UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, DC 20549

FORM 10-Q

(Mark One)

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

For the quarterly period ended March 31, 2020

OR

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

For the transition period from to

Commission File Number 001-36364

TPG Specialty Lending, Inc.
(Exact name of registrant as specified in its charter)

Delaware **(State or other jurisdiction of incorporation or organization)**	**27-3380000** **(I.R.S. Employer Identification No.)**
2100 McKinney Avenue, Suite 1500, Dallas, TX **(Address of principal executive offices)**	**75201** **(Zip Code)**

Registrant's telephone number, including area code: (469) 621-3001

Not applicable
Former name, former address and former fiscal year, if changed since last report.

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

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

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

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

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

Large accelerated filer	☒	Accelerated filer	☐
Non-accelerated filer	☐	Smaller reporting company	☐
		Emerging growth company	☐

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

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

The number of shares of the registrant's common stock, $.01 par value per share, outstanding at May 4, 2020 was 67,062,552.

INDEX

	INDEX	PAGE NO.
PART I.	FINANCIAL INFORMATION	4
Item 1.	Financial Statements	4
	Consolidated Balance Sheets as of March 31, 2020 (Unaudited) and December 31, 2019	4
	Consolidated Statements of Operations for the three months ended March 31, 2020 and 2019 (Unaudited)	5
	Consolidated Schedules of Investments as of March 31, 2020 (Unaudited) and December 31, 2019	6
	Consolidated Statements of Changes in Net Assets for the three months ended March 31, 2020 and 2019 (Unaudited)	19
	Consolidated Statements of Cash Flows for the three months ended March 31, 2020 and 2019 (Unaudited)	20
	Notes to Consolidated Financial Statements (Unaudited)	21
Item 2.	Management's Discussion and Analysis of Financial Condition and Results of Operations	45
Item 3.	Quantitative and Qualitative Disclosures About Market Risk	64
Item 4.	Controls and Procedures	65
PART II.	OTHER INFORMATION	66
Item 1.	Legal Proceedings	66
Item 1A.	Risk Factors	66
Item 2.	Unregistered Sales of Equity Securities and Use of Proceeds	71
Item 3.	Defaults Upon Senior Securities	71
Item 4.	Mine Safety Disclosures	71
Item 5.	Other Information	71
Item 6.	Exhibits	71
SIGNATURES		72

CAUTIONARY STATEMENT REGARDING FORWARD-LOOKING STATEMENTS

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

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

- an economic downturn, including the current and future economic effects of the COVID-19 pandemic, could impair our portfolio companies’ abilities to continue to operate, which could lead to the loss of some or all of our investments in those portfolio companies;
- such an economic downturn could disproportionately impact the companies in which we have invested and others that we intend to target for investment, potentially causing us to experience a decrease in investment opportunities and diminished demand for capital from these companies;
- such an economic downturn could also impact availability and pricing of our financing;
- an inability to access the capital markets could impair our ability to raise capital and our investment activities; and
- the risks, uncertainties and other factors we identify in the section entitled “Risk Factors” in this report and in our Annual Report on Form 10-K for the year ended December 31, 2019, filed with the SEC on February 19, 2020, 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 “TSLX”, “TOP” and “TAO” marks are marks of Sixth Street. Sixth Street and TPG are no longer affiliates, and accordingly, TPG is not an affiliate of ours. The products and services referred to herein are managed exclusively by Sixth Street, which is entirely responsible for their nature and performance. The “TSL”, “TSL Europe”, “TSLE”, “TICP” and “TCS” marks are marks of TPG and are being used by Sixth Street under an exclusive license.

PART I. FINANCIAL INFORMATION

Item 1. Financial Statements

TPG Specialty Lending, Inc.

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

	March 31, 2020	December 31, 2019
Assets		
Investments at fair value		
Non-controlled, non-affiliated investments (amortized cost of $2,007,756 and $2,099,781, respectively)	$ 1,963,091	$ 2,147,876
Non-controlled, affiliated investments (amortized cost of $49,186 and $49,445, respectively)	48,484	50,136
Controlled, affiliated investments (amortized cost of $88,399 and $88,811, respectively)	33,997	47,916
Total investments at fair value (amortized cost of $2,145,341 and $2,238,037, respectively)	2,045,572	2,245,928
Cash and cash equivalents (restricted cash of $14,315 and $9,315, respectively)	19,765	14,143
Interest receivable	9,756	13,055
Prepaid expenses and other assets	6,624	7,805
Total Assets	$ 2,081,717	$ 2,280,931
Liabilities		
Debt (net of deferred financing costs of $21,353 and $18,471, respectively)	$ 980,158	$ 1,094,467
Management fees payable to affiliate	8,165	8,234
Incentive fees payable to affiliate	7,140	7,161
Dividends payable	27,355	25,927
Other payables to affiliate	2,657	1,948
Other liabilities	19,506	23,897
Total Liabilities	1,044,981	1,161,634
Commitments and contingencies (Note 8)		
Net Assets		
Preferred stock, $0.01 par value; 100,000,000 shares authorized; no shares issued and outstanding	—	—
Common stock, $0.01 par value; 400,000,000 shares authorized, 66,865,815 and 66,613,671 shares issued, respectively; and 66,569,771 and 66,524,591 shares outstanding, respectively	669	666
Additional paid-in capital	1,013,079	1,009,270
Treasury stock at cost; 296,044 and 89,080 shares held, respectively	(4,291)	(1,359)
Distributable earnings	27,279	110,720
Total Net Assets	1,036,736	1,119,297
Total Liabilities and Net Assets	$ 2,081,717	$ 2,280,931
Net Asset Value Per Share	$ 15.57	$ 16.83

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

TPG Specialty Lending, Inc.

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

	Three Months Ended March 31, 2020	Three Months Ended March 31, 2019
Income		
Investment income from non-controlled, non-affiliated investments:		
Interest from investments	$ 60,766	$ 46,523
Dividend income	432	—
Other income	2,787	2,078
Total investment income from non-controlled, non-affiliated investments	63,985	48,601
Investment income from non-controlled, affiliated investments:		
Interest from investments	1,236	2,411
Other income	19	31
Total investment income from non-controlled, affiliated investments	1,255	2,442
Investment income from controlled, affiliated investments:		
Interest from investments	1,027	1,439
Other income	3	5
Total investment income from controlled, affiliated investments	1,030	1,444
Total Investment Income	66,270	52,487
Expenses		
Interest	12,910	10,369
Management fees	8,165	6,622
Incentive fees	7,140	5,650
Professional fees	1,645	1,295
Directors' fees	228	135
Other general and administrative	1,510	1,478
Total expenses	31,598	25,549
Management and incentive fees waived (Note 3)	—	—
Net Expenses	31,598	25,549
Net Investment Income Before Income Taxes	34,672	26,938
Income taxes, including excise taxes	1,010	300
Net Investment Income	33,662	26,638
Unrealized and Realized Gains (Losses)		
Net change in unrealized gains (losses):		
Non-controlled, non-affiliated investments	(92,759)	12,813
Non-controlled, affiliated investments	(1,394)	427
Controlled, affiliated investments	(13,507)	(3,667)
Translation of other assets and liabilities in foreign currencies	13,799	(1,432)
Interest rate swaps	9,181	3,319
Total net change in unrealized gains (losses)	(84,680)	11,460
Realized gains (losses):		
Non-controlled, non-affiliated investments	75	180
Controlled, affiliated investments	(2,097)	570
Foreign currency transactions	(59)	(103)
Total net realized gains (losses)	(2,081)	647
Total Net Unrealized and Realized Gains (Losses)	(86,761)	12,107
Increase (Decrease) in Net Assets Resulting from Operations	$ (53,099)	$ 38,745
Earnings (Loss) per common share—basic and diluted	$ (0.80)	$ 0.59
Weighted average shares of common stock outstanding—basic and diluted	66,656,280	65,595,441

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

TPG Specialty Lending, Inc.

Consolidated Schedule of Investments as of March 31, 2020
(Amounts in thousands, except share amounts)
(Unaudited)

Company (1)	Investment	Initial Acquisition Date	Reference Rate and Spread	Interest Rate	Amortized Cost (2)(8)	Fair Value (10)	Percentage of Net Assets
Debt Investments							
Beverage, food and tobacco							
AFS Technologies, Inc. (3)(5)(6)	First-lien loan ($45,266 par, due 10/2023)	10/16/2018	L + 6.25%	7.75%	$ 44,745	$ 44,021	4.3%
Business services							
Acceo Solutions, Inc. (3)(4)(5)	First-lien loan (CAD 63,863 par, due 7/2023)	7/6/2018	C + 4.75%	5.99%	47,935	43,522 (CAD 61,947)	4.2%
Alpha Midco, Inc. (3)(5)	First-lien loan ($58,167 par, due 8/2025)	8/15/2019	L + 6.75%	8.24%	56,719	54,287	5.2%
Dye & Durham Corp. (3)(4)	First-lien loan (CAD 65,087 par, due 7/2024)	7/11/2019	C + 7.00%	8.27%	48,631	43,556 (CAD 61,995)	4.2%
	First-lien revolving loan (CAD 3,150 par, due 7/2024)	7/11/2019	P + 6.00%	8.50%	2,275	2,096 (CAD 2,984)	0.2%
Exela Receivables 1, LLC (3)(5)	First-lien revolving loan ($40,000 par, due 1/2025)	1/10/2020	L + 4.75%	6.39%	39,021	43,600	4.2%
Integration Appliance, Inc. (3)	First-lien loan ($71,500 par, due 8/2023)	8/13/2018	L + 7.25%	9.43%	70,697	69,355	6.7%
	First-lien revolving loan ($2,619 par, due 8/2023)	8/13/2018	L + 7.25%	8.54%	2,593	2,540	0.2%
Motus, LLC (3)(5)	First-lien loan ($59,699 par, due 1/2024)	1/17/2018	L + 5.50%	6.96%	58,671	57,908	5.6%
Netwrix Corp. and Concept Searching, Inc. (3)(5)	First-lien loan ($20,000 par, due 10/2024)	10/17/2019	L + 5.88%	6.88%	19,561	19,000	1.8%
Nintex Global, Ltd. (3)(5)	First-lien loan ($74,034 par, due 4/2024)	3/30/2018	L + 6.25%	7.25%	72,728	72,739	7.0%
					418,831	408,603	39.3%
Chemicals							
Vertellus Specialties, Inc. (3)	Second-lien loan ($4,357 par, due 10/2021)	10/31/2016	L + 12.00%	13.00%	4,356	4,030	0.4%
Communications							
IntelePeer Holdings, Inc.	First-lien loan ($38,500 par, due 12/2024) (3)	12/2/2019	L + 8.25%	9.86%	38,448	36,864	3.6%
	Convertible note ($350 par, due 12/2020)	2/28/2020	8.00%	8.00% (incl. 8.00% PIK)	308	304	0.0%
					38,756	37,168	3.6%
Education							
Frontline Technologies Group, LLC (3)	First-lien loan ($65,638 par, due 9/2023)	9/18/2017	L + 5.75%	6.75%	65,261	63,669	6.1%
Illuminate Education, Inc.(3)(5)	First-lien loan ($63,863 par, due 8/2022)	8/25/2017	L + 7.25%	8.25%	63,134	61,627	5.9%
					128,395	125,296	12.0%
Financial services							
AvidXchange, Inc. (3)(5)	First-lien loan ($10,468 par, due 4/2024)	10/1/2019	L + 9.00%	10.50%	10,323	9,870	1.0%
Bear OpCo, LLC (3)(5)	First-lien loan ($17,413 par, due 10/2024)	10/10/2019	L + 5.00%	6.00%	16,957	16,324	1.6%
BlueSnap, Inc. (3)	First-lien loan ($35,000 par, due 10/2024)	10/25/2019	L + 7.00%	8.00%	34,350	33,162	3.2%
	First-lien revolving loan ($2,500 par, due 10/2024)	10/25/2019	P + 6.00%	9.25%	2,454	2,369	0.2%
Factor Systems, Inc. (3)(5)	First-lien loan ($30,000 par, due 1/2025)	1/17/2020	L + 7.00%	8.50%	29,369	28,150	2.7%

G Treasury SS, LLC (3)(5)	First-lien loan ($30,113 par, due 4/2023)	4/9/2018	L + 8.25%	10.03%	29,779	29,511	2.9%
GC Agile Holdings, Ltd. (3)(4)	First-lien loan ($39,624 par, due 6/2025)	1/31/2019	L + 7.00%	8.25%	39,028	36,850	3.6%
Kyriba Corp.(3)	First-lien loan ($13,006 par, due 4/2025)	4/9/2019	L + 9.00%	10.50% (incl. 9.00% PIK)	12,692	12,560	1.2%
	First-lien loan (EUR 7,743 par, due 4/2025)	4/9/2019	E + 9.00%	9.00% (incl. 9.00% PIK)	8,455	7,643 (EUR 6,966)	0.7%
	First-lien revolving loan ($1,411 par, due 4/2025)	4/9/2019	L + 7.25%	8.75%	1,374	1,363	0.1%
	First-lien revolving loan (EUR 336 par, due 4/2025)	4/9/2019	E + 7.25%	7.25%	367	314 (EUR 287)	0.0%
PayLease, LLC (3)	First-lien loan ($64,163 par, due 7/2022)	7/28/2017	L + 7.25%	8.25%	63,458	64,323	6.2%
	First-lien revolving loan ($2,000 par, due 7/2022)	7/28/2017	L + 7.25%	8.25%	1,969	2,008	0.2%
PrimeRevenue, Inc. (3)	First-lien loan ($21,440 par, due 12/2023)	12/31/2018	L + 8.50%	10.00% (incl. 5.50% PIK)	21,188	21,232	2.1%
Swift Gift, Ltd. (3)(5)	First-lien loan ($27,964 par, due 1/2022)	7/31/2017	L + 6.50%	7.50%	27,638	28,523	2.8%
					299,401	294,202	28.5%
Healthcare							
Caris Life Sciences, Ltd.	First-lien loan ($5,000 par, due 9/2023)	9/21/2018	11.30%	11.30%	4,863	5,000	0.5%
	Convertible note ($2,551 par, due 9/2023)	9/21/2018	8.00%	8.00% (incl. 8.00% PIK)	2,551	2,551	0.2%
Clinicient, Inc.(3)	First-lien loan ($15,000 par, due 5/2024)	5/31/2019	L + 7.00%	8.50%	14,871	14,362	1.4%
	First-lien revolving loan ($2,400 par, due 5/2024)	5/31/2019	L + 7.00%	8.50%	2,367	2,230	0.2%
Integrated Practice Solutions, Inc. (3)(5)	First-lien loan ($49,750 par, due 10/2024)	6/30/2017	L + 7.50%	8.50%	48,055	47,884	4.6%
MedeAnalytics, Inc. (3)(5)	First-lien loan ($40,496 par, due 9/2020)	9/30/2015	L + 7.00%	8.45%	40,351	40,091	3.9%
Quantros, Inc. (3)(5)	First-lien loan ($18,230 par, due 12/2020)	2/29/2016	L + 8.50%	9.50%	18,143	17,866	1.7%
TherapeuticsMD, Inc. (3)(4)	First-lien loan ($37,500 par, due 3/2024)	4/24/2019	L + 7.75%	10.45%	36,681	35,813	3.5%
Valant Medical Solutions, Inc. (3)	First-lien loan ($27,936 par, due 4/2024)	4/8/2019	L + 8.75%	10.25%	27,190	26,411	2.6%
	First-lien revolving loan ($1,500 par, due 4/2024)	4/8/2019	L + 8.75%	10.25%	1,468	1,405	0.1%
Vita Bidco, Inc. (3)(5)	First-lien loan ($21,773 par, due 2/2024)	2/11/2019	L + 6.50%	7.50%	21,264	21,337	2.1%
					217,804	214,950	20.8%
Hotel, gaming, and leisure							
IRGSE Holding Corp. (3)(7)	First-lien loan ($29,752 par, due 9/2021)	9/29/2015	L + 9.50%	10.95% (incl. 5.00% PIK)	28,027	26,628	2.6%
	First-lien revolving loan ($4,719 par, due 9/2021)	9/29/2015	L + 9.50%	10.90% (incl. 5.00% PIK)	4,719	4,162	0.4%
					32,746	30,790	3.0%

Human resource support services							
Absorb Software, Inc. (3)(4)(5)	First-lien loan ($34,750 par, due 5/2024)	7/31/2019	L + 6.50%	7.50%	34,071	32,752	3.2%
ClearCompany, LLC (3)	First-lien loan ($19,679 par, due 7/2023)	7/23/2018	L + 8.50%	10.28% (incl. 2.50% PIK)	19,495	18,892	1.8%
DaySmart Holdings, LLC. (3)	First-lien loan ($30,499 par, due 10/2024)	10/1/2019	L + 7.25%	8.75%	29,742	26,082	2.5%
	First-lien revolving loan ($3,000 par, due 10/2024)	10/1/2019	P + 6.25%	9.50%	2,921	2,538	0.2%
PageUp People, Ltd. (3)(4)	First-lien loan (AUD 51,441 par, due 12/2022)	1/11/2018	B + 7.25%	8.50% (incl. 1.25% PIK)	39,437	30,382 (AUD 49,640)	2.9%
	First-lien revolving loan (AUD 5,000 par, due 12/2022)	1/11/2018	B + 7.25%	8.50%	3,017	2,953 (AUD 4,825)	0.3%
PayScale Holdings, Inc. (3)(5)	First-lien loan ($39,850 par, due 5/2024)	5/3/2019	L + 7.00%	8.00%	38,913	37,712	3.6%
Shaker International, Inc. (3)(5)	First-lien loan ($22,331 par, due 5/2024)	5/15/2019	L + 7.00%	8.50%	21,848	21,326	2.1%
					189,444	172,637	16.6%
Insurance							
Riskonnect, Inc. (3)(5)	First-lien loan ($51,349 par, due 10/2023)	6/30/2017	L + 7.00%	8.26%	50,865	49,809	4.8%
Vertafore, Inc. (3)(11)	First-lien loan ($718 par, due 7/2025)	3/23/2020	L + 3.25%	4.24%	562	630	0.1%
					51,427	50,439	4.9%
Internet services							
Gainsight, Inc. (9)	First-lien loan ($3,432 par, due 7/2025)	7/29/2019	13.00%	13.00% (incl. 13.00% PIK)	3,370	3,289	0.3%
Higher Logic, LLC (3)(5)	First-lien loan ($37,050 par, due 1/2022)	6/18/2018	L + 6.00%	7.00%	36,703	35,475	3.4%
Lithium Technologies, LLC (3)	First-lien loan ($54,700 par, due 10/2022)	10/3/2017	L + 8.00%	9.00%	53,953	51,474	5.0%
Lucidworks, Inc. (9)	First-lien loan ($12,232 par, due 7/2024)	7/31/2019	12.00%	12.00% (incl. 7.00% PIK)	12,100	11,609	1.1%
					106,126	101,847	9.8%
Marketing Services							
Acoustic, L.P. (3)	First-lien note ($33,000 par, due 6/2024)	12/17/2019	L + 7.00%	8.50%	32,265	31,268	3.0%
Office products							
USR Parent, Inc. (3)(5)	ABL FILO term loan ($11,000 par, due 9/2022)	9/12/2017	L + 7.75%	9.37%	10,857	10,862	1.0%
Oil, gas and consumable fuels							
Energy Alloys, LLC (3)(5)	ABL FILO term loan ($20,250 par, due 8/2024)	8/28/2019	L + 6.25%	8.25%	19,530	19,369	1.9%
MD America Energy, LLC (3)	First-lien loan ($18,947 par, due 11/2023)	11/14/2018	L + 7.75%	9.47%	18,729	17,194	1.7%
Mississippi Resources, LLC (3)(7)(16)	First-lien loan ($7,786 par, due 6/2020)	6/29/2018	L + 9.00%	10.00%	7,784	2,842	0.3%
Verdad Resources Intermediate Holdings, LLC (3)	First-lien loan ($42,222 par, due 10/2023)	4/10/2019	L + 7.50%	9.50%	41,313	39,847	3.8%
					87,356	79,252	7.7%
Pharmaceuticals							
Nektar Therapeutics (4)(5)(9)	Secured note ($74,950 par, due 10/2020)	10/5/2015	7.75%	7.75%	74,830	75,137	7.2%
Real Estate							

