

*Sullivan & Cromwell LLP
125 Broad Street
New York, New York 10004*

April 20, 2018

Via EDGAR

United States Securities and Exchange Commission,
Division of Investment Management,
100 F Street N.E.,
Washington, D.C. 20549.

Attention: Ms. Anu Dubey

**Re: TCG BDC, Inc.
Preliminary Proxy Statement on Schedule 14A (File No. 814-00995)
Submitted April 10, 2018**

Dear Ms. Dubey:

On behalf of our client, TCG BDC, Inc. (the “Company” or “TCG BDC”), we are submitting this response letter (the “Response Letter”) in connection with the above-referenced preliminary proxy statement on Schedule 14A (the “Preliminary Proxy Statement”) that was filed on April 10, 2018 and the comments of the staff of the Division of Investment Management (the “Staff”) of the Securities and Exchange Commission (the “Commission”) provided by you to us during telephone conversations between April 17, 2017 and April 19, 2018.

The Company appreciates the Staff’s review of the Preliminary Proxy Statement and looks forward to working with the Staff to resolve the Staff’s comments. For your convenience, the Company has summarized each of the Staff’s comments below in bold and provided its responses below each comment. Capitalized terms that are in this letter but not defined herein have the meanings assigned to them in the Preliminary Proxy Statement. Except as specifically noted otherwise, page numbers refer to the page numbers in the Preliminary Proxy Statement.

In response to a number of the comments, the Company has agreed to change or supplement the disclosures in the Preliminary Proxy Statement in its definitive Proxy Statement

(the “Definitive Proxy Statement”), which it intends to file not later than April 27, 2018 in order to utilize “notice and access” for making available the Definitive Proxy Statement to its stockholders. It is doing so in order to address the Staff’s views in a constructive manner and not because the Company believes its initial filing was deficient or inaccurate in any respect. Accordingly, any changes reflected in the Definitive Proxy Statement, or any changes implemented in future filings, should not be taken as an admission that prior disclosures were in any way deficient or inaccurate.

General

- 1. We ask you to submit a response letter via EDGAR in order that the Staff can review it prior to your filing of a definitive proxy statement. Where comments ask for revised disclosure or revised disclosure is contemplated by the responses, please provide draft revised disclosure in your response letter; however, where such comments or responses relate to Proposal No. 3, instead of providing draft revised disclosure in your response letter, please attach to the response letter a marked version of your revised draft of Proposal No. 3 showing the changes to Proposal No. 3 as included in the preliminary proxy statement.**

Response:

The Company acknowledges the Staff’s comment and is hereby submitting this Response Letter via EDGAR prior to its filing of the Definitive Proxy Statement. As requested by the Staff, the Company has included revised draft disclosure as it deems appropriate in this Response Letter and has included as an attachment to this Response Letter a marked version of the revised draft of Proposal No. 3 showing the changes to Proposal No. 3 as included in the Preliminary Proxy Statement (the “Revised Proposal No. 3”).

Notice of the 2018 Annual Meeting of Stockholders

- 2. In describing the asset coverage ratio proposal, please add a description explaining that the proposal to approve the application of a minimum asset coverage ratio of 150% to the Company would permit the Company to double the amount of leverage that the Company is permitted to incur. Please make conforming changes elsewhere in the proxy statement where applicable, including to the heading of Proposal No. 3 on page 22.**

Response:

In response to the Staff’s comment, the Company will revise its Notice of the 2018 Annual Meeting of Stockholders so that item 3 of the matters to be considered and voted upon by the Company’s stockholders at the Meeting reads as follows:

- 3. To consider and vote upon a proposal to approve the application of a minimum asset coverage ratio of 150% to the Company, which would permit**

the Company to double the maximum amount of leverage that it is permitted to incur.

The Company will also make conforming changes to similar disclosures elsewhere in the Definitive Proxy Statement, including the definition of Asset Coverage Ratio Proposal on page 1 and the heading of Proposal No. 3 on page 22.

Quorum, Effect of Abstentions and Broker Non-Votes, Vote Required to Approve the Proposals, Page 2

3. **The first sentence of the second paragraph refers to “plurality”. Please disclose what plurality means – for example, under plurality votes, candidates receiving the highest number of votes will be elected, even if they receive less than a majority of the votes.**

Response:

In response to the Staff’s comment, the Company will insert the following sentence immediately after the first sentence of the second paragraph in the section entitled “*Quorum, Effect of Abstentions and Broker Non-Votes, Vote Required to Approve the Proposals*” on p. 2:

Under plurality voting, Director candidates receiving the highest number of votes will be elected, even if they receive less favorable votes than a majority of the Company’s outstanding shares.

