary to satisfy the distribution requirement. In addition, as discussed in more detail below, our income for tax purposes may exceed our available cash flow. If we are unable to obtain cash from other sources, we could fail to satisfy the distribution requirements that apply to a RIC. As a result, we could lose our RIC status and become subject to corporate-level U.S. federal income tax.

- We must derive at least 90% of our gross income for each taxable year from dividends, interest, gains from the sale of or other disposition of stock or securities or similar sources.
- We must meet specified asset diversification requirements at the end of each quarter of our taxable year. The need to satisfy these requirements to prevent the loss of RIC status may result in our having to dispose of certain investments quickly on unfavorable terms. Because most of our investments will be relatively illiquid, any such dispositions could be made at disadvantageous prices and could result in substantial losses.

If we fail to maintain our qualification for tax treatment as a RIC for any reason, the resulting U.S. federal income tax liability could substantially reduce our net assets, the amount of income available for distribution, and the amount of our distributions.

We can be expected to retain some income and capital gains in excess of what is permissible for excise tax purposes and such amounts will be subject to 4% U.S. federal excise tax.

For the calendar years ended December 31, 2014 and December 31, 2013, we elected to retain approximately \$28 million and \$5 million of taxable income and capital gains, respectively, in order to provide us with additional liquidity and we recorded a net expense of \$1.1 million and \$0.2 million, respectively, for U.S. federal excise tax as a result. We can be expected to retain some income and capital gains in the future, including for purposes of providing us with additional liquidity, which amounts would similarly be subject to the 4% U.S. federal excise tax. In that event, we will be liable for the tax on the amount by which we do not meet the foregoing distribution requirement. See “ITEM 1. BUSINESS—Regulation as a Business Development Company—Regulated Investment Company Classification” for more information.

Our Adviser and its affiliates, officers and employees may face certain conflicts of interest.

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. However, the Adviser, its officers and employees and members of its Investment Review Committee serve or may serve as investment advisers, officers, directors or principals of entities or investment funds that operate in the same or a related line of business as us or of investment funds managed by our affiliates. Accordingly, these individuals may have obligations to investors in those entities or funds, the fulfillment of which might not be in our best interests or the best interests of our stockholders.

In addition, any affiliated investment vehicle currently formed or formed in the future and managed by the Adviser or its affiliates, particularly in connection with any future growth of their respective businesses, may have overlapping investment objectives with our own and, accordingly, may invest in asset classes similar to those targeted by us. For example, TSSP or TPG may in the future

organize separate investment vehicles aimed specifically at non-U.S. middle-market loan originations or other loan origination opportunities outside our primary focus. Our ability to pursue investment opportunities other than middle-market loan originations for companies domiciled in the United States is subject to the contractual and other requirements of these other funds and allocation decisions by TSSP or TPG senior professionals. As a result, the Adviser and its affiliates may face conflicts in allocating investment opportunities between us and those other entities. It is possible that we may not be given the opportunity to participate in certain investments made by other TSSP or TPG vehicles that would otherwise be suitable for us.

If TPG and the Adviser were to determine that an investment is appropriate both for us and for one or more other TSSP or TPG vehicles, we would only be able to make the investment in conjunction with another vehicle to the extent the exemptive relief order granted to us by the SEC permits us to do so or the investment is otherwise permitted under relevant SEC guidance. On December 16, 2014, we obtained an exemptive relief order from the SEC permitting us to participate in certain co-investment transactions with certain of our affiliates, including investment funds managed by our affiliates, relating to middle-market loan originations for companies domiciled in the United States and certain follow-on investments in companies in which we have already invested and remain invested, in a manner consistent with our investment objectives and strategies as well as other pertinent factors, and pursuant to the conditions to the exemptive relief. We cannot assure you when or whether we will apply for any other exemptive relief in the future and whether such orders will be obtained.

Our Adviser can resign on 60 days' notice. We may not be able to find a suitable replacement within that time, resulting in a disruption in our operations and a loss of the benefits from our relationship with TSSP and TPG.

The Adviser has the right, under the Investment Advisory Agreement and the Administration Agreement, to resign at any time on 60 days' written notice, regardless of whether we have found a replacement. In addition, our Board has the authority to remove the Adviser for any reason or for no reason, or may choose not to renew the Investment Advisory Agreement and the Administration Agreement. Furthermore, the Investment Advisory Agreement automatically terminates in the event of its assignment, as defined in the 1940 Act, by the Adviser, and requires stockholder consent to renew. If the Adviser resigns or is terminated, or if we do not obtain the requisite consents to renew the Adviser after an assignment, we may not be able to find a new investment adviser or hire internal management with similar expertise and ability to provide the same or equivalent services on acceptable terms within 60 days, or at all. If we are unable to do so quickly, our operations are likely to experience a disruption and costs under any new agreements that we enter into could increase. Our financial condition, business and results of operations, as well as our ability to pay distributions, are likely to be adversely affected, and the value of our common stock may decline.

Any new Investment Advisory Agreement also would be subject to approval by our stockholders. Even if we are able to enter into comparable management or administrative arrangements, the integration of a new adviser or administrator and their lack of familiarity with our investment objective may result in additional costs and time delays that may adversely affect our business, financial condition and results of operations.

In addition, if the Adviser resigns or is terminated, we would lose the benefits of our relationship with TSSP and TPG, including insights into our existing portfolio, market expertise, sector and macroeconomic views and due diligence capabilities, as well as any investment opportunities referred to us by TSSP and TPG. We also would no longer be able to use TPG's name and logo because our license agreement would terminate upon the termination of the Investment Advisory Agreement.

The Adviser's liability is limited under the Investment Advisory Agreement, and we are required to indemnify the Adviser against certain liabilities, which may lead the Adviser to act in a riskier manner on our behalf than it would when acting for its own account.

The Adviser has not assumed any responsibility to us other than to render the services described in the Investment Advisory Agreement, and it will not be responsible for any action of our Board in declining to follow the Adviser's advice or recommendations. Pursuant to the Investment Advisory Agreement, the Adviser and its members, managers, officers, employees, agents, controlling persons and any other person or entity affiliated with it will not be liable to us for any action taken or omitted to be taken by the Adviser in connection with the performance of any of its duties or obligations under the Investment Advisory Agreement or otherwise as our investment adviser (except to the extent specified in Section 36(b) of the 1940 Act concerning loss resulting from a breach of fiduciary duty (as the same is finally determined by judicial proceedings) with respect to the receipt of compensation for services).

We have agreed to the fullest extent permitted by law, to provide indemnification and the right to the advancement of expenses, to each person who was or is made a party or is threatened to be made a party to or is involved (including as a witness) in any actual or threatened action, suit or proceeding, whether civil, criminal, administrative or investigative, because he or she is or was a member, manager, officer, employee, agent, controlling person or any other person or entity affiliated with the Adviser with respect to all damages, liabilities, costs and expenses resulting from acts of the Adviser in the performance of the person's duties under the Investment Advisory Agreement. Our obligation to provide indemnification and advancement of expenses is subject to the requirements of the 1940 Act and Investment Company Act Release No. 11330, which, among other things, preclude indemnification

for any liability (whether or not there is an adjudication of liability or the matter has been settled) arising by reason of willful misfeasance, bad faith, gross negligence, or reckless disregard of duties, and require reasonable and fair means for determining whether indemnification will be made. Despite these limitations, the rights to indemnification and advancement of expenses may lead the Adviser and its members, managers, officers, employees, agents, controlling persons and other persons and entities affiliated with the Adviser to act in a riskier manner than they would when acting for their own account.

Prior to our incorporation, the Adviser and its management had no prior experience managing a BDC or a RIC.

Prior to our incorporation, the senior members of our Investment Team had no experience managing a BDC or a RIC, and the investment philosophy and techniques used by the Adviser to manage us may differ from the investment philosophy and techniques previously employed by the senior members of our Investment Team in identifying and managing past investments. Accordingly, our performance may differ from the performance of other businesses or companies with which the senior members of our Investment Team have been affiliated.

Any failure to maintain our status as a BDC would reduce our operating flexibility.

If we do not remain a BDC, we might be regulated as a closed-end investment company under the 1940 Act, which would subject us to substantially more regulatory restrictions under the 1940 Act and correspondingly decrease our operating flexibility. In addition, failure to comply with the requirements imposed on BDCs by the 1940 Act could cause the SEC to bring an enforcement action against us.

We incur significant costs as a result of being a publicly traded company.

As a publicly traded company, we incur legal, accounting, investor relations and other expenses, including costs associated with corporate governance requirements, such as those under the Sarbanes-Oxley Act, other rules implemented by the SEC and the listing standards of the NYSE. Our independent registered public accounting firm is required to attest to the effectiveness of our internal controls over financial reporting pursuant to Section 404 of the Sarbanes-Oxley Act, which increases the costs associated with our periodic reporting requirements.

We are obligated to maintain proper and effective internal control over financial reporting. We may not complete our analysis of our internal control over financial reporting in a timely manner, or our internal controls may not be determined to be effective, which may adversely affect investor confidence in our company and, as a result, the value of our common stock.

As of December 31, 2014, we are no longer an “emerging growth company,” as defined in the Jumpstart Our Business Startups Act of 2012, or the JOBS Act. As a result, we are now required to comply with the independent auditor attestation requirements of Section 404 of the Sarbanes-Oxley Act beginning with this Annual Report on Form 10-K. Complying with Section 404 requires a rigorous compliance program as well as adequate time and resources. We may not be able to complete our internal control evaluation, testing and any required remediation in a timely fashion. Additionally, if we identify one or more material weaknesses in our internal control over financial reporting, we will be unable to assert that our internal controls are effective. If we are unable to assert that our internal control over financial reporting is effective, or if our auditors are unable to attest to management’s report on the effectiveness of our internal controls, we could lose investor confidence in the accuracy and completeness of our financial reports, which would have a material adverse effect on the price of our common stock.

We may experience fluctuations in our quarterly results.

We may experience fluctuations in our quarterly operating results as a result of a number of factors, including the pace at which investments are made, rates of repayment, interest rates payable on investments, changes in realized and unrealized gains and losses, syndication and other fees, the level of our expenses and default rates on our investments. As a result of these and other possible factors, results for any period should not be relied upon as being indicative of performance in future periods.

Provisions of the General Corporation Law of the State of Delaware and our certificate of incorporation and bylaws could deter takeover attempts and have an adverse effect on the price of our common stock.

The General Corporation Law of the State of Delaware, or the DGCL, our amended and restated certificate of incorporation, which we refer to as our certificate of incorporation, and bylaws contain provisions that may discourage, delay or make more difficult a change in control of us or the removal of our directors. Among other provisions, we have a staggered board and our directors may be removed for cause only by the affirmative vote of 75% of the holders of our outstanding capital stock. Our Board also is authorized to issue preferred stock in one or more series. In addition, our certificate of incorporation requires the favorable vote of a majority of our Board followed by the favorable vote of the holders of at least 75% of our outstanding shares of common stock, to approve, adopt or authorize certain transactions, including mergers and the sale, lease or exchange of all or any substantial part of our assets with 10% or

greater holders of our outstanding common stock and their affiliates or associates, unless the transaction has been approved by at least 80% of our Board, in which case approval by “a majority of the outstanding voting securities” (as defined in the 1940 Act) is required. Our certificate of incorporation further provides that stockholders may not take action by written consent in lieu of a meeting and our bylaws provide that any stockholder action required or permitted at an annual meeting or special meeting of stockholders may only be taken if it is properly brought before such meeting. These provisions may also discourage another person or entity from making a tender offer for our common stock, because such person or entity, even if it acquired a majority of our outstanding voting securities, would be able to take action as a stockholder (such as electing new directors or approving a merger) only at a duly called stockholders’ meeting and not by written consent. We also are subject to Section 203 of the DGCL, which generally prohibits us from engaging in mergers and other business combinations with stockholders that beneficially own 15% or more of our voting stock, or with their affiliates, unless our directors or stockholders approve the business combination in the prescribed manner. These measures may delay, defer or prevent a transaction or a change in control that might otherwise be in the best interests of our stockholders and could have the effect of depriving stockholders of an opportunity to sell their shares at a premium over prevailing market prices.

Certain investors are limited in their ability to make significant investments in us.

Investment companies registered under the 1940 Act are restricted from acquiring directly or through a controlled entity more than 3% of our total outstanding voting stock (measured at the time of the acquisition), unless these funds comply with an exemption under the 1940 Act as well as other limitations under the 1940 Act that would restrict the amount that they are able to invest in our securities. Private funds that are excluded from the definition of “investment company” either pursuant to Section 3(c)(1) or 3(c)(7) of the 1940 Act are also subject to this restriction. As a result, certain investors may be precluded from acquiring additional shares at a time that they might desire to do so.

We are highly dependent on information systems and systems failures could significantly disrupt our business, which may, in turn, negatively affect the market price of our common stock and our ability to pay dividends.

Our business is highly dependent on the communications and information systems of the Adviser, its affiliates and third parties. Any failure or interruption of those systems, including as a result of the termination of an agreement with any third-party service providers, could cause delays or other problems in our activities. Our financial, accounting, data processing, backup or other operating systems and facilities may fail to operate properly or become disabled or damaged as a result of a number of factors including events that are wholly or partially beyond our control and adversely affect our business. There could be:

- sudden electrical or telecommunications outages;
- natural disasters such as earthquakes, tornadoes and hurricanes;
- disease pandemics;
- events arising from local or larger scale political or social matters, including terrorist acts; and
- cyber-attacks.

These events, in turn, could have a material adverse effect on our operating results and negatively affect the market price of our common stock and our ability to pay dividends to our stockholders.

Our Board may change our investment objective, operating policies and strategies without prior notice or stockholder approval.

Our Board has the authority to change our investment objective and modify or waive certain of our operating policies and strategies without prior notice (except as required by the 1940 Act) and without stockholder approval. However, absent stockholder approval, we may not change the nature of our business so as to cease to be a BDC and we may not withdraw our election as a BDC. We cannot predict the effect any changes to our current operating policies or strategies would have on our business, operating results and value of our common stock. Nevertheless, the effects may adversely affect our business and impact our ability to make distributions.

Changes in laws or regulations governing our operations may adversely affect our business.

We and our portfolio companies are subject to regulation by laws and regulations at the local, state, federal and, in some cases, foreign levels. These laws and regulations, as well as their interpretation, may be changed from time to time, and new laws and regulations may be enacted. Accordingly, any change in these laws or regulations, changes in their interpretation, or newly enacted laws or regulations and any failure by us or our portfolio companies to comply with these laws or regulations, could require changes to certain business practices of us or our portfolio companies, negatively impact the operations, cash flows or financial condition of us or our portfolio companies, impose additional costs on us or our portfolio companies or otherwise adversely affect our business or the business of our portfolio companies. In particular, changes to the laws and regulations governing BDCs or the interpretation of these laws and regulations by the staff of the SEC could disrupt our business model. Any changes to the laws and regulations governing our

operations may cause us to alter our investment strategy to avail ourselves of new or different opportunities. For more information on tax regulatory risks, see “Risks Related to our Portfolio Company Investments—Unless Congress renews certain exemptions that expired for taxable years commencing after December 31, 2014, certain dividend distributions we make to certain non-U.S. stockholders will be subject to U.S. withholding tax.”

On July 21, 2010, the Wall Street Reform and Consumer Protection Act, or Dodd-Frank Act, was signed into law. Although passage of the Dodd-Frank Act has resulted in extensive rulemaking and regulatory changes that affect us and the financial industry as a whole, many of its provisions remain subject to extended implementation periods and delayed effective dates and will require extensive rulemaking by regulatory authorities. While the full impact of the Dodd-Frank Act on us and our portfolio companies may not be known for an extended period of time, the Dodd-Frank Act, including future rules implementing its provisions and the interpretation of those rules, along with other legislative and regulatory proposals directed at the financial services industry or affecting taxation that are proposed or pending in the U.S. Congress, may negatively impact the operations, cash flows or financial condition of us or our portfolio companies, impose additional costs on us or our portfolio companies, intensify the regulatory supervision of us or our portfolio companies or otherwise adversely affect our business or the business of our portfolio companies.

Over the last several years, there has been an increase in regulatory attention to the extension of credit outside of the traditional banking sector, raising the possibility that some portion of the non-bank financial sector will be subject to new regulation. While it cannot be known at this time whether these regulations will be implemented or what form they will take, increased regulation of non-bank credit extension could negatively impact our operations, cash flows or financial condition, impose additional costs on us, intensify the regulatory supervision of us or otherwise adversely affect our business.

Risks Related to Economic Conditions

The current state of the economy and financial markets increases the likelihood of adverse effects on our financial position and results of operations.

The U.S. capital markets experienced extreme volatility and disruption in recent years, leading to recessionary conditions and depressed levels of consumer and commercial spending. Disruptions in the capital markets increased the spread between the yields realized on risk-free and higher risk securities, resulting in illiquidity in parts of the capital markets. Although recent indicators suggest improvement in the capital markets, we cannot assure you that these conditions will not worsen. If conditions worsen, a prolonged period of market illiquidity could have a material adverse effect on our business, financial condition and results of operations. Unfavorable economic conditions also could increase our funding costs, limit our access to the capital markets or result in a decision by lenders not to extend credit to us. These events could limit our investment originations, limit our ability to grow and negatively impact our operating results.

In addition, to the extent that recessionary conditions return, the financial results of small to mid-sized companies, like those in which we invest, will likely experience deterioration, which could ultimately lead to difficulty in meeting debt service requirements and an increase in defaults. Additionally, the end markets for certain of our portfolio companies’ products and services have experienced, and continue to experience, negative economic trends. The performances of certain of our portfolio companies have been, and may continue to be, negatively impacted by these economic or other conditions, which may ultimately result in:

- our receipt of a reduced level of interest income from our portfolio companies;
- decreases in the value of collateral securing some of our loans and the value of our equity investments; and
- ultimately, losses or charge-offs related to our investments.

Uncertainty about financial stability could have a significant adverse effect on our business, results of operations and financial condition.

Due to federal budget deficit concerns, S&P downgraded the federal government’s credit rating from AAA to AA+ for the first time in history on August 5, 2011. Further, Moody’s and Fitch warned that they may downgrade the federal government’s credit rating. Further downgrades or warnings by S&P or other rating agencies, and the government’s credit and deficit concerns in general, could cause interest rates and borrowing costs to rise, which may negatively impact both the perception of credit risk associated with our debt portfolio and our ability to access the debt markets on favorable terms. In addition, a decreased credit rating could create broader financial turmoil and uncertainty, which may weigh heavily on our financial performance and the value of our common stock. Also, to the extent uncertainty regarding any economic recovery in Europe continues to negatively impact consumer confidence and consumer credit factors, our business and results of operations could be significantly and adversely affected.

On December 18, 2013, the U.S. Federal Reserve announced that it would scale back its bond-buying program, or quantitative easing, which is designed to stimulate the economy and expand the Federal Reserve’s holdings of long-term securities until key

economic indicators, such as the unemployment rate, show signs of improvement. The Federal Reserve signaled it would reduce its purchases of long-term Treasury bonds and would scale back on its purchases of mortgage-backed securities.

It is unclear what effect, if any, the incremental reduction in the rate of the U.S. Federal Reserve's monthly purchases will have on the value of our investments. However, it is possible that absent continued quantitative easing by the Federal Reserve, these developments could cause interest rates and borrowing costs to rise, which may negatively impact our ability to access the debt markets on favorable terms.

Risks Related to Our Portfolio Company Investments

Our investments are very risky and highly speculative.

We primarily invest in first-lien debt, second-lien debt, mezzanine debt or equity securities issued by middle-market companies. The companies in which we intend to invest are typically highly leveraged, and, in most cases, our investments in these companies are not rated by any rating agency. If these instruments were rated, we believe that they would likely receive a rating of below investment grade (that is, below BBB- or Baa3, which is often referred to as "junk"). Exposure to below investment grade instruments involves certain risks, including speculation with respect to the borrower's capacity to pay interest and repay principal.

First-Lien Debt. When we make a first-lien loan, we generally take a security interest in the available assets of the portfolio company, including the equity interests of its subsidiaries, which we expect to help mitigate the risk that we will not be repaid. However, there is a risk that the collateral securing our loans may decrease in value over time, may be difficult to sell in a timely manner, may be difficult to appraise, and may fluctuate in value based upon the success of the business and market conditions, including as a result of the inability of the portfolio company to raise additional capital. In some circumstances, our lien is, or could become, subordinated to claims of other creditors. Consequently, the fact that a loan is secured does not guarantee that we will receive principal and interest payments according to the loan's terms, or at all, or that we will be able to collect on the loan should we need to enforce our remedies. In addition, in connection with our "last out" first-lien loans, we enter into agreements among lenders. Under these agreements, our interest in the collateral of the first-lien loans may rank junior to those of other lenders in the loan under certain circumstances. This may result in greater risk and loss of principal on these loans.

Second-Lien and Mezzanine Debt. Our investments in second-lien and mezzanine debt generally are subordinated to senior loans and will either have junior security interests or be unsecured. As such, other creditors may rank senior to us in the event of insolvency. This may result in greater risk and loss of principal.

Equity and Other Investments. When we invest in first-lien debt, second-lien debt or mezzanine debt, we may acquire equity securities, such as warrants, options and convertible instruments. In addition, we may invest directly in the equity securities of portfolio companies. We seek to dispose of these equity interests and realize gains upon our disposition of these interests. However, the equity interests we receive may not appreciate in value and, in fact, may decline in value. Accordingly, we may not be able to realize gains from our equity interests, and any gains that we do realize on the disposition of any equity interests may not be sufficient to offset any other losses we experience.

Preferred Stock. To the extent we invest in preferred securities, we may incur particular risks, including:

- preferred securities may include provisions that permit the issuer, at its discretion, to defer distributions for a stated period without any adverse consequences to the issuer. If we own a preferred security that is deferring its distributions, we may be required to report income for U.S. federal income tax purposes before we receive such distributions;
- preferred securities are subordinated to bonds and other debt instruments in a company's capital structure in terms of priority to corporate income and liquidation payments, and therefore are subject to greater credit risk than more senior debt instruments; and
- generally, preferred security holders have no voting rights with respect to the issuing company unless preferred dividends have been in arrears for a specified number of periods, at which time the preferred security holders may elect a number of directors to the issuer's board; generally, once all the arrearages have been paid, the preferred security holders no longer have voting rights.

In addition, our investments generally involve a number of significant risks, including:

- the companies in which we invest may have limited financial resources and may be unable to meet their obligations under their debt securities that we hold, which may be accompanied by a deterioration in the value of any collateral and a reduction in the likelihood of us realizing any guarantees we may have obtained in connection with our investment;
- the companies in which we invest typically have shorter operating histories, narrower product lines and smaller market shares than larger businesses, which tend to render them more vulnerable to competitors' actions and market conditions, as well as general economic downturns;
- the companies in which we invest are more likely to depend on the management talents and efforts of a small group of persons; therefore, the death, disability, resignation or termination of one or more of these persons could have a material adverse impact on our portfolio company and, in turn, on us;
- the companies in which we invest generally have less predictable operating results, may be engaged in rapidly changing businesses with products subject to a substantial risk of obsolescence, and may require substantial additional capital to support their operations, finance expansion or maintain their competitive position;
- the debt investments in our portfolio generally have a significant portion of principal due at the maturity of the investment, which would result in a substantial loss to us if such borrowers are unable to refinance or repay their debt at maturity;
- our executive officers, directors and Adviser may, in the ordinary course of business, be named as defendants in litigation arising from our investments in the portfolio companies;
- the companies in which we invest generally have less publicly available information about their businesses, operations and financial condition and, if we are unable to uncover all material information about these companies, we may not make a fully informed investment decision; and
- the companies in which we invest may have difficulty accessing the capital markets to meet future capital needs, which may limit their ability to grow or to repay their outstanding indebtedness upon maturity.

The value of most of our portfolio securities will not have a readily available market price and we value these securities at fair value as determined in good faith by our Board, which valuation is inherently subjective, may not reflect what we may actually realize for the sale of the investment and could result in a conflict of interest with the Adviser.

Investments are valued at the end of each fiscal quarter. The majority of our investments are expected to be in loans that do not have readily ascertainable market prices. The fair value of investments that are not publicly traded or whose market prices are not readily available are determined in good faith by the Board, which is supported by the valuation committee of our Adviser and by the audit committee of our Board. The Board has retained independent third-party valuation firms to perform certain limited third-party valuation services that the Board identified and requested them to perform. In accordance with our valuation policy, our Investment Team prepares portfolio company valuations using sources or proprietary models depending on the availability of information on our investments and the type of asset being valued. The participation of the Adviser in our valuation process could result in a conflict of interest, since the Management Fee is based in part on our gross assets.

Factors that we may consider in determining the fair value of our investments include the nature and realizable value of any collateral, the portfolio company's earnings and its ability to make payments on its indebtedness, the markets in which the portfolio company does business, comparison to similar publicly traded companies, discounted cash flow and other relevant factors. Because fair valuations, and particularly fair valuations of private securities and private companies, are inherently uncertain, may fluctuate over short periods of time and are often based to a large extent on estimates, comparisons and qualitative evaluations of private information, our determinations of fair value may differ materially from the values that would have been determined if a ready market for these securities existed. This could make it more difficult for investors to value accurately our portfolio investments and could lead to undervaluation or overvaluation of our common stock. In addition, the valuation of these types of securities may result in substantial write-downs and earnings volatility.

Decreases in the market values or fair values of our investments are recorded as unrealized depreciation. The effect of all of these factors on our portfolio can reduce our net asset value by increasing net unrealized depreciation in our portfolio. Depending on market conditions, we could incur substantial realized losses and may suffer unrealized losses, which could have a material adverse impact on our business, financial condition and results of operations.

The lack of liquidity in our investments may adversely affect our business.

We generally make loans to private companies. There may not be a ready market for our loans and certain loans may contain transfer restrictions, which may also limit liquidity. The illiquidity of these investments may make it difficult for us to sell positions if

the need arises. In addition, if we are required to liquidate all or a portion of our portfolio quickly, we may realize significantly less than the value at which we had previously recorded these investments. In addition, we may face other restrictions on our ability to liquidate an investment in a portfolio company to the extent that we hold a significant portion of a company's equity or if we have material nonpublic information regarding that company.

Our portfolio may be focused on a limited number of portfolio companies or industries, which will subject us to a risk of significant loss if any of these companies defaults on its obligations under any of its debt instruments or if there is a downturn in a particular industry.

Our portfolio is currently invested in a limited number of portfolio companies and industries and may continue to be in the near future. Beyond the asset diversification requirements associated with our qualification as a RIC for U.S. federal income tax purposes, we do not have fixed guidelines for diversification. While we expect that no single investment will represent more than 15% of our investment portfolio, based on fair value, and are not targeting any specific industries, our investments may be focused on relatively few industries. For example, although we classify the industries of our portfolio companies by end-market (such as healthcare and pharmaceuticals, and business services) and not by the products or services (such as software) directed to those end-markets, many of our portfolio companies principally provide software products or services, which exposes us to downturns in that sector. As a result, the aggregate returns we realize may be significantly adversely affected if a small number of investments perform poorly or if we need to write down the value of any one investment. Additionally, a downturn in any particular industry in which we are invested could significantly affect our aggregate returns.

We may securitize certain of our investments, which may subject us to certain structured financing risks.