ResMan, LLC (3)	First-lien loan ($20,805 par, due 10/2024)	10/3/2019	L + 8.00%	9.00%	20,384	19,410	1.9%
Retail and consumer products							
99 Cents Only Stores LLC (3)	ABL FILO term loan ($32,500 par, due 4/2021)	9/6/2017	L + 7.75%	8.75%	32,340	32,581	3.1%
American Achievement, Corp. (3)(5)	First-lien loan ($22,730 par, due 9/2022)	9/30/2015	L + 8.25%	9.84% (incl. 3.25% PIK)	22,658	20,457	2.0%
Forever 21, Inc. (3)	ABL DIP term loan ($6,227 par, due 7/2020)	10/2/2019	L + 12.00%	13.00%	6,162	6,227	0.6%
J.C. Penney Company, Inc. (11)	First-lien loan ($9,189 par, due 6/2023)(3)	6/5/2019	L + 4.25%	5.86%	7,712	3,676	0.4%
	First-lien secured note ($12,338 par, due 7/2023)	6/5/2019	5.88%	5.88%	10,367	4,565	0.4%
Maurices, Inc. (3)(5)	ABL FILO term loan ($26,111 par, due 5/2024)	5/6/2019	L + 6.50%	8.08%	25,428	26,111	2.5%
Moran Foods, LLC (3)	ABL FILO term loan ($39,138 par, due 12/2021)	6/21/2019	P + 5.75%	9.00%	38,796	39,138	3.8%
Neiman Marcus Group Ltd LLC (3)	ABL FILO term loan ($72,000 par, due 7/2021)	9/11/2019	L + 6.00%	7.50%	71,225	71,100	6.9%
	First-lien loan ($993 par, due 10/2023) (11)	9/12/2019	L + 6.00%	7.50%	796	417	0.0%
					215,484	204,272	19.7%
Transportation							
Ferrellgas, L.P. (3)(4)(5)	First-lien loan ($85,159 par, due 5/2023)	5/4/2018	L + 5.75%	7.34%	84,075	88,901	8.6%
Total Debt Investments					2,057,282	1,993,085	192.3%
Equity and Other Investments							
Beverage, food and tobacco							
AFS Technologies, Inc. (6)(13)	Preferred Units (4,441,090 units)	10/16/2018			4,441	4,463	0.4%
Business Services							
Motus, LLC (13)	Class A Units (1,262 units)	1/17/2018			1,262	2,527	0.2%
	Class B Units (517,020 units)	1/17/2018			—	—	0.0%
Nintex Global, Ltd. (13)	Class A Shares (1,197 shares)	3/30/2018			1,197	1,580	0.2%
	Class B Shares (398,557 shares)	3/30/2018			12	16	0.0%
					2,471	4,123	0.4%
Chemicals							
Vertellus Specialties, Inc. (13)(14)	Common Units (3,386,630 units)	10/31/2016			4,575	2,516	0.2%
Communications							
IntelePeer Holdings, Inc. (13)(14)	70,000 Warrants	2/28/2020			46	46	0.0%
Financial services							
AvidXchange, Inc. (14)	Preferred Shares (293,232 shares)	10/1/2019			14,854	14,260	1.4%
Oxford Square Capital Corp. (4)(12)	Common Shares (1,059 shares)	8/5/2015			7	3	0.0%
Swift Gift, Ltd. (13)	Common Shares (35,000 shares)	7/31/2017			3,500	9,310	0.9%
					18,361	23,573	2.3%
Healthcare							
Caris Life Sciences, Ltd. (13)	633,376 Warrants	9/21/2018			192	192	0.0%
Quantros, Inc. (13)(14)	4,685,068 Warrants	10/7/2019			139	139	0.0%
Valant Medical Solutions, Inc. (13)(14)(15)	954,478 Warrants	4/8/2019			281	190	0.0%
Vita Topco, Inc. (13)(15)	Common Shares (1,000 shares)	2/11/2019			1,000	2,297	0.2%
					1,612	2,818	0.2%
Hotel, gaming, and leisure							
IRGSE Holding Corp. (7)(13)	Class A Units (31,690,171 units) (14)	12/21/2018			21,836	317	0.0%
	Class C-1 Units (8,800,000 units)	12/21/2018			100	48	0.0%
					21,936	365	0.0%

Human resource support services					
ClearCompany, LLC (13)(15)	Class A Units (44,944 units)	8/24/2018	2,014	1,994	0.2%
DaySmart Holdings, LLC. (13)(14)(15)	Class A Units (125,810 units)	10/1/2019	1,000	785	0.1%
			3,014	2,779	0.3%
Insurance					
Riskonnect, Inc. (13)	Common Shares Class A (1,020 units)	6/30/2017	1,020	1,193	0.1%
	Common Shares Class B (987,929 units)	6/30/2017	10	12	0.0%
			1,030	1,205	0.1%
Internet Services					
Lucidworks, Inc. (13)(14)	Series F Preferred Shares (199,054 shares)	8/2/2019	800	742	0.1%
Marketing services					
Validity, Inc. (13)	Series A Preferred Shares (3,840,000 shares)	5/31/2018	3,840	9,857	1.0%
Oil, gas and consumable fuels					
Mississippi Resources, LLC (7)(13)	Class A-0 Member Units (1,000 units) (14)	12/12/2019	6,693	—	0.0%
	Class A-1 Member Units (1,360 units)	5/3/2017	10,366	—	0.0%
	Class A-2 Member Units (933 units)	6/4/2014	8,874	—	0.0%
			25,933	—	0.0%
Total Equity and Other Investments			88,059	52,487	5.0%
Total Investments			**$ 2,145,341**	**$ 2,045,572**	**197.3%**

Interest Rate Swaps as of March 31, 2020

	Company Receives	Company Pays	Maturity Date	Notional Amount	Fair Market Value	Upfront Payments / Receipts	Change in Unrealized Gains / (Losses)
Interest rate swap (a)	L	1.97%	6/25/2020	$ 91,500	$ (177)	$ —	$ (102)
Interest rate swap (a)	L	1.47%	7/30/2021	11,700	(155)	—	(193)
Interest rate swap (a)	L	1.36%	7/29/2022	3,200	(68)	—	(92)
Interest rate swap (a)	4.50%	L + 2.37%	8/1/2022	115,000	4,371	—	3,150
Interest rate swap (a)	4.50%	L + 1.59%	8/1/2022	50,000	2,824	—	1,291
Interest rate swap (a)	4.50%	L + 1.60%	8/1/2022	7,500	422	—	194
Interest rate swap (a)	4.50%	L + 1.99%	1/22/2023	150,000	8,495	—	4,933
Total				428,900	15,712	—	9,181
Interest rate swap (a)(b)	3.88%	L + 2.25%	11/1/2024	300,000	15,010	—	16,797
Interest rate swap (a)(b)	3.88%	L + 2.46%	11/1/2024	50,000	2,019	—	2,019
Total				350,000	17,029	—	18,816
Cash collateral				—	(29,821)	—	—
Total derivatives				$ 778,900	$ 2,920	$ —	$ 27,997

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

(b) Instrument is used in a hedge accounting relationship. The associated change in fair value is recorded along with the change in fair value of the hedged item within interest expense.

(1) Certain portfolio company investments are subject to contractual restrictions on sales.

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

(3) Investment contains a variable rate structure, subject to an interest rate floor. Variable rate investments bear interest at a rate that may be determined by reference to either London Interbank Offered Rate ("LIBOR" or "L") (which can include one-, two-, three- or six-month LIBOR), Euro Interbank Offer Rate ("Euribor" or "E") (which can include one-, two-, three- or six-month Euribor), Canadian Dollar Offered Rate ("CDOR" or "C"), Bank Bill Swap Bid Rate ("BBSY" or "B") or an alternate base rate (which can include the Federal Funds Effective Rate, the Toronto-Dominion Bank rate, or the Prime Rate or "P"), at the borrower's option, which reset periodically based on the terms of the credit agreement. For investments with multiple interest rate contracts, the interest rate shown is the weighted average interest rate in effect at March 31, 2020.

(4) This portfolio company is not a qualifying asset under Section 55(a) of the Investment Company Act of 1940, as amended (the "1940 Act"). Under the 1940 Act, the Company may not acquire any non-qualifying asset unless, at the time such acquisition is made, qualifying assets represent at least 70% of total assets. Non-qualifying assets represented 18.8% of total assets as of March 31, 2020.

(5) In addition to the interest earned based on the stated interest rate of this investment, which is the amount reflected in this schedule, the Company may be entitled to receive additional interest as a result of an arrangement with other members in the syndicate to the extent an investment has been allocated to "first out" and "last out" tranches, whereby the "first out" tranche will have priority as to the "last out" tranche with respect to payments of principal, interest and any amounts due thereunder and the Company holds the "last out" tranche.

(6) Under the 1940 Act, the Company is deemed to be an "Affiliated Person" of, as defined in the 1940 Act, this portfolio company, as the Company owns more than 5% of the portfolio company's outstanding voting securities. Transactions during the three months ended March 31, 2020 in which the Company was an Affiliated Person of the portfolio company are as follows:

Non-controlled, Affiliated Investments during the three months ended March 31, 2020

Company	Fair Value at December 31, 2019	Gross Additions (a)	Gross Reductions (b)	Net Change In Unrealized Gain/(Loss)	Realized Gain/(Losses)	Transfers	Fair Value at March 31, 2020	Other Income	Interest Income
AFS Technologies, Inc.	$ 50,136	$ 35	$ (293)	$ (1,394)	$ —	$ —	$ 48,484	$ 19	$ 1,236
Total	**$ 50,136**	**$ 35**	**$ (293)**	**$ (1,394)**	**$ —**	**$ —**	**$ 48,484**	**$ 19**	**$ 1,236**

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

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

(7) Under the 1940 Act, the Company is deemed to be both an "Affiliated Person" of and "Control," as such terms are defined in the 1940 Act, this portfolio company, as the Company owns more than 25% of the portfolio company's outstanding voting securities or has the power to exercise control over management or policies of such portfolio company (including through a management agreement). Transactions during the three months ended March 31, 2020 in which the Company was an Affiliated Person of and was deemed to Control a portfolio company are as follows:

Controlled, Affiliated Investments during the three months ended March 31, 2020

Company	Fair Value at December 31, 2019	Gross Additions (a)	Gross Reductions (b)	Net Change In Unrealized Gain/(Loss)	Realized Gain/(Losses)	Transfers	Fair Value at March 31, 2020	Other Income	Interest Income
IRGSE Holding Corp.	$ 34,812	$ 1,899	$ —	$ (3,459)	$ (2,097)	$ —	$ 31,155	$ 3	$ 1,027
Mississippi Resources, LLC	13,104	—	(214)	(10,048)	—	—	2,842	—	—
Total	**$ 47,916**	**$ 1,899**	**$ (214)**	**$ (13,507)**	**$ (2,097)**	**$ —**	**$ 33,997**	**$ 3**	**$ 1,027**

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

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

(8) As of March 31, 2020, the estimated cost basis of investments for U.S. federal tax purposes was $2,143,424, resulting in estimated gross unrealized gains and losses of $81,191 and $150,959, respectively.

(9) These investments contain a fixed rate structure. The Company entered into an interest rate swap agreement to swap to a floating rate. Refer to Note 5 for further information related to the Company's interest rate swaps on investments.

(10) In accordance with Financial Accounting Standards Board Accounting Standards Codification 820, *Fair Value Measurements* ("ASC 820"), unless otherwise indicated, the fair values of all investments were determined using significant unobservable inputs and are considered Level 3 investments. See Note 6 for further information related to investments at fair value.

(11) This investment is valued using observable inputs and is considered a Level 2 investment. See Note 6 for further information related to investments at fair value.

(12) This investment is valued using observable inputs and is considered a Level 1 investment. See Note 6 for further information related to investments at fair value.

(13) This equity investment is non-income producing.

(14) All or a portion of this security was acquired in a transaction exempt from registration under the Securities Act of 1933, and may be deemed to be "restricted securities" under the Securities Act. As of March 31, 2020, the aggregate fair value of these securities is $16,732, or 1.6% of the Company's net assets.

(15) Ownership of equity investments may occur through a holding company or partnership.

(16) Investment is on non-accrual status as of March 31, 2020.

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

TPG Specialty Lending, Inc.

Consolidated Schedule of Investments as of December 31, 2019
(Amounts in thousands, except share amounts)

Company (1)	Investment	Initial Acquisition Date	Reference Rate and Spread	Interest Rate	Amortized Cost (2)(8)	Fair Value (10)	Percentage of Net Assets
Debt Investments							
Beverage, food and tobacco							
AFS Technologies, Inc. (3)(5)(6)	First-lien loan ($45,559 par, due 10/2023)	10/16/2018	L + 6.25%	8.05%	$ 45,004	$ 45,673	4.1%
Business services							
Acceo Solutions, Inc. (3)(4)(5)	First-lien loan (CAD 64,025 par, due 7/2023)	7/6/2018	C + 4.75%	6.83%	48,001	49,497 (CAD 64,185)	4.4%
Alpha Midco, Inc. (3)(5)	First-lien loan ($45,296 par, due 8/2025)	8/15/2019	L + 6.75%	8.75%	43,921	44,061	3.9%
Dye & Durham Corp. (3)(4)	First-lien loan (CAD 65,669 par, due 7/2024)	7/11/2019	C + 7.00%	9.03%	49,015	49,628 (CAD 64,355)	4.4%
	First-lien revolving loan (CAD 1,750 par, due 7/2024)	7/11/2019	P + 6.00%	10.00%	1,269	1,296 (CAD 1,680)	0.1%
Integration Appliance, Inc. (3)	First-lien loan ($71,500 par, due 8/2023)	8/13/2018	L + 7.25%	9.43%	70,619	71,685	6.4%
Motus, LLC (3)(5)	First-lien loan ($59,853 par, due 1/2024)	1/17/2018	L + 5.50%	7.45%	58,764	60,451	5.4%
Netwrix Corp. and Concept Searching, Inc. (3)(5)	First-lien loan ($20,000 par, due 10/2024)	10/17/2019	L + 5.88%	7.67%	19,541	19,650	1.8%
Nintex Global, Ltd. (3)(5)	First-lien loan ($74,223 par, due 4/2024)	3/30/2018	L + 6.25%	8.05%	72,844	75,151	6.7%
					363,974	371,419	33.1%
Chemicals							
Vertellus Specialties, Inc. (3)	Second-lien loan ($4,147 par, due 10/2021)	10/31/2016	L + 12.00%	13.63%	4,147	4,147	0.4%
Communications							
IntelePeer Holdings, Inc. (3)	First-lien loan ($35,000 par, due 12/2024)	12/2/2019	L + 8.00%	9.91%	35,000	34,711	3.1%
Education							
Curriculum Associates, LLC (3)(5)	First-lien loan ($75,000 par, due 9/2025)	2/28/2018	L + 5.50%	7.30%	72,055	77,438	6.9%
Frontline Technologies Group, LLC (3)	First-lien loan ($65,798 par, due 9/2023)	9/18/2017	L + 5.75%	7.55%	65,395	65,963	5.9%
Illuminate Education, Inc.(3)(5)	First-lien loan ($64,025 par, due 8/2022)	8/25/2017	L + 7.25%	9.05%	63,227	63,545	5.7%
					200,677	206,946	18.5%
Electronics							
APX Group, Inc. (11)	Secured note ($1,000 par, due 12/2022)	5/31/2019	7.88%	7.88%	938	1,009	0.1%
Financial services							
AppStar Financial, LLC (3)	First-lien loan ($15,855 par, due 8/2020)	8/18/2015	L + 7.50%	9.30%	15,794	15,944	1.4%
AvidXchange, Inc. (3)(5)	First-lien loan ($10,350 par, due 4/2024)	10/1/2019	L + 9.00%	11.00%	10,195	10,236	0.9%
Bear OpCo, LLC (3)(5)	First-lien loan ($17,456 par, due 10/2024)	10/10/2019	L + 5.00%	6.80%	16,978	17,063	1.5%
BlueSnap, Inc. (3)	First-lien loan ($35,000 par, due 10/2024)	10/25/2019	L + 7.00%	8.80%	34,273	34,531	3.1%
G Treasury SS, LLC (3)(5)	First-lien loan ($30,000 par, due 4/2023)	4/9/2018	L + 8.25%	10.03%	29,643	30,000	2.7%
GC Agile Holdings, Ltd. (3)(4)	First-lien loan ($39,724 par, due 6/2025)	1/31/2019	L + 7.00%	8.95%	39,099	39,128	3.5%
Kyriba Corp.(3)	First-lien loan ($12,717 par, due 4/2025)	4/9/2019	L + 9.00%	10.94% (incl. 9.00% PIK)	12,391	12,866	1.1%

	First-lien loan (EUR 7,571 par, due 4/2025)	4/9/2019	E + 9.00%	9.00% (incl. 9.00% PIK)	8,258	7,759 (EUR 6,912)	0.7%
	First-lien revolving loan ($427 par, due 4/2025)	4/9/2019	L + 7.25%	9.17%	384	536	0.0%
	First-lien revolving loan (EUR 183 par, due 4/2025)	4/9/2019	E + 7.25%	7.25%	197	60 (EUR 54)	0.0%
PayLease, LLC (3)	First-lien loan ($64,327 par, due 7/2022)	7/28/2017	L + 7.25%	9.05%	63,518	65,511	5.9%
PrimeRevenue, Inc. (3)	First-lien loan ($21,144 par, due 12/2023)	12/31/2018	L + 8.50%	10.30% (incl. 5.50% PIK)	20,877	21,213	1.9%
Swift Gift, Ltd. (3)(5)	First-lien loan ($28,146 par, due 1/2022)	7/31/2017	L + 6.50%	8.31%	27,776	28,849	2.6%
					279,383	283,696	25.3%
Healthcare							
Caris Life Sciences, Ltd.	First-lien loan ($5,000 par, due 9/2023)	9/21/2018	11.30%	11.30%	4,855	4,956	0.4%
	Convertible note ($2,500 par, due 9/2023)	9/21/2018	8.00%	8.00%	2,500	2,550	0.2%
Clinicient, Inc.(3)	First-lien loan ($15,000 par, due 5/2024)	5/31/2019	L + 7.00%	8.94%	14,829	14,858	1.3%
Integrated Practice Solutions, Inc. (3)(5)	First-lien loan ($49,875 par, due 10/2024)	6/30/2017	L + 7.50%	9.30%	48,104	49,875	4.5%
MedeAnalytics, Inc. (3)(5)	First-lien loan ($40,773 par, due 9/2020)	9/30/2015	L + 7.50%	9.30%	40,556	40,875	3.7%
Quantros, Inc. (3)(5)	First-lien loan ($18,444 par, due 12/2020)	2/29/2016	L + 8.50%	10.41%	18,326	18,444	1.6%
TherapeuticsMD, Inc. (3)(4)	First-lien loan ($30,000 par, due 3/2024)	4/24/2019	L + 7.75%	10.45%	29,333	29,100	2.6%
Valant Medical Solutions, Inc. (3)	First-lien loan ($27,936 par, due 4/2024)	4/8/2019	L + 8.75%	10.55%	27,117	27,372	2.4%
Vita Bidco, Inc. (3)(5)	First-lien loan ($21,773 par, due 2/2024)	2/11/2019	L + 6.50%	8.30%	21,237	21,773	1.9%
					206,857	209,803	18.6%
Hotel, gaming, and leisure							
IRGSE Holding Corp. (3)(7)	First-lien loan ($31,600 par, due 9/2021)	9/29/2015	L + 9.50%	11.44% (incl. 5.00% PIK)	29,746	31,047	2.8%
	First-lien revolving loan ($3,221 par, due 9/2021)	9/29/2015	L + 9.50%	11.44% (incl. 5.00% PIK)	3,221	3,128	0.3%
					32,967	34,175	3.1%
Human resource support services							
Absorb Software, Inc. (3)(4)(5)	First-lien loan ($34,837 par, due 5/2024)	7/31/2019	L + 6.50%	8.30%	34,122	34,228	3.1%
ClearCompany, LLC (3)	First-lien loan ($19,192 par, due 7/2023)	7/23/2018	L + 8.50%	10.34% (incl. 2.50% PIK)	18,993	19,140	1.7%
DaySmart Holdings, LLC. (3)	First-lien loan ($30,247 par, due 10/2024)	10/1/2019	L + 7.25%	9.05%	29,370	29,456	2.6%
PageUp People, Ltd. (3)(4)	First-lien loan (AUD 51,401 par, due 12/2022)	1/11/2018	B + 7.25%	8.50% (incl. 1.25% PIK)	39,391	36,042 (AUD 51,273)	3.2%
	First-lien revolving loan (AUD 1,000 par, due 12/2022)	1/11/2018	B + 7.25%	8.50%	714	694 (AUD 988)	0.1%
PayScale Holdings, Inc. (3)(5)	First-lien loan ($39,900 par, due 5/2024)	5/3/2019	L + 7.00%	8.80%	38,914	39,187	3.5%
Shaker International, Inc. (3)(5)	First-lien loan ($22,388 par, due 5/2024)	5/15/2019	L + 7.00%	8.94%	21,879	21,940	2.0%
					183,383	180,687	16.2%
Insurance							
Riskonnect, Inc. (3)(5)	First-lien loan ($49,813 par, due 10/2023)	6/30/2017	L + 7.00%	8.95%	49,346	50,186	4.5%
Internet services							