Adjournment of Meeting, Page 2

4. **Please provide a plain English explanation of “*sine die*”.**

Response:

In response to the Staff’s comment, the Company will revise the first sentence of the first paragraph in the section entitled “*Adjournment of Meeting*” on p. 2 so that it reads as follows:

In the event that a quorum is not achieved at the Meeting, either in person or represented by proxy, the chairman of the Meeting shall have the power to adjourn the Meeting without any future date designated for resumption or from time to time not more than 120 days after the original Record Date without notice other than the announcement at the Meeting to permit further solicitation of proxies.

5. **In the last sentence of the first paragraph, the Company discloses that “[i]f the Meeting is adjourned and a quorum is present at such adjournment, any business may be transacted which might have been transacted at the Meeting as originally**

notified.” However, the first sentence of this paragraph only discusses adjournment in the event that a quorum is not achieved at the Meeting. Please revise or clarify.

Response:

The Company reviewed the disclosure and notes for the Staff that the disclosure in the first paragraph in the section entitled “*Adjournment of Meeting*” is consistent with the relevant provisions in the Company’s bylaws. Nonetheless, in response to the Staff’s comment, the Company will modify the disclosure to insert after “such adjournment” the following: “(that is, the adjourned meeting).”

Revocability of Proxies, Page 3

6. **The disclosure regarding the revocability of proxies is not entirely consistent with the bolded text regarding the revocability of proxies in the Notice of the 2018 Annual Meeting of the Stockholders. Please reconcile the disclosures in these two places.**

Response:

In response to the Staff’s comment, the Company will revise the bolded text regarding the revocability of proxies in the Notice of the 2018 Annual Meeting of the Stockholders so that it reads as follows:

Any proxy given pursuant to this solicitation may be revoked by notice from the person giving the proxy at any time before it is exercised, subject to the voting deadlines that are described in the accompanying proxy statement. Any such notice of revocation should be provided by the stockholder in the same manner as the proxy being revoked.

Corporate Governance—Certain Relationships and Related Party Transactions—Investment Advisory Agreement, Page 17

7. **In the third paragraph from the bottom on page 17, rather than combining numbers and words when disclosing the amounts of the fees, please use either numbers or words (e.g., thousands/millions or 000, not both).**

Response:

In response to the Staff’s comment, the Company will revise the third paragraph and the second paragraph from the bottom on page 17 so that they read as follows:

For the years ended December 31, 2017 and 2016, base management fees were \$19,327,000 and \$12,359,000, respectively (net of waiver of \$5,927,000 and \$6,180,000, respectively), incentive fees related to pre-incentive fee net investment income were \$21,084,000 and \$14,905,000, respectively, and there were no incentive fees related to realized capital gains. For the years ended December 31, 2017 and 2016, there were no accrued capital gains incentive fees

based upon the cumulative net realized and unrealized appreciation (depreciation). The accrual for any capital gains incentive fee under U.S. GAAP in a given period may result in an additional expense if such cumulative amount is greater than in the prior period or a reduction of previously recorded expense if such cumulative amount is less than in the prior period. If such cumulative amount is negative, then there is no accrual.

As of December 31, 2017 and 2016, \$13,098,000 and \$8,157,000, respectively, was included in base management and incentive fees payable in the accompanying Consolidated Statements of Assets and Liabilities included in the Annual Report.

In addition, for consistency, the Company will also replace each reference to “thousand” with “000” elsewhere in the Definitive Proxy Statement, where applicable, including in the sections entitled “*Administration Agreement*,” “*Sub-Administration Agreements*” and “*Placement Fees*” on pages 17 and 18.

Proposal No. 3 Approval of the Application of A Minimum Asset Coverage Ratio of 150% of the Company, Page 22

8. Please revise the heading of this proposal per Comment 2.

Response:

In response to the Staff’s comment, the Company will revise the disclosure as requested as shown on page 1 of the Revised Proposal No. 3 attached hereto.

9. In the first paragraph under the “*Background*” section, please add a plain English explanation of the leverage limits —e.g., The existing 200% ratio means that the Company can borrow one dollar for investment purposes for every one dollar of investor equity and, under the 150% ratio, the Company can borrower two dollars for investment purposes for every one dollar of investor equity.

Response:

In response to the Staff’s comment, the Company will revise the disclosure as requested as shown on page 1 of the Revised Proposal No. 3 attached hereto.

10. In the second paragraph under the “*Background*” section, please disclose that the change in asset coverage ratio approved by the Board means that, as of April 9, 2019, the Company can incur double the amount of leverage than it can currently.