Although we have not done so to date, we may securitize certain of our investments in the future, including through the formation of one or more collateralized loan obligations, or CLOs, while retaining all or most of the exposure to the performance of these investments. This would involve contributing a pool of assets to a special purpose entity, and selling debt interests in that entity on a non-recourse or limited-recourse basis to purchasers. For example, we could use our wholly owned subsidiary, TPG SL SPV, LLC, which holds the assets that support our asset-backed credit facility, the Amended and Restated Revolving Credit and Security Agreement between our wholly owned subsidiary, TPG SL SPV, LLC, and Natixis, New York Branch, which we refer to as the SPV Asset Facility, to form a CLO or other securitization vehicle in the future.

If we were to create a CLO or other securitization vehicle, we would depend on distributions from the vehicle to make distributions to our stockholders. The ability of a CLO or other securitization vehicle to make distributions will be subject to various limitations, including the terms and covenants of the debt it issues. For example, tests (based on interest coverage or other financial ratios or other criteria) may restrict our ability, as holder of a CLO or other securitization vehicle equity interest, to receive cash flow from these investments. We cannot assure you that any such performance tests would be satisfied. Also, a CLO or other securitization vehicle may take actions that delay distributions to preserve ratings and to keep the cost of present and future financings lower or the financing vehicle may be obligated to retain cash or other assets to satisfy over-collateralization requirements commonly provided for holders of its debt. As a result, there may be a lag, which could be significant, between the repayment or other realization on a loan or other assets in, and the distribution of cash out of, a CLO or other securitization vehicle, or cash flow may be completely restricted for the life of the CLO or other securitization vehicle.

In addition, a decline in the credit quality of loans in a CLO or other securitization vehicle due to poor operating results of the relevant borrower, declines in the value of loan collateral or increases in defaults, among other things, may force the sale of certain assets at a loss, reducing their earnings and, in turn, cash potentially available for distribution to us for distribution to our stockholders. If we were to form a CLO or other securitization vehicle, to the extent that any losses were incurred by the financing vehicle in respect of any collateral, these losses would be borne first by us as owners of its equity interests. Any equity interests that we were to retain in a CLO or other securitization vehicle would not be secured by its assets and we would rank behind all of its creditors.

We may be exposed to many of the same risks as described above with respect to our wholly owned subsidiary that supports our SPV Asset Facility. However, in the event we formed a CLO or other securitization vehicle, many of the risks described above would be heightened because we may incur a higher degree of leverage under a CLO or other securitization vehicle than we are permitted to incur under our SPV Asset Facility.

Nonetheless, a CLO or other securitization vehicle, if created, also would likely be consolidated in our financial statements and consequently affect our asset coverage ratio, which may limit our ability to incur additional leverage. See “ITEM 1. BUSINESS – Regulation as a Business Development Company.”

Because we generally do not hold controlling interests in our portfolio companies, we may not be in a position to exercise control over those portfolio companies or prevent decisions by management of those portfolio companies that could decrease the value of our investments.

We are a lender, and loans (and any equity investments we make) typically will be non-controlling investments, meaning we will not be in a position to control the management, operation and strategic decision-making of the companies we invest in (outside of, potentially, the context of a restructuring, insolvency or similar event). As a result, we will be subject to the risk that a portfolio company we do not control, or in which we do not have a majority ownership position, may make business decisions with which we disagree, and the equityholders and management of such a portfolio company may take risks or otherwise act in ways that are adverse to our interests. We may not be able to dispose of our investments in the event that we disagree with the actions of a portfolio company, and may therefore suffer a decrease in the value of our investments.

We are exposed to risks associated with changes in interest rates.

The majority of our debt investments are based on floating rates, such as LIBOR, EURIBOR, the Federal Funds Rate or the Prime Rate. General interest rate fluctuations may have a substantial negative impact on our investments, the value of our common stock and our rate of return on invested capital. On one hand, a reduction in the interest rates on new investments relative to interest rates on current investments could have an adverse impact on our net interest income, which also could be negatively impacted by our borrowers making prepayments on their loans. On the other hand, an increase in interest rates could increase the interest payment obligations of our borrowers and result in challenges to their financial performance and ability to repay their obligations.

An increase in interest rates could also decrease the value of any investments we hold that earn fixed interest rates, including subordinated loans, senior and junior secured and unsecured debt securities and loans and high yield bonds, and also could increase our interest expense, thereby decreasing our net income. Moreover, an increase in interest rates available to investors could make investment in our common stock less attractive if we are not able to increase our dividend rate, which could reduce the value of our common stock.

A rise in the general level of interest rates typically leads to higher interest rates applicable to our debt investments. Accordingly, an increase in interest rates may result in an increase in the amount of the Incentive Fee payable to the Adviser.

We may use interest rate risk management techniques in an effort to limit our exposure to interest rate fluctuations. These techniques may include various interest rate hedging activities to the extent permitted by the 1940 Act. See “—Risks Related to Our Portfolio Company Investments—We expose ourselves to risks when we engage in hedging transactions.”

We may not be able to realize expected returns on our invested capital.

We may not realize expected returns on our investment in a portfolio company due to changes in the portfolio company’s financial position or due to an acquisition of the portfolio company. If a portfolio company repays our loans prior to their maturity, we may not receive our expected returns on our invested capital. Many of our investments are structured to provide a disincentive for the borrower to pre-pay or call the security, but this call protection may not cover the full expected value of an investment if that investment is repaid prior to maturity.

Middle-market companies operate in a highly acquisitive market with frequent mergers and buyouts. If a portfolio company is acquired or merged with another company prior to drawing on our commitment, we would not realize our expected return. Similarly, in many cases companies will seek to restructure or repay their debt investments or buy our other equity ownership positions as part of an acquisition or merger transaction, which may result in a repayment of debt or other reduction of our investment.

By originating loans to companies that are experiencing significant financial or business difficulties, we may be exposed to distressed lending risks.

As part of our lending activities, we may originate loans to companies that are experiencing significant financial or business difficulties, including companies involved in bankruptcy or other reorganization and liquidation proceedings. Although the terms of such financing may result in significant financial returns to us, they involve a substantial degree of risk. The level of analytical sophistication, both financial and legal, necessary for successful financing to companies experiencing significant business and financial difficulties is unusually high. We cannot assure you that we will correctly evaluate the value of the assets collateralizing our loans or the prospects for a successful reorganization or similar action. In any reorganization or liquidation proceeding relating to a company that we fund, we may lose all or part of the amounts advanced to the borrower or may be required to accept collateral with a value less than the amount of the loan advanced by us to the borrower.

Our portfolio companies in some cases may incur debt or issue equity securities that rank equally with, or senior to, our investments in those companies.

Our portfolio companies may have, or may be permitted to incur, other debt, or issue other equity securities that rank equally with, or senior to, our investments. By their terms, those instruments may provide that the holders are entitled to receive payment of dividends, interest or principal on or before the dates on which we are entitled to receive payments in respect of our investments. These debt instruments would usually prohibit the portfolio companies from paying interest on or repaying our investments in the event and during the continuance of a default under the debt. Also, in the event of insolvency, liquidation, dissolution, reorganization or bankruptcy of a portfolio company, holders of securities ranking senior to our investment in that portfolio company typically would be entitled to receive payment in full before we receive any distribution in respect of our investment. After repaying those holders, the portfolio company may not have any remaining assets to use for repaying its obligation to us. In the case of securities ranking equally with our investments, we would have to share on an equal basis any distributions with other security holders in the event of an insolvency, liquidation, dissolution, reorganization or bankruptcy of the relevant portfolio company.

The rights we may have with respect to the collateral securing certain loans we make to our portfolio companies may also be limited pursuant to the terms of one or more intercreditor agreements or agreements among lenders. Under these agreements, we may forfeit certain rights with respect to the collateral to holders with prior claims. These rights may include the right to commence enforcement proceedings against the collateral, the right to control the conduct of those enforcement proceedings, the right to approve amendments to collateral documents, the right to release liens on the collateral and the right to waive past defaults under collateral documents. We may not have the ability to control or direct such actions, even if as a result our rights as lenders are adversely affected.

We may be exposed to special risks associated with bankruptcy cases.

One or more of our portfolio companies may be involved in bankruptcy or other reorganization or liquidation proceedings. Many of the events within a bankruptcy case are adversarial and often beyond the control of the creditors. While creditors generally are afforded an opportunity to object to significant actions, we cannot assure you that a bankruptcy court would not approve actions that may be contrary to our interests. There also are instances where creditors can lose their ranking and priority if they are considered to have taken over management of a borrower.

The reorganization of a company can involve substantial legal, professional and administrative costs to a lender and the borrower; it is subject to unpredictable and lengthy delays; and during the process a company's competitive position may erode, key management may depart and a company may not be able to invest adequately. In some cases, the debtor company may not be able to reorganize and may be required to liquidate assets. The debt of companies in financial reorganization will, in most cases, not pay current interest, may not accrue interest during reorganization and may be adversely affected by an erosion of the issuer's fundamental value.

In addition, lenders can be subject to lender liability claims for actions taken by them where they become too involved in the borrower's business or exercise control over the borrower. For example, we could become subject to a lender liability claim (alleging that we misused our influence on the borrower for the benefit of its lenders), if, among other things, the borrower requests significant managerial assistance from us and we provide that assistance.

Our failure to make follow-on investments in our portfolio companies could impair the value of our investments.

Following an initial investment in a portfolio company, we may make additional investments in that portfolio company as "follow-on" investments to:

- increase or maintain in whole or in part our equity ownership percentage;
- exercise warrants, options or convertible securities that were acquired in the original or subsequent financing; or
- attempt to preserve or enhance the value of our investment.

We may elect not to make follow-on investments, may be constrained in our ability to employ available funds, or otherwise may lack sufficient funds to make those investments. We have the discretion to make any follow-on investments, subject to the availability of capital resources. However, doing so could be placing even more capital at risk in existing portfolio companies.

The failure to make follow-on investments may, in some circumstances, jeopardize the continued viability of a portfolio company and our initial investment, or may result in a missed opportunity for us to increase our participation in a successful operation. Even if we have sufficient capital to make a desired follow-on investment, we may elect not to make a follow-on investment because we may

not want to increase our concentration of risk, because we prefer other opportunities or because we are inhibited by compliance with BDC requirements or the desire to maintain our tax status.

Our ability to enter into transactions with our affiliates is restricted.

We are prohibited under the 1940 Act from participating in certain transactions with certain of our affiliates without the prior approval of our Independent Directors and, in some cases, the SEC. Any person that owns, directly or indirectly, 5% or more of our outstanding voting securities is our affiliate for purposes of the 1940 Act, and we generally are prohibited from buying or selling any security from or to such affiliate, absent the prior approval of our Independent Directors. The 1940 Act also prohibits certain “joint” transactions with certain of our affiliates, which could include investments in the same portfolio company (whether at the same or different times), without prior approval of our Independent Directors and, in some cases, the SEC. If a person acquires more than 25% of our voting securities, we are prohibited from buying or selling any security from or to such person or certain of that person’s affiliates, or entering into prohibited joint transactions with such persons, absent the prior approval of the SEC. Similar restrictions limit our ability to transact business with our officers or directors or their affiliates.

The decision by TSSP, TPG or our Adviser to allocate an opportunity to another entity could cause us to forgo an investment opportunity that we otherwise would have made. We also generally will be unable to invest in any issuer in which TPG and its other affiliates or a fund managed by TPG or its other affiliates has previously invested or in which they are making an investment. Similar restrictions limit our ability to transact business with our officers or directors or their affiliates. These restrictions may limit the scope of investment opportunities that would otherwise be available to us.

On December 16, 2014, the SEC granted our exemptive relief order, permitting us to participate in certain co-investment transactions with certain of our affiliates, including investment funds managed by our affiliates, relating to middle-market loan originations for companies domiciled in the United States and certain follow-on investments in companies in which we have already invested and remain invested, in a manner consistent with our investment objectives and strategies as well as other pertinent factors, and pursuant to the conditions to the exemptive relief. Accordingly, we and our affiliates, including investment funds managed by our affiliates, will be only permitted to co-invest in accordance with the terms of the exemptive relief order or in the limited circumstances otherwise currently permitted by regulatory guidance.

We cannot guarantee that we will be able to obtain various required licenses in U.S. states or in any other jurisdiction where they may be required in the future.

We are required to have and may be required in the future to obtain various state licenses to, among other things, originate commercial loans, and may be required to obtain similar licenses from other authorities, including outside of the United States, in the future in connection with one or more investments. Applying for and obtaining required licenses can be costly and take several months. We cannot assure you that we will maintain or obtain all of the licenses that we need on a timely basis. We also are and will be subject to various information and other requirements to maintain and obtain these licenses, and we cannot assure you that we will satisfy those requirements. Our failure to maintain or obtain licenses that we require, now or in the future, might restrict investment options and have other adverse consequences.

Our investments in foreign companies may involve significant risks in addition to the risks inherent in U.S. investments.

Our investment strategy may include potential investments in foreign companies. Investing in foreign companies may expose us to additional risks not typically associated with investing in U.S. companies. These risks include changes in exchange control regulations, political and social instability, expropriation, imposition of foreign taxes (potentially at confiscatory levels), less liquid markets, less available information than is generally the case in the United States, higher transaction costs, less government supervision of exchanges, brokers and issuers, less developed bankruptcy laws, difficulty in enforcing contractual obligations, lack of uniform accounting and auditing standards and greater price volatility. In addition, interest income derived from loans to foreign companies is not eligible to be distributed to our non-U.S. stockholders free from withholding taxes.

Although most of our investments will be U.S. dollar-denominated, our investments that are denominated in a foreign currency will be subject to the risk that the value of a particular currency will change in relation to one or more other currencies. Among the factors that may affect currency values are trade balances, the level of short-term interest rates, differences in relative values of similar assets in different currencies, long-term opportunities for investment and capital appreciation and political developments. 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 expose ourselves to risks when we engage in hedging transactions.

We have entered, and may in the future enter, into hedging transactions, which may expose us to risks associated with such transactions. We may seek to utilize instruments such as forward contracts, currency options and interest rate swaps, caps, collars and

floors to seek to hedge against fluctuations in the relative values of our portfolio positions from changes in currency exchange rates and market interest rates and the relative value of certain debt securities from changes in market interest rates. Use of these hedging instruments may include counter-party credit risk. To the extent we have non-U.S. investments, particularly investments in non-U.S. denominated currencies, our hedging costs will increase.

We also have the ability to borrow in certain foreign currencies under the second amended and restated senior secured revolving credit agreement, as amended, with SunTrust Bank, as administrative agent, and certain lenders, which we refer to as the 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.

Hedging against a decline in the values of our portfolio positions would not eliminate the possibility of fluctuations in the values of such positions or prevent losses if the values of such positions were to decline. However, such hedging can establish other positions designed to gain from those same developments, thereby offsetting the decline in the value of such portfolio positions. Such hedging transactions may also limit the opportunity for gain if the values of the underlying portfolio positions were to increase. It also may not be possible to hedge against an exchange rate or interest rate fluctuation that is so generally anticipated that we are not able to enter into a hedging transaction at an acceptable price.

The success of our hedging strategy will depend on our ability to correctly identify appropriate exposures for hedging. To date, we have entered into hedging transactions to seek to reduce currency exchange rate risk. In addition, in connection with the offering of our Convertible Senior Notes, which bear interest at a fixed rate, we entered into fixed-to-floating interest rate swaps to continue to align the interest rates of our liabilities with our investment portfolio, which consists of predominately floating rate loans. However, unanticipated changes in currency exchange rates or other exposures that we might hedge may result in poorer overall investment performance than if we had not engaged in any such hedging transactions. In addition, the degree of correlation between price movements of the instruments used in a hedging strategy and price movements in the portfolio positions being hedged may vary, as may the time period in which the hedge is effective relative to the time period of the related exposure.

For a variety of reasons, we may not seek to (or be able to) establish a perfect correlation between such hedging instruments and the positions being hedged. Any such imperfect correlation may prevent us from achieving the intended hedge and expose us to risk of loss. In addition, it may not be possible to hedge fully or perfectly against currency fluctuations affecting the value of securities denominated in non-U.S. currencies because the value of those securities is likely to fluctuate as a result of factors not related to currency fluctuations. Income derived from hedging transactions also is not eligible to be distributed to non-U.S. stockholders free from withholding taxes. See also “—Risks Related to Our Portfolio Company Investments—We are exposed to risks associated with changes in interest rates” and “ITEM 7. MANAGEMENT’S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS—Results of Operations—Hedging.”

Finally, recent and anticipated regulatory changes require that certain types of swaps, including interest rate and credit default swaps, be cleared and traded on regulated platforms, and these regulatory changes are expected to apply to foreign exchange transactions in the future. Cleared swaps, such as the interest rate swaps we entered into in connection with our Convertible Senior Notes offering, require us to post collateral. Any failure by us to fulfill any collateral requirement (e.g., a so-called “margin call”) may result in a default and could have a material adverse impact on our business, financial condition and results of operations. Regulators also are expected to impose margin requirements for derivatives that are not cleared. These new requirements could significantly increase the cost of using swaps to hedge our interest rate and foreign exchange risk, and could increase our exposure to these risks.

If we cease to be eligible for an exemption from regulation as a commodity pool operator, our compliance expenses could increase substantially.

Our Adviser has been granted relief under a no-action letter, known as Letter 12-40, issued by the staff of the Commodity Futures Trading Commission, or CFTC. Letter 12-40 relieves our Adviser from registering with the CFTC as the commodity pool operator, or CPO, of us, so long as we:

- continue to be regulated by the SEC as a BDC;
- confine our trading in CFTC-regulated derivatives within specified thresholds; and
- are not marketed to the public as a commodity pool or as a vehicle for trading in CFTC-regulated derivatives.

If we were not to satisfy the conditions of Letter 12-40 in the future, our Adviser may be subject to registration with the CFTC as a CPO. Registered CPOs must comply with numerous substantive regulations related to disclosure, reporting and recordkeeping, and are required to become members of the National Futures Association, or the NFA, and be subject to the NFA’s rules and bylaws.

Compliance with these additional registration and regulatory requirements could increase our expenses and impact performance. The Adviser previously relied on the exemption from registration in CFTC Rule 4.13(a)(3), which is not available for advisers of companies whose stock is marketed to the public.

Our portfolio investments may present special tax issues.

Investments in below-investment grade debt instruments and certain equity securities may present special tax issues for us. U.S. federal income tax rules are not entirely clear about certain issues, including when we may cease to accrue interest, original issue discount or market discount, when and to what extent certain deductions may be taken for bad debts or worthless equity securities, how payments received on obligations in default should be allocated between principal and interest income, as well as whether exchanges of debt instruments in a bankruptcy or workout context are taxable. These matters could cause us to recognize taxable income for U.S. federal income tax purposes, even in the absence of cash or economic gain, and require us to make taxable distributions to our stockholders to maintain our RIC status or preclude the imposition of either U.S. federal corporate income or excise taxation. Additionally, because such taxable income may not be matched by corresponding cash received by us, we may be required to borrow money or dispose of other investments to be able to make distributions to our stockholders. These and other issues will be considered by us, to the extent determined necessary, so that we aim to minimize the level of any U.S. federal income or excise tax that we would otherwise incur. See “ITEM 1. BUSINESS—Regulation as a Business Development Company—Regulated Investment Company Classification” for more information.

Unless Congress renews certain exemptions that expired for taxable years commencing after December 31, 2014, certain dividend distributions we make to certain non-U.S. stockholders will be subject to U.S. withholding tax.

In recent years, Congress has renewed the rules under which certain dividend distributions by RICs paid out of interest income, which we refer to as interest-related dividends, qualified for a generally applicable exemption from U.S. withholding tax. As a result, a non-U.S. stockholder could receive interest-related dividends free of U.S. withholding tax if (as normally would be the case) the stockholder would not have been subject to U.S. withholding tax if it had received the underlying interest income directly. This exemption expired for taxable years commencing after December 31, 2014. Further legislation will be required to make the exemption available with respect to such taxable years. We cannot assure you that Congress will extend the pass-through rules for taxable years commencing after December 31, 2014, or that any such extension will apply to all dividends that we distribute in such taxable years. A failure to extend the exemption for interest-related dividends would not affect the treatment of non-U.S. stockholders that qualify for an exemption from U.S. withholding tax on dividends by reason of their special status (for example, foreign government-related entities and certain pension funds resident in favorable treaty jurisdictions).

If we are not treated as a publicly offered regulated investment company, certain U.S. stockholders will be treated as having received a dividend from us in the amount of such U.S. stockholders’ allocable share of the Management and Incentive Fees paid to our investment adviser and certain of our other expenses, and these fees and expenses will be treated as miscellaneous itemized deductions of such U.S. stockholders.

We expect to be treated as a “publicly offered regulated investment company” as a result of shares of our common stock being treated as regularly traded on an established securities market. However, we cannot assure you that we will be treated as a publicly offered regulated investment company for all years. For example, if our shares are not treated as regularly traded and we are not held by more than 500 persons at all times during the taxable year, we might not be treated as a publicly offered regulated investment company. If we are not treated as a publicly offered regulated investment company for any calendar year, each U.S. stockholder that is an individual, trust or estate will be treated as having received a dividend from us in the amount of such U.S. stockholder’s allocable share of the Management Fees and Incentive Fees paid to our Adviser and certain of our other expenses for the calendar year, and these fees and expenses will be treated as miscellaneous itemized deductions of such U.S. stockholder. Miscellaneous itemized deductions generally are deductible by a U.S. stockholder that is an individual, trust or estate only to the extent that the aggregate of such U.S. stockholder’s miscellaneous itemized deductions exceeds 2% of such U.S. stockholder’s adjusted gross income for U.S. federal income tax purposes, are not deductible for purposes of the alternative minimum tax and are subject to the overall limitation on itemized deductions under the Code.

There are certain risks associated with holding debt obligations that have original issue discount or payment-in-kind (“PIK”).

Original issue discount, or OID, may arise if we hold securities issued at a discount, receive warrants in connection with the making of a loan, or in certain other circumstances.

OID creates the risk that Incentive Fees will be paid to the Adviser based on non-cash accruals that ultimately may not be realized, while the Adviser will be under no obligation to reimburse us for these fees.

The higher interest rates of OID instruments reflect the payment deferral and increased credit risk associated with these instruments, and OID instruments generally represent a significantly higher credit risk than coupon loans. Even if the accounting conditions for income accrual are met, the borrower could still default when our actual collection is supposed to occur at the maturity of the obligation.

OID instruments may have unreliable valuations because their continuing accruals require continuing judgments about the collectability of the deferred payments and the value of any associated collateral. OID income may also create uncertainty about the source of our cash distributions.

For accounting purposes, any cash distributions to stockholders representing OID income are not treated as coming from paid-in capital, even if the cash to pay them comes from the proceeds of issuances of our common stock. As a result, despite the fact that a distribution representing OID income could be paid out of amounts invested by our stockholders, the 1940 Act does not require that stockholders be given notice of this fact by reporting it as a return of capital.

PIK interest has the effect of generating investment income at a compounding rate, thereby further increasing the Incentive Fees payable to the Adviser. Similarly, all things being equal, the deferral associated with PIK interest also increases the loan-to-value ratio at a compounding rate.

Risks Related to our Securities

There is a risk that you may not receive dividends or that our dividends may not grow over time.

We intend to continue making distributions on a quarterly basis to our stockholders out of assets legally available for distribution. We cannot assure you that we will achieve investment results or maintain a tax status that will allow or require any specified level of cash distributions or year-to-year increases in cash distributions. Our ability to pay distributions might be adversely affected by the impact of one or more of the risk factors described in this annual report. Due to the asset coverage test applicable to us under the 1940 Act as a BDC or restrictions under our credit facilities, we may be limited in our ability to make distributions. Although a portion of our expected earnings and dividend distributions will be attributable to net interest income, we do not expect to generate capital gains from the sale of our portfolio investments on a level or uniform basis from quarter to quarter. This may result in substantial fluctuations in our quarterly dividend payments.

In some cases where we receive certain upfront fees in connection with loans we originate, we treat the loan as having OID under applicable accounting and tax regulations, even though we have received the corresponding cash. In other cases, however, we may recognize income before or without receiving the corresponding cash, including in connection with the accretion of OID. For other risks associated with debt obligations treated as having OID, see “—Risks Related to Our Portfolio Company Investments—There are certain risks associated with holding debt obligations that have original issue discount or PIK.”

Therefore, we may be required to make a distribution to our stockholders in order to satisfy the annual distribution requirement necessary to qualify for and maintain RIC tax treatment under Subchapter M of the Code, even though we may not have received the corresponding cash amount. Accordingly, we may have to sell investments at times we would not otherwise consider advantageous, raise additional debt or equity capital or reduce new investment originations to meet these distribution requirements for this purpose. If we are not able to obtain cash from other sources, we may fail to qualify as a RIC and thereby be subject to corporate-level income tax. In addition, the withholding tax treatment of our distributions to certain of our non-U.S. stockholders depends on whether and when Congress enacts legislation extending the pass-through treatment of “interest-related dividends.” This treatment expired for taxable years commencing after December 31, 2014. See “ITEM 1. BUSINESS—Regulation as a Business Development Company —Regulated Investment Company Classification.”

To the extent that the amounts distributed by us exceed our current and accumulated earnings and profits, these excess distributions will be treated first as a return of capital to the extent of a stockholder’s tax basis in his or her shares and then as capital gain. Reducing a stockholder’s tax basis will have the effect of increasing his or her gain (or reducing loss) on a subsequent sale of shares.

The part of the Incentive Fee payable by us that relates to our net investment income is computed and paid on income that may include interest that has been accrued but not yet received in cash. If a portfolio company defaults on a loan, it is possible that accrued interest previously used in the calculation of the Incentive Fee will become uncollectible. Consequently, while we may make Incentive Fee payments on income accruals that we may not collect in the future and with respect to which we do not have a clawback right against our Adviser, the amount of accrued income written off in any period will reduce the income in the period in which the write-off is taken and thereby reduce that period’s Incentive Fee payment, if any.

In addition, the middle-market companies in which we intend to invest may be more susceptible to economic downturns than larger operating companies, and therefore may be more likely to default on their payment obligations to us during recessionary periods. Any

such defaults could substantially reduce our net investment income available for distribution in the form of dividends to our stockholders.

Investing in our securities may involve a high degree of risk.

The investments we make in accordance with our investment objective may result in a higher amount of risk than alternative investment options and volatility or loss of principal. Our investments in portfolio companies may be highly speculative and aggressive and, therefore, an investment in our common stock may not be suitable for someone with lower risk tolerance.

The market price of our common stock may fluctuate significantly.

The market price and liquidity of the market for shares of our common stock may be significantly affected by numerous factors, some of which are beyond our control and may not be directly related to our operating performance. These factors include:

- significant volatility in the market price and trading volume of securities of BDCs or other companies in our sector, which is not necessarily related to the operating performance of these companies;
- changes in regulatory policies or tax guidelines, particularly with respect to RICs or BDCs;
- the exclusion of BDC common stock from certain market indices, which could reduce the ability of certain investment funds to own our common stock and put short term selling pressure on our common stock;
- loss of RIC or BDC status;
- changes or perceived changes in earnings or variations in operating results;
- changes in our portfolio of investments;
- changes or perceived changes in the value of our portfolio of investments;
- changes in accounting guidelines governing valuation of our investments;
- any shortfall in revenue or net income or any increase in losses from levels expected by investors or securities analysts;
- any downgrades to our credit rating or placement on a negative watch status by a credit rating agency;
- departure of the Adviser's or any of its affiliates' key personnel;
- operating performance of companies comparable to us;
- general economic trends and other external factors; and
- loss of a major funding source.