Gainsight, Inc. (9)	First-lien loan ($3,322 par, due 7/2025)	7/29/2019	13.00%	13.00% (incl. 13.00% PIK)	3,255	3,284	0.3%
Higher Logic, LLC (3)(5)	First-lien loan ($37,430 par, due 1/2022)	6/18/2018	L + 6.00%	7.80%	37,034	37,243	3.3%
Lithium Technologies, LLC (3)	First-lien loan ($54,700 par, due 10/2022)	10/3/2017	L + 8.00%	10.04%	53,888	53,967	4.8%
Lucidworks, Inc. (9)	First-lien loan ($12,018 par, due 7/2024)	7/31/2019	12.00%	12.00% (incl. 7.00% PIK)	11,879	11,941	1.1%
					106,056	106,435	9.5%
Marketing Services							
Acoustic, L.P. (3)	First-lien note ($33,000 par, due 6/2024)	12/17/2019	L + 7.00%	8.80%	32,230	32,175	2.9%
Office products							
USR Parent, Inc. (3)(5)	ABL FILO term loan ($11,500 par, due 9/2022)	9/12/2017	L + 7.75%	9.45%	11,338	11,701	1.0%
Oil, gas and consumable fuels							
Energy Alloys, LLC (3)(5)	ABL FILO term loan ($22,000 par, due 8/2024)	8/28/2019	L + 6.25%	8.25%	21,171	21,260	1.9%
MD America Energy, LLC (3)	First-lien loan ($19,069 par, due 11/2023)	11/14/2018	L + 7.75%	9.67%	18,836	18,640	1.7%
Mississippi Resources, LLC (3)(7)	First-lien loan ($8,000 par, due 6/2020)	6/29/2018	L + 9.00%	10.80%	7,998	8,000	0.7%
Verdad Resources Intermediate Holdings, LLC (3)	First-lien loan ($42,222 par, due 10/2023)	4/10/2019	L + 7.50%	9.50%	41,257	41,347	3.7%
					89,262	89,247	8.0%
Pharmaceuticals							
Nektar Therapeutics (4)(5)(9)	Secured note ($74,950 par, due 10/2020)	10/5/2015	7.75%	7.75%	74,774	76,074	6.8%
Real Estate							
ResMan, LLC (3)	First-lien loan ($20,648 par, due 10/2024)	10/3/2019	L + 8.00%	9.94%	20,208	20,303	1.8%
Retail and consumer products							
99 Cents Only Stores LLC (3)	ABL FILO term loan ($32,500 par, due 4/2021)	9/6/2017	L + 7.75%	9.64%	32,303	32,581	2.9%
American Achievement, Corp. (3)(5)	First-lien loan ($22,619 par, due 9/2022)	9/30/2015	L + 8.25%	9.95%	22,540	22,167	2.0%
Forever 21, Inc. (3)	ABL DIP term loan ($50,000 par, due 7/2020)	10/2/2019	L + 12.00%	13.81%	48,970	48,500	4.3%
J.C. Penney Company, Inc. (4)(11)	First-lien loan ($6,201 par, due 6/2023)(3)	6/5/2019	L + 4.25%	6.16%	5,358	5,451	0.5%
	First-lien secured note ($11,559 par, due 7/2023)	6/5/2019	5.88%	5.88%	9,761	9,911	0.9%
Maurices, Inc. (3)(5)	ABL FILO term loan ($27,778 par, due 5/2024)	5/6/2019	L + 6.50%	8.21%	27,014	28,958	2.6%
Moran Foods, LLC (3)	ABL FILO term loan ($39,138 par, due 12/2021)	6/21/2019	L + 6.75%	8.69%	38,750	39,138	3.5%
Neiman Marcus Group Ltd LLC (3)	ABL FILO term loan ($72,000 par, due 7/2021)	9/11/2019	L + 6.00%	7.89%	71,086	71,100	6.4%
	First-lien loan ($996 par, due 10/2023) (11)	9/12/2019	L + 6.00%	7.71%	799	819	0.1%
Transform SR Holdings, LLC (3)	ABL FILO term loan ($75,000 par, due 2/2024)	2/11/2019	L + 7.25%	9.18%	74,359	75,750	6.8%
					330,940	334,375	30.0%
Transportation							
Ferrellgas, L.P. (3)(4)(5)	First-lien loan ($85,159 par, due 5/2023)	5/4/2018	L + 5.75%	7.45%	83,994	90,053	8.0%
Total Debt Investments					2,150,478	2,182,815	195.0%
Equity and Other Investments							
Beverage, food and tobacco							
AFS Technologies, Inc. (6)(13)	Preferred Units (4,441,090 units)	10/16/2018			4,441	4,463	0.4%
Business Services							

Motus, LLC (13)	Class A Units (1,262 units)	1/17/2018	1,262	2,738	0.2%
	Class B Units (517,020 units)	1/17/2018	—	—	0.0%
Nintex Global, Ltd. (13)	Class A Shares (1,197 shares)	3/30/2018	1,197	1,939	0.2%
	Class B Shares (398,557 shares)	3/30/2018	12	20	0.0%
			2,471	4,697	0.4%
Chemicals					
Vertellus Specialties, Inc. (13)(14)	Common Units (3,386,630 units)	10/31/2016	4,575	3,614	0.3%
Financial services					
AvidXchange, Inc. (14)	Preferred Shares (293,232 shares)	10/1/2019	14,423	14,423	1.3%
Oxford Square Capital Corp. (4)(12)	Common Shares (1,059 shares)	8/5/2015	7	6	0.0%
Swift Gift, Ltd. (13)	Common Shares (35,000 shares)	7/31/2017	3,500	10,255	0.9%
			17,930	24,684	2.2%
Healthcare					
Caris Life Sciences, Ltd. (13)	633,376 Warrants	9/21/2018	192	192	0.0%
Quantros, Inc. (13)(14)	4,685,068 Warrants	10/7/2019	139	139	0.0%
Valant Medical Solutions, Inc. (13)(14)(15)	954,478 Warrants	4/8/2019	281	281	0.0%
Vita Topco, Inc. (13)(14)(15)	Common Shares (1,000 shares)	2/11/2019	1,000	1,442	0.1%
			1,612	2,054	0.1%
Hotel, gaming, and leisure					
IRGSE Holding Corp. (7)(13)	Class A Units (29,440,171 units) (14)	12/21/2018	21,813	589	0.1%
	Class C-1 Units (8,800,000 units)	12/21/2018	100	48	0.0%
			21,913	637	0.1%
Human resource support services					
ClearCompany, LLC (13)(15)	Class A Units (44,944 units)	8/24/2018	2,014	2,255	0.2%
DaySmart Holdings, LLC. (13)(14)(15)	Class A Units (125,810 units)	10/1/2019	1,000	1,000	0.1%
			3,014	3,255	0.3%
Insurance					
Riskonnect, Inc. (13)	Common Shares Class A (1,020 units)	6/30/2017	1,020	1,412	0.1%
	Common Shares Class B (987,929 units)	6/30/2017	10	14	0.0%
			1,030	1,426	0.1%
Internet Services					
Lucidworks, Inc. (13)(14)	Series F Preferred Shares (199,054 shares)	8/2/2019	800	800	0.1%
Marketing services					
Validity, Inc. (13)	Series A Preferred Shares (3,840,000 shares)	5/31/2018	3,840	12,379	1.1%
Oil, gas and consumable fuels					
Mississippi Resources, LLC (7)(13)	Class A-0 Member Units (1,000 units) (14)	12/12/2019	6,693	5,104	0.5%
	Class A-1 Member Units (1,360 units)	5/3/2017	10,366	—	0.0%
	Class A-2 Member Units (933 units)	6/4/2014	8,874	—	0.0%
			25,933	5,104	0.5%
Total Equity and Other Investments			87,559	63,113	5.6%
Total Investments			**$ 2,238,037**	**$ 2,245,928**	**200.6%**

	Interest Rate Swaps as of December 31, 2019						
	Company Receives	Company Pays	Maturity Date	Notional Amount	Fair Market Value	Upfront Payments / Receipts	Change in Unrealized Gains / (Losses)
Interest rate swap (a)	L	1.97%	6/25/2020	$ 91,500	$ (75)	$ —	$ (75)
Interest rate swap (a)	L	1.47%	7/30/2021	11,700	38	—	38
Interest rate swap (a)	L	1.36%	7/29/2022	3,200	24	—	24
Interest rate swap (a)	4.50%	L + 2.37%	8/1/2022	115,000	1,221	—	3,098
Interest rate swap (a)	4.50%	L + 1.59%	8/1/2022	50,000	1,533	—	994
Interest rate swap (a)	4.50%	L + 1.60%	8/1/2022	7,500	228	—	150
Interest rate swap (a)	4.50%	L + 1.99%	1/22/2023	150,000	3,562	—	4,100
Interest rate swap (a)(b)	L	1.72%	1/10/2020	—	—	—	(378)
Interest rate swap (a)(b)	4.50%	L + 2.86%	12/15/2019	—	—	—	1,285
Interest rate swap (a)(b)	L	2.66%	6/27/2019	—	—	—	(42)
Total				428,900	6,531	—	9,194
Interest rate swap (a)(c)	3.88%	L + 2.25%	11/1/2024	300,000	(1,787)	—	(1,787)
Total				300,000	(1,787)	—	(1,787)
Cash collateral				—	(3,737)	—	—
Total derivatives				$ 728,900	$ 1,007	$ —	$ 7,407

(a) Contains a variable rate structure. Bears interest at a rate determined by three-month LIBOR.
(b) Interest rate swap was terminated or matured in 2019.
(c) Instrument is used in a hedge accounting relationship. The associated change in fair value is recorded along with the change in fair value of the hedged item within interest expense.

(1) Certain portfolio company investments are subject to contractual restrictions on sales.
(2) The amortized cost represents the original cost adjusted for the amortization of discounts and premiums, as applicable, on debt investments using the effective interest method.
(3) Investment contains a variable rate structure, subject to an interest rate floor. Variable rate investments bear interest at a rate that may be determined by reference to either London Interbank Offered Rate (“LIBOR” or “L”) (which can include one-, two-, three- or six-month LIBOR), Euro Interbank Offer Rate (“Euribor” or “E”) (which can include one-, two-, three-, or six-month Euribor), Canadian Dollar Offered Rate (“CDOR” or “C”), Bank Bill Swap Bid Rate (“BBSY” or “B”) or an alternate base rate (which can include the Federal Funds Effective Rate, the Toronto-Dominion Bank rate, or the Prime Rate or “P”), at the borrower’s option, which reset periodically based on the terms of the credit agreement. For investments with multiple interest rate contracts, the interest rate shown is the weighted average interest rate in effect at December 31, 2019.
(4) This portfolio company is not a qualifying asset under Section 55(a) of the Investment Company Act of 1940, as amended (the “1940 Act”). Under the 1940 Act, the Company may not acquire any non-qualifying asset unless, at the time such acquisition is made, qualifying assets represent at least 70% of total assets. Non-qualifying assets represented 18.5% of total assets as of December 31, 2019.
(5) In addition to the interest earned based on the stated interest rate of this investment, which is the amount reflected in this schedule, the Company may be entitled to receive additional interest as a result of an arrangement with other members in the syndicate to the extent an investment has been allocated to “first out” and “last out” tranches, whereby the “first out” tranche will have priority as to the “last out” tranche with respect to payments of principal, interest and any amounts due thereunder and the Company holds the “last out” tranche.
(6) Under the 1940 Act, the Company is deemed to be an “Affiliated Person” of, as defined in the 1940 Act, this portfolio company, as the Company owns more than 5% of the portfolio company’s outstanding voting securities. Transactions during the year ended December 31, 2019 in which the Company was an Affiliated Person of the portfolio company are as follows:

Non-controlled, Affiliated Investments during the year ended December 31, 2019

Company	Fair Value at December 31, 2018	Gross Additions (a)	Gross Reductions (b)	Net Change In Unrealized Gain/(Loss)	Realized Gain/(Losses)	Transfers	Fair Value at December 31, 2019	Other Income	Interest Income
AFS Technologies, Inc.	$ 45,342	$ 4,845	$ (1,175)	$ 1,124	$ —	$ —	$ 50,136	$ 76	$ 5,207
Validity, Inc.	38,590	1,489	(234)	148	—	(39,993)	—	12	1,163
Total	**$ 83,932**	**$ 6,334**	**$ (1,409)**	**$ 1,272**	**$ —**	**$ (39,993)**	**$ 50,136**	**$ 88**	**$ 6,370**

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

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

(7) Under the 1940 Act, the Company is deemed to be both an "Affiliated Person" of and "Control," as such terms are defined in the 1940 Act, this portfolio company, as the Company owns more than 25% of the portfolio company's outstanding voting securities or has the power to exercise control over management or policies of such portfolio company (including through a management agreement). Transactions during the year ended December 31, 2019 in which the Company was an Affiliated Person of and was deemed to Control a portfolio company are as follows:

Controlled, Affiliated Investments during the year ended December 31, 2019

Company	Fair Value at December 31, 2018	Gross Additions (a)	Gross Reductions (b)	Net Change In Unrealized Gain/(Loss)	Realized Gain/(Losses)	Transfers	Fair Value at December 31, 2019	Other Income	Interest Income
AFS Technologies, Inc.	$ —	$ —	$ —	$ —	$ 570	$ —	$ —	$ —	$ —
IRGSE Holding Corp.	34,527	8,279	(1,750)	(6,244)	—	—	34,812	11	3,963
Mississippi Resources, LLC	21,978	1,427	—	(6,137)	(4,164)	—	13,104	—	1,995
Total	**$ 56,505**	**$ 9,706**	**$ (1,750)**	**$ (12,381)**	**$ (3,594)**	**$ —**	**$ 47,916**	**$ 11**	**$ 5,958**

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

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

(8) As of December 31, 2019, the estimated cost basis of investments for U.S. federal tax purposes was $2,230,116, resulting in estimated gross unrealized gains and losses of $87,386 and $78,478, respectively.

(9) These investments contain a fixed rate structure. The Company entered into an interest rate swap agreement to swap to a floating rate. Refer to Note 5 for further information related to the Company's interest rate swaps on investments.

(10) In accordance with Financial Accounting Standards Board Accounting Standards Codification 820, *Fair Value Measurements* ("ASC 820"), unless otherwise indicated, the fair values of all investments were determined using significant unobservable inputs and are considered Level 3 investments. See Note 6 for further information related to investments at fair value.

(11) This investment is valued using observable inputs and is considered a Level 2 investment. See Note 6 for further information related to investments at fair value.

(12) This investment is valued using observable inputs and is considered a Level 1 investment. See Note 6 for further information related to investments at fair value.

(13) This equity investment is non-income producing.

(14) All or a portion of this security was acquired in transaction exempt from registration under the Securities Act of 1933, and may be deemed to be "restricted securities" under the Securities Act. As of December 31, 2019, the aggregate fair value of these securities is $23,986, or 2.1% of the Company's net assets.

(15) Ownership of equity investments may occur through a holding company or partnership.

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

TPG Specialty Lending, Inc.

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

	Common Stock		Treasury Stock				
	Shares	Par Amount	Shares	Cost	Paid in Capital in Excess of Par	Distributable Earnings	Total Net Assets
Balance at December 31, 2019	66,524,591	$ 666	89,080	$ (1,359)	$ 1,009,270	$ 110,720	$ 1,119,297
Net decrease in net assets resulting from operations:							
Net investment income	—	—	—	—	—	33,662	33,662
Net change in unrealized gains (losses) on investments and foreign currency translation	—	—	—	—	—	(84,680)	(84,680)
Net realized gain (loss) on investments and foreign currency transactions	—	—	—	—	—	(2,081)	(2,081)
Decrease in Net Assets Resulting from Capital Share Transactions:							
Purchases of Treasury Stock	(206,964)	—	206,964	(2,932)	—	—	(2,932)
Dividends to stockholders:							
Stock issued in connection with dividend reinvestment plan	252,144	3	—	—	4,825	—	4,828
Dividends declared from net investment income	—	—	—	—	—	(31,358)	(31,358)
Tax reclassification of stockholders' equity in accordance with GAAP (1)	—	—	—	—	(1,016)	1,016	—
Balance at March 31, 2020	**66,569,771**	**$ 669**	**296,044**	**$ (4,291)**	**$ 1,013,079**	**$ 27,279**	**$ 1,036,736**

	Common Stock		Treasury Stock				
	Shares	Par Amount	Shares	Cost	Paid in Capital in Excess of Par	Distributable Earnings	Total Net Assets
Balance at December 31, 2018	65,412,817	$ 655	89,080	$ (1,359)	$ 991,919	$ 71,987	$ 1,063,202
Net increase in net assets resulting from operations:							
Net investment income	—	—	—	—	—	26,638	26,638
Net change in unrealized gains (losses) on investments and foreign currency translation	—	—	—	—	—	11,460	11,460
Net realized gain (loss) on investments and foreign currency transactions	—	—	—	—	—	647	647
Dividends to stockholders:							
Stock issued in connection with dividend reinvestment plan	300,145	3	—	—	5,583	—	5,586
Dividends declared from net investment income	—	—	—	—	—	(33,469)	(33,469)
Tax reclassification of stockholders' equity in accordance with GAAP (1)	—	—	—	—	(304)	304	—
Balance at March 31, 2019	**65,712,962**	**$ 658**	**89,080**	**$ (1,359)**	**$ 997,198**	**$ 77,567**	**$ 1,074,064**

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

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

TPG Specialty Lending, Inc.

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

	Three Months Ended March 31, 2020	Three Months Ended March 31, 2019
Cash Flows from Operating Activities		
Increase (decrease) in net assets resulting from operations	$ (53,099)	$ 38,745
Adjustments to reconcile increase (decrease) in net assets resulting from operations to net cash provided by (used) in operating activities:		
Net change in unrealized (gains) losses on investments	107,660	(9,573)
Net change in unrealized (gains) losses on foreign currency transactions	(13,799)	1,432
Net change in unrealized gains on interest rate swaps	(9,181)	(3,319)
Net realized (gains) losses on investments	2,022	(750)
Net realized losses on foreign currency transactions	9	10
Net amortization of discount on investments	(6,834)	(2,462)
Amortization of deferred financing costs	1,230	1,085
Amortization of discount on debt	110	225
Purchases and originations of investments, net	(119,852)	(148,265)
Proceeds from investments, net	1,014	3,472
Repayments on investments	218,075	40,418
Paid-in-kind interest	(1,795)	(1,805)
Changes in operating assets and liabilities:		
Interest receivable	3,314	(804)
Interest receivable paid-in-kind	(15)	32
Prepaid expenses and other assets	1,307	201
Management fees payable to affiliate	(69)	(447)
Incentive fees payable to affiliate	(21)	(3,706)
Payable to affiliate	709	805
Other liabilities	23,481	(2,264)
Net Cash Provided by (Used) in Operating Activities	154,266	(86,970)
Cash Flows from Financing Activities		
Borrowings on debt	215,699	310,166
Repayments on debt	(332,196)	(193,046)
Deferred financing costs	(4,113)	(3,286)
Purchases of treasury stock	(2,932)	—
Dividends paid to stockholders	(25,102)	(27,789)
Net Cash Provided by (Used) in Financing Activities	(148,644)	86,045
Net Increase (Decrease) in Cash, Cash Equivalents, and Restricted Cash	5,622	(925)
Cash, cash equivalents, and restricted cash, beginning of period	14,143	10,575
Cash, Cash Equivalents, and Restricted Cash, End of Period	$ 19,765	$ 9,650
Supplemental Information:		
Interest paid during the period	$ 11,795	$ 11,321
Excise and other taxes paid during the period	$ 3,900	$ 3,100
Dividends declared during the period	$ 31,358	$ 33,469
Reinvestment of dividends during the period	$ 4,828	$ 5,586

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

1. Organization and Basis of Presentation

Organization

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

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

Basis of Presentation

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

Certain financial information that is normally included in annual financial statements, including certain financial statement footnotes, prepared in accordance with U.S. GAAP, is not required for interim reporting purposes and has been condensed or omitted herein. These consolidated financial statements should be read in conjunction with the Company's consolidated financial statements and notes related thereto included in the Company's Annual Report on Form 10-K for the year ended December 31, 2019, which was filed with the Securities and Exchange Commission ("SEC"), on February 19, 2020.

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

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

Fiscal Year End

The Company's fiscal year ends on December 31.

2. Significant Accounting Policies

Use of Estimates

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

Cash and Cash Equivalents

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

Investments at Fair Value

Loan originations are recorded on the date of the binding commitment, which is generally the funding date. Investment transactions purchased through the secondary markets are recorded on the trade date. Realized gains or losses are measured by the difference between the net proceeds received (excluding prepayment fees, if any) and the amortized cost basis of the investment without regard to unrealized gains or losses previously recognized, 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 and in combination of: the estimated enterprise value of a portfolio company (that is, the total value of the portfolio company’s net debt and equity), the nature and realizable value of any collateral, the portfolio company’s ability to make payments based on its earnings and cash flow, the markets in which the portfolio company does business, a comparison of the portfolio company’s securities to any similar publicly traded securities, and overall changes in the interest rate environment and the credit markets that may affect the price at which similar investments may be made in the future. When an external event such as a purchase transaction, public offering or subsequent equity sale occurs, the Board considers whether the pricing indicated by the external event corroborates its valuation.

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

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

The Company conducts this valuation process on a quarterly basis.