Response:

In response to the Staff’s comment, the Company will revise the disclosure as requested as shown on page 1 of the Revised Proposal No. 3 attached hereto.

11. **In the third paragraph under the “Background” section, please add an explanation that the reason for this proposal is to move up the effective date of the increase in the leverage limit by a year.**

Response:

In response to the Staff’s comment, the Company will revise the disclosure as requested as shown on page 1 of the Revised Proposal No. 3 attached hereto.

Proposal No. 3 Approval of the Application of A Minimum Asset Coverage Ratio of 150% of the Company, Page 23

12. **In the “Benefits of Increased Financial Flexibility” section, please disclose as of a recent date: (1) the Company’s asset size in dollars; (2) the Company’s current borrowings in dollars and as a percentage of the Company’s assets; and (3) the additional amount of borrowings that the Company would be permitted to incur if the 150% asset coverage ratio were applied in dollars and as a percentage of the Company’s assets.**

Response:

In response to the Staff’s comment, the Company will revise the disclosure as requested as shown on pages 2-3 of the Revised Proposal No. 3 attached hereto.

13. **In “The Company’s Investment Strategy and Portfolio Construction” section, please disclose what kind of leverage the Company is expected to employ if the stockholders approve this proposal. If the Company expects to change its investment strategy given the change in leverage, please disclose how; if not, please so state in the response letter.**

Response:

In response to the Staff’s comment, the Company will revise the disclosure as requested as shown on page 5 of the Revised Proposal No. 3 attached hereto. The Company advises the Staff that it does not expect to change its investment strategy as a result of the change in the asset coverage ratio.

Proposal No. 3 Approval of the Application of A Minimum Asset Coverage Ratio of 150% of the Company, Page 24

14. **Please add to here or elsewhere two tables consistent with the table required under Item 8.3.b.(4) of Form N-2, with one table based on the current amount of borrowings and the second table based on the maximum amount of borrowings that could be incurred by the Company if the proposal is adopted.**

Response:

In response to the Staff's comment, the Company will revise the disclosure as requested as shown on pages 3-4 of the Revised Proposal No. 3 attached hereto.

15. **In the “*Impact on the Base Management and Incentive Fees*” section, please add a pro forma fee table that compares current fees payable to the Investment Adviser compared to the maximum fees payable to the Investment Adviser if the proposal is adopted.**

Response:

In response to the Staff's comment, the Company will revise the disclosure as requested as shown on page 6 of the Revised Proposal No. 3 attached hereto.

16. **In the “*Impact on the Base Management and Incentive Fees*” section, please add risk disclosure explaining that because the income-based incentive fee has a hurdle rate based on net assets, it will be easier for the Investment Adviser to meet the hurdle rate for the income-based incentive fee as a result of increased leverage.**

Response:

In response to the Staff's comment, the Company will revise the disclosure as requested as shown on page 5 of the Revised Proposal No. 3 attached hereto.

17. **In the “*Limitations of Current Credit Facilities*” section, please add risk disclosure explaining the potential for the interest rate(s) on the borrowings under the Facilities to increase if the contractual asset coverage limitation is reduced under the Facilities.**

Response:

In response to the Staff's comment, the Company will revise the disclosure as requested as shown on page 7 of the Revised Proposal No. 3 attached hereto.

* * *

Any questions or comments with respect to the responses may be communicated to the undersigned at (212) 558-4940 or by email (farrarw@sullcrom.com). Please send copies of any correspondence relating to this filing to me by email with the original by mail to Sullivan & Cromwell LLP, 125 Broad Street, New York, New York 10004.

Very truly yours,

/s/ William G. Farrar

William G. Farrar

(Attachment)

cc: Michael A. Hart
Thomas M. Hennigan
Venugopal Rathi
Erik Barrios
(TCG BDC, Inc.)

PROPOSAL NO. 3

APPROVAL OF THE APPLICATION OF A MINIMUM ASSET COVERAGE RATIO OF 150% TO THE COMPANY, WHICH WOULD PERMIT THE COMPANY TO DOUBLE THE MAXIMUM AMOUNT OF LEVERAGE THAT IT IS PERMITTED TO INCUR

Background

On March 23, 2018, an amendment to Section 61(a) of the 1940 Act was signed into law to permit BDCs to reduce the minimum “asset coverage” ratio from 200% to 150% ~~and, as a result, to potentially increase the ratio of a BDC’s debt to equity to a maximum 2 to 1 from a maximum of 1 to 1, so long as certain approval and disclosure requirements are satisfied.~~ %, so long as certain approval and disclosure requirements are satisfied. Under the existing 200% minimum asset coverage ratio, the Company is permitted to borrow up to one dollar for investment purposes for every one dollar of investor equity, and under the 150% minimum asset coverage ratio, the Company will be permitted to borrow up to two dollars for investment purposes for every one dollar of investor equity. In other words, Section 61(a) of the 1940 Act, as amended, permits BDCs to potentially increase their debt-to-equity ratio from a maximum of 1 to 1 to a maximum of 2 to 1.