We cannot assure you that a market for our common stock will be sustained or that the market price of shares of our common stock will not decline.

We cannot assure you that a trading market for our common stock will be sustained. In addition, we cannot predict the prices at which our common stock will trade. Shares of closed-end investment companies, including BDCs, frequently trade at a discount from their net asset value and our stock may also be discounted in the market. This characteristic of closed-end investment companies is separate and distinct from the risk that our net asset value per share of common stock may decline. We cannot predict whether our common stock will trade at, above or below net asset value. In addition, if our common stock trades below its net asset value, we will generally not be able to sell additional shares of our common stock to the public at its market price without first obtaining the approval of a majority of our stockholders (including a majority of our unaffiliated stockholders) and our Independent Directors for such issuance.

Sales of substantial amounts of our common stock in the public market may have an adverse effect on the market price of our common stock.

Sales of substantial amounts of our common stock, the availability of such common stock for sale (including as a result of the conversion of our Convertible Senior Notes into common stock) or the perception that such sales could occur could adversely affect the prevailing market prices for our common stock. If this occurs, it could impair our ability to raise additional capital through the sale of equity securities should we desire to do so. We cannot predict what effect, if any, future sales of securities or the availability of securities for future sales will have on the market price of our common stock prevailing from time to time.

Our stockholders may experience dilution upon the conversion of our Convertible Senior Notes.

Our Convertible Senior Notes are convertible into shares of our common stock beginning on June 15, 2019 or, under certain circumstances, earlier. Upon conversion of the Convertible Senior Notes, we have the choice to pay or deliver, as the case may be, at our election, cash, shares of our common stock or a combination of cash and shares of our common stock. The initial conversion price of the Convertible Senior Notes is \$25.83, subject to adjustment in certain circumstances. If we elect to deliver shares of common stock upon a conversion at the time our tangible book value per share exceeds the conversion price in effect at such time, our stockholders may incur dilution. In addition, our stockholders will experience dilution in their ownership percentage of common stock upon our issuance of common stock in connection with the conversion of the Convertible Senior Notes and any dividends paid on our common stock will also be paid on shares issued in connection with such conversion after such issuance.

Our stockholders will experience dilution in their ownership percentage if they opt out of our dividend reinvestment plan.

We have adopted a dividend reinvestment plan, pursuant to which we will reinvest all cash dividends and distributions declared by the Board on behalf of investors who do not elect to receive their dividends in cash. As a result, if the Board authorizes, and we declare, a cash dividend or other distribution, then our stockholders who have not opted out of our dividend reinvestment plan will have their cash distributions automatically reinvested in additional common stock, rather than receiving the cash dividend or other distribution. See “ITEM 1. BUSINESS—Dividend Policy” and “ITEM 1. BUSINESS—Dividend Reinvestment Plan” for a description of our dividend policy and obligations.

In addition, the number of shares issued pursuant to the dividend reinvestment plan will be determined based on the market price of shares of our common stock, except in circumstances where the market price exceeds our most recently computed net asset value per share, in which case we will issue shares at the greater of (i) the most recently computed net asset value per share and (ii) 95% of the current market price per share or such lesser discount to the current market price per share that still exceeds the most recently computed net asset value per share. Accordingly, participants in the dividend reinvestment plan may receive a greater number shares of our common stock than the number of shares associated with the market price of our common stock, resulting in dilution for other stockholders. Stockholders that opt out of our dividend reinvestment plan will experience dilution in their ownership percentage of our common stock over time.

Purchases of our common stock by us under the Company 10b5-1 Plan may result in the price of our common stock being higher than the price that otherwise might exist in the open market.

We have entered into an agreement with Goldman, Sachs & Co., the Company 10b5-1 Plan, in accordance with Rules 10b5-1 and 10b-18 under the Exchange Act, under which Goldman, Sachs & Co, as agent for us, will buy up to \$50 million of our common stock in the aggregate during the period ending on the earlier of the date on which all the capital committed to the plan has been exhausted or May 4, 2015. On February 20, 2015, our Board of Directors authorized the extension of the termination date of the Company 10b5-1 Plan from May 4, 2015 to June 30, 2015.

Whether purchases will be made under the Company 10b5-1 Plan and how much will be purchased at any time is uncertain, dependent on prevailing market prices and trading volumes, all of which we cannot predict. These activities may have the effect of maintaining the market price of our common stock or retarding a decline in the market price of the common stock, and, as a result, the price of our common stock may be higher than the price that otherwise might exist in the open market.

ITEM 1B. UNRESOLVED STAFF COMMENTS

None.

ITEM 2. PROPERTIES

We maintain our principal executive office at 301 Commerce Street, Suite 3300, Fort Worth, Texas 76102. We do not own any real estate.

ITEM 3. 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 4. MINE SAFETY DISCLOSURES

Not applicable.

PART II

ITEM 5. MARKET FOR REGISTRANT’S COMMON EQUITY, RELATED STOCKHOLDER MATTERS AND ISSUER PURCHASES OF EQUITY SECURITIES

Price Range of Common Stock

Our common stock is traded on the NYSE under the symbol “TSLX.” Our common stock has historically traded at prices both above and below our net asset value per share. It is not possible to predict whether our common stock offered hereby will trade at, above or below net asset value. See “ITEM 1A. RISK FACTORS—Risks Related to our Securities—We cannot assure you that a market for our common stock will be sustained or that the market price of shares of our common stock will not decline.”

The following table sets forth, for each fiscal quarter since our IPO, the net asset value per share of our common stock, the range of high and low closing sales prices of our common stock reported on the NYSE, the closing sales price as a premium (discount) to net asset value and the dividends or distributions declared by us. On February 23, 2015, the last reported closing sales price of our common stock on the NYSE was \$17.80 per share, which represented a premium of approximately 14.6% to the net asset value per share reported by us as of December 31, 2014.

	Net Asset Value(1)	Price Range		High Sales Price to Net Asset Value(2)	Low Sales Price to Net Asset Value(2)	Cash Dividend Per Share(3)
		High	Low			
Year ended December 31, 2014						
First Quarter (beginning March 21, 2014)	\$ 15.51	\$ 16.70	\$ 16.00	7.7%	3.2%	\$ 0.38
Second Quarter	\$ 15.70	\$ 23.90	\$ 16.60	52.2%	5.7%	\$ 0.38
Third Quarter	\$ 15.66	\$ 22.36	\$ 16.01	42.8%	2.2%	\$ 0.38
Fourth Quarter	\$ 15.53	\$ 18.00	\$ 15.74	15.9%	1.4%	\$ 0.39

- (1) Net asset value per share is determined as of the last day in the relevant quarter and therefore may not reflect the net asset value per share on the date of the high and low closing sales prices. The net asset values shown are based on outstanding shares at the end of the relevant quarter.
- (2) Calculated as the respective high or low closing sales price less net asset value, divided by net asset value (in each case, as of the applicable quarter).
- (3) Represents the dividend or distribution declared in the relevant quarter.

Holders

As of February 24, 2015, there were approximately 30 holders of record of our common stock (including Cede & Co.).

Dividends

On December 3, 2013, our Board approved a stock split in the form of a stock dividend pursuant to which our stockholders of record as of December 4, 2013 received 65.676 additional shares of common stock for each share of common stock held. We distributed the shares on December 5, 2013 and paid cash for fractional shares without interest or deduction. We have retroactively applied the effect of the stock split to the financial information presented in this prospectus by multiplying numbers of shares outstanding by 66.676 and dividing per share amounts by 66.676. As of December 31, 2014, our issued and outstanding shares totaled 53,797,358.

The following tables summarize dividends declared during the years ended December 31, 2014 and 2013:

Date Declared	Year Ended December 31, 2014		
	Record Date	Payment Date	Dividend per Share
March 26, 2014	March 31, 2014	April 30, 2014	\$ 0.38
May 6, 2014	June 30, 2014	July 31, 2014	0.38
August 4, 2014	September 30, 2014	October 31, 2014	0.38
November 3, 2014	December 31, 2014	January 30, 2015	0.39
Total Dividends Declared			\$ 1.53

Date Declared	Year Ended December 31, 2013		Dividend per
	Record Date	Payment Date	Share (2)
March 12, 2013	March 31, 2013	May 6, 2013	\$ 0.38
June 30, 2013	June 30, 2013	July 31, 2013	0.40
September 30, 2013	September 30, 2013	October 31, 2013	0.38
December 31, 2013 ⁽¹⁾	December 31, 2013	January 30, 2014	0.40
Total Dividends Declared			\$ 1.56

(1) December 31, 2013 declared dividend includes a special dividend of \$0.03 per share.

(2) The indicated amounts have been retroactively adjusted for the stock split which was effected in the form of a stock dividend. See Note 9 of our consolidated financial statements included in this 10-K.

The dividends declared during the years ended December 31, 2014 and December 31, 2013, were derived from net investment income and capital gains, determined on a tax basis. See “ITEM 1. BUSINESS—Dividend Policy” and “ITEM 1. BUSINESS—Dividend Reinvestment Plan” for a description of our dividend policy and obligations.

Issuer and Affiliate Purchases of Equity Securities

We did not repurchase any of our common stock during the three month period ended December 31, 2014.

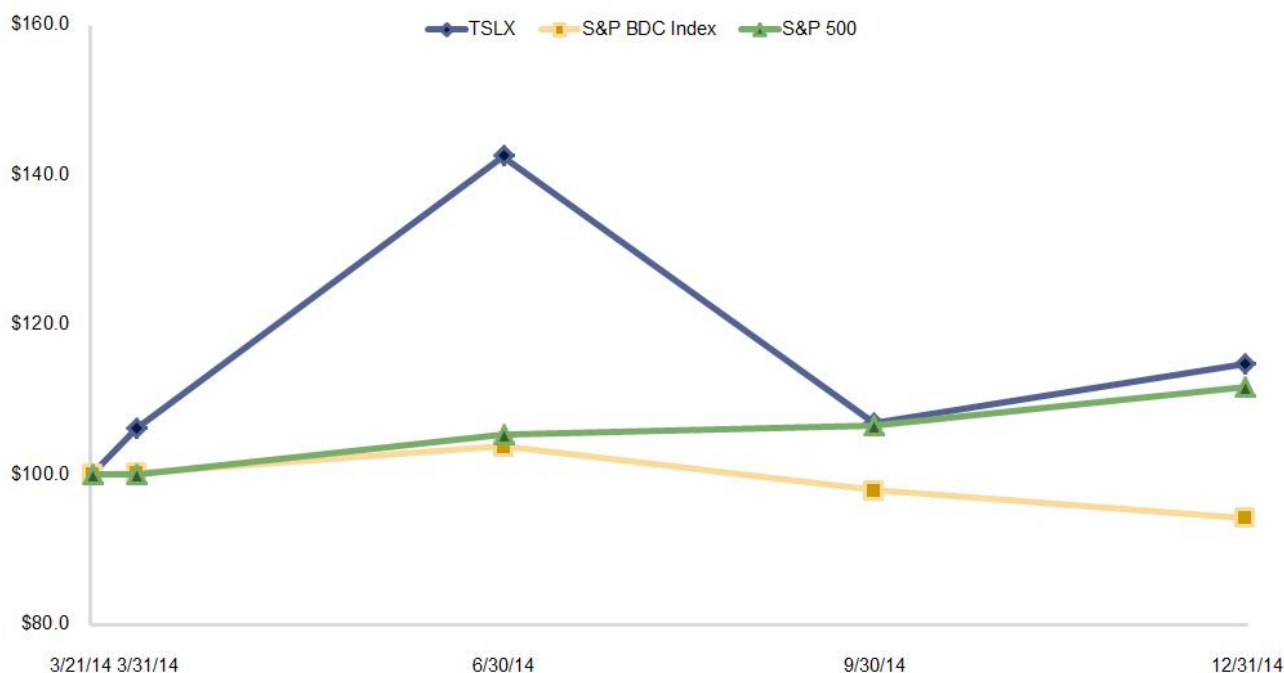
The following table provides information regarding purchases of our common stock by our Adviser for each month in the three month period ended December 31, 2014:

(amounts in thousands, except share and per share amounts)				
Period	Average Price Paid per Share	Total Number of Shares Purchased	Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs (1)	Maximum Number (or Approximate Dollar Value) of Shares that May Yet Be Purchased Under the Plans or Programs (1)
October 2014	\$ 15.66	300	300	\$ 24,995
November 2014	-	-	-	-
December 2014	-	-	-	-
Total	\$ 15.66	300	300	\$ 24,995

(1) On March 11, 2014, the Adviser entered into a purchase agreement, in accordance with Rules 10b5-1 and 10b-18 under the Exchange Act, under which an agent for the Adviser would buy up to \$25 million in the aggregate of our common stock during the period beginning April 24, 2014, subject to certain conditions. The Adviser 10b5-1 Plan expired in accordance with its terms on December 31, 2014.

Stock Performance Graph

This graph compares the stockholder return on our common stock from March 21, 2014 (the date of our IPO) to December 31, 2014 with that of the Standard & Poor's BDC Index and the Standard & Poor's 500 Stock Index. This graph assumes that on March 21, 2014, \$100 was invested in our common stock, the Standard & Poor's BDC Index, and the Standard & Poor's 500 Stock Index. The graph also assumes the reinvestment of all cash dividends prior to any tax effect. The graph and other information furnished under this Part II Item 5 of this annual report on Form 10-K shall not be deemed to be "soliciting material" or to be "filed" with the SEC or subject to Regulation 14A or 14C under, or to the liabilities of Section 18 of, the Exchange Act. The stock price performance included in the below graph is not necessarily indicative of future stock performance.



ITEM 6. SELECTED FINANCIAL DATA

The table below sets forth our selected consolidated historical financial data for the periods indicated. The selected consolidated financial data for the years ended December 31, 2014, 2013, 2012 and 2011 have been derived from our audited consolidated financial statements, which are included elsewhere in this Form 10-K and our SEC filings.

The selected consolidated financial information and other data presented below should be read in conjunction with the information contained in “ITEM 7. MANAGEMENT’S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS,” the audited consolidated financial statements and the notes thereto included elsewhere in this annual report on Form 10-K.

(\$ in millions, except per share amounts)	Year Ended December 31, 2014	Year Ended December 31, 2013	Year Ended December 31, 2012	Year Ended December 31, 2011
Consolidated Statements of Operations Data				
Income				
Total Investment Income	\$ 163.3	\$ 92.6	\$ 51.0	\$ 5.3
Expenses				
Net Expenses	57.7	34.9	22.9	6.8
Net Investment Income (Loss) Before Income Taxes	105.6	57.7	28.1	(1.5)
Net Investment Income (Loss)	104.4	57.5	28.0	(1.5)
Total Change in Net Unrealized Gain (Loss)	(17.7)	8.4	7.2	2.3
Total Net Realized Gain (Loss)	(1.7)	1.1	4.4	—
Increase in Net Assets Resulting from Operations	85.0	67.0	39.6	0.8
Earnings per common share—basic and diluted ⁽¹⁾⁽²⁾	\$ 1.68	\$ 1.93	\$ 1.93	\$ 0.24

(\$ in millions, except per share amounts)	December 31,			
	2014	2013	2012	2011
Consolidated Balance Sheet Data				
Cash and cash equivalents	\$ 2.4	\$ 3.5	\$ 161.8	\$ 143.7
Investments at fair value	\$ 1,263.5	\$ 1,016.5	\$ 653.9	\$ 184.3
Total assets	\$ 1,303.7	\$ 1,039.2	\$ 833.1	\$ 332.2
Total debt	\$ 395.9	\$ 432.3	\$ 331.8	\$ 155.0
Total liabilities	\$ 468.3	\$ 464.5	\$ 353.3	\$ 159.2
Total net assets	\$ 835.4	\$ 574.7	\$ 479.8	\$ 173.1
Net asset value per share ⁽¹⁾	\$ 15.53	\$ 15.52	\$ 15.19	\$ 14.71
Other Data:				
Number of portfolio companies at year end	34	27	21	7
Dividends declared per share ⁽¹⁾	\$ 1.53	\$ 1.56	\$ 1.17	\$ 0.06
Total return based on net asset value ⁽³⁾	9.9%	12.4%	11.3%	n.m.
Weighted average yield of debt and income producing securities at fair value ⁽⁴⁾	10.3%	10.4%	10.6%	11.4%
Weighted average yield of debt and income producing securities at amortized cost ⁽⁴⁾	10.3%	10.6%	10.7%	11.5%
Fair value of debt investments as a percentage of principal	98.2%	99.8%	98.9%	99.6%
Weighted average fair value of debt investments as a percentage of call price	93.4%	94.9%	93.9%	96.6%

- (1) The indicated amounts for periods prior to December 3, 2013 have been retroactively adjusted for the stock split which was effected in the form of a stock dividend. See Note 9 of our consolidated financial statements included in this 10-K.
- (2) Earnings per common share is based on weighted average shares of common stock outstanding during the period.
- (3) U.S. GAAP requires that total return be 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. For the year ended December 31, 2011, calculating total return in such a manner does not adjust for the effect of the initial seed funding as part of our formation (at \$1 per share) and accordingly the information is not meaningful. Excluding the effect of the initial seed funding, total return for the period July 1, 2011 through December 31, 2011 would be (1.58%). Our total return set forth in the table above for the years ended December 31, 2014, 2013, 2012 and 2011 reflects the Adviser’s waiver of its right to receive a portion of the Management Fee prior to our IPO. Following the IPO, the Adviser does not intend to waive its right to receive the full Management Fee and accordingly, we will be required to pay the full amount of the Management Fee. The Management Fee, excluding the effects of the waiver, would have been \$18.3 million for year ended December 31, 2014 and \$13.4 million, \$8.9 million and \$1.6 million for the years ended December 31, 2013, 2012 and 2011, respectively.

- (4) Weighted average yield on debt and income producing securities at fair value is computed as (a) the annual stated interest rate or yield earned plus additional interest, if any, as a result of arrangements between us and other lenders in any syndication plus the net annual amortization of original issue discount and market discount earned on accruing debt and income producing securities, divided by (b) total debt and income producing securities at fair value. Weighted average yield on debt and income producing securities at amortized cost is computed as (a) the annual stated interest rate or yield earned plus additional interest, if any, as a result of arrangements between us and other lenders in any syndication plus the net annual amortization of original issue discount and market discount earned on accruing debt and income producing securities, divided by (b) total debt and income producing securities at amortized cost.

ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Introduction

Management's Discussion and Analysis should be read in conjunction with ITEM 8. CONSOLIDATED FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA. This discussion contains forward-looking statements and involves numerous risks and uncertainties, including, but not limited to, those described in "ITEM 1A. RISK FACTORS." Actual results may differ materially from those contained in any forward-looking statements.

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 to support our asset-backed credit facility, and TSL MR, LLC, a Delaware limited liability company, in which we hold certain investments. Our results reflect our ramp-up of initial investments, which is now complete, as well as the ongoing measured growth of our portfolio of 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.

On March 21, 2014, we completed our IPO, issuing 7,000,000 shares at \$16.00 per share, and our concurrent private placement, issuing 3,124,984 shares at \$16.00 per share. Net of underwriting fees and offering costs, we received total cash proceeds of \$151.6 million.

In April 2014, we issued an additional 1,050,000 shares of stock pursuant to the exercise of the underwriters' over-allotment option. Net of underwriting fees and offering costs, we received additional total cash proceeds of approximately \$15.4 million.

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

On November 3, 2014, our Board of Directors approved 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 over a specified period, in accordance with the guidelines specified in Rule 10b-18 and Rule 10b5-1 of the Exchange Act. Unless extended or terminated by the Board of Directors, the Company 10b5-1 Plan will be in effect through the earlier of May 4, 2015 or such time as the approved \$50 million repurchase amount has been fully utilized, subject to certain conditions. On February 20, 2015, our Board of Directors authorized the extension of the termination date of the Company 10b5-1 Plan from May 4, 2015 to June 30, 2015. As of December 31, 2014, no shares had been repurchased under the Company 10b5-1 Plan.

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 December 31, 2014, we have originated more than \$3.3 billion aggregate principal amount of investments and retained approximately \$2.4 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 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 December 31, 2014, our core portfolio companies, which excludes certain investments that fall outside of our typical borrower profile, had weighted average annual revenue of \$145 million and weighted average annual EBITDA of \$34 million.

We invest in first-lien debt, second-lien debt, mezzanine 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.

As of December 31, 2014, our average investment size in each of our portfolio companies was approximately \$37 million.

The companies in which we invest use our capital to support organic growth, acquisitions, market or product expansion and recapitalizations. We expect that no single investment will represent more than 15% of our total investment portfolio. 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”.

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 pharmaceuticals, and business services) and not by the products or services (such as software) directed to those end-markets.

As of December 31, 2014, no industry represented more than 17.3% of our total investment portfolio.

Investment Structuring. We focus on investing at the top of the capital structure and protecting that position. As of December 31, 2014, approximately 97.8% of our portfolio was invested in secured debt, including 89.0% in first-lien debt investments. We carefully 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 year ended December 31, 2014, the weighted average term on new investment commitments in new portfolio companies was 4.7 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 payment income. As of December 31, 2014, we had call protection on 96.8% of our debt investments, with weighted average call prices of 106.9% for the first year, 103.9% for the second year and 101.4% for the third year, in each case from the date of the initial investment. As of December 31, 2014, 96.8% of our debt investments bore interest at floating rates, 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 Co-Chief Executive Officer and our Adviser's Co-Chief Investment Officer Joshua Easterly, our Co-Chief Executive Officer Michael Fishman and our Adviser's Co-Chief Investment Officer Alan Waxman, all 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 TSSP.

TSSP, which encompasses TPG Specialty Lending, TPG Opportunities Partners and TSSP Adjacent Opportunities Partners, which invest in special situations and distressed investments across the credit cycle, Austin Credit Macro, which is focused on macro credit opportunities, and TPG Institutional Credit Partners, which is a "public-side" credit investment platform focused on investment opportunities in broadly syndicated leveraged loan markets, is TPG's special situations and credit platform. TSSP had over \$11 billion of assets under management as of December 31, 2014. 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 90 investment and operating professionals as of December 31, 2014. Twenty four (24) of these personnel are dedicated to our business, including 17 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, the SEC granted us an exemptive relief order. Pursuant to the order, to the extent the size of an investment opportunity exceeds the amount our Adviser independently determines is appropriate for us to invest, our affiliates may be able to co-invest with us, subject to the conditions of the exemptive relief order. We believe our ability to co-invest with TPG affiliates will be 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 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 Management Fee and may also pay the Incentive Fee.

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.

In 2014, the Adviser entered into a purchase agreement, the Adviser 10b5-1 Plan, in accordance with Rules 10b5-1 and 10b-18 under the Exchange Act, under which an agent for the Adviser, would buy up to \$25 million in the aggregate of our common stock, subject to certain conditions. The Adviser 10b5-1 Plan expired in accordance with its terms on December 31, 2014. During the year ended December 31, 2014, 300 shares were purchased under the Adviser 10b5-1 Plan. These 300 shares were purchased prior to the approval and implementation of the Company 10b5-1 Plan.

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 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 sales of loans and debt and equity securities and various loan origination and other fees. Our debt investments typically have a term of two to six years, and, as of December 31, 2014, 96.8% bear interest at a floating rate, subject to interest rate floors. Interest on debt investments is generally payable quarterly or semiannually. Some of our investments provide for deferred interest payments or PIK interest. For the year ended December 31, 2014, less than 2.0% of our total investment income was comprised of PIK interest.

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 yield 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. The frequency or volume of these repayments may fluctuate significantly. We record prepayment premiums on loans as interest income. 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.

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

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

- 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 financial officer and chief compliance officer and their respective staffs;
- 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. In any period, our interest expense will depend largely on the extent of our borrowing. In addition, we may continue to dedicate assets to financing facilities.

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 providers of capital to middle-market companies, combined with expected increases in required capital levels for financial institutions, reduce the capacity of traditional lenders to serve middle-market companies. We believe that the limited availability of capital creates a large number of opportunities for us to originate direct investments in companies. 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 December 31, 2014, our portfolio consisted of 89.0% first-lien debt investments, 8.8% second-lien debt investments, 1.0% mezzanine debt investments, and 1.2% equity and other investments. As of December 31, 2013, our portfolio consisted of 86.3% first-lien debt investments, 13.5% second-lien debt investments, and 0.2% equity investments.

As of December 31, 2014 and December 31, 2013, our weighted average total yield of debt and income producing securities at fair value (which includes interest income and amortization of fees and discounts) was 10.3% and 10.4%, respectively, and our weighted average total yield of debt and income producing securities at amortized cost (which includes interest income and amortization of fees and discounts) was 10.3% and 10.6%, respectively.

As of December 31, 2014 and December 31, 2013, we had investments in 34 and 27 portfolio companies, respectively, with an aggregate fair value of \$1,263.5 million and \$1,016.5 million, respectively.

For the year ended December 31, 2014, we made new investment commitments of \$884.4 million, \$805.7 million in 20 new portfolio companies and \$78.7 million in seven existing portfolio companies. For this period, we had \$518.4 million aggregate principal amount in exits and repayments, resulting in a net portfolio increase of \$296.5 million aggregate principal amount.

For the year ended December 31, 2013, we made new investment commitments of \$606.2 million, \$536.0 million in 14 new portfolio companies and \$70.2 million in five existing portfolio companies. For this period, we had \$192.1 million aggregate principal amount in exits and repayments, resulting in a net portfolio increase of \$387.3 million aggregate principal amount.

For the year ended December 31, 2012, we made new investment commitments of \$714.2 million, \$615.0 million in 20 new portfolio companies and \$99.2 million in six existing portfolio companies. For this period, we had \$193.1 million aggregate principal amount in exits and repayments, resulting in a net portfolio increase of \$487.5 million aggregate principal amount.

Our investment activity for the years ended December 31, 2014, 2013 and 2012 is presented below (information presented herein is at par value unless otherwise indicated).