The Board has engaged independent third-party valuation firms to perform certain limited procedures that the Board has identified and requested them to perform in connection with the valuation process. At March 31, 2020, the independent third-party valuation firms performed their procedures over substantially all of the Company’s investments. Upon completion of such limited procedures, the third-party valuation firms concluded that the fair value, as determined by the Board, of those investments subjected to their limited procedures, appeared reasonable.

The Company applies Financial Accounting Standards Board Accounting Standards Codification 820, *Fair Value Measurement* (“ASC 820”), as amended, which establishes a framework for measuring fair value in accordance with U.S. GAAP and required disclosures of fair value measurements. ASC 820 determines fair value to be the price that would be received for an investment in a current sale, which assumes an orderly transaction between market participants on the measurement date. Market participants are defined as buyers and sellers in the principal or most advantageous market (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 additional criteria in making the determination as to whether a particular investment would qualify for treatment as a Level 2 or Level 3 investment. For example, the Company reviews pricing provided by dealers or pricing services in order to determine if observable market information is being used, versus unobservable inputs. Some additional factors considered include the number of prices obtained as well as an assessment as to their quality, such as the depth of the relevant market relative to the size of the Company's position.

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

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

Financial and Derivative Instruments

The Company recognizes all derivative instruments as assets or liabilities at fair value in its consolidated financial statements, pursuant to ASC 815 *Derivatives and Hedgin*g, further clarified by the FASB's issuance of the Accounting Standards Update ("ASU") No. 2017-12, *Derivatives and Hedging*, which was adopted in 2019 by the Company. For all derivative instruments designated in a hedge accounting relationship, the entire change in the fair value of the hedging instrument shall be recorded in the same line item of the Consolidated Statements of Operations as the hedged item. The Company uses certain interest rate swaps as derivative instruments to hedge the Company's fixed rate debt, and therefore both the periodic payment and the change in fair value for the effective hedge, if applicable, will be recognized as components of interest expense in the Consolidated Statements of Operations. For derivative contracts entered into by the Company that are not designated in a hedge accounting relationship the Company presents changes in the fair value through current period earnings.

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

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

Offsetting Assets and Liabilities

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

Foreign Currency

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

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

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

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

Equity Offering Expenses

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

Debt Issuance Costs

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

Interest and Dividend Income Recognition

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

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

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

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

Other Income

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

Reimbursement of Transaction-Related Expenses

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

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

Income Taxes, Including Excise Taxes

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

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

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

For the three months ended March 31, 2020 and 2019, we recorded a net expense of $1.0 million and $0.3 million, respectively, for U.S. federal excise tax and other taxes.

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 generally be distributed at least annually, although the Company may decide to retain such capital gains.

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

New Accounting Pronouncements

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

In March 2020, the Financial Accounting Standards Board issued Accounting Standards Update 2020-04 (“ASU 2020-04”) “Reference Rate Reform (Topic 848): Facilitation of the Effects of Reference Rate Reform on Financial Reporting.” This guidance provides optional expedients and exceptions for applying generally accepted accounting principles to contract modifications and hedging relationships, subject to meeting certain criteria, that reference LIBOR or another reference rate expected to be discontinued. ASU 2020-20 is effective for all entities as of March 12, 2020 through December 31, 2022. The Company expects that the adoption of this guidance will not have a material impact on the Company’s financial position, result of operations or cash flows.

3. Agreements and Related Party Transactions

Administration Agreement

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

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

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

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

For the three months ended March 31, 2020 and 2019, the Company incurred expenses of $1.0 million and $1.1 million, respectively, for administrative services payable to the Adviser under the terms of the Administration Agreement.

Investment Advisory Agreement

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

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

For the three months ended March 31, 2020 and 2019, Management Fees were $8.2 million and $6.6 million, respectively.

The Adviser intends to waive a portion of the Management Fee payable under the Investment Advisory Agreement by reducing the Management Fee on assets financed using leverage over 200% asset coverage (in other words, over 1.0x debt to equity) (the "Leverage Waiver"). Pursuant to the Leverage Waiver, the Adviser intends to waive the portion of the Management Fee in excess of an annual rate of 1.0% (0.250% per quarter) on the average value of the Company's gross assets as of the end of the two most recently completed calendar quarters that exceeds the product of (i) 200% and (ii) the average value of our net asset value at the end of the two most recently completed calendar quarters. Any waived Management Fees are not subject to recoupment by the Adviser. As of March 31, 2020, no Management Fees have been waived pursuant to the Leverage Waiver.

The Incentive Fee consists of two parts, as follows:

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

Pre-Incentive Fee net investment income means dividends, interest and fee income accrued by the Company during the calendar quarter, minus the Company’s operating expenses for the quarter (including the Management Fee, expenses payable under the Administration Agreement to the Administrator, and any interest expense and dividends paid on any issued and outstanding preferred stock, but excluding the Incentive Fee). Pre-Incentive Fee net investment income includes, in the case of investments with a deferred interest feature (such as original issue discount, debt instruments with pay-in-kind interest and zero coupon securities), accrued income that the Company may not have received in cash. Pre-Incentive Fee net investment income does not include any realized capital gains, realized capital losses or unrealized capital gains or losses.

(ii) The second component, payable at the end of each fiscal year in arrears, equaled 15% through March 31, 2014 and, beginning April 1, 2014, equals a weighted percentage of cumulative realized capital gains from the Company’s inception to the end of that fiscal year, less cumulative realized capital losses and unrealized capital losses. This component of the Incentive Fee is referred to as the Capital Gains Fee. Each year, the fee paid for this component of the Incentive Fee is net of the aggregate amount of any previously paid Capital Gains Fee for prior periods. For capital gains that accrue following March 31, 2014, the Incentive Fee rate is 17.5%. The Company accrues, but does not pay, a capital gains Incentive Fee with respect to unrealized capital gains because a capital gains Incentive Fee would be owed to the Adviser if the Company were to sell the relevant investment and realize a capital gain. The weighted percentage was 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, was 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%. As of March 31, 2020, there are no remaining investments that were made prior to April 1, 2014, and as a result, the Incentive Fee rate of 17.5% is applicable to any future realized capital gains.

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

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

For the three months ended March 31, 2020 and 2019, Incentive Fees were $7.1 million and $5.7 million, respectively, all of which were realized and payable to the Adviser.

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

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

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

4. Investments at Fair Value

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

Investments at fair value consisted of the following at March 31, 2020 and December 31, 2019:

	March 31, 2020		
	Amortized Cost (1)	Fair Value	Net Unrealized Gain (Loss)
First-lien debt investments	$ 2,050,067	$ 1,986,200	$ (63,867)
Second-lien debt investments	4,356	4,030	(326)
Mezzanine debt investments	2,859	2,855	(4)
Equity and other investments	88,059	52,487	(35,572)
Total Investments	$ 2,145,341	$ 2,045,572	$ (99,769)

	December 31, 2019		
	Amortized Cost (1)	Fair Value	Net Unrealized Gain (Loss)
First-lien debt investments	$ 2,143,831	$ 2,176,118	$ 32,287
Second-lien debt investments	4,147	4,147	—
Mezzanine debt investments	2,500	2,550	50
Equity and other investments	87,559	63,113	(24,446)
Total Investments	$ 2,238,037	$ 2,245,928	$ 7,891

(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 March 31, 2020 and December 31, 2019 is as follows:

	March 31, 2020	December 31, 2019
Beverage, food and tobacco	2.4%	2.2%
Business services	20.2%	16.8%
Chemicals	0.3%	0.3%
Communications	1.8%	1.5%
Education	6.1%	9.2%
Electronics	—	0.1%
Financial services	15.5%	13.7%
Healthcare	10.7%	9.4%
Hotel, gaming and leisure	1.5%	1.6%
Human resource support services	8.6%	8.2%
Insurance	2.5%	2.3%
Internet services	5.0%	4.8%
Marketing services	2.0%	2.0%
Office products	0.5%	0.5%
Oil, gas and consumable fuels	3.9%	4.2%
Pharmaceuticals	3.7%	3.4%
Real Estate	1.0%	0.9%
Retail and consumer products	10.0%	14.9%
Transportation	4.3%	4.0%
Total	100.0%	100.0%

The geographic composition of investments at fair value at March 31, 2020 and December 31, 2019 is as follows:

	March 31, 2020	December 31, 2019
United States		
Midwest	14.4%	16.9%
Northeast	12.7%	15.8%
South	22.0%	19.2%
West	41.5%	38.8%
Australia	1.6%	1.6%
Bermuda	1.8%	1.7%
Canada	6.0%	6.0%
Total	100.0%	100.0%

5. Derivatives

Interest Rate Swaps

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

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

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

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

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

In November 2019, in connection with the issuance of the 2024 Notes, the Company entered into an interest rate swap transaction with a $300.0 million notional amount. The Company receives fixed rate interest at 3.88% and pays variable rate interest based on three-month LIBOR plus 2.25%. The swap transaction matures on November 1, 2024, matching the maturity date of the 2024 Notes. The Company designated this interest rate swap as the hedging instrument in a hedge accounting relationship with the 2024 Notes.

In February 2020, in connection with the reopening and issuance of additional 2024 Notes, the Company entered into an interest rate swap transaction with a $50.0 million notional amount. The Company receives fixed rate interest at 3.88% and pays variable rate interest based on three-month LIBOR plus 2.46%. The swap transaction matures on November 1, 2024, matching the maturity date of the additional 2024 Notes. The Company designated this interest rate swap as the hedging instrument in a hedge accounting relationship with the additional 2024 Notes.

The following tables present the amounts paid and received on the Company's interest rate swap transactions for the three months ended March 31, 2020 and 2019:

	Maturity Date	Notional Amount	For the Three Months Ended March 31, 2020		
			Paid	Received	Net
Interest rate swap (1)	6/25/2020	$ 91,500	$ (456)	$ 440	$ (16)
Interest rate swap (1)	7/30/2021	11,700	(43)	56	13
Interest rate swap (1)	7/29/2022	3,200	(11)	16	5
Interest rate swap	8/1/2022	115,000	(1,259)	1,294	35
Interest rate swap	8/1/2022	50,000	(449)	563	114
Interest rate swap	8/1/2022	7,500	(68)	84	16
Interest rate swap	1/22/2023	150,000	(1,500)	1,688	188
Interest rate swap	11/1/2024	300,000	(3,149)	2,906	(243)
Interest rate swap	11/1/2024	50,000	(283)	269	(14)
Total		$ 778,900	$ (7,218)	$ 7,316	$ 98

	Maturity Date	Notional Amount	For the Three Months Ended March 31, 2019		
			Paid	Received	Net
Interest rate swap (1)	6/27/2019	$ 91,500	$ (609)	$ 646	$ 37
Interest rate swap	12/15/2019	115,000	(1,588)	1,294	(294)
Interest rate swap	1/10/2020	33,333	(698)	769	71
Interest rate swap	8/1/2022	115,000	(1,455)	1,294	(161)
Interest rate swap	8/1/2022	50,000	(537)	563	26
Interest rate swap	8/1/2022	7,500	(81)	84	3
Interest rate swap	1/22/2023	150,000	(1,759)	1,687	(72)
Total		$ 562,333	$ (6,727)	$ 6,337	$ (390)

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

For the three months ended March 31, 2020 and 2019, the Company recognized $9.2 million and $3.3 million, respectively, in net change in unrealized gains on interest rate swaps not designated as hedging instruments in the consolidated statement of operations related to the swap transactions. For the three months ended March 31, 2020, the Company recognized $18.8 million in net change in unrealized gains on interest rate swaps designated as hedging instruments as a component of interest expense in the consolidated statement of operations. This amount is offset by $18.8 million for a change in the carrying value of the 2024 Notes. As of March 31, 2020, the swap transactions had a fair value of $32.7 million which is netted against restricted cash collateral on the Company's consolidated balance sheet. As of December 31, 2019, the swap transactions had a fair value of $4.7 million which is netted against cash collateral on the Company's consolidated balance sheet.

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

As of March 31, 2020, $14.3 million of cash is pledged as collateral under the Company's derivative instruments and is included in restricted cash as a component of cash and cash equivalents on the Company's consolidated balance sheet. As of December 31, 2019, $9.3 million of cash is pledged as collateral under the Company's derivative instruments and is included in restricted cash as a component of cash and cash equivalents on the Company's consolidated balance sheet.

6. Fair Value of Financial Instruments

Investments

The following tables present fair value measurements of investments as of March 31, 2020 and December 31, 2019:

	Fair Value Hierarchy at March 31, 2020			
	Level 1	Level 2	Level 3	Total
First-lien debt investments	$ —	$ 9,287	$ 1,976,913	$ 1,986,200
Second-lien debt investments	—	—	4,030	4,030
Mezzanine debt investments	—	—	2,855	2,855
Equity and other investments	3	—	52,484	52,487
Total investments at fair value	$ 3	$ 9,287	$ 2,036,282	$ 2,045,572
Interest rate swaps	—	32,742	—	32,742
Total	$ 3	$ 42,029	$ 2,036,282	$ 2,078,314

	Fair Value Hierarchy at December 31, 2019			
	Level 1	Level 2	Level 3	Total
First-lien debt investments	$ —	$ 17,191	$ 2,158,927	$ 2,176,118
Second-lien debt investments	—	—	4,147	4,147
Mezzanine debt investments	—	—	2,550	2,550
Equity and other investments	6	—	63,107	63,113
Total investments at fair value	$ 6	$ 17,191	$ 2,228,731	$ 2,245,928
Interest rate swaps	—	4,744	—	4,744
Total	$ 6	$ 21,935	$ 2,228,731	$ 2,250,672

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

The following tables present the changes in the fair value of investments for which Level 3 inputs were used to determine the fair value as of and for the three months ended March 31, 2020 and 2019:

	As of and for the Three Months Ended March 31, 2020				
	First-lien debt investments	Second-lien debt investments	Mezzanine debt investments	Equity and other investments	Total
Balance, beginning of period	$ 2,158,927	$ 4,147	$ 2,550	$ 63,107	$ 2,228,731
Purchases or originations	115,294	209	304	477	116,284
Repayments / redemptions	(218,019)	—	—	—	(218,019)
Paid-in-kind interest	1,744	—	51	—	1,795
Net change in unrealized losses	(85,669)	(326)	(53)	(11,123)	(97,171)
Net realized losses	(2,163)	—	—		(2,163)
Net amortization of discount on securities	6,822	—	3	—	6,825
Transfers within Level 3	(23)	—	—	23	—
Transfers into (out of) Level 3	—	—	—	—	—
Balance, End of Period	$ 1,976,913	$ 4,030	$ 2,855	$ 52,484	$ 2,036,282

	As of and for the Three Months Ended March 31, 2019				
	First-lien debt investments	Second-lien debt investments	Mezzanine debt investments	Equity and other investments	Total
Balance, beginning of period	$ 1,628,037	$ 4,137	$ 2,481	$ 43,234	$ 1,677,889
Purchases or originations	145,977	—	—	1,278	147,255
Repayments / redemptions	(15,020)	—	—	(1,636)	(16,656)
Paid-in-kind interest	1,805	—	—	—	1,805
Net change in unrealized gains (losses)	12,802	(1)	50	(2,414)	10,437
Net realized losses	(73)	—	—	(365)	(438)
Net amortization of discount on securities	2,241	1	—	—	2,242
Transfers within Level 3	—	—	—	—	—
Transfers into (out of) Level 3	—	—	—	—	—
Balance, End of Period	$ 1,775,769	$ 4,137	$ 2,531	$ 40,097	$ 1,822,534

The following tables present information with respect to the net change in unrealized gains or losses on investments for which Level 3 inputs were used in determining fair value that are still held by the Company at March 31, 2020 and 2019:

	Net Change in Unrealized Gains or (Losses) for the Three Months Ended March 31, 2020 on Investments Held at March 31, 2020	Net Change in Unrealized Gains or (Losses) for the Three Months Ended March 31, 2019 on Investments Held at March 31, 2019
First-lien debt investments	$ (78,748)	$ 12,802
Second-lien debt investments	(326)	(1)
Mezzanine debt investments	(53)	50
Equity and other investments	(11,123)	(3,337)
Total	$ (90,250)	$ 9,514

The following tables present the fair value of Level 3 Investments at fair value and the significant unobservable inputs used in the valuations as of March 31, 2020 and December 31, 2019. The tables are not intended to be all-inclusive, but instead capture the significant unobservable inputs relevant to the Company's determination of fair values.

	March 31, 2020				
	Fair Value	Valuation Technique	Unobservable Input	Range (Weighted Average)	Impact to Valuation from an Increase to Input
First-lien debt investments	$ 1,976,913	Income approach (1)	Discount rate	3.0% — 19.5% (12.4%)	Decrease
Second-lien debt investments	4,030	Income approach	Discount rate	21.0% — 21.0% (21.0%)	Decrease
Mezzanine debt investments	2,855	Income approach	Discount rate	8.4% — 8.4% (8.4%)	Decrease
Equity and other investments	52,484	Market Multiple (2)	Comparable multiple	2.8x — 15.0x (7.8x)	Increase
Total	$ 2,036,282				

(1) Includes $20.0 million of debt investments which were valued using an asset valuation waterfall.

(2) Includes $0.4 million of equity investments which were valued using a weighted valuation approach, $14.3 million of equity investments using a discounted cash flow approach and $0.2 million of equity investments which, due to the proximity of the transactions relative to the measurement date, were valued using the cost of the investments.

	December 31, 2019				
	Fair Value	**Valuation Technique**	**Unobservable Input**	**Range (Weighted Average)**	**Impact to Valuation from an Increase to Input**
First-lien debt investments	$ 2,158,927	Income approach (1)	Discount rate	5.5% — 17.9% (10.0%)	Decrease
Second-lien debt investments	4,147	Income approach	Discount rate	14.9% — 14.9% (14.9%)	Decrease
Mezzanine debt investments	2,550	Income approach	Discount rate	16.4% — 16.4% (16.4%)	Decrease
Equity and other investments	63,107	Market Multiple (2)	Comparable multiple	3.0x — 14.5x (11.3x)	Increase
Total	$ 2,228,731				

(1) Includes $32.2 million of first-lien debt investments which, due to the proximity of the transactions relative to the measurement date, were valued using the cost of the investments.

(2) Includes $5.7 million of equity investments which were valued using a weighted valuation approach and $16.6 million of equity investments which, due to the proximity of the transactions relative to the measurement date, were valued using the cost of the investments.

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

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

Financial Instruments Not Carried at Fair Value

Debt

The fair value of the Company's Revolving Credit Facility, which is categorized as Level 3 within the fair value hierarchy, as of March 31, 2020 and December 31, 2019, approximates its carrying value as the outstanding balance is callable at carrying value.

The fair value of the Company's 2022 Convertible Notes, 2023 Notes and 2024 Notes, which are categorized as Level 2 within the fair value hierarchy, as of March 31, 2020 and December 31, 2019, was $618.7 million and $640.1 million, respectively, based on broker quotes received by the Company. The aggregate principal amount of the Company's 2022 Convertible Notes, 2023 Notes and 2024 Notes, as of March 31, 2020 and December 31, 2019, was $672.5 million and $622.5 million, respectively.

Other Financial Assets and Liabilities

The carrying amounts of the Company's assets and liabilities, other than investments at fair value and the 2022 Convertible Notes, 2023 Notes and 2024 Notes, approximate fair value due to their short maturities or their close proximity of the originations to the measurement date. Under the fair value hierarchy, cash and cash equivalents are classified as Level 1 while the Company's other assets and liabilities, other than investments at fair value and Revolving Credit Facility, are classified as Level 2.

7. Debt

In accordance with the 1940 Act, with certain limitations, the Company is allowed to borrow amounts such that its asset coverage, as defined in the 1940 Act, is at least 150% after such borrowing. As of March 31, 2020 and December 31, 2019, the Company's asset coverage was 205.3% and 200.4%, respectively.

Debt obligations consisted of the following as of March 31, 2020 and December 31, 2019:

	March 31, 2020			
	Aggregate Principal Amount Committed	Outstanding Principal	Amount Available (1)	Carrying Value (2)(3)
Revolving Credit Facility	$ 1,315,000	$ 314,299	$ 1,000,701	$ 301,626
2022 Convertible Notes	172,500	172,500	—	169,714
2023 Notes	150,000	150,000	—	148,160
2024 Notes	350,000	350,000	—	360,658
Total Debt	$ 1,987,500	$ 986,799	$ 1,000,701	$ 980,158

(1) The amount available may be subject to limitations related to the borrowing base under the Revolving Credit Facility and asset coverage requirements.

(2) The carrying values of the Revolving Credit Facility, 2022 Convertible Notes, 2023 Notes and 2024 Notes are presented net of deferred financing costs and original issue discounts of $12.7 million, $2.8 million, $1.8 million and $6.4 million, respectively.

(3) The carrying value of the 2024 Notes is presented inclusive of an incremental $17.0 million, which represents an adjustment in the carrying value of the 2024 Notes resulting from a hedge accounting relationship.