Specifically, the Company is permitted to apply a lower minimum asset coverage ratio of 150% if: (1) the Company complies with certain additional asset coverage disclosure requirements, as discussed below; and (2)(A) a “required majority” of the Company’s directors, as defined in Section 57(o) of the 1940 Act, approves the application of such a lower minimum asset coverage ratio to the Company, in which case the 150% minimum asset coverage ratio will become effective on the date that is one year after the date of such Independent Director approval; or (B) the Company obtains, at a special or annual meeting of its stockholders at which a quorum is present, the approval of more than 50% of the votes cast for the application of such a lower minimum asset coverage ratio to the Company, in which case the 150% minimum asset coverage ratio will become effective on the first day after the date of such stockholder approval. “Asset coverage” for purposes of this proposal has the meaning set forth in Section 18(h) of the 1940 Act and generally is a company’s total assets, less all liabilities and indebtedness not represented by senior securities, divided by total senior securities representing indebtedness and, if applicable, preferred stock.

At a meeting of the Board held on April 9, 2018, the Board, including a “required majority” of the Company’s directors, as defined in Section 57(o) of the 1940 Act, approved the 150% minimum asset coverage ratio as being in the best interests of the Company and its stockholders. As a result, and subject to certain additional disclosure requirements as described below, the 150% minimum asset coverage ratio will apply to the Company effective as of April 9, 2019. This means that, as of April 9, 2019, the Company will be permitted to incur double the maximum amount of leverage that the Company is able to incur currently.

In addition, in order to provide the Company with the maximum financial flexibility at the earliest possible date, the Board authorized the Company to seek stockholder approval of the Asset Coverage Ratio Proposal, which, if passed, would move up the effective date of the increase in the leverage limit by approximately ten months. If the Company’s stockholders approve the Asset Coverage Ratio Proposal at the Meeting, the 150% minimum asset coverage ratio will then apply effective as of the first day after the Meeting, June 7, 2018, the first day after the Meeting and, as a result, the Company will be permitted to incur double the maximum amount of leverage that the Company is able to incur currently approximately ten months earlier than if the Company’s stockholders do not vote to approve Proposal No. 3.

Recommendation of the Board; Reasons for the Asset Coverage Ratio Proposal

The Board unanimously recommends that the Company’s stockholders approve the Asset Coverage Ratio Proposal. In consideration of the application of the 150% minimum asset coverage ratio to the Company, the Board considered the information it received relating to, among other things:

- the benefits of increased financial flexibility;
- the potential to increase and sustain returns on equity;
- the Company’s investment strategy and portfolio construction;

- the current middle market direct lending landscape;
- the risks relative to benefits associated with the use of increased leverage;
- impact on the base management and incentive fees payable to the Company's investment adviser (the "Investment Adviser");
- limitations of current credit facilities; and
- the Company's additional disclosure obligations.

Benefits of Increased Financial Flexibility

The Board considered that, as a BDC and a regulated investment company ("RIC") for tax purposes, the Company will benefit from increasing the maximum regulatory leverage, through significantly more flexibility for complying with the asset coverage requirements applicable to BDCs. Importantly, application of the 150% minimum asset coverage ratio would enable the Company to better withstand potential adverse market movements while still meeting its asset coverage requirements. For example, as of December 31, 2017, the Company's asset coverage ratio was 235%, which, under the current 200% minimum asset coverage ratio, provided a 15% cushion based on fair value of investments. Under a 150% minimum asset coverage ratio, all else being equal, that cushion would be 36% based on fair value of investments.

For example, even if the underlying performance of one or more portfolio companies may not indicate an impairment or inability to repay all principal and interest in full, volatility in the capital markets may negatively impact the valuations of the Company's investments and create unrealized capital depreciation on certain investments. Any such reductions in value (as well as unrealized capital depreciation based on the underlying performance of the Company's portfolio companies, if any) will negatively impact the Company's total assets and the ability to satisfy the minimum asset coverage ratio. Any failure to satisfy the asset coverage ratio could have a material adverse effect on the Company's business, financial condition or results of operations, including the Company's ability to borrow, pay dividends (and, as a result, the Company's ability to maintain its RIC status), or repurchase shares of its common stock.