(\$ in millions)	Year Ended		
	December 31, 2014	December 31, 2013	December 31, 2012
New investment commitments:			
Gross originations	\$ 1,120.1	\$ 897.5	\$ 1,071.7
Less: Syndications/sell downs	235.7	291.3	357.5
Total new investment commitments	\$ 884.4	\$ 606.2	\$ 714.2
Principal amount of investments funded:			
First-lien	\$ 681.3	\$ 497.9	\$ 603.9
Second-lien	102.7	80.7	74.7
Mezzanine	14.7	—	—
Equity and other	16.2	0.8	2.0
Total	\$ 814.9	\$ 579.4	\$ 680.6
Principal amount of investments sold or repaid:			
First-lien	\$ 395.0	\$ 173.4	\$ 161.0
Second-lien	123.4	18.7	22.1
Mezzanine	—	—	—
Equity and other	—	—	10.0
Total	\$ 518.4	\$ 192.1	\$ 193.1
Number of new investment commitments in new portfolio companies	20	14	20
Average new investment commitment amount in new portfolio companies	\$ 40.3	\$ 38.3	\$ 30.7
Weighted average term for new investment commitments in new portfolio companies (in years)	4.7	5.0	4.8
Percentage of new debt investment commitments at floating rates	96.5%	98.1%	98.0%
Percentage of new debt investment commitments at fixed rates	3.5%	1.9%	2.0%
Weighted average interest rate of new investment commitments	9.6%	10.0%	10.6%
Weighted average spread over LIBOR of new floating rate investment commitments	8.5%	8.7%	8.9%
Weighted average interest rate on investments sold or paid down	10.2%	10.0%	12.2%

As of December 31, 2014 and December 31, 2013, our investments consisted of the following:

(\$ in millions)	December 31, 2014		December 31, 2013	
	Fair Value	Amortized Cost	Fair Value	Amortized Cost
First-lien debt investments	\$ 1,124.2	\$ 1,127.2	\$ 877.2	\$ 863.4
Second-lien debt investments	111.4	111.1	137.5	131.1
Mezzanine debt investments	13.0	13.4	—	—
Equity and other investments	14.9	21.5	1.8	2.8
Total	\$ 1,263.5	\$ 1,273.2	\$ 1,016.5	\$ 997.3

The following table shows the amortized cost of our performing and non-accrual investments as of December 31, 2014 and December 31, 2013:

(\$ in millions)	December 31, 2014		December 31, 2013	
	Amortized Cost	Percentage	Amortized Cost	Percentage
Performing	\$ 1,273.2	100.0%	\$ 997.3	100.0%
Non-accrual (1)	—	—	—	—
Total	\$ 1,273.2	100.0%	\$ 997.3	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 there is reasonable doubt that principal or interest will be collected in full. Non-accrual loans are restored to accrual status when past due principal and interest is paid current and, in management's judgment, are likely to remain current. Management may determine to not place a loan on non-accrual status if the loan has sufficient collateral value and is in the process of collection. See "—Critical Accounting Policies—Interest and Dividend Income Recognition."

The weighted average yields and interest rates of our debt investments at fair value as of December 31, 2014 and 2013 were as follows:

	December 31, 2014	December 31, 2013
Weighted average total yield of debt and income producing securities	10.3%	10.4%
Weighted average interest rate of debt and income producing securities	9.9%	10.0%
Weighted average spread over LIBOR of all floating rate investments	8.7%	8.7%

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 loan 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 borrower.

- An investment will be assigned a rating of 3 if it is paying as agreed but a covenant violation is expected. For these investments, in addition to monthly reports and quarterly asset reviews, the Adviser also adds the company to its “watch list” and researches any areas of concern with the objective of early intervention with the borrower.
- 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 loan 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 loans 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 borrower to have the default cured, to have the loan restructured or to have the loan 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 December 31, 2014 and 2013. 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	December 31, 2014		December 31, 2013	
	Investments at Fair Value (\$ in millions)	Percentage of Total Portfolio	Investments at Fair Value (\$ in millions)	Percentage of Total Portfolio
1	\$ 904.3	71.6%	\$ 859.4	84.6%
2	260.7	20.6%	116.4	11.4%
3	98.5	7.8%	40.7	4.0%
4	—	—	—	—
5	—	—	—	—
Total	<u>\$ 1,263.5</u>	<u>100.0%</u>	<u>\$ 1,016.5</u>	<u>100.0%</u>

Results of Operations

Operating results for the years ended December 31, 2014, 2013 and 2012 were as follows:

(\$ in millions)	Year Ended December 31,		
	2014	2013	2012
Total investment income	\$ 163.3	\$ 92.6	\$ 51.0
Less: Net expenses	57.7	34.9	22.9
Net investment income before income taxes	105.6	57.7	28.1
Less: Income taxes, including excise taxes	1.2	0.2	0.1
Net investment income	104.4	57.5	28.0
Net realized gains (losses) on investments (1)	(1.7)	1.1	4.4
Net change in unrealized gains (losses) on investments (1)	(17.7)	8.4	7.2
Net increase in net assets resulting from operations	<u>\$ 85.0</u>	<u>\$ 67.0</u>	<u>\$ 39.6</u>

(1) Includes foreign exchange hedging activity.

Investment Income

(\$ in millions)	Year Ended December 31,		
	2014	2013	2012
Interest from investments	\$ 154.0	\$ 90.4	\$ 49.1
Dividend income	—	—	1.2
Other income	9.3	2.2	0.7
Total investment income	<u>\$ 163.3</u>	<u>\$ 92.6</u>	<u>\$ 51.0</u>

Interest from investments, which includes amortization of upfront fees and prepayment fees, increased from \$90.4 million for the year ended December 31, 2013 to \$154.0 million for the year ended December 31, 2014, primarily due to the increase in the size of

our investment portfolio. The average size of our investment portfolio increased from \$0.8 billion during the year ended December 31, 2013 to \$1.2 billion during the year ended December 31, 2014. In addition, accelerated amortization of upfront fees primarily from unscheduled paydowns increased from \$3.0 million for the year ended December 31, 2013 to \$12.5 million for the year ended December 31, 2014. In addition, prepayment fees increased from \$3.0 million for the year ended December 31, 2013 to \$21.0 million for the year ended December 31, 2014. The accelerated amortization and prepayment fees primarily resulted from partial paydowns on three portfolio investments and full paydowns on five portfolio investments during the year ended December 31, 2013 and from partial paydowns on two portfolio investments, full paydowns on thirteen portfolio investments and the expiration of one unfunded commitment during the year ended December 31, 2014. Other income increased from \$2.2 million for the year ended December 31, 2013 to \$9.3 million for the year ended December 31, 2014, primarily due to higher syndication, amendment and agency fees earned during 2014.

Interest from investments, which includes amortization of upfront fees and prepayment fees, increased from \$49.1 million for the year ended December 31, 2012 to \$90.4 million for the year ended December 31, 2013, primarily due to the increase in the size of our portfolio. The average size of our total investment portfolio at fair value increased from \$417 million during the year ended December 31, 2012 to \$795 million during the year ended December 31, 2013. In addition, prepayment fees increased from \$0.9 million for the year ended December 31, 2012 to \$3.0 million for the year ended December 31, 2013. These prepayment fees resulted from full or partial paydowns on portfolio investments. Dividend income was \$1.2 million for the year ended December 31, 2012 due to the receipt of a dividend from a non-controlled, affiliated investment. There was no dividend income in the year ended December 31, 2013. Other income increased from \$0.7 million for the year ended December 31, 2012 to \$2.2 million for the year ended December 31, 2013, primarily due to higher syndication, amendment and agency fees earned during 2013.

Expenses

Operating expenses for the years ended December 31, 2014, 2013 and 2012 were as follows:

(\$ in millions)	Year Ended December 31,		
	2014	2013	2012
Interest	\$ 15.1	\$ 10.5	\$ 6.0
Management fees (net of waivers)	15.8	6.2	5.2
Incentive fees related to Pre-incentive fee net investment income	20.8	10.4	5.3
Incentive fees related to realized/unrealized capital gains	(2.9)	1.4	1.7
Professional fees	4.7	3.7	2.9
Directors' fees	0.3	0.3	0.3
Other general and administrative	3.9	2.4	1.5
Net Expenses	\$ 57.7	\$ 34.9	\$ 22.9

Interest

Interest, including other debt financing expenses, increased from \$10.5 million for the year ended December 31, 2013 to \$15.1 million for the year ended December 31, 2014. This increase was primarily due to an increase in the weighted average debt outstanding from \$266 million for the year ended December 31, 2013 to \$377 million for the year ended December 31, 2014. The increase in average debt outstanding was offset by a decrease in the average interest rate on our debt outstanding from 2.7% for the year ended December 31, 2013 to 2.6% for the year ended December 31, 2014.

Interest, including other debt financing expenses, increased from \$6.0 million for the year ended December 31, 2012 to \$10.5 million for the year ended December 31, 2013. This increase was primarily due to an increase in the weighted average debt outstanding from \$111 million for the year ended December 31, 2012 to \$266 million for the year ended December 31, 2013. The increase in average debt outstanding was offset by a decrease in the average interest rate on our debt outstanding from 2.9% for the year ended December 31, 2012 to 2.7% for the year ended December 31, 2013.

Management Fees

Management Fees (net of waivers) increased from \$6.2 million for the year ended December 31, 2013 to \$15.8 million for the year ended December 31, 2014. Management Fees increased from \$13.4 million for the year ended December 31, 2013 to \$18.3 million for the year ended December 31, 2014 due to the increase in total assets, which increased from an average of \$0.9 billion for the year ended December 31, 2013 to an average of \$1.2 billion for the year ended December 31, 2014. Management Fees waived decreased from \$7.1 million for the year ended December 31, 2013 to \$2.5 million for the year ended December 31, 2014, as there were no management fees waived during the period April 1, 2014 through December 31, 2014.

Management Fees (net of waivers) increased from \$5.2 million for the year ended December 31, 2012 to \$6.2 million for the year ended December 31, 2013. Management Fees increased from \$8.9 million for the year ended December 31, 2012 to \$13.4 million for the year ended December 31, 2013 due to the increase in total assets, which increased from an average of \$0.6 billion for the year ended December 31, 2012 to an average of \$0.9 billion for the year ended December 31, 2013. Management Fees waived increased from \$3.7 million for the year ended December 31, 2012 to \$7.1 million for the year ended December 31, 2013 due to an increase in total assets.

Until our IPO in March 2014, the Adviser had waived its right to receive the Management Fee in excess of the sum of (i) 0.25% of aggregate committed but undrawn capital and (ii) 0.75% of aggregate drawn capital (including capital drawn to pay our expenses) as determined as of the end of any calendar quarter. Any waived Management Fees were not subject to recoupment by the Adviser. Following our IPO, the Adviser has not waived its right to receive the full Management Fee, and accordingly, we will be required to continue to pay the full amount of the Management Fee. See “*ITEM 1. BUSINESS—Management Agreements—Investment Advisory Agreement; Administration Agreement; License Agreement.*”

Incentive Fees

Incentive Fees related to pre-Incentive Fee net investment income increased from \$10.4 million for the year ended December 31, 2013 to \$20.8 million for the year ended December 31, 2014. This increase resulted from the increase in the size of the portfolio and related increase in net investment income, including an increase in prepayment fees and accelerated amortization of upfront fees primarily from unscheduled paydowns. This increase also resulted from an increase in the Incentive Fee rate from 15% through March 31, 2014 to 17.5% beginning April 1, 2014 as a result of the consummation of our IPO. Incentive Fees related to capital gains and losses decreased from \$1.4 million for the year ended December 31, 2013 to (\$2.9) million for the year ended December 31, 2014 due to changes in unrealized gains and losses on our investments, realized gains on our investments and realized losses on foreign currency transactions.

Incentive Fees related to pre-Incentive Fee net investment income increased from \$5.3 million for the year ended December 31, 2012 to \$10.4 million for the year ended December 31, 2013. This increase resulted from the increase in the size of the portfolio and related increase in pre-Incentive Fee net investment income. Incentive Fees related to capital gains decreased from \$1.7 million for the year ended December 31, 2012 to \$1.4 million for the year ended December 31, 2013 due to changes in unrealized gains and losses on our investments and realized gains on our investments.

Professional Fees and Other General and Administrative Expenses

Professional fees increased from \$3.7 million for the year ended December 31, 2013 to \$4.7 million for the year ended December 31, 2014 and other general and administrative fees increased from \$2.4 million for the year ended December 31, 2013 to \$3.9 million for the year ended December 31, 2014, both due to an increase in costs associated with servicing a growing investment portfolio.

Professional fees increased from \$2.9 million for the year ended December 31, 2012 to \$3.7 million for the year ended December 31, 2013 and other general and administrative fees increased from \$1.5 million for the year ended December 31, 2012 to \$2.4 million for the year ended December 31, 2013, both due to an increase in costs associated with servicing a growing investment portfolio.

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 calendar years ended December 31, 2014, 2013 and 2012 we recorded a net expense of \$1.1 million, \$0.2 million and \$0.1 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 years ended December 31, 2014, 2013 and 2012:

(\$ in millions)	Year Ended December 31,		
	2014	2013	2012
Net realized gains on investments	\$ 0.1	\$ 1.1	\$ 4.4
Net realized losses on foreign currency transactions	(0.4)	0.0	—
Net realized losses on foreign currency forward contracts	(1.6)	0.0	—
Net realized gains on foreign currency borrowings	0.2	—	—
Net realized gains (losses)	\$ (1.7)	\$ 1.1	\$ 4.4
Change in unrealized gains on investments	\$ 5.4	\$ 13.4	\$ 9.2
Change in unrealized losses on investments	(34.3)	(3.8)	(2.0)
Net Change in Unrealized Gains (Losses) on Investments	\$ (28.9)	\$ 9.6	\$ 7.2
Unrealized appreciation on foreign currency borrowings	8.9	—	—
Unrealized appreciation (depreciation) on foreign currency cash and forward contracts	1.3	(1.2)	—
Unrealized appreciation on interest rate swaps	1.0	—	—
Net Change in Unrealized Gains (Losses) on Foreign Currency Transactions and Interest Rate Swaps	\$ 11.2	\$ (1.2)	\$ —
Net Change in Unrealized Gains (Losses)	\$ (17.7)	\$ 8.4	\$ 7.2

For the years ended December 31, 2014, 2013 and 2012 we had net realized gains on investments of \$0.1 million, \$1.1 million and \$4.4 million, respectively. For the year ended December 31, 2014, we had net realized losses on foreign currency transactions of \$0.4 million, primarily as a result of translating foreign currency related to one of our non-USD denominated investments. For the year ended December 31, 2014 we had net realized losses on foreign currency forward contracts of \$1.6 million primarily as a result of settling our foreign currency forward contracts. For the year ended December 31, 2014, we had net realized gains on foreign currency borrowings of \$0.2 million. For the year ended December 31, 2013 we had net realized gains on foreign currency transactions and foreign currency forward contracts of less than \$0.1 million. For the year ended December 31, 2012 we did not have realized gains or losses on foreign currency transactions, foreign currency forward contracts or foreign currency borrowings.

For the year ended December 31, 2014 we had \$5.4 million in unrealized appreciation on 10 portfolio company investments, which was offset by \$34.3 million in unrealized depreciation on 35 portfolio company investments. Unrealized appreciation for the year ended December 31, 2014 resulted from an increase in fair market value, primarily due to a tightening spread environment during the six months ended June 30, 2014 and positive credit-related adjustments. Unrealized depreciation for the year ended December 31, 2014 resulted from the reversal of prior period unrealized appreciation, primarily due to a widening spread environment during the six months ended December 31, 2014, and in some instances negative credit-related and energy-related adjustments.

For the year ended December 31, 2013 we had \$13.4 million in unrealized appreciation on 24 portfolio company investments, which was partially offset by \$3.8 million in unrealized depreciation on nine portfolio company investments. For the year ended December 31, 2012 we had \$9.2 million in unrealized appreciation on 13 portfolio company investments, which was partially offset by \$2.0 million in unrealized depreciation on five portfolio company investments. Unrealized appreciation for the years ended December 31, 2013 and 2012 resulted from increases in fair market value, primarily due to a tightening spread environment and positive credit-related adjustments. Unrealized depreciation for the years ended December 31, 2013 and 2012 primarily resulted from the reversal of prior period unrealized appreciation and in some instances negative credit-related adjustments.

For the year ended December 31, 2014 we had unrealized appreciation on foreign currency borrowings of \$8.9 million, primarily as a result of fluctuations in the GBP, SEK and EUR exchange rates. For the years ended December 31, 2013 and 2012, we did not have unrealized appreciation or depreciation on foreign currency borrowings. For the year ended December 31, 2014 we had unrealized appreciation on foreign currency forward contracts of \$1.3 million as a result of the reversal of prior period unrealized depreciation due to settling our foreign currency forward contracts. For the year ended December 31, 2013 we had unrealized depreciation on foreign currency forward contracts of \$1.2 million. For the year ended December 31, 2014 we had unrealized appreciation on interest rate swaps of \$1.0 million due to fluctuations in interest rates. For the years ended December 31, 2013 and 2012 we did not have unrealized appreciation or depreciation on interest rate swaps.

Aggregate Cash Flow Realized Gross Internal Rate of Return

Since we began investing in 2011 through December 31, 2014, our exited investments have resulted in an aggregate cash flow realized gross internal rate of return to us of 16.6% (based on cash invested of \$834.8 million and total proceeds from these exited investments of \$991.9 million). Eighty three percent of these exited investments resulted in an aggregate cash flow realized gross internal rate of return to us of 10% or greater.

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 our investments is equal to the present value of all realized returns from the investments. 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.

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. For additional information on these amounts, see “—Results of Operations—Expenses” and “—Results of Operations—Income Tax Expense, Including Excise Tax” above.

Aggregate cash flow realized 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. For additional information on our unrealized gains and losses, see “—Results of Operations—Net Change in Unrealized Gains/Losses” below.

Hedging

During the year ended December 31, 2014, we entered into foreign currency forward contracts related to our non-USD denominated investments, which in total generated an unrealized gain of \$1.2 million and a realized loss of \$1.6 million. As of December 31, 2014, we did not have any open foreign currency forward contracts. During the year ended December 31, 2013, we entered into foreign currency forward contracts related to our non-USD denominated investments, which in total generated an unrealized loss of \$1.2 million and a realized gain of less than \$0.1 million. Other than these foreign currency forward contracts and the interest rate swaps we entered into in connection with our Convertible Senior Notes, we did not enter into any other interest rate or other derivative agreements. We bear the costs incurred in connection with entering into, administering and settling derivative contracts. There can be no assurance any hedging strategy we employ will be successful.

During the year ended December 31, 2012 we did not enter into any interest rate, foreign currency forward contracts or other derivative agreements.

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 distributions to the holders of our shares.

The capital commitments of our private phase investors terminated upon the completion of our IPO. We intend to continue to generate cash primarily from cash flows from operations, future borrowings and future offerings of securities. We may from time to time enter into additional debt facilities, increase the size of existing facilities or issue debt securities. Any such incurrence or issuance would be subject to prevailing market conditions, our liquidity requirements, contractual and regulatory restrictions and other factors. In accordance with the 1940 Act, with certain limited exceptions, we are only allowed to incur borrowings, issue debt securities or issue preferred stock if immediately after the borrowing or issuance the ratio of total assets (less total liabilities other than indebtedness) to total indebtedness plus preferred stock, is at least 200%. As of December 31, 2014, 2013 and 2012, our asset coverage ratio was 311.0%, 232.9% and 244.6%, respectively.

Cash and cash equivalents as of December 31, 2014, 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 December 31, 2014, we had approximately \$511.5 million of availability on our revolving credit facilities.

As of December 31, 2014, we had \$2.4 million in cash and cash equivalents, a decrease of \$1.1 million from December 31, 2013. During the year ended December 31, 2014, we used net \$148.8 million in cash for operating activities, primarily as a result of funding portfolio investments of \$974.8 million, which was partially offset by proceeds from investments of \$100.7 million, repayments on investments of \$620.7 million, other operating activity of \$19.6 million, and an increase in net assets resulting from operations of \$85.0 million. Lastly, cash provided by financing activities was \$147.8 million during the period, primarily due to net borrowings of \$1,108.1 million and proceeds from issuance of common stock of \$234.4 million, partially offset by net repayments on debt of \$1,135.4 million, debt issuance costs of \$6.8 million and dividends paid of \$52.6 million.

As of December 31, 2013, we had \$3.5 million in cash and cash equivalents, a decrease of \$158.3 million from December 31, 2012. The decrease was primarily attributable to investments made during the period. During the year ended December 31, 2013, we used net \$289.6 million in operating activities, primarily as a result of funding of portfolio investments of \$603.0 million. This was partially offset by proceeds from investments of \$46.4 million, repayments on investments of \$214.3 million, an increase in net assets resulting from operations of \$67.0 million and other operating activity of \$14.3 million. Lastly, cash provided by financing activities was \$131.3 million during the period, primarily due to proceeds from issuance of common stock of \$56.9 million and net borrowings of \$100.4 million, partially offset by debt issuance costs of \$1.6 million and dividends paid of \$24.4 million.

As of December 31, 2014, we had \$2.3 million of restricted cash pledged as collateral under our interest rate swap agreements, which we entered into in June 2014. As of December 31, 2014, we had \$10.2 million of restricted cash in our wholly owned subsidiary TPG SL SPV, an increase of \$3.9 million from December 31, 2013. The increase was primarily attributable to increased interest payments from additional investments contributed to TPG SL SPV. Proceeds received by TPG SL SPV from interest and principal at the end of a quarterly reporting period that have not gone through a settlement process are considered to be restricted cash. The settlement process involves the payment of certain required amounts under the SPV Asset Facility, following which excess cash generated in TPG SL SPV may be distributed to us. Restricted cash is a component of prepaid expenses and other assets in our consolidated financial statements. For additional information concerning restricted cash and our revolving credit facility, see “—Financial Condition, Liquidity and Capital Resources—SPV Asset Facility.”

Equity

On March 26, 2014, we closed our IPO and issued 7,000,000 shares at \$16.00 per share, and closed our concurrent private placement and issued 3,124,984 shares at \$16.00 per share. Net of underwriting fees and offering costs, we received total cash proceeds of \$151.6 million.

In April 2014, we issued an additional 1,050,000 shares of stock pursuant to the exercise of the underwriters’ over-allotment option. Net of underwriting fees and offering costs, we received additional total cash proceeds of \$15.4 million.

Prior to December 31, 2013, we entered into subscription agreements with our private phase investors, including our Adviser and its affiliates, providing for the private placement of our common stock, which brought our total capital commitments to \$1.5 billion (including \$117.1 million from our Adviser and its affiliates).

During the year ended December 31, 2013, we delivered drawdown notices to our investors relating to the issuance of 3,713,053 shares of our common stock for aggregate proceeds of \$57 million. Proceeds from the issuances were used in investing activities and for other general corporate purposes.

During the year ended December 31, 2014, we did not deliver any drawdown notices to our investors. On December 31, 2013, we delivered a capital drawdown notice to our investors relating to the sale of 4,234,501 shares of our common stock for an aggregate offering price of \$65.0 million. The sale closed on January 15, 2014. This capital drawdown notice is reflected in the number of shares

issued for the year ended December 31, 2014 in the prior paragraph and the consolidated financial statements for the year ended December 31, 2014.

From inception through March 26, 2014, we had drawn down a total of \$0.6 billion of capital and issued 38.9 million shares, excluding equity and shares issued through our dividend reinvestment plan. The remaining unfunded commitments under the subscription agreements terminated upon the completion of our IPO in March 2014, and hence as of December 31, 2014 no longer remain in effect.

During the years ended December 31, 2014 and 2013, we issued 1,361,850 and 1,730,042 shares of our common stock, respectively, to investors who have not opted out of our dividend reinvestment plan for proceeds of \$22.6 million and \$26.4 million, respectively. On February 2, 2015, we issued 162,490 shares of our common stock through our dividend reinvestment plan for proceeds of \$2.7 million, which is not reflected in the number of shares issued for the year ended December 31, 2014 in this section or the consolidated financial statements for the year ended December 31, 2014.

On November 3, 2014, the Board of Directors approved 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 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 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 an agent selected by us 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.

Unless extended or terminated by the Board of Directors, the Company 10b5-1 Plan will be in effect through the earlier of May 4, 2015 or such time as the approved \$50 million repurchase amount has been fully utilized, subject to certain conditions. On February 20, 2015, our Board of Directors authorized the extension of the termination date of the Company 10b5-1 Plan from May 4, 2015 to June 30, 2015. As of December 31, 2014, no shares had been repurchased under the Company 10b5-1 Plan.

Debt

Debt consisted of the following as of December 31, 2014 and 2013:

	December 31, 2014			
	Aggregate Principal Amount Committed	Outstanding Principal	Amount Available (1)	Carrying Value
SPV Asset Facility (2)	\$ 175,000	\$ 106,725	\$ 45,279	\$ 106,725
Revolving Credit Facility	781,250	177,216	466,189	177,216
Convertible Senior Notes	115,000	115,000	—	111,923
Total Debt	\$ 1,071,250	\$ 398,941	\$ 511,468	\$ 395,864

	December 31, 2013			
	Aggregate Principal Amount Committed	Outstanding Principal	Amount Available (1)	Carrying Value
Subscription Credit Facility (3)	\$ 100,000	\$ 32,000	\$ 68,000	\$ 32,000
SPV Asset Facility	100,000	77,767	—	77,767
Revolving Credit Facility	400,000	322,500	77,500	322,500
Total Debt	\$ 600,000	\$ 432,267	\$ 145,500	\$ 432,267

- (1) The amount available reflects any limitations related to the respective debt facilities' borrowing bases.
- (2) The reinvestment period under the SPV Asset Facility terminated on January 21, 2015 and accordingly any undrawn availability under the facility also terminated
- (3) On February 27, 2014, we terminated the Subscription Credit Facility, effective March 4, 2014. The outstanding balance was paid down prior to terminating the facility.

As of December 31, 2014 and December 31, 2013, 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. On July 2, 2013, we entered into an agreement to amend and restate the agreement, effective on July 3, 2013. The amended and restated facility, among other things, increased the size of the facility from \$200 million to \$350 million. The facility included an uncommitted accordion feature that allowed us, under certain circumstances, to increase the size of the facility up to \$550 million. On September 30, 2013, we exercised our right under the accordion feature and increased the size of the facility to \$400 million. On January 27, 2014, we again exercised our right under the accordion feature and increased the size of the facility to \$420 million.

On February 27, 2014, we further amended and restated the agreement. The second amended and restated agreement (the Revolving Credit Facility) among other things:

- increased the size of the facility to \$581.3 million;
- increased the size of the uncommitted accordion feature to allow us, under certain circumstances, to increase the size of the facility up to \$956.3 million;
- increased the limit for swingline loans to \$100 million;
- with respect to \$545 million in commitments:
 - extended the expiration of the revolving period from June 30, 2017 to February 27, 2018, during which period we, subject to certain conditions, may make borrowings under the facility; and
 - extended the stated maturity date from July 2, 2018 to February 27, 2019; and
- provided that borrowings under the multicurrency tranche will be available in certain additional currencies.

On May 30, 2014, we entered into agreements with various financial institutions pursuant to which each of the institutions agreed to provide commitments through the accordion feature of our Revolving Credit Facility, increasing the aggregate commitments from \$581.3 million to \$781.3 million.

On June 27, 2014, we further amended the Revolving Credit Facility to extend the \$36.3 million in commitments not previously extended such that the revolving period as it related to all outstanding commitments would expire on February 27, 2018 and the stated maturity date as it related to all outstanding commitments would be February 27, 2019.

On October 17, 2014, we entered into a third amendment to the Revolving Credit Facility:

- decreasing the applicable margin with respect to (i) any loan bearing interest at a rate determined by reference to the Alternate Base Rate from 1.25% to 1.00% and (ii) any loan bearing interest at a rate determined by reference to the Adjusted LIBO Rate from 2.25% to 2.00%;
- decreasing the aggregate commitments from \$781.3 million to \$766.3 million;
- extending the revolving period from February 27, 2018 to October 17, 2018;
- extending the stated maturity date from February 27, 2019 to October 17, 2019; and
- increasing the sublimit applicable to letters of credit from \$20 million to \$100 million.

On October 23, 2014, we entered into an agreement with a financial institution pursuant to which the institution agreed to provide commitments through the accordion feature, increasing the aggregate commitments from \$766.3 million to \$776.3 million. On November 3, 2014, an existing lender agreed to increase their commitment through the accordion feature, increasing aggregate commitments from \$776.3 million to \$781.3 million.