	December 31, 2019			
	Aggregate Principal Amount Committed	Outstanding Principal	Amount Available (1)	Carrying Value (2)(3)
Revolving Credit Facility	$ 1,245,000	$ 495,689	$ 749,311	$ 485,711
2022 Convertible Notes	172,500	172,500	—	169,420
2023 Notes	150,000	150,000	—	147,998
2024 Notes	300,000	300,000	—	291,338
Total Debt	$ 1,867,500	$ 1,118,189	$ 749,311	$ 1,094,467

(1) The amount available may be subject to limitations related to the borrowing base under the Revolving Credit Facility and asset coverage requirements.

(2) The carrying values of the Revolving Credit Facility, 2022 Convertible Notes, 2023 Notes and 2024 Notes are presented net of deferred financing costs and original issue discounts of $10.0 million, $3.1 million, $2.0 million and $6.9 million, respectively.

(3) The carrying value of the 2024 Notes is presented net of $1.8 million, which represents an adjustment in the carrying value of the 2024 Notes resulting from a hedge accounting relationship.

For the three months ended March 31, 2020 and 2019, the components of interest expense were as follows:

	Three Months Ended	
	March 31, 2020	March 31, 2019
Interest expense	$ 10,865	$ 7,814
Commitment fees	800	747
Amortization of deferred financing costs	1,230	1,085
Accretion of original issue discount	110	225
Swap settlement	(95)	498
Total Interest Expense	$ 12,910	$ 10,369
Average debt outstanding (in millions)	$ 1,107.7	$ 705.8
Weighted average interest rate	3.9%	4.7%
Average 1-month LIBOR rate	1.4%	2.5%

Revolving Credit Facility

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

As of December 31 2019, aggregate commitments under the facility were $1.245 billion. Pursuant to an amendment to the Revolving Credit Facility dated as of January 31, 2020 (the "Ninth Amendment"), the aggregate commitments under the facility were increased to $1.315 billion. The facility includes an uncommitted accordion feature that allows the Company, under certain circumstances, to increase the size of the facility to up to $1.750 billion.

Pursuant to the Ninth Amendment, the revolving period, during which period the Company, subject to certain conditions, may make borrowings under the facility, was extended from February 14, 2023 to January 31, 2024 and the stated maturity date was extended from February 14, 2024 to January 31, 2025.

The Company may borrow amounts in U.S. dollars or certain other permitted currencies. As of March 31, 2020, the Company had outstanding debt denominated in Australian dollars (AUD) of 56.6 million, Canadian dollars (CAD) of 132.1 million, and Euro (EUR) of 7.9 million on its Revolving Credit Facility, included in the Outstanding Principal amount in the table above.

The Revolving Credit Facility also provides for the issuance of letters of credit up to an aggregate amount of $75 million. As of March 31, 2020 and December 31, 2019, the Company had no outstanding letters of credit issued through the Revolving Credit Facility. The amount available for borrowing under the Revolving Credit Facility is reduced by any letters of credit issued through the Revolving Credit Facility.

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

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

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

- an asset coverage ratio of no less than 1.5 to 1 on the last day of any fiscal quarter;
- a liquidity test under which the Company must not maintain cash and liquid investments of less than 10% of the covered debt amount for more than 30 consecutive business days under circumstances where the Company's adjusted covered debt balance is greater than 90% of the Company's adjusted borrowing base under the facility;
- stockholders' equity of at least $500 million plus 25% of the net proceeds of the sale of equity interests after January 31, 2020;
- a minimum asset coverage ratio of no less than 2 to 1 with respect to (i) the consolidated assets of the Company and the subsidiary guarantors (including certain limitations on the contribution of equity in financing subsidiaries) to (ii) the secured debt of the Company and its subsidiary guarantors plus unsecured senior securities of the Company and its subsidiary guarantors that mature within 90 days of the date of determination (the "Obligor Asset Coverage Ratio"); and
- minimum consolidated assets of the Company and the subsidiary guarantors (including certain limitations on the contribution of equity in financing subsidiaries), less total secured debt of the Company and the subsidiary guarantors, of at least $350 million at the last day of any fiscal quarter.

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

Net proceeds received from the issuance of the 2022 Convertible Notes, 2023 Notes and 2024 Notes were used to pay down borrowings on the Revolving Credit Facility.

As of March 31, 2020 and December 31, 2019, the Company was in compliance with the terms of the Revolving Credit Facility.

2019 Convertible Notes

In June 2014, the Company issued in a private offering $115 million aggregate principal amount convertible notes due December 2019 (the “2019 Convertible Notes”). The 2019 Convertible Notes were issued in a private placement only to qualified institutional buyers pursuant to Rule 144A under the Securities Act. The 2019 Convertible Notes were unsecured, and bore interest at a rate of 4.50% per year, payable semiannually. The 2019 Convertible Notes matured on December 15, 2019 and were fully repaid in cash. The swap transaction associated with the issuance of the 2019 Convertible Notes also matured on December 15, 2019.

2022 Convertible Notes

In February 2017, the Company issued in a private offering $115 million aggregate principal amount convertible notes due August 2022 (the “2022 Convertible Notes” and, together with the 2019 Convertible Notes, the “Convertible Notes”). The 2022 Convertible Notes were issued in a private placement only to qualified institutional buyers pursuant to Rule 144A under the Securities Act. The 2022 Convertible Notes are unsecured, and bear interest at a rate of 4.50% per year, payable semiannually. The 2022 Convertible Notes will mature on August 1, 2022. In certain circumstances, the 2022 Convertible Notes will be convertible into cash, shares of the Company’s common stock or a combination of cash and shares of the Company’s common stock, at the Company’s election, at an initial conversion rate of 46.8516 shares of common stock per $1,000 principal amount of 2022 Convertible Notes, which is equivalent to an initial conversion price of approximately $21.34 per share of the Company’s common stock, subject to customary anti-dilution adjustments. As of March 31, 2020, the estimated adjusted conversion price was approximately $20.58 per share of common stock. The sale of the 2022 Convertible Notes generated net proceeds of approximately $111.2 million. The Company used the net proceeds of the offering to pay down debt under the Revolving Credit Facility. In connection with the offering of 2022 Convertible Notes, the Company has entered into an interest rate swap to continue to align the interest rates of its liabilities with its investment portfolio, which consists of predominately floating rate loans. As a result of the swap, the Company’s effective interest rate on the original issuance of 2022 Convertible Notes is three-month LIBOR plus 2.37%. See Note 5 for further information related to the Company’s interest rate swaps.

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

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

The 2022 Convertible Notes are the Company’s unsecured obligations and rank senior in right of payment to the Company’s future indebtedness that is expressly subordinated in right of payment to the 2022 Convertible Notes; equal in right of payment to the Company’s existing and future indebtedness that is not so subordinated; effectively junior in right of payment to any of the Company’s secured indebtedness (including unsecured indebtedness that the Company later secures) to the extent of the value of the assets securing such indebtedness; and structurally junior to all existing and future indebtedness (including trade payables) incurred by the Company’s subsidiaries, financing vehicles or similar facilities.

For the three months ended March 31, 2020 and 2019, the components of interest expense related to the Convertible Notes were as follows:

	Three Months Ended	
	March 31, 2020	March 31, 2019
Interest expense	$ 1,941	$ 3,234
Accretion of original issue discount	56	222
Amortization of deferred financing costs	237	425
Total Interest Expense	$ 2,234	$ 3,881

Total interest expense in the table above does not include the effect of the interest rate swaps. During the three months ended March 31, 2020 and 2019, the Company received $1.9 million and $3.2 million, respectively, and paid $1.8 million and $3.7 million, respectively, related to the settlements of its interest rate swaps related to the Convertible Notes. These net amounts are reflected in interest expense in the Company's consolidated statements of operations. Please see Note 5 for further information about the Company's interest rate swaps.

As of March 31, 2020 and December 31, 2019, the components of the carrying value of the 2022 Convertible Notes and the stated interest rate were as follows:

	March 31, 2020	December 31, 2019
Principal amount of debt	$ 172,500	$ 172,500
Original issue discount, net of accretion/amortization	(561)	(617)
Deferred financing costs	(2,225)	(2,463)
Carrying value of debt	$ 169,714	$ 169,420
Stated interest rate	4.50%	4.50%

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

The indenture governing the 2022 Convertible Notes contains certain covenants, including covenants requiring the Company to comply with the applicable asset coverage ratio requirement under the 1940 Act and to provide financial information to the holders of the 2022 Convertible Notes under certain circumstances. These covenants are subject to important limitations and exceptions that are described in the indenture governing the 2022 Convertible Notes. As of March 31, 2020 and December 31, 2019, the Company was in compliance with the terms of the indenture governing the 2022 Convertible Notes.

The 2022 Convertible Notes are accounted for in accordance with Accounting Standards Codification ("ASC") 470-20. Upon conversion of any of the 2022 Convertible Notes, the Company intends to pay the outstanding principal amount in cash and, to the extent that the conversion value exceeds the principal amount, the Company has the option to pay in cash or shares of the Company's common stock (or a combination of cash and shares) in respect of the excess amount, subject to the requirements of the indenture governing the 2022 Convertible Notes. The Company has determined that the embedded conversion options in the 2022 Convertible Notes are not required to be separately accounted for as a derivative under U.S. GAAP. In accounting for the 2022 Convertible Notes, the Company estimated at the time of issuance separate debt and equity components of the 2022 Convertible Notes. An original issue discount equal to the equity components of the 2022 Convertible Notes was recorded in "additional paid-in capital" in the accompanying consolidated balance sheet. Additionally, the issuance costs associated with the 2022 Convertible Notes were allocated to the debt and equity components in proportion to the allocation of the proceeds and accounted for as deferred financing costs and equity issuance costs, respectively.

As of March 31, 2020 and 2019, the principal amount of the Convertible Notes exceeded the value of the underlying shares multiplied by the per share closing price of the Company's common stock.

2023 Notes

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

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

2024 Notes

In November 2019, the Company issued $300.0 million aggregate principal amount of unsecured notes that mature on November 1, 2024 (the “2024 Notes”). The principal amount of the 2024 Notes is payable at maturity. The 2024 Notes bear interest at a rate of 3.875% per year, payable semi-annually commencing on May 1, 2020, and may be redeemed in whole or in part at our option at any time at par plus a “make whole” premium. Total proceeds from the issuance of the 2024 Notes, net of underwriting discounts, offering costs and original issue discount were $292.9 million. The Company used the net proceeds of the 2024 Notes to repay outstanding indebtedness under the Revolving Credit Facility.

In connection with the 2024 Notes offering, the Company entered into an interest rate swap to continue to align the interest rates of its liabilities with the Company’s investment portfolio, which consists of predominately floating rate loans. As a result of the swap, the Company’s effective interest rate on the 2024 Notes is three-month LIBOR plus 2.25%. The interest expense related to the 2024 Notes is offset by proceeds received from the interest rate swap designated as a hedge. The swap adjusted interest expense is included as a component of interest expense on the Company’s Consolidated Statement of Operations. As of March 31, 2020 and December 31, 2019 the effective hedge interest rate swap had a fair value of $15.0 million and ($1.8) million, respectively, which is offset within interest expense by an equal, but opposite, fair value change for the hedged risk on the 2024 Notes.

On February 5, 2020, the Company issued an additional $50.0 million aggregate principal amount of unsecured notes that mature on November 1, 2024. The additional 2024 Notes are a further issuance of, fungible with, rank equally in right of payment with and have the same terms (other than the issue date and the public offering price) as the initial issuance of 2024 Notes. Total proceeds from the issuance of the additional 2024 Notes, net of underwriting discounts, offering costs and original issue premium were $50.1 million. The Company used the net proceeds of the 2024 Notes to repay outstanding indebtedness under the Revolving Credit Facility.

In connection with the reopening of the 2024 Notes, the Company entered into an interest rate swap to continue to align the interest rates of its liabilities with the Company’s investment portfolio, which consists of predominantly floating rate loans. As a result of the swap, the Company’s effective interest rate on the additional 2024 Notes is three-month LIBOR plus 2.46%. The interest expense related to the additional 2024 Notes is offset by proceeds received from the interest rate swap designated as a hedge. The swap adjusted interest expense is included as a component of interest expense on the Company’s Consolidated Statement of Operations. As of March 31, 2020 the effective hedge interest rate swap had a fair value of $2.0 million, which is offset within interest expense by an equal, but opposite, fair value change for the hedged risk on the 2024 Notes.

For the three months ended March 31, 2020 and 2019, the components of interest expense related to the 2023 Notes and 2024 Notes were as follows:

	Three Months Ended	
	March 31, 2020	**March 31, 2019**
Interest expense	$ 4,895	$ 1,688
Accretion of original issue discount	54	2
Amortization of deferred financing costs	395	159
Total Interest Expense	$ 5,344	$ 1,849

Total interest expense in the table above does not include the effect of the interest rate swaps related to the 2023 Notes and 2024 Notes. During the three months ended March 31, 2020, and 2019 the Company received $4.9 million and $1.7 million, respectively, and paid $4.9 million and $1.8 million, respectively, related to the settlements of its interest rate swaps related to the 2023 and 2024 Notes. These net amounts are reflected in interest expense in the Company's consolidated statements of operations. Please see Note 5 for further information about the Company's interest rate swaps.

As of March 31, 2020, the components of the carrying value of the 2023 Notes and 2024 Notes and the stated interest rate were as follows:

	March 31, 2020	
	2023 Notes	2024 Notes
Principal amount of debt	$ 150,000	$ 350,000
Original issue discount, net of accretion	(28)	(1,729)
Deferred financing costs	(1,812)	(4,642)
Fair value of an effective hedge	—	17,029
Carrying value of debt	$ 148,160	$ 360,658
Stated interest rate	4.50%	3.88%

The stated interest rate in the table above does not include the effect of the interest rate swaps. The Company's swap-adjusted interest rate on the 2023 Notes and 2024 Notes is three month LIBOR plus 1.99% and 2.28% (on a weighted average basis), respectively.

As of December 31, 2019, the components of the carrying value of the 2023 Notes and 2024 Notes and the stated interest rates were as follows:

	December 31, 2019	
	2023 Notes	2024 Notes
Principal amount of debt	$ 150,000	$ 300,000
Original issue discount, net of accretion	(29)	(2,818)
Deferred financing costs	(1,973)	(4,057)
Fair value of an effective hedge	—	(1,787)
Carrying value of debt	$ 147,998	$ 291,338
Stated interest rate	4.50%	3.88%

The stated interest rate in the table above does not include the effect of the interest rate swaps. The Company's swap-adjusted interest rate on the 2023 Notes and 2024 Notes is three month LIBOR plus 1.99% and 2.25%, respectively.

As of March 31, 2020 and December 31, 2019, the Company was in compliance with the terms of the indentures governing the 2023 Notes and 2024 Notes.

8. Commitments and Contingencies

Portfolio Company Commitments

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

As of March 31, 2020 and December 31, 2019, the Company had the following commitments to fund investments in current portfolio companies:

	March 31, 2020	December 31, 2019
Alpha Midco, Inc. - Delayed Draw	$ 6,613	$ 19,598
AppStar Financial, LLC - Revolver	—	2,000
AvidXchange, Inc. - Delayed Draw	4,990	5,108
BlueSnap, Inc. - Revolver	—	2,500
ClearCompany, LLC - Delayed Draw	—	1,400
Clinicient, Inc. - Revolver	1,600	4,000
DaySmart Holdings, LLC - Revolver	2,000	5,000
DaySmart Holdings, LLC - Delayed Draw	17,251	17,503
Dye & Durham Corp. - Revolver	246	1,349
Energy Alloys, LLC - Delayed Draw	15,000	15,000
Exela Receivables 1, LLC - Revolver	40,000	—
Factor Systems, Inc. - Delayed Draw	13,333	—
Ferrellgas, L.P. - Revolver	30,000	30,000
G Treasury SS, LLC - Delayed Draw	3,637	3,750
Gainsight, Inc. - Delayed Draw	1,785	1,785
Integration Appliance, Inc. - Revolver	—	2,619
IntelePeer Holdings, Inc. - Convertible Note	350	—
IntelePeer Holdings, Inc. - Delayed Draw	3,500	3,500
IRGSE Holding Corp. - Revolver	581	2,079
Kyriba Corp. - Delayed Draw	5,850	8,323
Kyriba Corp. - Revolver	53	1,202
Lithium Technologies, LLC - Revolver	3,959	3,959
Lucidworks, Inc. - Revolver	3,333	3,333
PageUp People, Ltd. - Revolver	—	2,812
PayLease, LLC - Revolver	1,333	3,333
PayScale Holdings, Inc. - Delayed Draw	7,667	7,667
PrimeRevenue, Inc. - Revolver	6,250	6,250
ResMan, LLC - Delayed Draw	3,445	3,602
ResMan, LLC - Revolver	2,000	2,000
TherapeuticsMD, Inc. - Delayed Draw A1	7,500	7,500
TherapeuticsMD, Inc. - Delayed Draw A2	—	7,500
Valant Medical Solutions, Inc. - Delayed Draw	2,564	2,564
Valant Medical Solutions, Inc. - Revolver	500	2,000
Verdad Resources Intermediate Holdings, LLC - Delayed Draw	7,778	7,778
Total Portfolio Company Commitments (1)	$ 193,118	$ 187,014

(1) Represents the full amount of the Company's commitments to fund investments on such date. Commitments may be subject to limitations on borrowings set forth in the agreements between the Company and the applicable portfolio company. As a result, portfolio companies may not be eligible to borrow the full commitment amount on such date.

Other Commitments and Contingencies

As of March 31, 2020 and December 31, 2019, the Company did not have any unfunded commitments to fund investments to new borrowers that were not current portfolio companies as of such date.

From time to time, the Company may become a party to certain legal proceedings incidental to the normal course of its business. As of March 31, 2020 and December 31, 2019, management is not aware of any material pending or threatened litigation that would require accounting recognition or financial statement disclosure.

9. Net Assets

The Company has a dividend reinvestment plan, whereby the Company may buy shares of its common stock in the open market or issue new shares in order to satisfy dividend reinvestment requests. The number of shares to be issued to a stockholder is determined by dividing the total dollar amount of the cash dividend or distribution payable to a stockholder by the market price per share of the Company's common stock at the close of regular trading on the NYSE on the payment date of a distribution, or if no sale is reported for such day, the average of the reported bid and ask prices. However, if the market price per share on the payment date of a cash dividend or distribution exceeds the most recently computed net asset value per share, the Company will issue shares at the greater of (i) the most recently computed net asset value per share 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 three months ended March 31, 2020 and 2019. All shares issued to stockholders in the tables below are newly issued shares.

	Three Months Ended March 31, 2020			
Date Declared	**Dividend (1)**	**Record Date**	**Date Shares Issued**	**Shares Issued**
November 5, 2019	Base	December 13, 2019	January 15, 2020	194,470
February 19, 2020	Supplemental	February 28, 2020	March 31, 2020	57,674
Total Shares Issued				252,144

	Three Months Ended March 31, 2019			
Date Declared	**Dividend (1)**	**Record Date**	**Date Shares Issued**	**Shares Issued**
November 6, 2018	Base	December 14, 2018	January 15, 2019	212,818
February 20, 2019	Supplemental	February 28, 2019	March 29, 2019	87,327
Total Shares Issued				300,145

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

On August 4, 2015, the Company's Board authorized the Company to acquire up to $50 million in aggregate of the Company's common stock from time to time over an initial six month period, and has continued to authorize the refreshment of the $50 million amount authorized under and extension of the stock repurchase program prior to its expiration since that time, most recently as of May 5, 2020. The amount and timing of stock repurchases under the program may vary depending on market conditions, and no assurance can be given that any particular amount of common stock will be repurchased.

During the three months ended March 31, 2020, the Company repurchased 206,964 shares at a weighted average price per share of $14.17 inclusive of commissions, for a total cost of $2.9 million. No shares were repurchased during the three months ended March 31, 2019.

10. Earnings (Loss) per share

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

	Three Months Ended	
	March 31, 2020	**March 31, 2019**
Increase (Decrease) in net assets resulting from operations	$ (53,099)	$ 38,745
Weighted average shares of common stock outstanding —basic and diluted	66,656,280	65,595,441
Earnings (Loss) per common share —basic and diluted	$ (0.80)	$ 0.59

For the purpose of calculating diluted earnings (loss) per common share, the average daily closing price of the Company's common stock for the three months ended March 31, 2020 was less than the estimated adjusted conversion price for the 2022 Convertible Notes outstanding as of March 31, 2020. Therefore, for all periods presented in the consolidated financial statements, the underlying shares for the intrinsic value of the embedded options in the 2022 Convertible Notes have no impact on the computation of diluted earnings (loss) per common share.

11. Dividends

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

The following tables summarize dividends declared during the three months ended March 31, 2020 and 2019:

	Three Months Ended March 31, 2020				
Date Declared	**Dividend**	**Record Date**	**Payment Date**	**Dividend per Share**	
February 19, 2020	Supplemental	February 28, 2020	March 31, 2020	$	0.06
February 19, 2020	Base	March 13, 2020	April 15, 2020		0.41
February 19, 2020	Special	April 15, 2020	April 30, 2020		0.25
February 19, 2020	Special	June 15, 2020	June 30, 2020		0.25
Total Dividends Declared				$	0.97

	Three Months Ended March 31, 2019				
Date Declared	**Dividend**	**Record Date**	**Payment Date**	**Dividend per Share**	
February 20, 2019	Supplemental	February 28, 2019	March 29, 2019	$	0.12
February 20, 2019	Base	March 15, 2019	April 15, 2019		0.39
Total Dividends Declared				$	0.51

The dividends declared during the three months ended March 31, 2020 and 2019 were derived from net investment income, determined on a tax basis.