The Revolving Credit Facility continues to include the accordion feature, which would allow us, under certain circumstances, to increase the size to a maximum of \$956.3 million.

We may borrow amounts in U.S. dollars or certain other permitted currencies. As of December 31, 2014, we had outstanding debt denominated in Swedish Krona (SEK) of 205.8 million, Euro (EUR) of 28.1 million and Pound Sterling (GBP) of 14.1 million on our Revolving Credit Facility, included in the Outstanding Principal amount in the table above.

Amounts drawn under the Revolving Credit Facility, including amounts drawn in respect of letters of credit, bear interest at either LIBOR plus a margin, or the prime rate plus a margin. We may elect either the LIBOR or prime 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 TC Lending, LLC and TSL MR, LLC and may be guaranteed by certain domestic subsidiaries that are formed or acquired by us 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 maintain cash and liquid investments of at least 10% of the covered debt amount 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 October 17, 2014.

Net proceeds received from our IPO, the exercise of the underwriters' over-allotment option from the IPO, and net proceeds received from the issuance of the Convertible Senior Notes were used to pay down borrowings on the Revolving Credit Facility.

SPV Asset Facility

On May 8, 2012, or the Closing Date, our wholly owned subsidiary TPG SL SPV, LLC, a Delaware limited liability company, entered into a credit and security agreement with Natixis, New York Branch. Also on May 8, 2012, we contributed certain investments to TPG SL SPV pursuant to the terms of a Master Sale and Contribution Agreement by and between us and TPG SL SPV. We consolidate TPG SL SPV in our consolidated financial statements, and no gain or loss was recognized as a result of the contribution. Proceeds from the SPV Asset Facility may be used to finance the acquisition of eligible assets by TPG SL SPV, including the purchase of such assets from us. We retain a residual interest in assets contributed to or acquired by TPG SL SPV through our ownership of TPG SL SPV. The facility size is subject to availability under the borrowing base, which is based on the amount of TPG SL SPV's assets from time to time, and satisfaction of certain conditions, including an asset coverage test, an asset quality test and certain concentration limits.

The credit and security agreement provided for a contribution and reinvestment period for up to 18 months after the Closing Date, or the Commitment Termination Date. The Commitment Termination Date was November 8, 2013, at which point the reinvestment period of the SPV Asset Facility expired and accordingly any undrawn availability under the facility terminated. Proceeds received by TPG SL SPV from interest, dividends or fees on assets are required to be used to pay expenses and interest on outstanding borrowings, and the excess can be returned to us, subject to certain conditions, on a quarterly basis. Prior to the Commitment Termination Date, proceeds received from principal on assets could be used to pay down borrowings or make additional investments. Following the Commitment Termination Date, proceeds received from principal on assets are required to be used to make payments of principal on outstanding borrowings on a quarterly basis. Proceeds received from interest and principal at the end of a reporting period that have not gone through the settlement process for these payment obligations are considered to be restricted cash.

On January 21, 2014, TPG SL SPV entered into an agreement to amend and restate the credit and security agreement, which we refer to as the SPV Asset Facility. The amended and restated facility, among other things:

- increased the size of the facility from \$100 million to \$175 million;
- reopened the reinvestment period thereunder for an additional period of six months following the closing date of January 21, 2014, which reinvestment period was subsequently extended by the borrower for an additional six month period (pursuant to an extension right exercisable by the borrower) so that the reinvestment period would remain open until January 21, 2015;

- extended the stated maturity date from May 8, 2020 to January 21, 2021;
- modified pricing; and
- made certain changes to the eligibility criteria and concentration limits.

The reinvestment period under the SPV Asset Facility terminated on January 21, 2015 and accordingly any undrawn availability under the facility also terminated.

Amounts drawn under the original credit and security agreement bore interest at LIBOR plus a margin or base rate plus a margin, in each case at TPG SL SPV's option. Amounts drawn under the amended and restated SPV Asset Facility bear interest at LIBOR plus a margin, base rate plus a margin or the lenders' cost of funds plus a margin, in each case at TPG SL SPV's option. TPG SL SPV's ability to borrow at lenders' cost of funds plus a margin under the amended and restated SPV Asset Facility lowered the interest rate currently applicable on our borrowings under the SPV Asset Facility. The undrawn portion of the commitment bore an unutilized commitment fee of 0.75%. This fee ceased to accrue on January 21, 2015 when the reinvestment period ended. The SPV Asset Facility contains customary covenants, including covenants relating to separateness from the Adviser and its affiliates and long-term credit ratings with respect to the underlying collateral obligations, and events of default. The SPV Asset Facility is secured by a perfected first priority security interest in the assets of TPG SL SPV and on any payments received by TPG SL SPV in respect of such assets, which accordingly are not available to pay our other debt obligations.

As of December 31, 2014, and 2013 TPG SL SPV had \$334.0 million and \$184.3 million, respectively, in investments at fair value, and \$108.8 million and \$78.3 million, respectively, in liabilities, including the outstanding borrowings, on its balance sheet. As of December 31, 2014, and 2013 TPG SL SPV had \$10.2 million and \$6.3 million, respectively, in restricted cash, a component of prepaid expenses and other assets, in the accompanying consolidated financial statements.

Borrowings of TPG SL SPV are considered our borrowings for purposes of complying with the asset coverage requirements of the 1940 Act.

Convertible Senior Notes

On June 10, 2014, we issued in a private offering \$115 million aggregate principal amount convertible senior notes due December 2019, or the Convertible Senior Notes. The Convertible Senior Notes were issued in a private placement only to qualified institutional buyers pursuant to Rule 144A under the Securities Act of 1933, as amended. The Convertible Senior Notes are unsecured and bear interest at a rate of 4.50% per year, payable semiannually. The Convertible Senior Notes will mature on December 15, 2019. In certain circumstances, the Convertible Senior 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 Convertible Senior 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. The sale of the Convertible Senior 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 Convertible Senior Notes, we entered into two interest rate swaps, each with a \$57.5 million notional amount 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, as of December 31, 2014, our effective interest rate on the Convertible Senior Notes was three-month LIBOR plus 252.9 basis points.

Holders may convert their 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, or the measurement period, in which the trading price (as defined in the indenture governing the Convertible Senior 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.

The notes are senior unsecured obligations and rank senior in right of payment to our future indebtedness that is expressly subordinated in right of payment to the 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 December 31, 2014, the principal amount of the Convertible Senior Notes exceeded the value of the underlying shares multiplied by the per share closing price of our common stock.

The Convertible Senior Notes Indenture contains certain covenants, including covenants requiring us to comply with the requirement under the 1940 Act that our asset coverage ratio, as defined in the 1940 Act, equal at least 200% and to provide financial information to the holders of the Convertible Senior Notes under certain circumstances. These covenants are subject to important limitations and exceptions that are described in the Convertible Senior Notes Indenture. As of December 31, 2014, we were in compliance with the terms of the Convertible Senior Notes Indenture.

The Convertible Senior Notes are accounted for in accordance with Accounting Standards Codification (“ASC”) 470-20. Upon conversion of any of the Convertible Senior 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 Convertible Senior Notes Indenture. We have determined that the embedded conversion options in the Convertible Senior Notes are not required to be separately accounted for as a derivative under U.S. GAAP. In accounting for the Convertible Senior Notes, we estimated at the time of issuance separate debt and equity components of the Convertible Senior Notes. An original issue discount equal to the equity components of the Convertible Senior Notes was recorded in “additional paid-in capital” in the accompanying consolidated balance sheet. Additionally, the issuance costs associated with the Convertible Senior Notes were allocated to the debt and equity components in proportion to the allocation of the proceeds and accounted for as debt issuance costs and equity issuance costs, respectively.

Subscription Credit Facility

On February 27, 2014, we terminated our Subscription Credit Facility with Deutsche Bank Trust Company Americas, effective March 4, 2014. At the time of the termination, the maximum principal amount of the facility was \$100 million, and the outstanding balance was paid down prior to terminating the facility.

Off-Balance Sheet Arrangements

Portfolio Company Commitments

From time to time, we may enter into commitments to fund investments. 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 December 31, 2014 and 2013, we had the following commitments to fund investments:

(\$ in millions)	December 31, 2014	December 31, 2013
Senior secured revolving loan commitments	\$ 34.2	\$ 18.4
Senior secured term loan commitments	13.8	36.6
Total Portfolio Company Commitments	\$ 48.0	\$ 55.0

Other Commitments and Contingencies

As of December 31, 2013 we had \$1.5 billion in total capital commitments from investors (over \$0.9 billion unfunded). Unfunded commitments terminated upon the completion of our IPO, and hence as of December 31, 2014 no longer remain in effect.

We may become a party to financial instruments with off-balance sheet risk in the normal course of our business to meet the financial needs of our portfolio companies. These instruments may include commitments to extend credit and involve, to varying degrees, elements of liquidity and credit risk in excess of the amount recognized in the balance sheet. As of December 31, 2014 and December 31, 2013, we had outstanding commitments to fund investments totaling \$48.0 million and \$55.0 million, respectively.

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, including rent, the fees and expenses

associated with performing compliance functions and our allocable portion of the compensation of our chief financial officer and chief compliance officer and their respective staffs. 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 December 31, 2014 is as follows:

(\$ in millions)	Payments Due by Period				
	Total	Less than 1 year	1-3 years	3-5 years	After 5 years
SPV Asset Facility	\$ 106.7	\$ —	\$ —	\$ —	\$ 106.7
Revolving Credit Facility	177.2	—	—	177.2	—
Convertible Senior Notes	115.0	—	—	115.0	—
Total Contractual Obligations	\$ 398.9	\$ —	\$ —	\$ 292.2	\$ 106.7

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 accompanying a distribution 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 below. The critical accounting policies should be read in connection with our risk factors as disclosed in “*ITEM 1A. RISK FACTORS.*”

Investments at Fair Value

Investment transactions purchased on a secondary basis are recorded on the trade date. Loan originations are recorded on the date of the binding commitment, which is generally the funding 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 primarily reflects the change in investment values and also includes the reversal of previously recorded unrealized gains or losses with respect to investments realized during the period.

Investments for which market quotations are readily available are typically valued at those market quotations. To validate market quotations, we utilize 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 our Board, based on, among other things, the input of the Adviser, our 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 our investments, including:

- the estimated enterprise value of a portfolio company (that is, the total fair value of the portfolio company’s 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 our 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.

We conduct this valuation process on a quarterly basis.

In connection with debt and equity securities that are valued at fair value in good faith by the Board, the Board has engaged independent third-party valuation firms to perform certain limited procedures that the Board has identified and requested them to perform.

We apply 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 (which may be a hypothetical market) that are independent, knowledgeable, and willing and able to transact. In accordance with ASC 820, we consider our 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 we have 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, we apply the valuation policy approved by our Board that is consistent with ASC 820. Consistent with the valuation policy, we evaluate the source of inputs, including any markets in which our 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), we subject those prices to various 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, we review pricing methodologies 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.

Our accounting policy on the fair value of our investments is critical because the determination of fair value involves subjective judgments and estimates. Accordingly, the notes to our consolidated financial statements express the uncertainty with respect to the possible effect of these valuations, and any change in these valuations, on the consolidated financial statements.

See Note 6 to our consolidated financial statements included in this Form 10-K for more information on the fair value of our investments.

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 are amortized into interest income over the contractual life of the respective security using the effective yield method. The amortized cost of investments represents the original cost adjusted for the amortization of discounts and premiums, if any.

Loans are generally placed on non-accrual status when principal or interest payments are past due 30 days or more or when there is reasonable doubt that principal or interest will be collected 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 is paid current and, in management's judgment, are likely to remain current. Management may determine to not place a loan on non-accrual status if 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.

Our accounting policy on interest and dividend income recognition is critical because it involves the primary source of our revenue and accordingly is significant to the financial results as disclosed in our consolidated financial statements.

U.S. Federal Income Taxes

We have elected to be treated as a BDC under the 1940 Act. We also have elected to be treated as a RIC under the Code. So long as we maintain our status as a RIC, we will generally not pay corporate-level U.S. federal income or excise taxes on any ordinary income or capital gains that we distribute at least annually to our stockholders as dividends. As a result, any tax liability related to income earned and distributed by us represents obligations of our stockholders and will not be reflected in our consolidated financial statements.

We evaluate tax positions taken or expected to be taken in the course of preparing our 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 reversed 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 on-going analyses of tax laws, regulations and interpretations thereof.

Our accounting policy on income taxes is critical because if we are unable to maintain our status as a RIC, we would be required to record a provision for corporate-level U.S. federal income taxes which may be significant to our financial results.

ITEM 7A. 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 December 31, 2014, 96.8% of our debt investments in our portfolio bore interest at floating rates, subject to interest rate floors. Our credit facilities also bear interest at floating rates, and in connection with our Convertible Senior Notes, which bear interest at a fixed rate, we entered into fixed-to-floating interest rate swaps in order to continue to align the interest rates of our liabilities with our investment portfolio.

Assuming that our consolidated balance sheet as of December 31, 2014 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	\$	26.1	\$	12.0
Up 200 basis points	\$	13.8	\$	8.0
Up 100 basis points	\$	2.1	\$	4.0
Down 25 basis points	\$	—	\$	(0.8)

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 lower 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 converted into U.S. dollars at the 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 8. CONSOLIDATED FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

TPG SPECIALTY LENDING, INC.

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Report of Independent Registered Public Accounting Firm

The Board of Directors and Stockholders
TPG Specialty Lending, Inc.:

We have audited the accompanying consolidated balance sheets of TPG Specialty Lending, Inc. (and subsidiaries) (the Company), including the consolidated schedules of investments, as of December 31, 2014 and 2013, and the related consolidated statements of operations, changes in net assets, and cash flows for each of the years in the three-year period ended December 31, 2014. We also have audited TPG Specialty Lending, Inc.'s internal control over financial reporting as of December 31, 2014, based on criteria established in Internal Control – Integrated Framework (1992) issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). The Company's management is responsible for these consolidated financial statements, for maintaining effective internal control over financial reporting, and for its assessment of the effectiveness of internal control over financial reporting, included in the accompanying Management's Report on Internal Control over Financial Reporting. Our responsibility is to express an opinion on these consolidated financial statements and an opinion on the Company's internal control over financial reporting based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement and whether effective internal control over financial reporting was maintained in all material respects. Our audits of the consolidated financial statements included examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. Our audit of internal control over financial reporting included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. Our audits also included performing such other procedures as we considered necessary in the circumstances. We believe that our audits provide a reasonable basis for our opinions.

A company's internal control over financial reporting is a process designed 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. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the balance sheets of TPG Specialty Lending, Inc. (and subsidiaries), including the consolidated schedules of investments, as of December 31, 2014 and 2013, and the related consolidated statements of operations, changes in net assets, and cash flows for each of the years in the three-year period ended December 31, 2014, in conformity with U.S. generally accepted accounting principles. Also in our opinion, TPG Specialty Lending, Inc. maintained, in all material respects, effective internal control over financial reporting as of December 31, 2014, based on criteria established in Internal Control – Integrated Framework (1992) issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO).

(signed) KPMG LLP

San Francisco, CA
February 24, 2015

TPG Specialty Lending, Inc.

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

	December 31, 2014	December 31, 2013
Assets		
Investments at fair value		
Non-controlled, non-affiliated investments (amortized cost of \$1,225,672 and \$997,298, respectively)	\$ 1,221,875	\$ 1,016,451
Controlled, affiliated investments (amortized cost of \$47,580 and \$0, respectively)	41,636	—
Total investments at fair value (amortized cost of \$1,273,252 and \$997,298, respectively)	1,263,511	1,016,451
Cash and cash equivalents	2,413	3,471
Interest receivable	6,137	4,933
Receivable for interest rate swaps	1,020	—
Prepaid expenses and other assets	30,650	14,295
Total Assets	\$ 1,303,731	\$ 1,039,150
Liabilities		
Debt	\$ 395,864	\$ 432,267
Management fees payable to affiliate	4,887	1,580
Incentive fees payable to affiliate	5,955	6,136
Dividends payable	20,981	14,810
Payable for investments purchased	29,017	1,974
Payable on foreign currency forward contracts	—	1,244
Payables to affiliate	2,918	2,668
Other liabilities	8,704	3,775
Total Liabilities	468,326	464,454
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, 53,798,357 and 37,027,022 shares issued, respectively; and 53,797,358 and 37,026,023 shares outstanding, respectively	538	370
Additional paid-in capital	808,053	552,436
Treasury stock at cost; 999 shares	(1)	(1)
Undistributed net investment income	6,555	3,981
Net unrealized gains	188	17,910
Undistributed net realized gains	20,072	—
Total Net Assets	835,405	574,696
Total Liabilities and Net Assets	\$ 1,303,731	\$ 1,039,150
Net Asset Value Per Share	\$ 15.53	\$ 15.52

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)

	Year Ended December 31, 2014	Year Ended December 31, 2013	Year Ended December 31, 2012
Income			
Investment income from non-controlled, non-affiliated investments:			
Interest from investments	\$ 151,020	\$ 90,374	\$ 46,402
Other income	9,162	2,233	630
Interest from cash and cash equivalents	1	3	14
Total investment income from non-controlled, non-affiliated investments	160,183	92,610	47,046
Investment income from non-controlled, affiliated investments:			
Interest from investments	—	—	2,724
Dividend income	—	—	1,231
Other income	—	—	10
Total investment income from non-controlled, affiliated investments	—	—	3,965
Investment income from controlled, affiliated investments:			
Interest from investments	2,994	—	—
Other income	143	—	—
Total investment income from controlled, affiliated investments	3,137	—	—
Total Investment Income	163,320	92,610	51,011
Expenses			
Interest	15,078	10,469	6,020
Management fees	18,296	13,376	8,892
Incentive fees	17,839	11,790	6,996
Professional fees	4,752	3,691	2,881
Directors' fees	342	285	287
Other general and administrative	3,858	2,434	1,564
Total expenses	60,165	42,045	26,640
Management fees waived (Note 3)	(2,464)	(7,135)	(3,704)
Net Expenses	57,701	34,910	22,936
Net Investment Income Before Income Taxes	105,619	57,700	28,075
Income taxes, including excise taxes	1,144	199	46
Net Investment Income	104,475	57,501	28,029
Unrealized and Realized Gains (Losses)			
Net change in unrealized gains (losses):			
Non-controlled, non-affiliated investments	(22,950)	9,630	7,372
Non-controlled, affiliated investments	—	—	(161)
Controlled, affiliated investments	(5,945)	—	—
Translation of assets and liabilities in foreign currencies	8,909	—	—
Interest rate swaps	1,020	—	—
Foreign currency forward contracts	1,244	(1,244)	—
Total net change in unrealized gains (losses)	(17,722)	8,386	7,211
Realized gains (losses):			
Non-controlled, non-affiliated investments	136	1,061	4,255
Non-controlled, affiliated investments	—	—	100
Foreign currency transactions	(1,839)	35	—
Total realized gains (losses)	(1,703)	1,096	4,355
Total Unrealized and Realized Gains (Losses)	(19,425)	9,482	11,566
Increase in Net Assets Resulting from Operations	\$ 85,050	\$ 66,983	\$ 39,595
Earnings per common share—basic and diluted (1)	\$ 1.68	\$ 1.93	\$ 1.93
Weighted average shares of common stock outstanding—basic and diluted (1)	50,509,692	34,635,208	20,541,475

(1) As further described in Note 9, the indicated amounts for the year ended December 31, 2012 have been retroactively adjusted for the stock split which was effected in the form of a stock dividend.

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

TPG Specialty Lending, Inc.

Consolidated Schedule of Investments as of December 31, 2014
(Amounts in thousands, except share amounts)

Company (1)	Investment	Interest	Initial Acquisition Date	Amortized Cost (2)	Fair Value	Percentage of Net Assets
Debt Investments						
Automotive						
Heartland Automotive Holdings, LLC (3)(4)	First-lien loan (\$32,826 par, due 6/2017)	9.75%	8/28/2012	32,340	30,447	3.6%
	First-lien revolving loan (\$4,500 par, due 6/2017)	10.75%	8/28/2012	4,421	4,097	0.5%
				<u>36,761</u>	<u>34,544</u>	<u>4.1%</u>
Beverage, food and tobacco						
AFS Technologies, Inc. (3)(4)(6)	First-lien loan (\$64,399 par, due 3/2020)	6.25%	3/3/2014	63,102	63,111	7.6%
Great Atlantic & Pacific Tea Co. Inc. (3)(4)	First-lien loan (\$22,787 par, due 9/2019)	9.85%	9/17/2014	22,426	22,274	2.7%
				<u>85,528</u>	<u>85,385</u>	<u>10.3%</u>
Business services						
Actian Corporation (3)(4)(6)	First-lien loan (\$63,933 par, due 4/2018)	7.50%	4/11/2013	62,282	63,933	7.7%
Leaf US Holdings, Inc. (3)(5)	First-lien loan (\$16,418 par, due 6/2019)	7.50%	6/30/2014	16,077	16,003	1.9%
Network Merchants, Inc (3)(4)	First-lien loan (\$29,659 par, due 9/2018)	8.75%	9/12/2013	29,204	29,506	3.5%
ScentAir Technologies, Inc (3)(4)	First-lien loan (\$16,071 par, due 12/2019)	7.50%	12/30/2014	15,628	15,621	1.9%
				<u>123,191</u>	<u>125,063</u>	<u>15.0%</u>
Chemicals						
Vertellus Specialties, Inc. (3)(4)	First-lien loan (\$19,950 par, due 10/2019)	10.50%	10/31/2014	19,267	18,753	2.2%
Communications						
IPC Systems, Inc. (3)(4)	Second-lien loan (\$17,000 par, due 5/2021)	9.50%	5/2/2014	16,935	17,680	2.1%
Containers and packaging						
The Newark Group, Inc. (3)(4)	First-lien loan (\$39,240 par, due 2/2018)	8.50%	2/8/2013	38,984	40,025	4.8%
Education						
Campus Management, Inc. (3)(4)(6)	First-lien loan (\$28,125 par, due 9/2018)	8.75%	9/30/2013	27,576	27,914	3.3%
Electronics						
MyAlarm Center, LLC (3)(4)	First-lien loan (\$61,861 par, due 1/2018)	8.50%	1/9/2014	61,013	60,893	7.3%
	Mezzanine loan (\$4,887 par, due 7/2018)	16.25% (incl. 4.25% PIK)	1/9/2014	4,849	4,520	0.5%
APX Group Inc. (3)(4)	First-lien bond 6.375% (\$5,000 par, due 12/2019)	6.38%	12/12/2014	4,727	4,788	0.6%
	First-lien bond 8.75% (\$10,000 par, due 12/2020)	8.75%	12/11/2014	8,566	8,444	1.0%
				<u>79,155</u>	<u>78,645</u>	<u>9.4%</u>

Company (1)	Investment	Interest	Initial Acquisition Date	Amortized Cost (2)	Fair Value	Percentage of Net Assets
Financial services						
Embarcadero Technologies, Inc. (3)(4)(6)	First-lien loan (\$40,243 par, due 12/2017)	8.00%	12/28/2012	39,585	40,544	4.9%
Rogue Wave Holdings, Inc. (3)(4)(6)	First-lien loan (\$66,470 par, due 12/2018)	7.50%	11/21/2012	65,344	65,971	7.9%
				<u>104,929</u>	<u>106,515</u>	<u>12.8%</u>
Healthcare and pharmaceuticals						
Aesynt Incorporated (3)(4)(6)	First-lien loan (\$34,563 par, due 5/2019)	7.00%	5/8/2014	33,714	33,526	4.0%
Global Healthcare Exchange, Inc. (3)(4)	First-lien loan (\$46,250 par, due 3/2020)	8.50%	3/11/2014	45,149	45,139	5.4%
Helix Health, Ltd. (3)(5)	First-lien loan (EUR 28,014 par, due 9/2019)	11.50% (incl. 3.00% PIK)	9/30/2014	33,761	32,373	3.9%
	First-lien revolving loan (EUR 300 par, due 9/2019)	11.50%	9/30/2014	235	227	0.0%
Mediware Information Systems, Inc. (3)(4)(6)	First-lien loan (\$69,405 par, due 5/2018)	7.00%	11/9/2012	68,221	68,885	8.2%
SRS Software, LLC (3)(4)	First-lien loan (\$33,750 par, due 12/2017)	8.75%	12/28/2012	33,192	33,834	4.1%
	First-lien revolving loan (\$2,000 par, due 12/2017)	8.75%	12/28/2012	1,933	2,005	0.2%
				<u>216,205</u>	<u>215,989</u>	<u>25.8%</u>
Hotel, gaming, and leisure						
Centaur, LLC (3)(4)	Second-lien loan (\$10,000 par, due 2/2020)	8.75%	2/15/2013	9,931	9,913	1.2%
IRG Sports & Entertainment, LLC (3)(4)	First-lien loan (\$43,653 par, due 9/2019)	12.00% (incl. 5.00% PIK)	9/30/2014	41,073	40,161	4.8%
Soho House (5)	Second-lien bond (GBP 13,750 par, due 10/2018)	9.13%	9/20/2013	22,826	22,565	2.7%
				<u>73,830</u>	<u>72,639</u>	<u>8.7%</u>
Insurance						
Infogix, Inc. (3)(4)	First-lien loan (\$35,438 par, due 6/2017)	10.00%	6/1/2012	35,034	35,260	4.2%
	First-lien revolving loan (\$2,010 par, due 6/2017)	11.00%	6/1/2012	1,961	1,985	0.2%
Insurity, Inc. (3)(4)	First-lien loan (\$65,000 par, due 10/2020)	7.50%	10/31/2014	64,363	64,025	7.7%
				<u>101,358</u>	<u>101,270</u>	<u>12.1%</u>
Internet Services						
Highwinds Capital, Inc. (3)(4)	First-lien loan (\$41,401 par, due 7/2018)	9.00%	3/7/2014	40,931	40,859	4.9%
Manufacturing						
Jeeves Information Systems AB (3)(5)(6)	First-lien loan (SEK 203,140 par, due 3/2019)	8.75%	6/5/2013	30,897	25,690	3.1%
Metals and mining						
Metalico, Inc. (3)(4)(6)	First-lien loan (\$19,973 par, due 11/2019)	10.50%	11/21/2013	17,699	21,321	2.6%
Office products						
Ecommerce Industries, Inc. (3)(4)(6)	First-lien loan (\$35,390 par, due 3/2019)	7.25%	3/11/2014	35,090	34,868	4.2%

Company (1)	Investment	Interest	Initial Acquisition Date	Amortized Cost (2)	Fair Value	Percentage of Net Assets
Oil, gas and consumable fuels						
Milagro Exploration, LLC (3)(4)	First-lien loan (\$62,857 par, due 9/2017)	9.50%	9/4/2014	62,130	61,457	7.4%
Mississippi Resources, LLC (3)(4)(7)	First-lien loan (\$39,505 par, due 6/2018)	13.00% (incl. 1.50% PIK)	6/4/2014	38,706	37,381	4.5%
				<u>100,836</u>	<u>98,838</u>	<u>11.9%</u>
Specialty Retail						
Toys 'R' Us-Delaware, Inc. (3)(4)	First-lien loan (\$42,000 par, due 10/2019)	8.25%	10/10/2014	41,149	41,370	5.0%
Transportation						
Kewill, Ltd. (3)(5)	Second-lien loan (\$62,500 par, due 10/2019)	9.50%	10/2/2013	61,428	61,250	7.3%
Total Debt Investments				<u>1,251,749</u>	<u>1,248,618</u>	<u>149.6%</u>
Equity and Other Investments						
Business services						
Network Merchants, Inc	Non-Voting Preferred Units (774,099 units)		9/12/2013	780	932	0.1%
Healthcare and pharmaceuticals						
Global Healthcare Exchange, LLC	Common Shares Class A (598 shares)		3/11/2014	467	467	0.1%
	Common Shares Class B (196 shares)		3/11/2014	137	137	0.0%
Helix Health, Ltd. (5)	Warrants		9/30/2014	877	840	0.1%
SRS Parent Corp.	Common Shares Class A (1,980 shares)		12/28/2012	1,980	1,099	0.1%
	Common Shares Class B (2,953,020 shares)		12/28/2012	20	11	0.0%
				<u>3,481</u>	<u>2,554</u>	<u>0.3%</u>
Hotel, gaming, and leisure						
IRG Sports & Entertainment, LLC	Warrants		9/30/2014	1,494	1,494	0.2%
Metals and mining						
Metalico, Inc.	Warrants		11/21/2013	1,343	133	0.0%
Oil, gas and consumable fuels						
Mississippi Resources, LLC (7)			6/4/2014	8,874	4,254	0.5%
Other						
Symphony (5)	CLO Tranche F	5.98%	11/17/2014	5,531	5,526	0.7%
Total Equity and Other Investments				<u>21,503</u>	<u>14,893</u>	<u>1.8%</u>
Total Investments				<u><u>\$ 1,273,252</u></u>	<u><u>\$ 1,263,511</u></u>	<u><u>151.4%</u></u>

- (1) Unless otherwise indicated, the Company's portfolio companies are domiciled in the United States. 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) Loan contains a variable rate structure, subject to an interest rate floor. Variable rate loans bear interest at a rate that may be determined by reference to either LIBOR (which can include one-, two-, three- or six-month LIBOR) or an alternate base rate (which can include the Federal Funds Effective Rate or the Prime Rate), at the borrower's option, which reset periodically based on the terms of the loan agreement. For each such loan the Company has provided the interest rate in effect on the date presented.
- (4) The investment, or a portion thereof, is held within TPG SL SPV, LLC, a wholly-owned subsidiary of the Company, and is pledged as collateral supporting the amounts outstanding under the SPV Asset Facility (see Note 7).
- (5) This portfolio company is a non-U.S. corporation and, as a result, is not a qualifying asset under Section 55(a) of 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.
- (6) In addition to the interest earned based on the stated interest rate of this loan, 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 lenders in the syndication.

- (7) Under the 1940 Act, the Company is deemed to be both an "Affiliated Person" of and "Control," as such terms are defined in the 1940 Act, this portfolio company, as the Company owns more than 25% of the portfolio company's outstanding voting securities or has the power to exercise control over management or policies of such portfolio company (including through a management agreement). Transactions during the year ended December 31, 2014 in which the issuer was an Affiliated Person of and was deemed to Control a portfolio company are as follows:

<u>Company</u>	<u>Fair Value at</u> <u>December 31, 2013</u>	<u>Gross</u> <u>Additions (a)</u>	<u>Gross</u> <u>Reductions (b)</u>	<u>Net Unrealized</u> <u>Gain/(Loss)</u>	<u>Realized</u> <u>Gain/(Losses)</u>	<u>Fair Value at</u> <u>December 31, 2014</u>	<u>Other Income</u>	<u>Interest</u> <u>Income</u>
Mississippi Resources, LLC	\$ -	\$ 47,580	\$ -	\$ (5,944)	\$ -	\$ 41,636	\$ 143	\$ 2,994
Total	<u>\$ -</u>	<u>\$ 47,580</u>	<u>\$ -</u>	<u>\$ (5,944)</u>	<u>\$ -</u>	<u>\$ 41,636</u>	<u>\$ 143</u>	<u>\$ 2,994</u>

- (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 discounts on debt investments, as applicable.

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

Consolidated Schedule of Investments as of December 31, 2013
(Amounts in thousands, except share amounts)

Company (1)	Investment	Interest	Initial Acquisition Date	Amortized Cost (2)	Fair Value	Percentage of Net Assets
Debt Investments						
Aerospace and defense						
MSC Software Corporation (3)(4)(6)	First-lien loan (\$53,452 par, due 11/2017)	7.75%	12/23/2011	\$ 52,828	\$ 53,720	9.3%
Automotive						
Heartland Automotive Holdings, LLC (3)(4)	First-lien loan (\$36,733 par, due 6/2017)	9.75%	8/28/2012	36,002	36,182	6.3%
	First-lien revolving loan (\$4,611 par, due 6/2017)	10.75%	8/28/2012	4,500	4,528	0.8%
Sage Automotive Interiors, Inc. (3)(4)(6)	First-lien loan (\$21,553 par, due 12/2016)	8.50%	12/31/2012	21,336	21,445	3.7%
				<u>61,838</u>	<u>62,155</u>	<u>10.8%</u>
Beverage, food and tobacco						
AFS Technologies, Inc. (3)(4)(6)	First-lien loan (\$44,394 par, due 8/2015)	7.75%	8/31/2011	43,837	45,837	8.0%
Business services						
Actian Corporation (3)(4)(6)	First-lien loan (\$67,933 par, due 4/2018)	8.50%	4/11/2013	65,762	66,405	11.6%
Aptean Holdings, Inc. f/k/a Consona Holdings, Inc. (3)(4)	First-lien loan (\$29,625 par, due 8/2018)	7.25%	8/13/2012	29,279	29,477	5.1%
Beyond Trust Software Holding Group, Inc. (3)(6)	First-lien loan (\$42,500 par, due 12/2019)	7.25%	12/18/2013	41,462	41,437	7.2%
Network Merchants, Inc (3)(4)	First-lien loan (\$29,659 par, due 9/2018)	8.75%	9/12/2013	29,105	29,202	5.1%
				<u>165,608</u>	<u>166,521</u>	<u>29.0%</u>
Construction and building						
Mannington Mills, Inc. (3)(4)	Second-lien loan (\$47,430 par, due 3/2017)	14.00% (incl. 2.00% PIK)	3/2/2012	46,545	51,817	9.0%
Containers and packaging						
The Newark Group, Inc. (3)(4)	First-lien loan (\$46,560 par, due 2/2018)	8.50%	2/8/2013	46,164	47,142	8.2%
Education						
Campus Management, Inc. (3)(4)(6)	First-lien loan (\$29,625 par, due 9/2018)	8.75%	9/30/2013	28,931	29,032	5.1%
Financial services						
Embarcadero Technologies, Inc. (3)(4)(6)	First-lien loan (\$42,479 par, due 12/2017)	8.00%	12/28/2012	41,597	42,372	7.4%
Rogue Wave Holdings, Inc. (3)(4)(6)	First-lien loan (\$76,337 par, due 12/2018)	8.25%	11/21/2012	74,752	75,764	13.2%
				<u>116,349</u>	<u>118,136</u>	<u>20.6%</u>
Healthcare and pharmaceuticals						
Mediware Information Systems, Inc. (3)(4)(6)	First-lien loan (\$71,634 par, due 5/2018)	8.00%	11/9/2012	70,120	71,097	12.4%
SRS Software, LLC (3)(4)	First-lien loan (\$35,625 par, due 12/2017)	8.75%	12/28/2012	34,782	35,625	6.2%
	First-lien revolving loan (\$2,000 par, due 12/2017)	8.75%	12/28/2012	2,000	2,000	0.3%
				<u>106,902</u>	<u>108,722</u>	<u>18.9%</u>

Company (1)	Investment	Interest	Initial Acquisition Date	Amortized Cost (2)	Fair Value	Percentage of Net Assets
Hotel, gaming, and leisure						
AMF Bowling Worldwide, Inc. (3)(4)	First-lien loan (\$14,813 par, due 6/2018)	8.75%	7/2/2013	13,687	14,821	2.6%
Centaur, LLC (3)	Second-lien loan (\$10,000 par, due 2/2020)	8.75%	2/15/2013	9,923	10,250	1.8%
Mandalay Baseball Properties, LLC (3)(4)	First-lien loan (\$34,886 par, due 3/2017)	12.00% (incl. 4.50% PIK)	4/12/2012	34,303	35,758	6.2%
	Second-lien bond (GBP 7,000 par, due 10/2018)	9.13%	9/20/2013	11,200	11,913	2.1%
Soho House (5)				69,113	72,742	12.7%
Human resource support services						
Pai Group, Inc. (3)(4)	First-lien loan (\$34,737 par, due 5/2018)	10.50%	5/8/2013	33,979	34,141	5.9%
SumTotal Systems, LLC (3)(4)	First-lien loan (\$7,483 par, due 11/2018)	6.25%	11/16/2012	7,405	7,371	1.3%
	Second-lien loan (\$12,000 par, due 5/2019)	10.25%	11/16/2012	11,932	11,790	2.1%
				53,316	53,302	9.3%
Insurance						
Infogix, Inc. (3)(4)	First-lien loan (\$31,888 par, due 6/2017)	10.00%	6/1/2012	31,433	31,808	5.5%
	First-lien revolving loan (\$850 par, due 6/2017)	10.00%	6/1/2012	782	838	0.1%
				32,215	32,646	5.6%
Manufacturing						
Jeeves Information Systems AB (3)(5)	First-lien loan (SEK 177,161 par, due 6/2018)	9.25%	6/5/2013	26,486	27,170	4.7%
Metals and mining						
Metalico, Inc. (3)(6)	First-lien loan (\$35,650 par, due 11/2019)	9.50%	11/21/2013	33,523	33,841	5.9%
Office products						
Ecommerce Industries, Inc. (3)(4)(6)	First-lien loan (\$19,936 par, due 10/2016)	8.00%	10/17/2011	19,764	20,086	3.5%
Oil, gas and consumable fuels						
Global Geophysical (3)(4)	First-lien loan (\$40,883 par, due 9/2016)	10.75%	9/30/2013	39,617	40,065	7.0%
Transportation						
Kewill, Ltd. (3)(5)	Second-lien loan (\$52,500 par, due 10/2019)	9.50%	10/2/2013	51,482	51,713	9.0%
Total Debt Investments				994,518	1,014,647	176.6%
Equity Investments						
Business services						
Network Merchants, Inc	Non-Voting Preferred Units (774,099 units)		9/12/2013	780	780	0.1%
Healthcare and pharmaceuticals						
SRS Parent Corp.	Common Shares Class A (1,980 shares)		12/28/2012	1,980	1,024	0.2%
	Common Shares Class B (2,953,020 shares)		12/28/2012	20	—	0.0%
				2,000	1,024	0.2%
Total Equity Investments				2,780	1,804	0.3%
Total Investments				\$ 997,298	\$ 1,016,451	176.9%

- (1) Unless otherwise indicated, the Company's portfolio companies are domiciled in the United States. As of December 31, 2013, the Company does not "control" any of the portfolio companies nor are any of its portfolio companies considered to be "affiliates" (see Note 4). 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) Loan contains a variable rate structure, subject to an interest rate floor. Variable rate loans bear interest at a rate that may be determined by reference to either LIBOR (which can include one-, two-, three- or six-month LIBOR) or an alternate base rate (which can include the Federal Funds Effective Rate or the Prime Rate), at the borrower's option, which reset periodically based on the terms of the loan agreement. For each such loan the Company has provided the interest rate in effect on the date presented.
- (4) The investment, or a portion thereof, is held within TPG SL SPV, LLC, a wholly-owned subsidiary of the Company, and is pledged as collateral supporting the amounts outstanding under the SPV Asset Facility (see Note 7).
- (5) This portfolio company is a non-U.S. corporation and, as a result, is not a qualifying asset under Section 55(a) of 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.
- (6) In addition to the interest earned based on the stated interest rate of this loan, 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 lenders in the syndication.

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)

	Year Ended December 31, 2014	Year Ended December 31, 2013	Year Ended December 31, 2012
Increase in Net Assets Resulting from Operations			
Net investment income	\$ 104,475	\$ 57,501	\$ 28,029
Net change in unrealized gains (losses)	(17,722)	8,386	7,211
Net realized gains (losses)	(1,703)	1,096	4,355
Increase in Net Assets Resulting from Operations	85,050	66,983	39,595
Increase in Net Assets Resulting from Capital Share Transactions			
Issuance of common shares, net of offering and underwriting costs	234,419	56,857	287,692
Reinvestment of dividends	22,566	26,438	9,194
Dividends declared from net investment income	(80,077)	(48,301)	(26,997)
Dividends declared from realized gains	(1,249)	(7,084)	(2,773)
Increase in Net Assets Resulting from Capital Share Transactions	175,659	27,910	267,116
Total Increase in Net Assets	260,709	94,893	306,711
Net assets, beginning of period	574,696	479,803	173,092
Net Assets, End of Period	\$ 835,405	\$ 574,696	\$ 479,803
Undistributed Net Investment Income Included in Net Assets at the End of the Period	\$ 6,555	\$ 3,981	\$ (1,016)

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

TPG Specialty Lending, Inc.

Consolidated Statements of Cash Flows
(Amounts in thousands)

	Year Ended December 31, 2014	Year Ended December 31, 2013	Year Ended December 31, 2012
Cash Flows from Operating Activities			
Increase in net assets resulting from operations	\$ 85,050	\$ 66,983	\$ 39,595
Adjustments to reconcile increase in net assets resulting from operations to net cash used in operating activities:			
Net change in unrealized (gains) losses on investments	28,895	(9,630)	(7,211)
Net change in unrealized (gains) losses on foreign currency transactions	(11,173)	1,244	—
Net realized gains on investments	(83)	(1,061)	(4,355)
Net realized gains on foreign currency transactions	(195)	(35)	—
Net amortization of discount on securities	(19,627)	(6,728)	(4,489)
Amortization of debt issuance costs	2,553	1,903	1,496
Accretion of discount on Convertible Senior Notes	300	—	—
Purchases of investments, net	(974,824)	(602,988)	(760,668)
Proceeds from investments, net	100,656	46,390	119,126
Repayments on investments	620,671	214,293	190,594
Paid-in-kind interest	(2,748)	(2,749)	(1,808)
Changes in operating assets and liabilities:			
Interest receivable	(1,167)	(2,579)	(1,071)
Interest receivable paid-in-kind	(44)	—	—
Prepaid expenses and other assets	(12,443)	443	(6,292)
Management fees payable to affiliate	3,307	116	531
Incentive fees payable to affiliate	(181)	2,083	3,706
Payable to affiliate	250	2,188	(577)
Other liabilities	31,972	496	1,324
Net Cash Used in Operating Activities	(148,831)	(289,631)	(430,099)
Cash Flows from Financing Activities			
Borrowings on debt	1,108,097	902,000	1,332,688
Payments on debt	(1,135,388)	(801,569)	(1,155,852)
Debt issuance costs	(6,766)	(1,615)	(5,328)
Proceeds from issuance of common stock, net of offering and underwriting costs	234,419	56,857	287,692
Dividends paid to stockholders	(52,589)	(24,396)	(10,968)
Net Cash Provided by Financing Activities	147,773	131,277	448,232
Net Increase (Decrease) in Cash and Cash Equivalents	(1,058)	(158,354)	18,133
Cash and cash equivalents, beginning of period	3,471	161,825	143,692
Cash and Cash Equivalents, End of Period	\$ 2,413	\$ 3,471	\$ 161,825
Supplemental Information:			
Interest paid during the period	\$ 11,394	\$ 8,792	\$ 3,580
Excise taxes paid during the period	\$ 199	\$ 46	\$ —
Dividends declared during the period	\$ 81,326	\$ 55,385	\$ 29,770
Reinvestment of dividends during the period	\$ 22,566	\$ 26,438	\$ 9,194
Subscription receivable from common stockholders	\$ —	\$ —	\$ 1,870

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

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

1. Organization and Basis of Presentation

Organization

TPG Specialty Lending, Inc. (“TSL” 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 Investment Company Act of 1940, as amended (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”). TSL 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”), issuing 7,000,000 shares at \$16.00 per share, and its concurrent private placement, issuing 3,124,984 shares at \$16.00 per share. Net of underwriting fees and offering costs, the Company received total cash proceeds of \$151.6 million.

In April 2014, the Company issued a total of 1,050,000 shares of stock pursuant to the exercise of the underwriters’ over-allotment option. Net of underwriting fees and offering costs, the Company received additional total cash proceeds of \$15.4 million.

On March 21, 2014, 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, consisting solely of accruals considered necessary for the fair presentation of the consolidated financial statements for the periods presented, have been included. All intercompany balances and transactions have been eliminated in consolidation.

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

The Company is an investment company and, therefore, applying 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. Such 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 and highly liquid investments (e.g., money market funds, U.S. Treasury notes, and similar type instruments) with original maturities of three months or less. Cash and cash equivalents 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

Investment transactions purchased on a secondary basis are recorded on the trade date. Loan originations are recorded on the date of the binding commitment, which is generally the funding 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 primarily reflects the change in investment values and also includes the reversal of previously recorded unrealized gains or losses with respect to investments realized during the period.

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

As part of the valuation process, the Board takes into account relevant factors in determining the fair value of its investments, including: the estimated enterprise value of a portfolio company (that is, the total fair value of the portfolio company's 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.

The Company currently conducts this valuation process on a quarterly basis.

In connection with debt and equity securities that are valued at fair value in good faith by the Board, the Board has engaged independent third-party valuation firms to perform certain limited procedures that the Board has identified and requested them to perform. At December 31, 2014, 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, was 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 (which may be a hypothetical 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 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 methodologies 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.

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 volume of derivative trading 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 policies.

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

The Company presents the fair value of foreign currency forward contracts and interest rate swaps executed with the same counterparty on a net basis given the Company has the legal right to offset the recognized amounts, and it intends to settle on a net basis.

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, 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. 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 registration statement filings and applicable offering costs as deferred financing costs. To the extent such expenses relate to equity offerings, these expenses are charged as a reduction of capital upon each such offering.

Debt Issuance Costs

The Company records origination and other expenses related to its debt obligations as deferred financing costs. These expenses are deferred and amortized using the effective yield method, or straight-line method for revolving credit facilities, over the stated maturity life 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 are amortized into interest income over the contractual life of the respective security using the effective yield method. The amortized cost of investments represents the original cost adjusted for the amortization of discounts and premiums, if any.

Loans are generally placed on non-accrual status when principal or interest payments are past due 30 days or more or when there is reasonable doubt that principal or interest will be collected 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 is paid current and, in management's judgment, are likely to remain current. Management may determine to not place a loan on non-accrual status if 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. These fees are generally only available to the Company as a result of closing investments, are normally paid at the closing of the investments, are generally non-recurring and are recognized as revenue when earned upon closing of the investment. The services that the Adviser provides vary by investment, but generally include syndication, structuring or diligence fees, and fees for providing managerial assistance to our portfolio companies.

In certain instances where the Company is invited to participate as a co-lender in a transaction and does not provide significant services in connection with the investment, all or a portion of any loan fees received by the Company in such situations will be deferred and amortized over the investment's life using the effective yield method.

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 costs of successfully completed investments not otherwise reimbursed are borne by the Company and 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 reversed 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

Dividends to common stockholders are recorded on the record date. 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 be generally distributed at least annually, although the Company may decide to retain such capital gains for investment.

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 implement the dividend reinvestment plan.

New Accounting Pronouncements

In August 2014, the Financial Accounting Standards Board issued Accounting Standards Update 2014-15 ("ASU 2014-15"), "*Presentation of Financial Statements – Going Concern (Subtopic 205 – 40): Disclosure of Uncertainties About an Entity's Ability to Continue as a Going Concern.*" ASU 2014-15 requires management to evaluate whether there are conditions or events that raise substantial doubt about the entity's ability to continue as a going concern, and to provide certain disclosures when it is probable that the entity will be unable to meet its obligations as they become due within one year after the date that the financial statements are issued. Since this guidance is primarily around certain disclosures to the financial statements, the Company anticipates no impact on our financial position, results of operations or cash flows from adopting this standard. The Company is currently assessing the additional disclosure requirements, if any, of ASU 2014-15. ASU 2014-15 is effective for the annual period ending after December 31, 2016 and for annual periods and interim periods thereafter, with early adoption permitted.

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 annual reporting periods beginning after December 15, 2016, including interim periods within that reporting period. Early application is not permitted. The Company is currently evaluating the impact of adopting this ASU on its 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 expenses incurred by any such affiliates or third parties for work done on its behalf.

For the years ended December 31, 2014, 2013 and 2012, the Company incurred expenses of \$2.7 million, \$1.4 million and \$1.0 million, respectively, for administrative services payable to the Adviser under the terms of the Administration Agreement.

On November 3, 2014, the Board renewed the Administration Agreement. Unless earlier terminated as described below, the Administration Agreement will remain in effect until November 3, 2015, and may be extended subject to required approvals. The Administration Agreement may be terminated by either party without penalty on 60 days' written notice to the other party.

No person who is an officer, director or employee of the Adviser or its affiliates and who serves as a director of the Company receives any compensation from the Company for his or her services as a director. However, the Company reimburses the Adviser (or its affiliates) for 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 will provide 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 and is prorated for any partial month or quarter.

For the years ended December 31, 2014, 2013 and 2012, Management Fees were \$18.3 million, \$13.4 million, and \$8.9 million, respectively.

Until the IPO, the Adviser had waived its right to receive the Management Fee in excess of the sum of (i) 0.25% of aggregate committed but undrawn capital; and, (ii) 0.75% of aggregate drawn capital (including capital drawn to pay Company expenses) as determined as of the end of any calendar quarter.

For the years ended December 31, 2014, 2013, and 2012, Management Fees of \$2.5 million, \$7.1 million, and \$3.7 million, respectively, were waived. Any waived Management Fees were not subject to recoupment by the Adviser. Following the IPO, the Adviser has not waived its right to receive the full Management Fee and accordingly, the Company will be required to continue to pay the full amount of the Management Fee.

The Incentive Fee consists of two parts, as follows:

- (i) The first component, payable at the end of each quarter in arrears through March 31, 2014, 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 15% of the total pre-Incentive Fee net investment income for that quarter and, for pre-Incentive Fee net investment income in excess of 1.76% quarterly, 15% 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 15% on all pre-Incentive Fee net investment income when that amount equals 1.76% in a quarter (7.04% annualized), which is the rate at which catch-up was achieved. Once the "hurdle rate" is reached and catch-up is achieved, 15% of any pre-Incentive Fee net investment income in excess of 1.76% in any quarter is payable to the Adviser.

The first component, payable at the end of each quarter in arrears beginning April 1, 2014, 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 (including reinvested 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 appreciation or depreciation.

- (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, now 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 depreciation. 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 appreciation 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%.

To determine whether pre-Incentive Fee net investment income exceeds the hurdle rate, prior to the IPO, the pre-Incentive Fee net investment income was expressed as a rate of return on an average daily hurdle calculation value. The average daily hurdle calculation value, on any given day, equaled

- net assets as of the end of the calendar quarter immediately preceding the day; plus
- the aggregate amount of capital drawn from investors (or reinvested pursuant to the dividend reinvestment plan) from the beginning of the current quarter to the day; minus
- the aggregate amount of distributions (including share repurchases) made by the Company from the beginning of the current quarter to the day (but only to the extent the distributions were not declared and accounted for on our books and records in a previous quarter).

Following the IPO, 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.

The Company accrues the Incentive Fee taking into account unrealized gains and losses; however, Section 205(b)(3) of the Investment Advisers Act of 1940, as amended, prohibits the Adviser from receiving the payment of fees until those gains are realized, if ever. There can be no assurance that such unrealized gains will be realized in the future.

For the year ended December 31, 2014, Incentive Fees were \$17.8 million, comprised of fees related to pre-incentive fee net investment income of \$20.8 million offset by (\$2.9) million of incentive fees related to capital gains and losses attributable to unrealized losses on investments and realized losses on foreign exchange transactions. For the year ended December 31, 2013, Incentive Fees were \$11.8 million, comprised of fees related to pre-incentive fee net investment income of \$10.4 million and \$1.4 million of incentive fees related to capital gains and losses. For the year ended December 31, 2012, Incentive Fees were \$7.0 million, comprised of fees related to pre-incentive fee net investment income of \$5.3 million and \$1.7 million of incentive fees related to capital gains and losses.

On November 3, 2014, the Board renewed the Investment Advisory Agreement. Unless earlier terminated as described above, the Investment Advisory Agreement will remain in effect until November 3, 2015, 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.

In 2014, the Adviser entered into a purchase agreement (the “Adviser 10b5-1 Plan”), in accordance with Rules 10b5-1 and 10b-18 under the Securities Exchange Act of 1934, as amended (the “Exchange Act”), under which an agent for the Adviser would buy up to \$25 million in the aggregate of the Company’s common stock, subject to certain conditions. The Adviser 10b5-1 Plan expired in accordance with its terms on December 31, 2014. During the year ended December 31, 2014, 300 shares were purchased under the Adviser 10b5-1 Plan. These 300 shares were purchased prior to the approval and implementation of the Company 10b5-1 Plan.

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 and/or had the power to exercise control over the management or policies of such portfolio company. 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 schedule 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 December 31, 2014 and 2013:

	December 31, 2014		
	Amortized Cost (1)	Fair Value	Net Unrealized Gain (Loss)
First-lien debt investments	\$ 1,127,215	\$ 1,124,246	\$ (2,969)
Second-lien debt investments	111,121	111,408	287
Mezzanine debt investments	13,414	12,964	(450)
Equity and other investments	21,502	14,893	(6,609)
Total Investments	\$ 1,273,252	\$ 1,263,511	\$ (9,741)

	December 31, 2013		
	Amortized Cost (1)	Fair Value	Net Unrealized Gain (Loss)
First-lien debt investments	\$ 863,436	\$ 877,164	\$ 13,728
Second-lien debt investments	131,082	137,482	6,400
Mezzanine debt investments	—	—	—
Equity and other investments	2,780	1,805	(975)
Total Investments	\$ 997,298	\$ 1,016,451	\$ 19,153

- (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 December 31, 2014 and 2013 is as follows:

	<u>December 31, 2014</u>	<u>December 31, 2013</u>
Aerospace and defense	—	5.3%
Automotive	2.7%	6.1%
Beverage, food, and tobacco	6.8%	4.5%
Business services	10.0%	16.5%
Communications	1.4%	—
Construction and building	—	5.1%
Containers and packaging	3.2%	4.6%
Education	2.2%	2.9%
Electronics	6.2%	—
Financial services	8.4%	11.6%
Healthcare and pharmaceuticals	17.3%	10.8%
Hotel, gaming, and leisure	5.9%	7.2%
Human resource support services	—	5.2%
Insurance	8.0%	3.2%
Internet services	3.2%	—
Manufacturing	3.5%	2.7%
Metals and mining	1.7%	3.3%
Office products	2.8%	2.0%
Oil, gas and consumable fuels	8.2%	3.9%
Other	0.4%	—
Retail	3.3%	—
Transportation	4.8%	5.1%
Total	<u>100.0%</u>	<u>100.0%</u>

The geographic composition of Investments at fair value at December 31, 2014 and 2013 is as follows:

	<u>December 31, 2014</u>	<u>December 31, 2013</u>
United States		
Midwest	13.1%	14.2%
Northeast	27.1%	21.7%
South	23.6%	19.7%
West	23.6%	35.5%
Canada	1.3%	—
Europe	11.3%	8.9%
Total	<u>100.0%</u>	<u>100.0%</u>

5. Derivatives

Foreign Currency

The Company enters into foreign currency forward contracts from time to time to facilitate settlement of purchases and sales of investments denominated in foreign currencies or to help mitigate the impact that an adverse change in foreign exchange rates would have on the value of the Company's investments denominated in foreign currencies. A foreign currency forward contract is a commitment to purchase or sell a foreign currency at a future date at a negotiated forward rate. These contracts are marked-to-market by recognizing the difference between the contract exchange rate and the current market rate as unrealized appreciation or depreciation. Realized gains or losses are recognized when contracts are settled. The Company's foreign currency forward contracts during the year ended December 31, 2014 generally had terms of approximately two months or less. The volume of open contracts at the end of each reporting period is reflective of the typical volume of transactions during each month. Risks may arise as a result of the potential inability of the counterparties to meet the terms of their contracts. The Company attempts to limit this risk by dealing with only creditworthy counterparties.