12. Income Taxes

The tax character of shareholder distributions attributable to the three months ended March 31, 2020 and 2019 were as follows:

	Three Months Ended March 31, 2020		Three Months Ended March 31, 2019	
Ordinary Income	$	31,358	$	33,469
Capital Gains		—		—
Total	$	31,358	$	33,469

The tax basis components of distributable earnings as of March 31, 2020 and December 31, 2019 were as follows:

	March 31, 2020		December 31, 2019	
Undistributed net investment income - tax basis	$	119,815	$	124,292
Undistributed net realized gains (losses) - tax basis		8,978		7,863
Net unrealized gains (losses) on investments		(69,768)		8,908
Other temporary differences		(31,746)		(30,343)
Total distributable earnings - book basis	$	27,279	$	110,720

The following reconciles increase (decrease) in net assets resulting from operations to taxable income for the three months ended March 31, 2020 and 2019:

	Three Months Ended March 31, 2020	Three Months Ended March 31, 2019
Increase (decrease) in net assets resulting from operations	$ (53,099)	$ 38,745
Adjustments:		
Net unrealized (gains) losses on investments	84,680	(11,461)
Other income for tax purposes, not book	2,597	425
Deferred organization costs	(25)	(25)
Other expenses not currently deductible	1,017	303
Other book-tax differences	(8,601)	3,287
Taxable Income	$ 26,569	$ 31,274

Note: Taxable income is an estimate and is not fully determined until the Company's tax return is filed. The Company's tax year end is March 31st.

Taxable income generally differs from increase (decrease) 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, or distributable earnings, 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.

For the three months ended March 31, 2020, the Company increased distributable earnings and decreased additional paid in capital by $1.0 million attributable to U.S. federal excise taxes.

For the three months ended March 31, 2019, the Company increased distributable earnings and decreased additional paid in capital by $0.3 million attributable to U.S. federal excise taxes.

The Company's wholly-owned subsidiary, TSL MR, LLC, is a taxable subsidiary in which the Company holds certain equity investments. TSL MR, LLC is not consolidated for U.S. federal income tax purposes and may generate income tax expense as a result of its ownership of certain portfolio companies. The income tax expense, or benefit, and the related tax assets and liabilities, if any, are reflected in our Statement of Operations.

As of March 31, 2020, the Company had an estimated deferred tax asset of $5.6 million pertaining to operating losses, related to one of its investments. Given the losses generated by the entity, the deferred tax asset has been offset by a valuation allowance of $5.6 million.

As of December 31, 2019, the Company had an estimated deferred tax asset of $5.9 million pertaining to operating losses, related to one of its investments. Given the losses generated by the entity, the deferred tax asset has been offset by a valuation allowance of $5.9 million.

During the period April 1, 2019 through March 31, 2020, the Company's estimated U.S. federal taxable income exceeded its distributions made from such taxable income during the tax year; consequently, the Company has elected to carry forward the excess for distribution to shareholders. The amount carried forward is estimated to be approximately $128.8 million, all of which is expected to be ordinary income, although these amounts will not be finalized until the 2019 tax returns are filed in 2020.

To the extent that the Company determines that its estimated current year annual taxable income will exceed its estimated current year dividends from such taxable income, the Company accrues excise tax on estimated excess taxable income. For the three months ended March 31, 2020 and 2019, a net expense of $1.0 million and $0.3 million, respectively, was recorded for U.S. federal excise tax.

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 three months ended March 31, 2020 and 2019.

	Three Months Ended March 31, 2020	Three Months Ended March 31, 2019
Per Share Data (6)		
Net asset value, beginning of period	$ 16.83	$ 16.25
Net investment income (1)	0.51	0.41
Net realized and unrealized gain (loss) (1)	(1.31)	0.18
Total from operations	(0.80)	0.59
Issuance of common stock, net of offering costs (2)	0.01	0.01
Repurchase of common stock (2)	0.01	—
Dividends declared from net investment income (2)	(0.47)	(0.51)
Total increase (decrease) in net assets	(1.25)	0.09
Net Asset Value, End of Period	$ 15.57	$ 16.34
Per share market value at end of period	$ 13.92	$ 20.00
Total return based on market value (3)	(32.98)%	13.38%
Total return based on net asset value (4)	(4.69)%	3.69%
Shares Outstanding, End of Period	66,569,771	65,712,962
Ratios / Supplemental Data (5)		
Ratio of net expenses to average net assets	12.10%	9.68%
Ratio of net investment income to average net assets	12.49%	9.97%
Portfolio turnover	22.29%	7.27%
Net assets, end of period	$ 1,036,736	$ 1,074,064

(1) The per share data was derived by using the weighted average shares outstanding during the period.
(2) The per share data was derived by using the actual shares outstanding at the date of the relevant transactions.
(3) Total return based on market value is calculated as the change in market value per share during the period plus declared dividends per share, divided by the beginning market value per share.
(4) Total return based on net asset value is calculated as the change in net asset value per share during the period plus declared dividends per share, divided by the beginning net asset value per share.
(5) The ratios reflect an annualized amount.
(6) Table may not sum due to rounding.

14. Subsequent Events

The Company’s management has evaluated subsequent events through the date of issuance of the consolidated financial statements included herein. There have been no subsequent events that occurred during such period that would require disclosure in this Form 10-Q or would be required to be recognized in the consolidated financial statements as of and for the three months ended March 31, 2020.

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

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

Overview

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

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

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

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

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 March 31, 2020, we have originated more than $12.8 billion aggregate principal amount of investments and retained approximately $6.4 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 and unsecured loans and investments in corporate bonds and equity securities.

By "middle-market companies," we mean companies that have annual EBITDA, which we believe is a useful proxy for cash flow, of $10 million to $250 million, although we may invest in larger or smaller companies on occasion. As of March 31, 2020, our core portfolio companies, which exclude certain investments that fall outside of our typical borrower profile and represent 79.4% of our total investments based on fair value, had weighted average annual revenue of $110.7 million and weighted average annual EBITDA of $34.0 million.

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

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

The companies in which we invest use our capital to support organic growth, acquisitions, market or product expansion and recapitalizations (including restructurings). As of March 31, 2020, the largest single investment based on fair value represented 4.3% of our total investment portfolio.

As of March 31, 2020, the average investment size in each of our portfolio companies was approximately $33.0 million based on fair value.

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

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

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

As of March 31, 2020, the largest industry represented 20.2% of our total investment portfolio based on fair value.

Investment Structuring. We focus on investing at the top of the capital structure and protecting that position. As of March 31, 2020, approximately 97.3% of our portfolio was invested in secured debt, including 97.1% in first-lien debt investments. We carefully perform diligence and structure investments to include strong investor covenants. As a result, we structure investments with a view to creating opportunities for early intervention in the event of non-performance or stress. In addition, we seek to retain effective voting control in investments over the loans or particular class of securities in which we invest through maintaining affirmative voting positions or negotiating consent rights that allow us to retain a blocking position. We also aim for our loans to mature on a medium term, between two to six years after origination. For the three months ended March 31, 2020, the weighted average term on new investment commitments in new portfolio companies was 5.0 years.

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

Risk Mitigation. We seek to mitigate non-credit-related risk on our returns in several ways, including call protection provisions to protect future interest income. As of March 31, 2020, we had call protection on 84.0% of our debt investments based on fair value, with weighted average call prices of 105.8% for the first year, 103.4% for the second year and 101.3% for the third year, in each case from the date of the initial investment. As of March 31, 2020, 99.4% of our debt investments based on fair value bore interest at floating rates (when including investment specific hedges), with 95.1% of these subject to interest rate floors, which we believe helps act as a portfolio-wide hedge against inflation.

Relationship with our Adviser and Sixth Street Partners

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

Sixth Street, is a global finance and investment business with approximately $34 billion of assets under management as of December 31, 2019. Sixth Street's core platforms include TPG Specialty Lending, TSL Europe (TSLE), which is aimed at European middle-market loan originations, TSSP Adjacent Opportunities (TAO), which has the flexibility to invest across all of Sixth Street's private credit market investments, TSSP Opportunities Partners (TOP), which focuses on actively managed opportunistic investments across the credit cycle, TPG Institutional Credit Partners (TICP), which is the firm's "public-side" credit investment platform focused on investment opportunities in broadly syndicated leveraged loan markets, and TSSP Capital Solutions (TCS), which provides financing solutions to growing companies. Sixth Street has a long-term oriented, highly flexible capital base that allows it to invest across industries, geographies, capital structures and asset classes. Sixth Street 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 275 investment and operating professionals. As of March 31, 2020, thirty one (31) of these personnel are dedicated to our business, including twenty three (23) investment professionals.

Sixth Street was in a strategic relationship with TPG Global, LLC, or TPG from 2009 to 2020. On May 1, 2020, Sixth Street and TPG agreed to evolve their relationship and become independent, unaffiliated businesses.

Our Adviser consults with Sixth Street in connection with a substantial number of our investments. The Sixth Street platform provides us with a breadth of large and scalable investment resources. We believe we benefit from Sixth Street's market expertise, insights into industry, sector and macroeconomic trends and intensive due diligence capabilities, which help us discern market conditions that vary across industries and credit cycles, identify favorable investment opportunities and manage our portfolio of investments. Sixth Street and its affiliates 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.

On December 16, 2014, we were granted an exemptive order from the SEC that allows us to co-invest, subject to certain conditions and to the extent the size of an investment opportunity exceeds the amount our Adviser has independently determined is appropriate to invest, with certain of our affiliates (including affiliates of Sixth Street) 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. On January 16, 2020, we filed a further application for co-investment exemptive relief with the SEC to better align our existing co-investment relief with more recent SEC exemptive orders. There can be no assurance when or if the SEC will grant a further order in response to our application. Until such time a new order is granted, we will continue to operate under the terms of our current exemptive order.

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

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

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

Key Components of Our Results of Operations

Investments

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

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

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

Revenues

We generate revenues primarily in the form of interest income from the investments we hold. In addition, we may generate income from dividends on direct equity investments, capital gains on the sale of investments and various loan origination and other fees. Our debt investments typically have a term of two to six years, and, as of March 31, 2020, 99.4% of these investments based on fair value bore interest at a floating rate (when including investment specific hedges), with 95.1% of these subject to interest rate floors. Interest on debt investments is generally payable quarterly or semiannually. Some of our debt investments provide for deferred interest payments or PIK interest. For the three months ended March 31, 2020, 2.7% of our total investment income was comprised of PIK interest.

Changes in our net investment income are primarily driven by the spread between the payments we receive from our investments in our portfolio companies against our cost of funding, rather than by changes in interest rates. Our investment portfolio primarily consists of floating rate loans, and our credit facilities, 2022 Convertible Notes, 2023 Notes and 2024 Notes, after taking into account the effect of the interest rate swaps we have entered into in connection with these securities, all bear interest at floating rates. Macro trends in base interest rates like LIBOR or other alternate reference rates may affect our net investment income over the long term. However, because we generally originate loans to a small number of portfolio companies each quarter, and those investments also vary in size, our results in any given period—including the interest rate on investments that were sold or repaid in a period compared to the interest rate of new investments made during that period—often are idiosyncratic, and reflect the characteristics of the particular portfolio companies that we invested in or exited during the period and not necessarily any trends in our business.

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

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

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

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

Expenses

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

- calculating individual asset values and our net asset value (including the cost and expenses of any independent valuation firms);
- expenses, including travel expenses, incurred by the Adviser, or members of our Investment Team, or payable to third parties, in respect of due diligence on prospective portfolio companies and, if necessary, in respect of enforcing our rights with respect to investments in existing portfolio companies;
- the costs of any public offerings of our common stock and other securities, including registration and listing fees;
- the Management Fee and any Incentive Fee;
- certain costs and expenses relating to distributions paid on our shares;
- administration fees payable under our Administration Agreement;
- costs of preparing financial statements and maintaining books and records and filing reports or other documents with the SEC (or other regulatory bodies) and other reporting and compliance costs, and the compensation of professionals responsible for the preparation of the foregoing, including the allocable portion of the compensation of our Chief Compliance Officer, Chief Financial Officer and other professionals who provide operational and administrative services to us pursuant to the Administration Agreement (based on the percentage of time those individuals devote, on an estimated basis, to our business and affairs);
- debt service and other costs of borrowings or other financing arrangements;

- the Adviser’s allocable share of costs incurred in providing significant managerial assistance to those portfolio companies that request it;
- amounts payable to third parties relating to, or associated with, making or holding investments;
- transfer agent and custodial fees;
- costs of hedging;
- commissions and other compensation payable to brokers or dealers;
- taxes;
- Independent Director fees and expenses;
- the costs of any reports, proxy statements or other notices to our stockholders (including printing and mailing costs), the costs of any stockholders’ meetings and the compensation of investor relations personnel responsible for the preparation of the foregoing and related matters;
- our fidelity bond;
- directors and officers/errors and omissions liability insurance, and any other insurance premiums;
- indemnification payments;
- direct costs and expenses of administration, including audit, accounting, consulting and legal costs; and
- all other expenses reasonably incurred by us in connection with making investments and administering our business.

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

Leverage

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

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

Market Trends

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

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

The limited number of dedicated 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.

In late 2019 and early 2020, the novel coronavirus SARS-CoV-2 and related respiratory disease COVID-19 emerged in China and spread rapidly across the world, including to the United States. This outbreak has led to, and for an unknown and potentially significant period of time will continue to lead to, disruptions in local, regional, national and global markets and economies affected thereby. To date, cross border commercial activity and market sentiment have been negatively impacted by the outbreak and government and other measures seeking to contain its spread. The federal government and the Federal Reserve, as well as foreign governments and central banks, have implemented significant fiscal and monetary policies in response to these disruptions, and additional government and regulatory responses may be possible. It is currently impossible to determine the scope of this or any future outbreak, how long any such outbreak and market disruption, volatility or uncertainty may last, the effect any governmental actions and changes in base interest rates will have or the full potential impact on us, our industry and our portfolio companies.

Portfolio and Investment Activity

As of March 31, 2020, our portfolio based on fair value consisted of 97.1% first-lien debt investments, 0.2% second-lien debt investments, 0.1% mezzanine debt investments, and 2.6% equity and other investments. As of December 31, 2019, our portfolio based on fair value consisted of 96.5% first-lien debt investments, 0.6% second-lien debt investments, 0.1% mezzanine debt investments, and 2.8% equity and other investments.

As of March 31, 2020 and December 31, 2019, 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 10.2% and 10.5%, 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 9.9% and 10.7%, respectively.

As of March 31, 2020 and December 31, 2019, we had investments in 62 and 63 portfolio companies, respectively, with an aggregate fair value of $2,045.6 million and $2,245.9 million, respectively.

For the three months ended March 31, 2020, the principal amount of new investments funded was $80.3 million in three new portfolio companies and four existing portfolio companies. For this period, we had $211.9 million aggregate principal amount in exits and repayments.

For the three months ended March 31, 2019, the principal amount of new investments funded was $145.3 million in four new portfolio companies and four existing portfolio companies. For this period, we had $33.1 million aggregate principal amount in exits and repayments.

Our investment activity for the three months ended March 31, 2020 and 2019 is presented below (information presented herein is at par value unless otherwise indicated).

($ in millions)	Three Months Ended March 31, 2020	Three Months Ended March 31, 2019
New investment commitments:		
Gross originations	$ 247.9	$ 179.4
Less: Syndications/sell downs	113.9	27.0
Total new investment commitments	$ 134.0	$ 152.4
Principal amount of investments funded:		
First-lien	$ 79.8	$ 144.0
Second-lien	0.2	—
Mezzanine	0.3	—
Equity and other	—	1.3
Total	$ 80.3	$ 145.3
Principal amount of investments sold or repaid:		
First-lien	$ 211.9	$ 30.4
Second-lien	—	—
Mezzanine	—	—
Equity and other	—	2.7
Total	$ 211.9	$ 33.1
Number of new investment commitments in new portfolio companies	3	4
Average new investment commitment amount in new portfolio companies	$ 41.4	$ 34.8
Weighted average term for new investment commitments in new portfolio companies (in years)	5.0	5.4
Percentage of new debt investment commitments at floating rates	100.0%	100.0%
Percentage of new debt investment commitments at fixed rates	—	—
Weighted average interest rate of new investment commitments	10.9%	10.0%
Weighted average spread over LIBOR of new floating rate investment commitments	9.3%	7.4%
Weighted average interest rate on investments fully sold or paid down	9.3%	10.6%

As of March 31, 2020 and December 31, 2019, our investments consisted of the following:

($ in millions)	March 31, 2020		December 31, 2019	
	Fair Value	Amortized Cost	Fair Value	Amortized Cost
First-lien debt investments	$ 1,986.2	$ 2,050.1	$ 2,166.2	$ 2,134.1
Second-lien debt investments	4.0	4.3	14.1	13.9
Mezzanine debt investments	2.9	2.9	2.5	2.5
Equity and other investments	52.5	88.0	63.1	87.5
Total	$ 2,045.6	$ 2,145.3	$ 2,245.9	$ 2,238.0

The following tables show the fair value and amortized cost of our performing and non-accrual investments as of March 31, 2020 and December 31, 2019:

($ in millions)	March 31, 2020		December 31, 2019	
	Fair Value	Percentage	Fair Value	Percentage
Performing	$ 2,042.8	99.9%	$ 2,245.9	100.0%
Non-accrual (1)	2.8	0.1	—	—
Total	$ 2,045.6	100.0%	$ 2,245.9	100.0%

($ in millions)	March 31, 2020		December 31, 2019	
	Amortized Cost	Percentage	Amortized Cost	Percentage
Performing	$ 2,111.6	98.4%	$ 2,238.0	100.0%
Non-accrual (1)	33.7	1.6	—	—
Total	$ 2,145.3	100.0%	$ 2,238.0	100.0%

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

The weighted average yields and interest rates of our performing debt investments at fair value as of March 31, 2020 and December 31, 2019 were as follows:

	March 31, 2020	December 31, 2019
Weighted average total yield of debt and income producing securities (1)	10.2%	10.5%
Weighted average interest rate of debt and income producing securities	9.8%	9.9%
Weighted average spread over LIBOR of all floating rate investments (2)	8.4%	8.1%

(1) Weighted average total portfolio yield at fair value was 10.0% at March 31, 2020 and 10.3% at December 31, 2019.

(2) Includes fixed rate investments for which we entered into interest rate swap agreements to swap to floating rates.

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

- assessment of success of the portfolio company in adhering to its business plan and compliance with covenants;
- periodic and regular contact with portfolio company management and, if appropriate, the financial or strategic sponsor, to discuss financial position, requirements and accomplishments;
- comparisons to other companies in the industry;
- attendance at, and participation in, board meetings; and
- review of monthly and quarterly financial statements and financial projections for portfolio companies.

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

- An investment is rated 1 if, in the opinion of the Adviser, it is performing as agreed and there are no concerns about the portfolio company's performance or ability to meet covenant requirements. For these investments, the Adviser generally prepares monthly reports on investment performance and intensive quarterly asset reviews.

- An investment is rated 2 if it is performing as agreed, but, in the opinion of the Adviser, there may be concerns about the company's operating performance or trends in the industry. For these investments, in addition to monthly reports and quarterly asset reviews, the Adviser also researches any areas of concern with the objective of early intervention with the portfolio company.
- An investment will be assigned a rating of 3 if it is paying its obligations to us as agreed but a material covenant violation is expected. For these investments, in addition to monthly reports and quarterly asset reviews, the Adviser also adds the investment to its "watch list" and researches any areas of concern with the objective of early intervention with the portfolio company.
- An investment will be assigned a rating of 4 if a material covenant has been violated, but the company is making its scheduled payments on its obligations to us. For these investments, the Adviser generally prepares a bi-monthly asset review email and generally has monthly meetings with the portfolio company's senior management. For investments where there have been material defaults, including bankruptcy filings, failures to achieve financial performance requirements or failure to maintain liquidity or loan-to-value requirements, the Adviser often will take immediate action to protect its position. These remedies may include negotiating for additional collateral, modifying investment terms or structure, or payment of amendment and waiver fees.
- A rating of 5 indicates an investment is in default on its interest and/or principal payments. For these investments, our Adviser reviews the investments on a bi-monthly basis and, where possible, pursues workouts that achieve an early resolution to avoid further deterioration of our investment. The Adviser retains legal counsel and takes actions to preserve our rights, which may include working with the portfolio company to have the default cured, to have the investment restructured or to have the investment repaid through a consensual workout.

The following table shows the distribution of our investments on the 1 to 5 investment performance rating scale at fair value as of March 31, 2020 and December 31, 2019. 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.

	March 31, 2020		December 31, 2019	
Investment Performance Rating	**Investments at Fair Value ($ in millions)**	**Percentage of Total Portfolio**	**Investments at Fair Value ($ in millions)**	**Percentage of Total Portfolio**
1	$ 1,872.3	91.5%	$ 1,968.0	87.6%
2	122.1	6.0	230.0	10.3
3	48.4	2.4	47.9	2.1
4	—	—	—	—
5	2.8	0.1	—	—
Total	$ 2,045.6	100.0%	$ 2,245.9	100.0%

Results of Operations

Operating results for the three months ended March 31, 2020 and 2019 were as follows:

	Three Months Ended	
($ in millions)	March 31, 2020	March 31, 2019
Total investment income	$ 66.3	$ 52.4
Less: Net expenses	31.6	25.5
Net investment income before income taxes	34.7	26.9
Less: Income taxes, including excise taxes	1.0	0.3
Net investment income	33.7	26.6
Net realized gains (losses) (1)	(2.1)	0.6
Net change in unrealized gains (losses) (1)	(84.7)	11.5
Net increase (decrease) in net assets resulting from operations	$ (53.1)	$ 38.7

(1) Includes foreign exchange hedging activity.

Investment Income

($ in millions)	Three Months Ended March 31, 2020	Three Months Ended March 31, 2019
Interest from investments	$ 63.0	$ 50.4
Dividend income	0.5	0.0
Other income	2.8	2.0
Total investment income	$ 66.3	$ 52.4

Interest from investments, which includes amortization of upfront fees and prepayment fees, increased from $50.4 million for the three months ended March 31, 2019 to $63.0 million for the three months ended March 31, 2020. The increase in interest from investments was primarily a result of an increase in accelerated amortization of upfront fees from unscheduled paydowns, prepayment fees and an increase in the average size of our investment portfolio from $1.8 billion for the three months ended March 31, 2019 to $2.0 billion for the three months ended March 31, 2020. Accelerated amortization of upfront fees from unscheduled paydowns, increased from $0.3 million for the three months ended March 31, 2019 to $4.3 million for the three months ended March 31, 2020. Prepayment fees increased from $0.5 million for the three months ended March 31, 2019 to $3.3 million for the three months ended March 31, 2020. The accelerated amortization of upfront fees and prepayment fees primarily resulted from full paydowns on one portfolio investment and earning prepayment fees on one portfolio investment during the three months ended March 31, 2019. The accelerated amortization of upfront fees and prepayment fees primarily resulted from full paydowns on three portfolio investments, and partial paydowns on two portfolio investments, and earning prepayment fees on three portfolio investments during the three months ended March 31, 2020. Other income increased from $2.0 million for the three months ended March 31, 2019 to $2.8 million for the three months ended March 31, 2020, primarily due to higher agency and exit fees during the three months ended March 31, 2020 compared to the same period in 2019.

Expenses

Operating expenses for the three months ended March 31, 2020 and 2019 were as follows:

($ in millions)	Three Months Ended March 31, 2020	Three Months Ended March 31, 2019
Interest	$ 12.9	$ 10.4
Management fees (net of waivers)	8.2	6.6
Incentive fees related to pre-incentive fee net investment income (net of waivers)	7.1	5.7
Incentive fees related to realized/unrealized capital gains	—	—
Professional fees	1.7	1.3
Directors fees	0.2	0.1
Other general and administrative	1.5	1.4
Net Expenses	$ 31.6	$ 25.5

Interest

Interest expense, including other debt financing expenses, increased from $10.4 million for the three months ended March 31, 2019 to $12.9 million for the three months ended March 31, 2020. This increase was primarily due to an increase in the average debt outstanding which was partially offset by a decrease in the interest rate on our debt outstanding from the three months ended March 31, 2019 to the three months ended March 31, 2020. The average interest rate on our debt outstanding decreased from 4.7% for three months ended March 31, 2019 to 3.9% for the three months ended March 31, 2020 primarily due to changes in LIBOR rates. The average debt outstanding increased from $705.8 million for the three months ended March 31, 2019 to $1,107.7 million for the three months ended March 31, 2020.

Management Fees

Management Fees increased from $6.6 million for the three months ended March 31, 2019 to $8.2 million for the three months ended March 31, 2020 due to an increase in average assets for the three months ended March 31, 2020 compared to the same period in 2019. The Adviser did not waive any Management Fees for the three months ended March 31, 2020 or 2019.

Incentive Fees

Incentive Fees related to pre-Incentive Fee net investment income increased from $5.7 million for the three months ended March 31, 2019 to $7.1 million for the three months ended March 31, 2020. This increase resulted from an increase in investment income resulting from higher interest and other income for the three months ended March 31, 2020. The Adviser did not waive any Incentive Fees related to pre-Incentive Fee net investment income for the three months ended March 31, 2020 or 2019. There were no Incentive Fees related to capital gains and losses for each of the three months ended March 31, 2020 and 2019 due to cumulative realized losses on our investments.

Professional Fees and Other General and Administrative Expenses

Professional fees increased from $1.3 million for the three months ended March 31, 2019 to $1.7 million for the three months ended March 31, 2020 primarily due to higher independent third party valuation firm and sub-agent costs given a larger portfolio, and increased legal and audit fees. Other general and administrative fees increased from $1.4 million for the three months ended March 31, 2019 to $1.5 million for the three months ended March 31, 2020.

Income Taxes, Including Excise Taxes

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

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

For the three months ended March 31, 2020 and 2019, we recorded a net expense of $1.0 million and $0.3 million, respectively, for U.S. federal excise tax and other taxes.

Net Realized and Unrealized Gains and Losses

The following table summarizes our net realized and unrealized gains (losses) for the three months ended March 31, 2020 and 2019:

($ in millions)	Three Months Ended March 31, 2020	Three Months Ended March 31, 2019
Net realized gains (losses) on investments	$ (2.0)	$ 0.7
Net realized losses on foreign currency transactions	(0.1)	(0.1)
Net realized losses on foreign currency investments	(0.1)	(0.1)
Net realized gains on foreign currency borrowings	0.1	0.1
Net Realized Gains (Losses)	$ (2.1)	$ 0.6
Change in unrealized gains on investments	$ 5.5	$ 14.4
Change in unrealized losses on investments	(113.2)	(4.8)
Net Change in Unrealized Gains (Losses) on Investments	$ (107.7)	$ 9.6
Unrealized gains (losses) on foreign currency borrowings	13.8	(1.4)
Unrealized gains (losses) on foreign currency cash	(0.0)	0.0
Unrealized gains on interest rate swaps	9.2	3.3
Net Change in Unrealized Gains on Foreign Currency Transactions and Interest Rate Swaps	$ 23.0	$ 1.9
Net Change in Unrealized Gains (Losses)	$ (84.7)	$ 11.5

For the three months ended March 31, 2020, we had net realized losses on investments of $2.0 million primarily driven by one investment and for the three months ended March 31, 2019, we had net realized gains on investments of $0.7 million. For the three months ended March 31, 2020 and 2019, we had net realized losses of $0.1 million and $0.1 million, respectively, on foreign currency transactions, primarily as a result of translating foreign currency related to our non-USD denominated investments. For the three months ended March 31, 2020 and 2019, we had net realized losses of $0.1 million and $0.1 million, respectively, on foreign currency investments. For the three months ended March 31, 2020 and 2019, we had net realized gains of $0.1 million and $0.1 million, respectively, on foreign currency borrowings. The net realized gains on foreign currency borrowings were a result of payments on our revolving credit facility.

For the three months ended March 31, 2020 we had $5.5 million in unrealized gains on 4 portfolio company investments, which was offset by $113.2 million in unrealized losses on 62 portfolio company investments. Unrealized gains resulted from an increase in fair value, primarily due to positive credit-related adjustments. Unrealized losses primarily resulted from a widening spread environment and in some instances negative credit-related adjustments. For the three months ended March 31, 2019 we had $14.4 million in unrealized gains on 41 portfolio company investments, which was offset by $4.8 million in unrealized losses on 9 portfolio company investments. Unrealized gains resulted from an increase in fair value, primarily due to a tightening spread environment and positive investment-related adjustments. Unrealized losses primarily resulted from negative credit-related adjustments.

For the three months ended March 31, 2020 and 2019, we had unrealized gains on foreign currency borrowings of $13.8 million and unrealized losses on foreign currency borrowings of $1.4 million, respectively, as a result of fluctuations in the AUD, CAD and EUR exchange rates for the three months ended March 31, 2020 and fluctuations in the AUD and CAD exchange rates for the three months ended March 31, 2019. For the three months ended March 31, 2020 and 2019, we had unrealized losses on foreign currency cash of less than $0.1 million and unrealized gains on foreign currency cash of less than $0.1 million, respectively. For the three months ended March 31, 2020 and 2019, we had unrealized gains on interest rate swaps of $9.2 million and $3.3 million, respectively, due to fluctuations in interest rates and the periodic settlement of interest rate swaps.

Realized Gross Internal Rate of Return

Since we began investing in 2011 through March 31, 2020, weighted by capital invested, our exited investments have generated an average realized gross internal rate of return to us of 18.4% (based on total capital invested of $4.2 billion and total proceeds from these exited investments of $5.2 billion). Ninety percent of these exited investments resulted in a realized gross internal rate of return to us of 10% or greater.

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

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

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

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

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

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

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

Hedging

We use interest rate swaps to hedge our fixed rate debt and certain fixed rate investments. We have designated certain interest rate swaps to be in a hedge accounting relationship. See Note 2 for additional disclosure regarding our accounting for derivative instruments designated in a hedge accounting relationship. See Note 5 for additional disclosure regarding these derivative instruments and the interest payments paid and received. See Note 7 for additional disclosure regarding the carrying value of our debt. Our current approach to hedging the foreign currency exposure in our non-U.S. dollar denominated investments is primarily to borrow the par amount in local currency under our Revolving Credit Facility to fund these investments. For the three months ended March 31, 2020 and 2019, we incurred $13.8 million of unrealized gains and $1.4 million of unrealized losses, respectively, on the translation of our non-U.S. dollar denominated debt into U.S. dollars; such amounts approximate the corresponding unrealized gains and losses on the translation of our non-U.S. dollar denominated investments into U.S. dollars for the three months ended March 31, 2020 and 2019. See Note 2 for additional disclosure regarding our accounting for foreign currency. See Note 7 for additional disclosure regarding the amounts of outstanding debt denominated in each foreign currency at March 31, 2020 and 2019. See our consolidated schedule of investments for additional disclosure regarding the foreign currency amounts (in both par and fair value) of our non-U.S. dollar denominated investments.

Financial Condition, Liquidity and Capital Resources

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

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

We intend to continue to generate cash primarily from cash flows from operations, future borrowings and future offerings of securities. We may from time to time enter into additional debt facilities, increase the size of existing facilities or issue debt securities. Any such incurrence or issuance would be subject to prevailing market conditions, our liquidity requirements, contractual and regulatory restrictions and other factors. In accordance with the 1940 Act, with certain limited exceptions, we are only allowed to incur borrowings, issue debt securities or issue preferred stock if immediately after the borrowing or issuance the ratio of total assets (less total liabilities other than indebtedness) to total indebtedness plus preferred stock, is at least 150%. For more information, see “Key Components of Our Results of Operations — Leverage” above. As of March 31, 2020 and December 31, 2019, our asset coverage ratio was 205.3% and 200.4%, respectively. We carefully consider our unfunded commitments for the purpose of planning our capital resources and ongoing liquidity, including our financial leverage. Further, we maintain sufficient borrowing capacity within the 150% asset coverage limitation under the 1940 Act and the asset coverage limitation under our credit facilities to cover any outstanding unfunded commitments we are required to fund.

Cash and cash equivalents as of March 31, 2020, 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 March 31, 2020, we had approximately $1.0 billion of availability on our Revolving Credit Facility, subject to asset coverage limitations.

As of March 31, 2020, we had $19.8 million in cash and cash equivalents, including $14.3 million of restricted cash, an increase of $5.6 million from December 31, 2019. During the three months ended March 31, 2020, we provided $154.3 million in cash from operating activities, primarily as a result of repayments and proceeds from investments of $219.1 million and other operating activity of $108.1 million, which was offset by funding portfolio investments of $119.8 million and a decrease in net assets resulting from operations of $53.1 million. Lastly, cash used in financing activities was $148.6 million during the period, primarily due to paydowns on our Revolving Credit Facility of $332.2 million, dividends paid of $25.1 million, deferred financing costs of $4.1 million, and repurchases of common stock of $2.9 million, which was partially offset by borrowings of $215.7 million (including $50.0 million principal amount of our 2024 Notes in a reopening).

As of March 31, 2020, we had $14.3 million of restricted cash pledged as collateral under our interest rate swap agreements, an increase of $5.0 million from December 31, 2019 primarily due to increases in the notional amount and fair value of our swaps.

Equity

During the three months ended March 31, 2020 and 2019, we also issued 252,144 and 300,145 shares of our common stock, respectively, to investors who have not opted out of our dividend reinvestment plan for proceeds of $4.8 million and $5.6 million, respectively. On April 15, 2020 and April 30, 2020, we issued 299,058 and 193,723 shares, respectively, of our common stock through our dividend reinvestment plan for proceeds of $4.3 million and $3.2 million, respectively, which are not reflected in the number of shares issued for the three months ended March 31, 2020 in this section or the consolidated financial statements for the three months ended March 31, 2020.

On August 4, 2015, our Board authorized us to acquire up to $50 million in aggregate of our common stock from time to time over an initial six month period, and has continued to authorize the refreshment of the $50 million amount authorized under and extension of the stock repurchase program prior to its expiration since that time, most recently as of May 5, 2020. The amount and timing of stock repurchases under the program may vary depending on market conditions, and no assurance can be given that any particular amount of common stock will be repurchased.

During the three months ended March 31, 2020, we repurchased 206,964 shares at a weighted average price per share of $14.17 inclusive of commissions, for a total cost of $2.9 million. No shares were repurchased during the three months ended March 31, 2019.

Debt

Debt obligations consisted of the following as of March 31, 2020 and December 31, 2019:

	March 31, 2020			
($ in millions)	Aggregate Principal Amount Committed	Outstanding Principal	Amount Available (1)	Carrying Value (2)(3)
Revolving Credit Facility	$ 1,315.0	$ 314.3	$ 1,000.7	$ 301.6
2022 Convertible Notes	172.5	172.5	—	169.7
2023 Notes	150.0	150.0	—	148.2
2024 Notes	350.0	350.0	—	360.7
Total Debt	$ 1,987.5	$ 986.8	$ 1,000.7	$ 980.2

(1) The amount available may be subject to limitations related to the borrowing base under the Revolving Credit Facility and asset coverage requirements.
(2) The carrying values of the Revolving Credit Facility, 2022 Convertible Notes, 2023 Notes, and 2024 Notes are presented net of deferred financing costs and original issue discounts of $12.7 million, $2.8 million, $1.8 million and $6.4 million, respectively.
(3) The carrying value of the 2024 Notes is presented inclusive of an incremental $17.0 million, which represents an adjustment in the carrying value of the 2024 Notes resulting from a hedge accounting relationship.

	December 31, 2019			
($ in millions)	Aggregate Principal Amount Committed	Outstanding Principal	Amount Available (1)	Carrying Value (2)(3)
Revolving Credit Facility	$ 1,245.0	$ 495.7	$ 749.3	$ 485.8
2022 Convertible Notes	172.5	172.5	—	169.4
2023 Notes	150.0	150.0	—	148.0
2024 Notes	300.0	300.0	—	291.3
Total Debt	$ 1,867.5	$ 1,118.2	$ 749.3	$ 1,094.5

(1) The amount available may be subject to limitations related to the borrowing base under the Revolving Credit Facility and asset coverage requirements.
(2) The carrying values of the Revolving Credit Facility, 2022 Convertible Notes, 2023 Notes, and 2024 Notes are presented net of deferred financing costs and original issue discounts of $10.0 million, $3.1 million, $2.0 million and $6.9 million, respectively.
(3) The carrying value of the 2024 Notes is presented net of $1.8 million, which represents an adjustment in the carrying value of the 2024 Notes resulting from a hedge accounting relationship.

As of March 31, 2020 and December 31, 2019, 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 Truist Bank (as successor by merger to SunTrust Bank), as administrative agent, and J.P. Morgan Chase Bank, N.A., as syndication agent, and certain other lenders (as amended and restated, the “Revolving Credit Facility”).

As of December 31 2019, aggregate commitments under the facility were $1.245 billion. Pursuant to an amendment to the Revolving Credit Facility dated as of January 31, 2020 (the “Ninth Amendment”), the aggregate commitments under the facility were increased to $1.315 billion. The facility includes an uncommitted accordion feature that allows the Company, under certain circumstances, to increase the size of the facility to up to $1.750 billion.

Pursuant to the Ninth Amendment, the revolving period, during which period we, subject to certain conditions, may make borrowings under the facility, was extended from February 14, 2023 to January 31, 2024 and the stated maturity date was extended from February 14, 2024 to January 31, 2025.

We may borrow amounts in U.S. dollars or certain other permitted currencies. As of March 31, 2020, we had outstanding debt denominated in Australian Dollars (AUD) of 56.6 million, Canadian Dollars (CAD) of 132.1 million, and Euro (EUR) of 7.9 million on our Revolving Credit Facility, included in the Outstanding Principal amount in the table above.

The Revolving Credit Facility also provides for the issuance of letters of credit up to an aggregate amount of $75 million. As of March 31, 2020 and December 31, 2019, we had no outstanding letters of credit issued through the Revolving Credit Facility. The amount available for borrowing under the Revolving Credit Facility is reduced by any letters of credit issued through the Revolving Credit Facility.

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

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

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

- an asset coverage ratio of no less than 1.5 to 1 on the last day of any fiscal quarter;
- a liquidity test under which we must not maintain cash and liquid investments of less than 10% of the covered debt amount for more than 30 consecutive business days under circumstances where our adjusted covered debt balance is greater than 90% of our adjusted borrowing base under the facility;
- stockholders’ equity of at least $500 million plus 25% of the net proceeds of the sale of equity interests after January 31, 2020;
- minimum asset coverage ratio of no less than 2 to 1 with respect to (i) the consolidated assets of the Company and the subsidiary guarantors (including certain limitations on the contribution of equity in financing subsidiaries) to (ii) the secured debt of the Company and its subsidiary guarantors plus unsecured senior securities of the Company and its subsidiary guarantors that mature within 90 days of the date of determination (the “Obligor Asset Coverage Ratio”); and
- minimum consolidated assets of the Company and the subsidiary guarantors (including certain limitations on the contribution of equity in financing subsidiaries), less total secured debt of the Company and the subsidiary guarantors, of at least $350 million at the last day of any fiscal quarter.

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

Net proceeds received from the issuance of the 2022 Convertible Notes, 2023 Notes and 2024 Notes were used to pay down borrowings on the Revolving Credit Facility.

2022 Convertible Notes

In February 2017, we issued in a private offering $115 million aggregate principal amount convertible notes due August 2022 (the "2022 Convertible Notes"). The 2022 Convertible Notes were issued in a private placement only to qualified institutional buyers pursuant to Rule 144A under the Securities Act. The 2022 Convertible Notes are unsecured, and bear interest at a rate of 4.50% per year, payable semiannually. The 2022 Convertible Notes will mature on August 1, 2022. In certain circumstances, the 2022 Convertible Notes will be convertible into cash, shares of our common stock or a combination of cash and shares of our common stock, at our election, at an initial conversion rate of 46.8516 shares of common stock per $1,000 principal amount of 2022 Convertible Notes, which is equivalent to an initial conversion price of approximately $21.34 per share of our common stock, subject to customary anti-dilution adjustments. As of March 31, 2020, the estimated adjusted conversion price was approximately $20.58 per share of common stock. The sale of the 2022 Convertible Notes generated net proceeds of approximately $111.2 million. We used the net proceeds of the offering to pay down debt under the Revolving Credit Facility. In connection with the offering of 2022 Convertible Notes, we have entered into an interest rate swap to continue to align the interest rates of our liabilities with our investment portfolio, which consists of predominately floating rate loans. As a result of the swaps, our effective interest rate on the original issuance of 2022 Convertible Notes is three-month LIBOR plus 2.37%.

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

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

The 2022 Convertible Notes are our unsecured obligations and rank senior in right of payment to our future indebtedness that is expressly subordinated in right of payment to the 2022 Convertible Notes; equal in right of payment to our existing and future indebtedness that is not so subordinated; effectively junior in right of payment to any of our secured indebtedness (including unsecured indebtedness that we later secure) to the extent of the value of the assets securing such indebtedness; and structurally junior to all existing and future indebtedness (including trade payables) incurred by our subsidiaries, financing vehicles or similar facilities.

The indenture governing the 2022 Convertible Notes contains certain covenants, including covenants requiring us to comply with the applicable asset coverage ratio requirement under the 1940 Act and to provide financial information to the holders of the 2022 Convertible Notes under certain circumstances. These covenants are subject to important limitations and exceptions that are described in the indenture governing the 2022 Convertible Notes. As of March 31, 2020, we were in compliance with the terms of the indenture governing the 2022 Convertible Notes.