During the year ended December 31, 2014, the Company entered into foreign currency forward contracts related to its non-USD investments. The Company did not have any open foreign currency forward contracts as of December 31, 2014.

As of December 31, 2013, details of open foreign currency forward contracts were as follows:

Foreign Currency Forward Contracts	Settlement Date	Amount (in '000s) and Transaction	USD Value at Settlement Date	USD Value at December 31, 2013	Unrealized Depreciation presented in Consolidated Financial Statements
Swedish Krona (SEK)	January 24, 2014	188,672 sold	\$ (28,440)	\$ (29,366)	\$ (926)
Pound Sterling (GBP)	January 24, 2014	7,000 sold	(11,274)	(11,592)	(318)
Total			<u>\$ (39,714)</u>	<u>\$ (40,958)</u>	<u>\$ (1,244)</u>

All realized and unrealized gains and losses on foreign currency forward contracts are included in earnings (changes in net assets) and are reported as separate line items within the Company's consolidated statements of operations. Unrealized gains and losses on foreign currency forward contracts are also reported as a separate line item within the Company's consolidated balance sheets.

The Company has not been required to post cash collateral related to its foreign currency forward contracts, but may be required to do so in the future.

Interest Rate Swaps

In June 2014, the Company entered into two interest rate swap transactions, each with a \$57.5 million notional amount. As of December 31, 2014 the Company received fixed rate interest at 4.50% and paid variable rate interest based on the 3-month London Interbank Offered Rate ("LIBOR") plus 2.529%. The swap transactions mature on December 15, 2019. For the year ended December 31, 2014, the Company recognized \$1.0 million in unrealized appreciation on derivatives in the consolidated statement of operations related to the swap transactions. As of December 31, 2014, the swap transactions had a fair value of \$1.0 million, which is included in receivable on interest rate swaps on the Company's consolidated balance sheet.

During the year ended December 31, 2014, the Company received \$2.6 million and paid \$1.6 million related to the quarterly settlements of its interest rate swaps. This net amount is a reduction to interest expense in the Company's consolidated statements of operations.

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 December 31, 2014, \$2.3 million of cash is pledged as collateral under the Company's derivative instruments and is included in restricted cash as a component of other assets on the Company's consolidated balance sheet. The Company also had less than \$0.1 million of cash collateral posted as of December 31, 2014, which is also included in restricted cash as a component of other assets 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 December 31, 2014 and 2013:

	Fair Value Hierarchy at December 31, 2014			
	Level 1	Level 2	Level 3	Total
First-lien debt investments	\$ —	\$ 64,910	\$ 1,059,336	\$ 1,124,246
Second-lien debt investments	—	50,158	61,250	111,408
Mezzanine debt investments	—	8,444	4,520	12,964
Equity and other investments	—	5,525	9,368	14,893
Total Investments at Fair Value	\$ —	\$ 129,037	\$ 1,134,474	\$ 1,263,511
Receivable on interest rate swaps	—	1,020	—	1,020
Total	<u>\$ —</u>	<u>\$ 130,057</u>	<u>\$ 1,134,474</u>	<u>\$ 1,264,531</u>

	Fair Value Hierarchy at December 31, 2013			
	Level 1	Level 2	Level 3	Total
First-lien debt investments	\$ —	\$ 22,192	\$ 854,972	\$ 877,164
Second-lien debt investments	—	33,952	103,530	137,482
Mezzanine debt investments	—	—	—	—
Equity investments	—	—	1,805	1,805
Total Investments at Fair Value	—	56,144	960,307	1,016,451
Foreign currency forward contracts	—	(1,244)	—	(1,244)
Total	<u>\$ —</u>	<u>\$ 54,900</u>	<u>\$ 960,307</u>	<u>\$ 1,015,207</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 year ended December 31, 2014 and 2013:

	Year Ended December 31, 2014				
	First-lien debt investments	Second-lien debt investments	Mezzanine debt investments	Equity and other investments	Total
Balance, beginning of year	\$ 854,972	\$ 103,530	\$ -	\$ 1,805	\$ 960,307
Purchases	770,732	72,850	4,640	13,192	861,414
Proceeds from investments	(94,952)	-	-	-	(94,952)
Repayments / redemptions	(473,178)	(113,148)	-	-	(586,326)
Paid-in-kind interest	1,831	718	199	-	2,748
Net change in unrealized losses	(15,365)	(5,681)	(328)	(5,629)	(27,003)
Net realized losses	(61)	-	-	-	(61)
Net amortization of discount on securities	15,357	2,981	9	-	18,347
Transfers into (out of) Level 3	-	-	-	-	-
Balance, End of Year	<u>\$ 1,059,336</u>	<u>\$ 61,250</u>	<u>\$ 4,520</u>	<u>\$ 9,368</u>	<u>\$ 1,134,474</u>

	Year Ended December 31, 2013				
	First-lien debt investments	Second-lien debt investments	Mezzanine debt investments	Equity investments	Total
Balance, beginning of year	\$ 514,104	\$ 53,190	\$ —	\$ 2,000	\$ 569,294
Purchases	507,056	51,270	—	780	559,106
Proceeds from investments	(30,615)	—	—	—	(30,615)
Repayments / redemptions	(178,831)	(4,086)	—	—	(182,917)
Paid-in-kind interest	1,770	979	—	—	2,749
Net change in unrealized gains (losses)	6,054	1,865	—	(975)	6,944
Net realized gains	142	—	—	—	142
Net amortization of discount on securities	5,367	312	—	—	5,679
Transfers into (out of) of Level 3	29,925	—	—	—	29,925
Balance, End of Year	<u>\$ 854,972</u>	<u>\$ 103,530</u>	<u>\$ —</u>	<u>\$ 1,805</u>	<u>\$ 960,307</u>

Aptean Holdings, Inc., formerly known as Consona Holdings, Inc., transferred into Level 3 during the year ended December 31, 2013, as a result of changes in the observability of inputs into its valuation.

The following table presents information with respect to net change in unrealized appreciation or depreciation on investments for which Level 3 inputs were used in determining fair value that are still held by the Company at December 31, 2014 and 2013:

	Net Change in Unrealized Appreciation or (Depreciation) for the Year Ended December 31, 2014 on Investments Held at December 31, 2014	Net Change in Unrealized Appreciation or (Depreciation) for the Year Ended December 31, 2013 on Investments Held at December 31, 2013
First-lien debt investments	\$ (10,256)	\$ 8,468
Second-lien debt investments	(408)	1,865
Mezzanine debt investments	(328)	—
Equity and other investments	(5,629)	(975)
Total	\$ (16,621)	\$ 9,358

The following table presents the fair value of Level 3 Investments at fair value and the significant unobservable inputs used in the valuations as of December 31, 2014 and 2013:

December 31, 2014					
	Fair Value	Valuation Technique	Unobservable Input	Range (Weighted Average)	Impact to Valuation from an Increase to Input
First-lien debt investments	\$ 1,059,336	Income approach (1)	Market yield	8.00% — 15.35% (10.86%)	Decrease
Second-lien debt investments	\$ 61,250	Income approach	Market yield	10.97% — 10.97% (10.97%)	Decrease
Mezzanine debt investments	\$ 4,520	Income approach	Market yield	20.78% — 20.78% (20.78%)	Decrease
Equity and other investments	\$ 9,368	Market Multiple, Discounted Cash Flow or Black Scholes Option Model	Comparable multiple, discount rate or volatility	7.9x — 13.0x (10.4x) or 14.4% or 40%	Increase or decrease

- (1) Includes \$15.6 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.

December 31, 2013					
	Fair Value	Valuation Technique	Unobservable Input	Range (Weighted Average)	Impact to Valuation from an Increase to Input
First-lien debt investments	\$ 854,972	Income Approach	Market Yield	5.50% — 13.12% (9.81%)	Decrease
Second-lien debt investments	\$ 103,530	Income Approach	Market Yield	9.32% — 9.87% (9.59%)	Decrease
Mezzanine debt investments	\$ —				
Equity investments	\$ 1,805	Income Approach	Weighted Average Cost of Capital (WACC)	12.1% — 15.3% (14.0%)	Decrease

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 used 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. 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 facilities, which are categorized as Level 3 within the fair value hierarchy, as of December 31, 2014 and 2013, approximates their carrying value as the outstanding balances are callable at carrying value.

The fair value of the Company's Convertible Senior Notes, which is categorized as Level 2 within the fair value hierarchy, as of December 31, 2014, was \$112.2 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, 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 debt, 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 December 31, 2014 and 2013, the Company's asset coverage was 311.0% and 232.9%, respectively.

Debt obligations consisted of the following as of December 31, 2014 and 2013:

	December 31, 2014			
	Aggregate Principal Amount Committed	Outstanding Principal	Amount Available (1)	Carrying Value
SPV Asset Facility (2)	\$ 175,000	\$ 106,725	\$ 45,279	\$ 106,725
Revolving Credit Facility	781,250	177,216	466,189	177,216
Convertible Senior Notes	115,000	115,000	—	111,923
Total Debt	<u>\$ 1,071,250</u>	<u>\$ 398,941</u>	<u>\$ 511,468</u>	<u>\$ 395,864</u>

	December 31, 2013			
	Aggregate Principal Amount Committed	Outstanding Principal	Amount Available (1)	Carrying Value
Subscription Credit Facility (3)	\$ 100,000	\$ 32,000	\$ 68,000	\$ 32,000
SPV Asset Facility	100,000	77,767	—	77,767
Revolving Credit Facility	400,000	322,500	77,500	322,500
Total Debt	<u>\$ 600,000</u>	<u>\$ 432,267</u>	<u>\$ 145,500</u>	<u>\$ 432,267</u>

- (1) The amount available reflects any limitations related to the respective debt facilities' borrowing bases.
- (2) The reinvestment period under the SPV Asset Facility terminated on January 21, 2015 and accordingly any undrawn availability under the facility also terminated.
- (3) On February 27, 2014, the Company terminated the Subscription Credit Facility, effective March 4, 2014. The outstanding balance was paid down prior to terminating the facility.

For the years ended December 31, 2014, 2013 and 2012, the components of interest expense were as follows:

	Year Ended December 31, 2014	Year Ended December 31, 2013	Year Ended December 31, 2012
Interest expense	\$ 9,962	\$ 7,168	\$ 3,272
Commitment fees	2,263	1,398	1,252
Amortization of debt issuance costs	2,553	1,903	1,496
Accretion of original issue discount	300	—	—
Total Interest Expense	\$ 15,078	\$ 10,469	\$ 6,020
Average debt outstanding (in millions)	\$ 377.1	\$ 266.1	\$ 111.2
Weighted average interest rate	2.6%	2.7%	2.9%

Revolving Credit Facility

On August 23, 2012, the Company entered into a senior secured revolving credit agreement with SunTrust Bank, as administrative agent, and J.P. Morgan Chase Bank, N.A., as syndication agent, and certain other lenders. On July 2, 2013, the Company entered into an agreement to amend and restate the agreement, effective on July 3, 2013. The amended and restated facility, among other things, increased the size of the facility from \$200 million to \$350 million. The facility included an uncommitted accordion feature that allowed the Company, under certain circumstances, to increase the size of the facility up to \$550 million. On September 30, 2013, the Company exercised its right under the accordion feature and increased the size of the facility to \$400 million. On January 27, 2014, the Company again exercised its right under the accordion feature and increased the size of the facility to \$420 million.

On February 27, 2014, the Company further amended and restated the agreement. The second amended and restated agreement (the Revolving Credit Facility), among other things:

- increased the size of the facility to \$581.3 million;
- increased the size of the uncommitted accordion feature to allow the Company, under certain circumstances to increase the size of the facility up to \$956.3 million;
- increased the limit for swingline loans to \$100 million;
- with respect to \$545 million in commitments,
 - extended the expiration of the revolving period from June 30, 2017 to February 27, 2018, during which period the Company, subject to certain conditions, may make borrowings under the facility, and
 - extended the stated maturity date from July 2, 2018 to February 27, 2019; and
- provided that borrowings under the multicurrency tranche will be available in certain additional currencies.

On May 30, 2014, the Company entered into agreements with various financial institutions pursuant to which each of the institutions agreed to provide commitments through the accordion feature of the Revolving Credit Facility, increasing the aggregate commitments from \$581.3 million to \$781.3 million.

On June 27, 2014, the Company further amended the Revolving Credit Facility to extend the \$36.3 million in commitments not previously extended such that the revolving period as it related to all outstanding commitments would expire on February 27, 2018 and the stated maturity date as it related to all outstanding commitments would be February 27, 2019.

On October 17, 2014, the Company entered into a third amendment to the Revolving Credit Facility:

- decreasing the applicable margin with respect to (i) any loan bearing interest at a rate determined by reference to the Alternate Base Rate from 1.25% to 1.00% and (ii) any loan bearing interest at a rate determined by reference to the Adjusted LIBO Rate from 2.25% to 2.00%;
- decreasing the aggregate commitments from \$781.3 million to \$766.3 million;
- extending the revolving period from February 27, 2018 to October 17, 2018;
- extending the stated maturity date from February 27, 2019 to October 17, 2019; and
- increasing the sublimit applicable to letters of credit from \$20 million to \$100 million.

On October 23, 2014, the Company entered into an agreement with a financial institution pursuant to which the institution agreed to provide commitments through the accordion feature, increasing the aggregate commitments from \$766.3 million to \$776.3 million. On November 3, 2014, an existing lender agreed to increase their commitment through the accordion feature, increasing aggregate commitments from \$776.3 million to \$781.3 million.

The Revolving Credit Facility continues to include the accordion feature, which would allow the Company, under certain circumstances, to increase the size to a maximum of \$956.3 million.

The Company may borrow amounts in U.S. dollars or certain other permitted currencies. As of December 31, 2014, the Company had outstanding debt denominated in Swedish Krona (SEK) of 205.8 million, Euro (EUR) of 28.1 million and Pound Sterling (GBP) of 14.1 million on its Revolving Credit Facility, included in the Outstanding Principal amount in the table above.

Amounts drawn under the Revolving Credit Facility, including amounts drawn in respect of letters of credit, bear interest at either LIBOR plus a margin, or the prime rate plus a margin. The Company may elect either the LIBOR or prime 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 TC Lending, LLC and TSL MR, LLC and may be guaranteed by certain domestic subsidiaries that are formed or acquired by the Company 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 maintain cash and liquid investments of at least 10% of the covered debt amount 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 October 17, 2014.

Net proceeds received from the Company's IPO, the exercise of the underwriters' over-allotment option from the IPO, and net proceeds received from the issuance of the Convertible Senior Notes were used to pay down borrowings on the Revolving Credit Facility.

SPV Asset Facility

On May 8, 2012, the "Closing Date," the Company's wholly owned subsidiary TPG SL SPV, LLC, a Delaware limited liability company, entered into a credit and security agreement with Natixis, New York Branch. Also on May 8, 2012, the Company contributed certain investments to TPG SL SPV pursuant to the terms of a Master Sale and Contribution Agreement by and between the Company and TPG SL SPV. The Company consolidates TPG SL SPV in its consolidated financial statements, and no gain or loss was recognized as a result of the contribution. Proceeds from the SPV Asset Facility may be used to finance the acquisition of eligible assets by TPG SL SPV, including the purchase of such assets from the Company. The Company retains a residual interest in assets contributed to or acquired by TPG SL SPV through its ownership of TPG SL SPV. The facility size is subject to availability under the borrowing base, which is based on the amount of TPG SL SPV's assets from time to time, and satisfaction of certain conditions, including an asset coverage test, an asset quality test and certain concentration limits.

The credit and security agreement provided for a contribution and reinvestment period for up to 18 months after the Closing Date, or the Commitment Termination Date. The Commitment Termination Date was November 8, 2013, at which point the reinvestment period of the SPV Asset Facility expired and accordingly any undrawn availability under the facility terminated. Proceeds received by TPG SL SPV from interest, dividends or fees on assets are required to be used to pay expenses and interest on outstanding borrowings, and the excess can be returned to the Company, subject to certain conditions, on a quarterly basis. Prior to the Commitment Termination Date, proceeds received from principal on assets could be used to pay down borrowings or make additional investments. Following the Commitment Termination Date, proceeds received from principal on assets are required to be used to make payments of principal on outstanding borrowings on a quarterly basis. Proceeds received from interest and principal at the end of a reporting period that have not gone through the settlement process for these payment obligations are considered to be restricted cash.

On January 21, 2014, TPG SL SPV entered into an agreement to amend and restate the credit and security agreement (as amended, SPV Asset Facility). The amended and restated facility, among other things:

- increased the size of the facility from \$100 million to \$175 million;
- reopened the reinvestment period thereunder for an additional period of six months following the closing date of January 21, 2014, which reinvestment period was subsequently extended by the borrower for an additional six month period (pursuant to an extension right exercisable by the borrower) so that the reinvestment period would remain open until January 21, 2015;
- extended the stated maturity date from May 8, 2020 to January 21, 2021;
- modified pricing; and
- made certain changes to the eligibility criteria and concentration limits.

The reinvestment period under the SPV Asset Facility terminated on January 21, 2015 and accordingly any undrawn availability under the facility also terminated.

Amounts drawn under the original credit and security agreement bore interest at LIBOR plus a margin or base rate plus a margin, in each case at TPG SL SPV's option. Amounts drawn under the amended and restated SPV Asset Facility bear interest at LIBOR plus a margin, base rate plus a margin or the lenders' cost of funds plus a margin, in each case at TPG SL SPV's option. TPG SL SPV's ability to borrow at lenders' cost of funds plus a margin under the amended and restated SPV Asset Facility lowered the interest rate currently applicable on the Company's borrowings under the SPV Asset Facility. The undrawn portion of the commitment bore an unutilized commitment fee of 0.75%. This fee ceased to accrue on January 21, 2015 when the reinvestment period ended. The SPV Asset Facility contains customary covenants, including covenants relating to separateness from the Adviser and its affiliates and long-term credit ratings with respect to the underlying collateral obligations, and events of default. The SPV Asset Facility is secured by a perfected first priority security interest in the assets of TPG SL SPV and on any payments received by TPG SL SPV in respect of such assets, which accordingly are not available to pay the Company's other debt obligations

As of December 31, 2014, and 2013 TPG SL SPV had \$334.0 million and \$184.3 million, respectively, in investments at fair value, and \$108.8 million and \$78.3 million, respectively, in liabilities, including the outstanding borrowings, on its balance sheet. As of December 31, 2014, and 2013 TPG SL SPV had \$10.2 million and \$6.3 million, respectively, in restricted cash, a component of prepaid expenses and other assets, in the accompanying consolidated financial statements.

Borrowings of TPG SL SPV are considered the Company's borrowings for purposes of complying with the asset coverage requirements of the 1940 Act.

Convertible Senior Notes

On June 10, 2014, the Company issued \$115 million aggregate principal amount convertible senior notes due December 2019 (the "Convertible Senior Notes"). The Convertible Senior Notes were issued in a private placement only to qualified institutional buyers pursuant to Rule 144A under the Securities Act of 1933, as amended. The Convertible Senior Notes are unsecured, and bear interest at a rate of 4.50% per year, payable semiannually. The Convertible Senior Notes will mature on December 15, 2019. In certain circumstances, the Convertible Senior 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 Convertible Senior 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. The sale of the Convertible Senior 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 Convertible Senior Notes, the Company entered into interest rate swaps to continue to align the interest rates of its liabilities with its investment portfolio, which consists of predominately floating rate loans. As a result of the swaps, as of December 31, 2014, the Company's effective interest rate on the Convertible Senior Notes was three-month LIBOR plus 252.9 basis points. See Note 5 for further information related to the Company's interest rate swaps.

Holders may convert their Convertible Senior 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 Convertible Senior 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.

The notes are senior 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 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 year ended December 31, 2014, the components of interest expense related to the Convertible Senior Notes were as follows:

	December 31, 2014
Interest expense	\$ 2,875
Accretion of original issue discount	300
Amortization of debt issuance cost	431
Total Interest Expense	\$ 3,606

Total interest expense in the table above does not include the effect of the interest rate swaps. During the year ended December 31, 2014, the Company received \$2.6 million and paid \$1.6 million related to the quarterly settlement of its interest rate swaps. This net amount is a reduction to 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 December 31, 2014, the principal amount of the Convertible Senior Notes exceeded the value of the underlying shares multiplied by the per share closing price of the Company's common stock.

As of December 31, 2014, the components of the carrying value of the Convertible Senior Notes and the stated interest rate were as follows:

	December 2019 Convertible Senior Notes
Principal amount of debt	\$ 115,000
Original issue discount, net of accretion	(3,077)
Carrying value of debt	\$ 111,923
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 as of December 31, 2014 was three-month LIBOR plus 252.9 basis points. Please see Note 5 for further information about the Company's interest rate swaps.

The Convertible Senior Notes Indenture contains certain covenants, including covenants requiring the Company to comply with the requirement under the 1940 Act that the Company's asset coverage ratio, as defined in the 1940 Act, equal at least 200% and to provide financial information to the holders of the Convertible Senior Notes under certain circumstances. These covenants are subject to important limitations and exceptions that are described in the Convertible Senior Notes Indenture. As of December 31, 2014, the Company was in compliance with the terms of the Convertible Senior Notes Indenture.

The Convertible Senior Notes are accounted for in accordance with Accounting Standards Codification ("ASC") 470-20. Upon conversion of any of the Convertible Senior 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 Convertible Senior Notes Indenture. The Company has determined that the embedded conversion options in the Convertible Senior Notes are not required to be separately accounted for as a derivative under U.S. GAAP. In accounting for the Convertible Senior Notes, the Company estimated at the time of issuance separate debt and equity components of the Convertible Senior Notes. An original issue discount equal to the equity components of the Convertible Senior Notes was recorded in "additional paid-in capital" in the accompanying consolidated balance sheet. Additionally, the issuance costs associated with the Convertible Senior Notes were

allocated to the debt and equity components in proportion to the allocation of the proceeds and accounted for as debt issuance costs and equity issuance costs, respectively.

Subscription Credit Facility

On February 27, 2014, the Company terminated its Subscription Credit Facility with Deutsche Bank Trust Company Americas, effective March 4, 2014. At the time of the termination, the maximum principal amount of the facility was \$100 million, and the outstanding balance was paid down prior to terminating the facility.

As of December 31, 2014 and December 31, 2013, 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. As of December 31, 2014 and 2013, the Company had the following commitments to fund investments:

	December 31, 2014	December 31, 2013
Senior secured revolving loan commitments	\$ 34,242	\$ 18,374
Senior secured term loan commitments	13,816	36,600
Total Portfolio Company Commitments	\$ 48,058	\$ 54,974

Other Commitments and Contingencies

As of December 31, 2013 the Company had \$1.5 billion in total capital commitments from investors (over \$0.9 billion unfunded). Of this amount, \$117.1 million was from the Adviser and its affiliates (\$76.7 million unfunded). Unfunded capital commitments terminated upon the completion of the Company's IPO.

From time to time, the Company may become a party to certain legal proceedings incidental to the normal course of its business. As of December 31, 2014, management is not aware of any pending or threatened litigation.

9. Net Assets

On March 21, 2014, the Company completed its IPO, issuing 7,000,000 shares at \$16.00 per share, and its concurrent private placement, issuing 3,124,984 shares at \$16.00 per share. Net of underwriting fees and offering costs, the Company received total cash proceeds of \$151.6 million.

In April 2014, the Company issued a total of 1,050,000 shares of stock pursuant to the exercise of the underwriters' over-allotment option in connection with the Company's IPO. Net of underwriting fees and offering costs, the Company received total cash proceeds of \$15.4 million.

Prior to December 31, 2013, the Company entered into subscription agreements (collectively, the "Subscription Agreements") with several investors, including the Adviser and its affiliates, providing for the private placement of the Company's common stock. Under the terms of the Subscription Agreements, investors were required to fund drawdowns to purchase the Company's common stock up to the amount of their respective capital commitments on an as-needed basis as determined by the Company with a minimum of 10 business days' prior notice. Offering costs associated with the private placements were absorbed by the Adviser. The remaining unfunded capital commitments related to these subscription agreements terminated upon the completion of the Company's IPO.

The following tables summarize the total shares issued and proceeds received related to capital drawdowns delivered pursuant to the Subscription Agreements during the years ended December 31, 2014 and 2013:

	Year Ended December 31, 2014	
	Shares Issued	Proceeds Received
January 15, 2014	4,234,501	\$ 65,000
Total Capital Drawdowns	4,234,501	\$ 65,000

Year Ended December 31, 2013		
	Shares Issued (1)	Proceeds Received
February 20, 2013	2,079,224	\$ 31,857
September 26, 2013	1,633,829	25,000
Total Capital Drawdowns	3,713,053	\$ 56,857

- (1) As further described in Note 9, the indicated amounts have been retroactively adjusted for the stock split which was effected in the form of a stock dividend.

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 asked 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 and (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 year ended December 31, 2014 and 2013. All shares issued to stockholders in the tables below are newly issued shares.

Year Ended December 31, 2014			
Date Declared	Record Date	Date Shares Issued	Shares Issued
December 31, 2013	December 31, 2013	February 13, 2014	502,200
March 26, 2014	March 31, 2014	May 1, 2014	410,183
May 6, 2014	June 30, 2014	August 1, 2014	218,892
August 4, 2014	September 30, 2014	November 3, 2014	230,575
Total Shares Issued			1,361,850

Year Ended December 31, 2013			
Date Declared	Record Date	Date Shares Issued	Shares Issued (1)
December 31, 2012	December 31, 2012	March 12, 2013	343,981
March 12, 2013	March 31, 2013	May 7, 2013	436,728
June 30, 2013	June 30, 2013	August 6, 2013	469,799
September 30, 2013	September 30, 2013	November 5, 2013	479,534
Total Shares Issued			1,730,042

- (1) As further described in Note 9, the indicated amounts for dates prior to December 3, 2013 have been retroactively adjusted for the stock split which was effected in the form of a stock dividend.

Prior to the Company's IPO, the number of shares issued through the dividend reinvestment plan was determined by dividing the total dollar amount of the dividend payable to such stockholder by the net asset value per share of the common stock on the record date of the dividend. The common stock issued through the dividend reinvestment plan was rounded down to the nearest whole share to avoid the issuance of fractional shares, and fractional shares were paid in cash.

On November 3, 2014, the Company's Board of Directors 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 below the Company's net asset value per share, 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 an agent selected by the Company 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 will 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.

Unless extended or terminated by the Board of Directors, the Company 10b5-1 Plan will be in effect through the earlier of May 4, 2015 or such time as the approved \$50 million repurchase amount has been fully utilized, subject to certain conditions. On February 20, 2015, the Company's Board of Directors authorized the extension of the termination date of the Company 10b5-1 Plan from May 4, 2015 to June 30, 2015.

As of December 31, 2014, no shares had been repurchased under the Company 10b5-1 Plan.

On December 3, 2013, the Board approved a stock split in the form of a stock dividend pursuant to which the Company's stockholders of record as of December 4, 2013 received 65.676 additional shares of common stock for each share of common stock held. The Company distributed the shares on December 5, 2013 and paid cash for fractional shares without interest or deduction. The Company has retroactively applied the effect of the stock split to the financial information presented herein by multiplying numbers of shares outstanding by 66.676 and dividing per share amounts by 66.676.

10. Earnings per share

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

	Year Ended		
	December 31, 2014	December 31, 2013	December 31, 2012
Increase in net assets resulting from operations	\$ 85,050	\$ 66,983	\$ 39,595
Weighted average shares of common stock outstanding— basic and diluted ⁽¹⁾	50,509,692	34,635,208	20,541,475
Earnings per common share—basic and diluted ⁽¹⁾	\$ 1.68	\$ 1.93	\$ 1.93

- (1) As further described in Note 9, the indicated amounts for periods prior to December 3, 2013 have been retroactively adjusted for the stock split which was effected in the form of a stock dividend.

For the purpose of calculating diluted earnings per common share, the average closing price of the Company's common stock for the year ended December 31, 2014 was less than the conversion price for the Convertible Senior Notes outstanding as of December 31, 2014. Therefore, for all periods presented in the financial statements, the underlying shares for the intrinsic value of the embedded options in the Convertible Senior Notes have no impact on the computation of diluted earnings per common share.

11. Dividends

The following tables summarize dividends declared during the years ended December 31, 2014 and 2013:

Date Declared	Year Ended December 31, 2014		Dividend per Share
	Record Date	Payment Date	
March 26, 2014	March 31, 2014	April 30, 2014	\$ 0.38
May 6, 2014	June 30, 2014	July 31, 2014	0.38
August 4, 2014	September 30, 2014	October 31, 2014	0.38
November 3, 2014	December 31, 2014	January 30, 2015	0.39
Total			\$ 1.53

Date Declared	Year Ended December 31, 2013		
	Record Date	Payment Date	Dividend per Share (2)
March 12, 2013	March 31, 2013	May 6, 2013	\$ 0.38
June 30, 2013	June 30, 2013	July 31, 2013	0.40
September 30, 2013	September 30, 2013	October 31, 2013	0.38
December 31, 2013 ⁽¹⁾	December 31, 2013	January 30, 2014	0.40
Total Dividends Declared			\$ 1.56

- (1) December 31, 2013 declared dividend includes a special dividend of \$0.03 per share.
- (2) As further described in Note 9, the indicated amounts for dates prior to December 3, 2013 have been retroactively adjusted for the stock split which was effected in the form of a stock dividend.

The dividends declared during the years ended December 31, 2014 and December 31, 2013, were derived from net investment income and long-term capital gains, determined on a tax basis.

12. Income Taxes

The tax character of shareholder distributions attributable to the fiscal years ended December 31, 2014, 2013 and 2012 were as follows:

	Year Ended December 31, 2014	Year Ended December 31, 2013	Year Ended December 31, 2012
Ordinary Income (1)	\$ 80,077	\$ 51,476	\$ 27,994
Capital Gains	1,249	3,909	1,776
Total	\$ 81,326	\$ 55,385	\$ 29,770

- (1) For the years ended December 31, 2014, 2013 and 2012, 78.85%, 91.52% and 78.08% of ordinary income qualified as interest related dividend which is exempt from U.S. withholding tax applicable to non U.S. shareholders.

The following reconciles increase in net assets resulting from operations for the fiscal years ended December 31, 2014, 2013 and 2012, to taxable income at December 31, 2014, 2013 and 2012:

	Year Ended December 31, 2014	Year Ended December 31, 2013	Year Ended December 31, 2012
Increase in net assets resulting from operations	\$ 85,050	\$ 66,983	\$ 39,595
Adjustments:			
Net unrealized (gain) loss on investments	17,722	(8,386)	(7,211)
Other income (expense) for tax purposes, not book	3	562	(670)
Deferred organization costs	(100)	(100)	(100)
Other expenses not currently deductible	1,156	243	49
Other book-tax differences	189	(901)	92
Taxable Income	\$ 104,020	\$ 58,401	\$ 31,755

Note: Taxable income is an estimate and is not fully determined until the Company's tax return is filed.

Taxable income generally differs from increase in net assets resulting from operations due to temporary and permanent differences in the recognition of income and expenses, and generally excludes net unrealized gains or losses, as unrealized gains or losses are generally not included in taxable income until they are realized.

The Company makes certain adjustments to the classification of stockholders' equity as a result of permanent book-to-tax differences, which include differences in the book and tax basis of certain assets and liabilities, and nondeductible federal taxes or losses among other items. To the extent these differences are permanent, they are charged or credited to additional paid in capital, undistributed net investment income or undistributed net realized gains on investments, as appropriate. In addition, due to the Company's differing fiscal, tax, and excise tax year ends, the best estimates available are recorded to the above accounts in the period that such differences arise or are identifiable.

During the year ended December 31, 2014, permanent differences were principally related to \$19.9 million of recharacterization of prepayment penalties for tax purposes between ordinary income and capital gains, \$1.1 million attributable to accrued U.S. federal excise taxes, and \$0.2 million attributable to the foreign currency reclassifications. During the year ended December 31, 2013, permanent differences were principally related to \$0.2 million attributable to accrued U.S. federal excise taxes, \$3.0 million of recharacterization of prepayment penalties for tax purposes between ordinary income and capital gains and \$1.4 million on the disposition of investments with PIK earnings not previously recognized for tax purposes. During the year ended December 31, 2012, permanent differences of \$46 thousand were principally attributable to accrued U.S. federal excise taxes.

The Company neither has any uncertain tax positions that met the recognition or measurement criteria of ASC 740-10-25, *Income Taxes*, nor did the Company have any unrecognized tax benefits as of the periods presented herein. Although the Company files federal and state tax returns, our major tax jurisdiction is federal. Our inception-to-date federal tax year remains subject to examination by the Internal Revenue Service.

The tax cost of the Company's investments as of December 31, 2014 and 2013, approximates their amortized cost.

13. 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 years ended December 31, 2014, 2013, 2012, and 2011. There was no activity for the period from July 21, 2010 (inception) to December 31, 2010 other than the initial issuance of Common Stock.

	Year Ended December 31, 2014	Year Ended December 31, 2013	Year Ended December 31, 2012	Year Ended December 31, 2011	Period from July 21, 2010 (inception) to December 31, 2010
Per Share Data (5)					
Net asset value, beginning of period	\$ 15.52	\$ 15.19	\$ 14.71	\$ 0.01	\$ —
Net investment income (loss) (1)	2.07	1.66	1.36	(0.44)	—
Net realized and unrealized gain (loss) (1)	(0.33)	0.23	0.29	0.22	—
Total from operations	1.74	1.89	1.65	(0.22)	—
Issuance of common stock, net of offering costs (1)	(0.20)	—	—	14.98	0.01
Dividends declared from net investment income (2)	(1.51)	(1.36)	(1.06)	(0.06)	—
Dividends declared from realized gains (2)	(0.02)	(0.20)	(0.11)	—	—
Total increase in net assets	0.01	0.33	0.48	14.70	0.01
Net Asset Value, End of Period	\$ 15.53	\$ 15.52	\$ 15.19	\$ 14.71	\$ 0.01
Per share market value at end of period	\$ 16.82	—	—	—	—
Total return based on market value (3)	14.7%	—	—	—	—
Total return based on net asset value (4)	9.9%	12.4%	11.3%	n.m.	N/A
Shares Outstanding, End of Period	53,797,358	37,026,023	31,582,954	11,770,514	66,676
Ratios / Supplemental Data					
Ratio of net expenses to average net assets	7.5%	6.4%	6.9%	10.9%	N/A
Ratio of net investment income (loss) to average net assets	15.8%	12.3%	8.4%	(2.4%)	N/A
Portfolio turnover	53.2%	27.0%	45.7%	n.m.	n.m.
Net assets, end of period	\$ 835,405	\$ 574,696	\$ 479,803	\$ 173,092	\$ 1

(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) As further described in Note 9, the indicated amounts for dates prior to December 3, 2013 have been retroactively adjusted for the stock split which was effected in the form of a stock dividend.

14. Selected Quarterly Financial Data (Unaudited)

	2014			
	Q4	Q3	Q2	Q1
Investment Income	\$ 45,778	\$ 38,404	\$ 45,657	\$ 33,481
Net Expenses	\$ 15,094	\$ 15,288	\$ 16,224	\$ 12,239
Net Investment Income	\$ 30,684	\$ 23,116	\$ 29,433	\$ 21,242
Total unrealized and realized gains (losses)	\$ (16,879)	\$ (4,513)	\$ (2,139)	\$ 4,106
Increase in Net Assets Resulting from Operations	\$ 13,805	\$ 18,603	\$ 27,294	\$ 25,348
Net Asset Value per Share as of the End of the Quarter	\$ 15.53	\$ 15.66	\$ 15.70	\$ 15.51

	2013			
	Q4	Q3	Q2	Q1
Investment Income	\$ 27,569	\$ 23,298	\$ 20,940	\$ 20,802
Net Expenses	\$ 10,576	\$ 8,713	\$ 8,123	\$ 7,696
Net Investment Income	\$ 16,993	\$ 14,585	\$ 12,817	\$ 13,106
Total unrealized and realized gains	\$ 4,063	\$ 1,674	\$ 1,391	\$ 2,355
Increase in Net Assets Resulting from Operations	\$ 21,056	\$ 16,259	\$ 14,208	\$ 15,461
Net Asset Value per Share as of the End of the Quarter ⁽¹⁾	\$ 15.52	\$ 15.35	\$ 15.29	\$ 15.27

	2012			
	Q4	Q3	Q2	Q1
Investment Income	\$ 18,169	\$ 14,554	\$ 11,314	\$ 6,974
Net Expenses	\$ 7,277	\$ 6,637	\$ 4,711	\$ 4,357
Net Investment Income	\$ 10,892	\$ 7,917	\$ 6,603	\$ 2,617
Total unrealized and realized gains	\$ 1,568	\$ 5,664	\$ 1,165	\$ 3,169
Increase in Net Assets Resulting from Operations	\$ 12,460	\$ 13,581	\$ 7,768	\$ 5,786
Net Asset Value per Share as of the End of the Quarter ⁽¹⁾	\$ 15.19	\$ 15.12	\$ 14.92	\$ 14.88

- (1) As further described in Note 9, the indicated amounts for periods prior to December 3, 2013 have been retroactively adjusted for the stock split which was effected in the form of a stock dividend.

15. 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-K or would be required to be recognized in the Consolidated Financial Statements as of and for the year ended December 31, 2014.

ITEM 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE

None.

ITEM 9A. 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 Co-Chief Executive Officers 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 Co-Chief Executive Officers 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.

Management's Report on Internal Control Over Financial Reporting. Our management is responsible for establishing and maintaining adequate internal control over financial reporting (as defined in Rules 13a-15(f) and 15d-15(f) of the Exchange Act). Under the supervision and with the participation of management, including the Co-Chief Executive Officers and Chief Financial Officer, we conducted an evaluation of the effectiveness of our internal control over financial reporting based on the criteria established in *Internal Control—Integrated Framework (1992)* issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). Based on our evaluation under the framework in *Internal Control—Integrated Framework*, management concluded that our internal control over financial reporting was effective as of December 31, 2014.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Attestation Report of the Independent Registered Public Accounting Firm. Our independent registered public accounting firm, KPMG LLP, has issued an audit report on the effectiveness of our internal control over financial reporting, which is set forth under the heading "Report of Independent Registered Public Accounting Firm" on page F-2.

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.

ITEM 9B. OTHER INFORMATION

None.

PART III

ITEM 10. DIRECTORS, EXECUTIVE OFFICERS AND CORPORATE GOVERNANCE

Information in response to this item is incorporated by reference from our Proxy Statement relating to our 2015 annual meeting of stockholders. The Proxy Statement will be filed with the SEC within 120 days after the end of the fiscal year covered by this Form 10-K pursuant to Regulation 14A under the Exchange Act.

ITEM 11. EXECUTIVE COMPENSATION

Information in response to this item is incorporated by reference from our Proxy Statement relating to our 2015 annual meeting of stockholders.

ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT AND RELATED STOCKHOLDER MATTERS

Information in response to this item is incorporated by reference from our Proxy Statement relating to our 2015 annual meeting of stockholders.

ITEM 13. CERTAIN RELATIONSHIP AND RELATED TRANSACTION, AND DIRECTOR INDEPENDENCE

Information in response to this item is incorporated by reference from our Proxy Statement relating to our 2015 annual meeting of stockholders.

ITEM 14. PRINCIPAL ACCOUNTANT FEES AND SERVICES

Information in response to this item is incorporated by reference from our Proxy Statement relating to our 2015 annual meeting of stockholders.

ITEM 15. EXHIBITS AND FINANCIAL STATEMENT SCHEDULES

The following documents are filed as part of this Annual Report:

- (1) Financial Statements—Financial statements are included in Item 8. See the Index to the Consolidated Financial Statements on page F-1 of this annual report on Form 10-K.
- (2) Financial Statement Schedules—None. We have omitted financial statements schedules because they are not required or are not applicable, or the required information is shown in the consolidated financial statements or notes to the consolidated financial statements included in this annual report on Form 10-K.
- (3) Exhibits—The following is a list of all exhibits filed as a part of this annual report on Form 10-K, including those incorporated by reference.

Exhibit No	Description of Exhibits
3.1	Amended and Restated Certificate of Incorporation (incorporated by reference to Exhibit 3.1 to Amendment No. 1 to the Company's Registration Statement on Form 10 filed on March 14, 2011).
3.2	Certificate of Amendment to Amended and Restated Certificate of Incorporation (incorporated by reference to Exhibit 3.1 to the Company's Current Report on Form 8-K filed on March 12, 2014).
3.3	Bylaws (incorporated by reference to Exhibit 3.2 to Amendment No. 1 to the Company's Registration Statement on Form 10 filed on March 14, 2011).
4.1	Form of Subscription Agreement in connection with the Private Offerings (incorporated by reference to Exhibit 4.1 to the Company's Registration Statement on Form 10 filed on January 14, 2011).
4.2	Form of Common Stock Certificate (incorporated by reference to Exhibit 4.2 to the Company's Annual Report on Form 10-K filed on March 22, 2012).
4.3	Form of Private Placement Agreement (incorporated by reference to Exhibit (d)(3) to Amendment No. 2 to the Company's Registration Statement on Form N-2 filed on March 12, 2014).
4.4	Indenture, dated June 10, 2014, 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 10, 2014).
4.5	Form of 4.50% Convertible Senior Note Due 2019 (incorporated by reference to Exhibit 4.2 to the Company's Current Report on Form 8-K filed on June 10, 2014).
10.1	Form of Indemnification Agreement between the Company and certain officers and directors (incorporated by reference to Exhibit 10.3 to Amendment No. 1 to the Company's Registration Statement on Form 10 filed on March 14, 2011).
10.2	Administration Agreement, dated as of March 15, 2011, between the Company and the Adviser (incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K filed on March 15, 2011).
10.3	Revolving Credit Agreement, dated September 28, 2011, among TPG Specialty Lending Inc., as Borrower, Deutsche Bank Trust Company Americas, as Administrative Agent, and Lenders Party Thereto (incorporated by reference to Exhibit 10.1 to the Company's Quarterly Report on Form 10-Q filed on November 14, 2011).
10.4	First Amendment to Revolving Credit Agreement, dated September 28, 2011, among TPG Specialty Lending, Inc., as Borrower, Deutsche Bank Trust Company Americas, as Administrative Agent, and Lenders Party Thereto (incorporated by reference to Exhibit 10.2 to the Company's Quarterly Report on Form 10-Q filed on November 14, 2011).
10.5	Amended and Restated Investment Advisory and Management Agreement, dated December 12, 2011, between the Company and the Adviser (incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K filed on December 13, 2011).
10.6	Amended and Restated Revolving Credit Agreement, dated December 22, 2011, among TPG Specialty Lending, Inc., as Borrower, Deutsche Bank Trust Company Americas, as Administrative Agent, and Lenders Party (incorporated by reference to Exhibit 10.6 to the Company's Annual Report on Form 10-K filed on March 22, 2012).
10.7	Dividend Reinvestment Plan of TPG Specialty Lending, Inc. (incorporated by reference to Exhibit 10.7 to the Company's Annual Report on Form 10-K filed on March 22, 2012).

Exhibit No	Description of Exhibits
10.8	Revolving Credit and Security Agreement, dated May 8, 2012, among TPG SL SPV, LLC, as Borrower, the Lenders from Time to Time Parties Hereto, Natixis, New York Branch, as Facility Agent and The Bank of New York Mellon Trust Company, N.A., as Collateral Agent (incorporated by reference to Exhibit 10.1 to the Company's Quarterly Report on Form 10-Q filed on August 13, 2012).
10.9	Master Sale and Contribution Agreement by and between TPG Specialty Lending, Inc., as the Originator and TPG SL SPV, LLC, as the Buyer, dated as of May 8, 2012 (incorporated by reference to Exhibit 10.2 to the Company's Quarterly Report on Form 10-Q filed on August 13, 2012).
10.10	Senior Secured Revolving Credit Agreement, dated as of August 23, 2012, among TPG Specialty Lending, Inc., as Borrower, the Lenders Party Hereto and SunTrust Bank, as Administrative Agent, JPMorgan Chase Bank, N.A., as Syndication Agent (incorporated by reference to Exhibit 10.1 to the Company's Quarterly Report on Form 10-Q filed on November 14, 2012).
10.11	First Amendment to Amended and Restated Revolving Credit Agreement, dated October 31, 2012, among TPG Specialty Lending, Inc., as Borrower, Deutsche Bank Trust Company Americas, as Administrative Agent, and Lenders Named Herein (incorporated by reference to Exhibit 10.2 to the Company's Quarterly Report on Form 10-Q filed on November 14, 2012).
10.12	Custodian Agreement dated November 29, 2012 (incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K filed on December 4, 2012).
10.13	Instrument of Removal, Appointment and Acceptance, dated November 29, 2012, among State Street Bank and Trust Company and TPG SL SPV, LLC, TPG Specialty Lending, Inc. and the Bank of New York Mellon Trust Company, N.A. (incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K filed on January 2, 2013).
10.14	Second Amendment to Amended and Restated Revolving Credit Agreement, dated May 7, 2013, among TPG Specialty Lending, Inc., as Borrower, Deutsche Bank Trust Company Americas, as Administrative Agent, and Lenders Named Herein (incorporated by reference to Exhibit 10.1 to the Company's Quarterly Report on Form 10-Q filed on May 10, 2013).
10.15	Amended and Restated Senior Secured Revolving Credit Agreement, dated as of July 2, 2013, among TPG Specialty Lending, Inc., the lenders party thereto, SunTrust Bank as administrative agent and JPMorgan Chase Bank N.A. as syndication agent (incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K filed on July 9, 2013).
10.16	Amendment No. 1 dated July 17, 2013 to Revolving Credit and Security Agreement, dated May 8, 2012, among TPG SL SPV, LLC, as Borrower, the Lenders from Time to Time Parties Hereto, Natixis, New York Branch, as Facility Agent and The Bank of New York Mellon Trust Company, N.A., as Collateral Agent (incorporated by reference to Exhibit 10.1 to the Company's Quarterly Report on Form 10-Q filed on August 9, 2013).
10.17	Third Amendment to Amended and Restated Revolving Credit Agreement, dated November 5, 2013, among TPG Specialty Lending, Inc., as Borrower, Deutsche Bank Trust Company Americas, as Administrative Agent, and Lenders Named Herein (incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K filed on November 7, 2013).
10.18	Amended and Restated Revolving Credit and Security Agreement, dated as of January 21, 2014, among TPG SL SPV, LLC, as Borrower, the Lenders from Time to Time Parties Hereto, Natixis, New York Branch, as Facility Agent and State Street Bank and Trust Company, as Collateral Agent (incorporated by reference to Exhibit 10.18 to the Company's Annual Report on Form 10-K filed on March 4, 2014).
10.19	Amended and Restated Master Sale and Contribution Agreement by and between TPG Specialty Lending, Inc., as the Originator and TPG SL SPV, LLC, as the Buyer, dated as of January 21, 2014 (incorporated by reference to Exhibit 10.19 to the Company's Annual Report on Form 10-K filed on March 4, 2014).
10.20	Second Amended and Restated Senior Secured Credit Agreement, dated February 27, 2014, among TPG Specialty Lending, Inc., as Borrower, the Lenders Party Hereto and SunTrust Bank, as Administrative Agent, and JPMorgan Chase Bank, N.A., as Syndication Agent (incorporated by reference to Exhibit 10.20 to the Company's Annual Report on Form 10-K filed on March 4, 2014).
10.21	Dividend Reinvestment Plan of TPG Specialty Lending, Inc. (incorporated by reference to Exhibit (e) to Pre-Effective Amendment No. 4 to the Company's Registration Statement on Form N-2 filed on March 17, 2014).

Exhibit No	Description of Exhibits
10.22	Form of Increase Letter pursuant to the Second Amended and Restated Senior Secured Credit Agreement, dated February 27, 2014, among TPG Specialty Lending, Inc., as Borrower, the Lenders Party Hereto and SunTrust Bank, as Administrative Agent, and JPMorgan Chase Bank, N.A., as Syndication Agent (incorporated by reference to Exhibit 10.3 to the Company's Quarterly Annual Report on Form 10-Q filed on August 4, 2014).
10.23	First Amendment to Second Amended and Restated Senior Secured Revolving Credit Agreement, dated June 3, 2014, among TPG Specialty Lending, Inc., as Borrower, the Lenders party thereto and SunTrust Bank, as Administrative Agent and Collateral Agent (incorporated by reference to Exhibit 10.4 to the Company's Quarterly Report on Form 10-Q filed on August 4, 2014).
10.24	Second Amendment to Second Amended and Restated Senior Secured Revolving Credit Agreement, dated June 27, 2014, among TPG Specialty Lending, Inc., as Borrower, Morgan Stanley Bank, N.A., as a Lender, and SunTrust Bank, as Administrative Agent (incorporated by reference to Exhibit 10.5 to the Company's Quarterly Report on Form 10-Q filed on August 4, 2014).
10.25	Third Amendment to Second Amended and Restated Senior Secured Revolving Credit Agreement, dated October 17, 2014, among TPG Specialty Lending, Inc., as Borrower, the Lenders party thereto and SunTrust Bank, as Administrative Agent (incorporated by reference to Exhibit 10.1 to the Company's Quarterly Report on Form 10-Q filed on November 3, 2014).
21.1	Subsidiaries of TPG Specialty Lending, Inc.
31.1	Certification of Co-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 Co-Chief Executive Officer Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
31.3	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 Co-CEOs 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 Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

Date: February 24, 2015

TPG SPECIALTY LENDING, INC.

/s/ Michael Fishman

Co-Chief Executive Officer

/s/ Joshua Easterly

Co-Chief Executive Officer

Each person whose signature appears below constitutes and appoints Michael Fishman, Joshua Easterly, Alan Kirshenbaum, David Stiepleman and Jennifer Mello, and each of them, such person's true and lawful attorney-in-fact and agent, with full power of substitution and revocation, for such person and in such person's name, place and stead, in any and all capacities, to sign one or more Annual Reports on Form 10-K for the fiscal year ended December 31, 2014, and any and all amendments thereto, and to file same with all exhibits thereto, and other documents in connection therewith, with the Securities and Exchange Commission, granting unto said attorneys-in-fact and agents, and each of them, full power and authority to do and perform each and every act and thing requisite and necessary to be done in connection therewith, as fully to all intents and purposes as such person might or could do in person, hereby ratifying and confirming all that said attorneys-in-fact and agents and each of them, or their or his substitute or substitutes, may lawfully do or cause to be done by virtue hereof.

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the registrant and in the capacities indicated on February 24, 2015.

<u>Signature</u>	<u>Title</u>
<u>/s/ Michael Fishman</u> Michael Fishman	Co-Chief Executive Officer and Director (Principal Executive Officer)
<u>/s/ Joshua Easterly</u> Joshua Easterly	Co-Chief Executive Officer, Director and Chairman of the Board of Directors
<u>/s/ Alan Kirshenbaum</u> Alan Kirshenbaum	Chief Financial Officer (Principal Financial and Accounting Officer)
<u>/s/ John A. Ross</u> John A. Ross	Director and Chairman of the Audit Committee
<u>/s/ Richard A. Higginbotham</u> Richard A. Higginbotham	Director
<u>/s/ Ronald K. Tanemura</u> Ronald K. Tanemura	Director

SUBSIDIARIES OF TPG SPECIALTY LENDING, INC.

Name	Jurisdiction
TC Lending, LLC	Delaware
TPG SL SPV, LLC	Delaware
TSL MR, LLC	Delaware

**CERTIFICATION OF THE CHIEF EXECUTIVE OFFICER
UNDER SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002**

I, Michael Fishman, certify that:

- (1) I have reviewed this annual report on Form 10-K for the year ended December 31, 2014, 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 officers and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles; and
 - (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
- (5) The registrant's other certifying officers 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: February 24, 2015

By: /s/ MICHAEL FISHMAN
Michael Fishman
Co-Chief Executive Officer

**CERTIFICATION OF THE CHIEF EXECUTIVE OFFICER
UNDER SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002**

I, Joshua Easterly, certify that:

- (1) I have reviewed this annual report on Form 10-K for the year ended December 31, 2014, 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 officers and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles; and
 - (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
- (5) The registrant's other certifying officers 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: February 24, 2015

By: /s/ JOSHUA EASTERLY
 Joshua Easterly
 Co-Chief Executive Officer

**CERTIFICATION OF THE CHIEF FINANCIAL OFFICER
UNDER SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002**

I, Alan Kirshenbaum, certify that:

- (1) I have reviewed this annual report on Form 10-K for the year ended December 31, 2014, 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 officers and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles; and
 - (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
- (5) The registrant's other certifying officers 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: February 24, 2015

By: /s/ ALAN KIRSHENBAUM
 Alan Kirshenbaum
 Chief Financial Officer

**Certification Pursuant to
Section 906 of the Sarbanes-Oxley Act of 2002**

In connection with the annual report on Form 10-K of TPG Specialty Lending, Inc. (the “Company”) for the annual period ended December 31, 2014, as filed with the Securities and Exchange Commission on the date hereof (the “Report”), Michael Fishman, as Co-Chief Executive Officer of the Company, Joshua Easterly, as Co-Chief Executive Officer of the Company and Alan Kirshenbaum, 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), as applicable, 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/ MICHAEL FISHMAN

Name: Michael Fishman
Title: Co-Chief Executive Officer

Date: February 24, 2015

/s/ JOSHUA EASTERLY

Name: Joshua Easterly
Title: Co-Chief Executive Officer

Date: February 24, 2015

/s/ ALAN KIRSHENBAUM

Name: Alan Kirshenbaum
Title: Chief Financial Officer

Date: February 24, 2015

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