The 2022 Convertible Notes are accounted for in accordance with Accounting Standards Codification (“ASC”) 470-20. Upon conversion of any of the 2022 Convertible Notes, we intend to pay the outstanding principal amount in cash and, to the extent that the conversion value exceeds the principal amount, we have the option to pay in cash or shares of our common stock (or a combination of cash and shares) in respect of the excess amount, subject to the requirements of the indenture governing the 2022 Convertible Notes. We have determined that the embedded conversion options in the 2022 Convertible Notes are not required to be separately accounted for as a derivative under U.S. GAAP. In accounting for the 2022 Convertible Notes, we estimated at the time of issuance separate debt and equity components of the 2022 Convertible Notes. An original issue discount equal to the equity components of the 2022 Convertible Notes was recorded in “additional paid-in capital” in the accompanying consolidated balance sheet. Additionally, the issuance costs associated with the 2022 Convertible Notes were allocated to the debt and equity components in proportion to the allocation of the proceeds and accounted for as deferred financing costs and equity issuance costs, respectively.

As of March 31, 2020, the principal amount of the 2022 Convertible Notes exceeded the value of the underlying shares multiplied by the per share closing price of our common stock

2023 Notes

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

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

2024 Notes

In November 2019, we issued $300.0 million aggregate principal amount of unsecured notes that mature on November 1, 2024 (the “2024 Notes”). The principal amount of the 2024 Notes is payable at maturity. The 2024 Notes bear interest at a rate of 3.875% per year, payable semi-annually commencing on May 1, 2020, and may be redeemed in whole or in part at our option at any time at par plus a “make whole” premium. Total proceeds from the issuance of the 2024 Notes, net of underwriting discounts, offering costs and original issue discount were $292.9 million. We used the net proceeds of the 2024 Notes to repay outstanding indebtedness under the Revolving Credit Facility.

In connection with the 2024 Notes offering, we entered into an interest rate swap to continue to align the interest rates of our liabilities with our investment portfolio, which consists of predominately floating rate loans. As a result of the swap, our effective interest rate on the 2024 Notes is three-month LIBOR plus 2.25%.

On February 5, 2020, we issued an additional $50.0 million aggregate principal amount of unsecured notes that mature on November 1, 2024. The additional 2024 Notes are a further issuance of, fungible with, rank equally in right of payment with and have the same terms (other than the issue date and the public offering price) as the initial issuance of 2024 Notes. Total proceeds from the issuance of the additional 2024 Notes, net of underwriting discounts, offering costs and original issue premium were $50.1 million. We used the net proceeds of the 2024 Notes to repay outstanding indebtedness under the Revolving Credit Facility.

In connection with the reopening of the 2024 Notes, we entered into an interest rate swap to continue to align the interest rates of our liabilities with our investment portfolio, which consists of predominantly floating rate loans. As a result of the swap, our effective interest rate on the additional 2024 Notes is three-month LIBOR plus 2.46%.

Off-Balance Sheet Arrangements

Portfolio Company Commitments

From time to time, we may enter into commitments to fund investments. We incorporate these commitments into our assessment of our liquidity position. Our senior secured revolving loan commitments are generally available on a borrower's demand and may remain outstanding until the maturity date of the applicable loan. Our senior secured term loan commitments are generally available on a borrower's demand and, once drawn, generally have the same remaining term as the associated loan agreement. Undrawn senior secured term loan commitments generally have a shorter availability period than the term of the associated loan agreement. As of March 31, 2020 and December 31, 2019, we had the following commitments to fund investments in current portfolio companies:

($ in millions)	March 31, 2020	December 31, 2019
Alpha Midco, Inc. - Delayed Draw	$ 6.6	$ 19.6
AppStar Financial, LLC - Revolver	—	2.0
AvidXchange, Inc. - Delayed Draw	5.0	5.1
BlueSnap, Inc. - Revolver	—	2.5
ClearCompany, LLC - Delayed Draw	—	1.4
Clinicient, Inc. - Revolver	1.6	4.0
DaySmart Holdings, LLC - Revolver	2.0	5.0
DaySmart Holdings, LLC - Delayed Draw	17.3	17.5
Dye & Durham Corp. - Revolver	0.2	1.3
Energy Alloys, LLC - Delayed Draw	15.0	15.0
Exela Receivables 1, LLC - Revolver	40.0	—
Factor Systems, Inc. - Delayed Draw	13.3	—
Ferrellgas, L.P. - Revolver	30.0	30.0
G Treasury SS, LLC - Delayed Draw	3.6	3.8
Gainsight, Inc. - Delayed Draw	1.8	1.8
Integration Appliance, Inc. - Revolver	—	2.6
IntelePeer Holdings, Inc. - Convertible Note	0.3	—
IntelePeer Holdings, Inc. - Delayed Draw	3.5	3.5
IRGSE Holding Corp. - Revolver	0.6	2.1
Kyriba Corp. - Delayed Draw	5.9	8.3
Kyriba Corp. - Revolver	0.1	1.2
Lithium Technologies, LLC - Revolver	3.9	3.9
Lucidworks, Inc. - Revolver	3.3	3.3
PageUp People, Ltd. - Revolver	—	2.8
PayLease, LLC - Revolver	1.3	3.3
PayScale Holdings, Inc. - Delayed Draw	7.7	7.7
PrimeRevenue, Inc. - Revolver	6.3	6.3
ResMan, LLC - Delayed Draw	3.4	3.6
ResMan, LLC - Revolver	2.0	2.0
TherapeuticsMD, Inc. - Delayed Draw A1	7.5	7.5
TherapeuticsMD, Inc. - Delayed Draw A2	—	7.5
Valant Medical Solutions, Inc. - Delayed Draw	2.6	2.6
Valant Medical Solutions, Inc. - Revolver	0.5	2.0
Verdad Resources Intermediate Holdings, LLC - Delayed Draw	7.8	7.8
Total Portfolio Company Commitments (1)	$ 193.1	$ 187.0

(1) Represents the full amount of our commitments to fund investments on such date. Commitments may be subject to limitations on borrowings set forth in the agreements between us and the applicable portfolio company. As a result, portfolio companies may not be eligible to borrow the full commitment amount on such date

Other Commitments and Contingencies

As of March 31, 2020 and December 31, 2019, we did not have any unfunded commitments to fund new investments to new borrowers that were not current portfolio companies as of such date.

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

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

Contractual Obligations

A summary of our contractual payment obligations as of March 31, 2020 is as follows:

	Payments Due by Period				
($ in millions)	Total	Less than 1 year	1-3 years	3-5 years	After 5 years
Revolving Credit Facility	$ 314.3	$ —	$ —	$ 314.3	$ —
2022 Convertible Notes	172.5	—	172.5	—	—
2023 Notes	150.0	—	150.0	—	—
2024 Notes	350.0	—	—	350.0	—
Total Contractual Obligations	$ 986.8	$ —	$ 322.5	$ 664.3	$ —

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

Distributions

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

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

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

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

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

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

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

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

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

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

Related-Party Transactions

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

- the Investment Advisory Agreement;
- the Administration Agreement; and
- a license agreement with an affiliate of TPG to use the TPG name and logo, royalty free, for an agreed upon period of time. Other than with respect to this limited license, we have no legal right to use the TPG name as a trademark.

Critical Accounting Policies

The preparation of our consolidated financial statements requires us to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenues, and expenses. Changes in the economic environment, financial markets, and any other parameters used in determining such estimates could cause actual results to differ. Our critical accounting policies, including those relating to the valuation of our investment portfolio, are described in our Annual Report on Form 10-K for the year ended December 31, 2019, filed with the SEC on February 19, 2020, and elsewhere in our filings with the SEC.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

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

Valuation Risk

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

Interest Rate Risk

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

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

As of March 31, 2020, 99.4% of our debt investments based on fair value in our portfolio bore interest at floating rates (when including investment specific hedges), with 95.1% of these subject to interest rate floors. Our credit facilities also bear interest at floating rates, and in connection with our 2022 Convertible Notes, 2023 Notes and 2024 Notes, which bear interest at fixed rates, we entered into fixed-to-floating interest rate swaps in order to continue to align the interest rates of our liabilities with our investment portfolio.

Assuming that our consolidated balance sheet as of March 31, 2020 were to remain constant and that we took no actions to alter our existing interest rate sensitivity, the following table shows the annualized impact of hypothetical base rate changes in interest rates (considering interest rate floors for floating rate instruments):

($ in millions)

Basis Point Change	Interest Income	Interest Expense	Net Interest Income
Up 300 basis points	$ 61.0	$ 29.6	$ 31.4
Up 200 basis points	$ 40.3	$ 19.7	$ 20.6
Up 100 basis points	$ 19.8	$ 9.9	$ 9.9
Down 25 basis points	$ (3.8)	$ (2.5)	$ (1.3)
Down 50 basis points	$ (6.6)	$ (4.9)	$ (1.7)

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

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

Currency Risk

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

ITEM 4. CONTROLS AND PROCEDURES

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

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

PART II – OTHER INFORMATION

ITEM 1. Legal Proceedings

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

Item 1A. Risk Factors.

In addition to the other information set forth in this report, you should carefully consider the risk factors discussed in Part I, "Item 1A. Risk Factors" in our Annual Report on Form 10-K for the fiscal year ended December 31, 2019 and the risk factors set forth below, which could materially affect our business, financial condition and/or operating results. These risks are not the only risks facing our Company. Additional risks and uncertainties not currently known to us or that we currently deem to be immaterial also may materially and adversely affect our business, financial condition and/or operating results.

The COVID-19 pandemic could materially and adversely affect our portfolio companies and the results of our operations, including our financial results.

In late 2019 and early 2020, the novel coronavirus SARS-CoV-2 and related respiratory disease COVID-19 emerged in China and spread rapidly across the world, including to the United States. This outbreak has led to, and for an unknown and potentially significant period of time will continue to lead to, disruptions in local, regional, national and global markets and economies affected thereby. To date, cross border commercial activity and market sentiment have been negatively impacted by the outbreak and government and other measures seeking to contain its spread. With respect to the U.S. credit markets, and middle market loans and the businesses of our portfolio companies in particular, this outbreak has resulted in, and until fully resolved is likely to continue to result in, among other things, government imposition of various forms of "stay at home" orders and the closing of "non-essential" businesses, resulting in significant disruption to the businesses of many middle-market loan borrowers including supply chains, demand and practical aspects of their operations, as well as in lay-offs of employees; rapidly evolving proposals and/or actions by state and federal governments to address problems being experienced by the markets and by businesses and the economy in general which will not necessarily adequately address the problems facing the loan market and middle market businesses; and liquidity issues. While these effects are hoped to be temporary, some effects could be persistent or even permanent. As a result, these conditions could result in (i) increased draws by some eligible borrowers on revolving lines of credit and/or (ii) increased requests by some borrowers for amendments and waivers of their credit agreements to avoid default, increased defaults by such borrowers and/or increased difficulty in obtaining refinancing at the maturity dates of their loans. Further, volatility and disruption of these markets has led to greater volatility in pricing and spreads, and may lead to difficulty in valuing loans during these periods. This outbreak and its effects are having, and the effects of any future outbreaks could have, an adverse impact on our portfolio companies and us and on the markets and the economy in general, and that impact could be material.

From an operational perspective, the effects of the COVID-19 pandemic could materially and adversely disrupt our business operations and the operations of the Adviser, including the guidelines and restrictions put in place by federal, state and local governments that may cause a potentially significant duration of remote working.

Moreover, the effects of the COVID-19 pandemic may heighten the other risks described in the section entitled "Risk Factors" in our most recent Annual Report on Form 10-K and any subsequent report filed with the Securities and Exchange Commission. It is currently impossible to determine the scope of this or any future outbreak, how long any such outbreak, market disruption, volatility or uncertainty may last, the effect any governmental actions will have or the full potential impact on us, the Adviser and our portfolio companies.

We are currently operating in a period of disruption, volatility and uncertainty in the capital markets and in the economy generally.

The U.S. capital markets have experienced extreme volatility and disruption following the spread of COVID-19 in the United States and globally. Some economists and major investment banks have expressed concern that the continued spread of the virus could lead to a world-wide economic downturn. Disruptions in the capital markets have increased the spread between the yields realized on risk-free and higher risk securities, resulting in illiquidity in parts of the capital markets. The federal government and the Federal Reserve, as well as foreign governments and central banks, have implemented significant fiscal and monetary policies in response to these disruptions, and additional government and regulatory responses may be possible. These actions, future market disruptions and illiquidity could have an adverse effect on our business, financial condition, results of operations and cash flows. 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 and our ability to grow, and could have a material negative impact on our operating results and the fair values of our debt and equity investments.

We believe that attractive investment opportunities may present themselves during this volatile period as in other periods of market volatility, and we may have opportunities to make investments at compelling values. However, periods of market disruption and instability, like the one we are experiencing currently, may adversely affect our access to sufficient debt and equity capital in order to take advantage of attractive investment opportunities that are created during these periods. In addition, the debt capital that will be available in the future, if any, may be at a higher cost and on less favorable terms and conditions.

In addition, pursuant to Section 61(a)(2)(C)(ii) of the 1940 Act, the principal risk factors associated with our senior securities are set forth below. However, since we already use leverage in optimizing our investment portfolio, the principal risk factors associated with our senior securities do not represent material changes to the risk factors previously disclosed in our Annual Report on Form 10-K for the fiscal year ended December 31, 2019.

Legislation allows us to incur additional leverage.

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

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

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

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

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

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

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

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

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

Our Board may decide to issue additional common stock to finance our operations rather than issuing debt or other senior securities. However, we generally are not able to issue and sell our common stock at a price below net asset value per share. We may, however, elect to issue and sell our common stock, or warrants, options or rights to acquire our common stock, at a price below the then-current net asset value of our common stock if our Board determines that the sale is in our best interests and the best interests of our stockholders, and our stockholders have approved our policy and practice of making these sales within the preceding 12 months. Pursuant to approval granted at a special meeting of stockholders held on June 14, 2019, we are currently permitted to sell or otherwise issue shares of our common stock at a price below our then-current net asset value per share, subject to the approval of our Board and certain other conditions. Such stockholder approval expires on June 14, 2020. On April 17, 2020, we filed a definitive proxy statement for a special meeting of stockholders, to be held on May 28, 2020. The definitive proxy statement sets forth a proposal to be voted upon at the special meeting that, if approved by stockholders, would have the effect of extending this approval to the one-year anniversary of the date of the special meeting. 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.

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

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

Our credit facilities and indentures governing our indebtedness also impose financial and operating covenants that restrict our business activities, remedies on default and similar matters. As of March 31, 2020, we are in compliance with the covenants of our credit facilities and indentures. However, our continued compliance with these covenants depends on many factors, some of which are beyond our control. Accordingly, although we believe we will continue to be in compliance, we cannot assure you that we will continue to comply with the covenants in our credit facilities and indentures. Failure to comply with these covenants could result in a default. If we were unable to obtain a waiver of a default from the lenders or holders of that indebtedness, as applicable, those lenders or holders could accelerate repayment under that indebtedness. An acceleration could have a material adverse impact on our business, financial condition and results of operations. Lastly, we may be unable to obtain additional leverage, which would, in turn, affect our return on capital.

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

As of March 31, 2020, we had $986.8 million of outstanding indebtedness, which had an annualized interest cost of 3.89% under the terms of our debt, excluding fees (such as fees on undrawn amounts and amortization of upfront fees) and giving effect to the swap-adjusted interest rates on our 2022 Convertible Notes, 2023 Notes and 2024 Notes. As of March 31, 2020, as adjusted to give effect to the interest rate swaps, the interest rate on the 2022 Convertible Notes was three-month LIBOR plus 2.11% (on a weighted-average basis) and the interest rate on the 2023 Notes was three-month LIBOR plus 1.99%, and the interest rate on the 2024 Notes was three-month LIBOR plus 2.28% (on a weighted-average basis).

For us to cover these annualized interest payments on indebtedness, we must achieve annual returns on our investments of at least 1.9%. Since we generally pay interest at a floating rate on our debt, an increase in interest rates will generally increase our borrowing costs. We expect that our annualized interest cost and returns required to cover interest will increase if we issue additional debt securities.

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

Effects of Leverage Based on Actual Amount of Borrowings Incurred by us as of March 31, 2020

	Assumed Return on Our Portfolio (net of expenses) (1)				
	-10%	-5%	0%	5%	10%
Corresponding return to stockholder (2)	-23.8%	-13.7%	-3.7%	6.3%	16.4%

(1) The assumed portfolio return is required by SEC regulations and is not a prediction of, and does not represent, our projected or actual performance. Actual returns may be greater or less than those appearing in the table. Pursuant to SEC regulations, this table is calculated as of March 31, 2020. As a result, it has not been updated to take into account any changes in assets or leverage since March 31, 2020.

(2) In order to compute the “Corresponding return to stockholder,” the “Assumed Return on Our Portfolio” is multiplied by the total value of our assets at March 31, 2020 to obtain an assumed return to us. From this amount, the interest expense (calculated by multiplying the weighted average stated interest rate of 3.9% by the approximately $986.8 million of principal debt outstanding) is subtracted to determine the return available to stockholders. The return available to stockholders is then divided by the total value of our net assets at March 31, 2020 to determine the “Corresponding return to stockholder.”

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

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

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

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

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

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

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

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

The following table provides information regarding shares of our common stock repurchased by the Company for each month in the three month period ended March 31, 2020:

($ in thousands, except share and per share amounts)

Period	Total Number of Shares Purchased	Average Price Paid per Share	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)
January 2020	—	$ —	—	$ —
February 2020	—	—	—	—
March 2020	206,964	14.15	206,964	47,067
Total	**206,964**	**$ 14.15**	**206,964**	**$ 47,067**

(1) On August 4, 2015, the Company's Board authorized the Company to acquire up to $50 million in aggregate of the Company's common stock from time to time over an initial six month period and has continued to authorize the refreshment of the $50 million amount authorized under and extension of the stock repurchase program prior to its expiration since that time, most recently as of May 5, 2020. The amount and timing of stock repurchases under the program may vary depending on market conditions, and no assurance can be given that any particular amount of common stock will be repurchased. The Board's authorization expires November 30, 2020.

Item 3. Defaults Upon Senior Securities.

Not applicable.

Item 4. Mine Safety Disclosures.

Not applicable.

Item 5. Other Information.

Not applicable.

Item 6. Exhibits.

(a) Exhibits.

10.1 Ninth Amendment to Second Amended and Restated Senior Secured Revolving Credit Agreement, dated as of January 31, 2020, among TPG Specialty Lending, Inc., as Borrower, the Lenders party thereto and Truist Bank (as successor by merger to SunTrust Bank), as Administrative Agent (incorporated by reference to the Exhibit 10.17 to the Company's Annual Report on Form 10-K filed on February 19, 2020).

31.1 Certification of Chief Executive Officer Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002

31.2 Certification of Chief Financial Officer Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002

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

SIGNATURES

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

	TPG SPECIALTY LENDING, INC.
Date: May 5, 2020	By: /s/ Joshua Easterly Joshua Easterly Chief Executive Officer
Date: May 5, 2020	By: /s/ Ian Simmonds Ian Simmonds Chief Financial Officer

Exhibit 31.1

CEO CERTIFICATION

I, Joshua Easterly, certify that:

(1) I have reviewed this quarterly report on Form 10-Q of TPG Specialty Lending, Inc.;

(2) Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

(3) Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

(4) The registrant’s other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles; and

c. Evaluated the effectiveness of the registrant’s disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

d. Disclosed in this report any change in the registrant’s internal control over financial reporting that occurred during the registrant’s most recent fiscal quarter that has materially affected, or is reasonably likely to materially affect, the registrant’s internal control over financial reporting; and

(5) The registrant’s other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant’s auditors and the audit committee of the registrant’s board of directors (or persons performing the equivalent functions):

a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant’s ability to record, process, summarize and report financial information; and

b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant’s internal control over financial reporting.

Date: May 5, 2020

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

Exhibit 31.2

CFO CERTIFICATION

I, Ian Simmonds, certify that:

(1) I have reviewed this quarterly report on Form 10-Q of TPG Specialty Lending, Inc.;

(2) Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

(3) Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

(4) The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles; and

c. Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

d. Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

(5) The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: May 5, 2020

By: /s/ Ian Simmonds

Ian Simmonds
Chief Financial Officer

Exhibit 32

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

In connection with the quarterly report on Form 10-Q of TPG Specialty Lending, Inc. (the “Company”) for the quarterly period ended March 31, 2020, as filed with the Securities and Exchange Commission on the date hereof (the “Report”), Joshua Easterly as Chief Executive Officer of the Company, and Ian Simmonds, as Chief Financial Officer of the Company, each hereby certifies, pursuant to 18 U.S.C. § 1350, as adopted pursuant to § 906 of the Sarbanes-Oxley Act of 2002, that, to such officer’s knowledge:

(1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

/s/ Joshua Easterly

Name: Joshua Easterly
Title: Chief Executive Officer
Date: May 5, 2020

/s/ Ian Simmonds

Name: Ian Simmonds
Title: Chief Financial Officer
Date: May 5, 2020

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