In addition to enhancing the ability of the Company to bear adverse market movements and still meet the asset coverage requirements, the Board concluded that having the option to access additional financing would give the Company more flexibility to fully execute its business strategy.

The following table sets forth the following additional information:

- the Company's total assets, total debt outstanding (in dollars and as a percentage of total assets), net assets and asset coverage ratio as of December 31, 2017;
- assuming that as of December 31, 2017 the Company had incurred the maximum amount of borrowings that could be incurred by the Company under the currently applicable 200% asset coverage ratio, the Company's *pro forma* total assets, total debt outstanding (with the maximum amount of additional borrowings that would be permitted to incur in dollars and as a percentage of total assets), net assets and asset coverage ratio; and
- assuming that as of December 31, 2017 the Company had incurred the maximum amount of borrowings that could be incurred by the Company under the proposed 150% asset coverage ratio, the Company's *pro forma* total assets, total debt outstanding (with the maximum amount of additional borrowings that would be permitted to incur in dollars and as a percentage of total assets), net assets and asset coverage ratio.

In evaluating the information presented below, it is important to recognize that the maximum amount of borrowings that could be incurred by the Company is presented for comparative and informational purposes only.

and such information is not a representation of the amount of borrowings that the Company intends to incur or that would be available to the Company to be incurred.

<u>Selected Consolidated Financial Statement Data (Unaudited)</u>	<u>Pro Forma Amounts</u>			
	<u>as of December 31, 2017</u>			
	<u>Assuming That the Company Had Incurred the Maximum Amount of Borrowings That Could Be Incurred by the Company</u>			
<u>(dollar amounts in thousands)</u>	<u>Actual Amounts</u>	<u>Under the Currently Applicable 200% Minimum Asset Coverage Ratio⁽²⁾</u>		<u>Under the Proposed 150% Minimum Asset Coverage Ratio⁽³⁾</u>
	<u>As of December 31, 2017⁽¹⁾</u>			
<u>Total Assets</u>	\$ 2,021,383	\$ 2,312,794	\$ 3,440,098	
<u>Total Debt Outstanding</u>	\$ 835,893	\$ 1,127,304	\$ 2,254,608	
<u>Net Assets</u>	\$ 1,127,304	\$ 1,127,304	\$ 1,127,304	
<u>Asset Coverage Ratio</u>	<u>234.9%</u>	<u>200.0%</u>	<u>150.0%</u>	

⁽¹⁾ As of December 31, 2017, the Company's total outstanding indebtedness represented 41.4% of the Company's total assets.

⁽²⁾ Based on the Company's total outstanding indebtedness of \$835.9 million as of December 31, 2017 and applying the currently applicable 200% minimum asset coverage ratio, the Company could have incurred up to an additional \$291.4 million of borrowings, bringing the Company's total indebtedness and total assets to \$1.1 billion and \$2.3 billion, respectively. The maximum amount of additional borrowings of \$291.4 million would have represented 12.6% of the total assets of \$2.3 billion, which are the total assets that the Company would have had with such additional borrowings.

⁽³⁾ Assuming that the Company had incurred the maximum amount of borrowings that could be incurred by the Company under the currently applicable 200% minimum asset coverage ratio of \$1.1 billion and applying the proposed 150% minimum asset coverage ratio, the Company could have incurred up to an additional \$1.1 billion of borrowings, bringing the Company's total indebtedness and total assets to \$2.3 billion and \$3.4 billion, respectively. The maximum amount of additional borrowings of \$1.1 billion would have represented 32.8% of the total assets of \$3.4 billion, which are the total assets that the Company would have had with such additional borrowings.

Potential to Increase and Sustain Returns on Equity

The Board and the Investment Adviser discussed how access to greater leverage has the potential to increase and sustain the Company's investment yield and returns to common stockholders. Funds that use leverage generally aim to earn an investment return on money raised through leverage that exceeds the costs of leveraging, and thereby to increase returns to common stockholders. The Board discussed that any investment returns in excess of the costs of leverage would benefit the holders of the common stock; however, to the extent the costs of leverage exceed such investment returns, those costs would be borne by and reduce the returns to the holders of the common stock.

The Investment Adviser informed the Board that the Company would only expect to incur additional indebtedness if the Investment Adviser believes that, over time, the costs of carrying the assets to be acquired through leverage are likely to be lower than the Company's expected incremental investment yield and returns on equity.

While no assurances can be given that the investment yield and returns on equity attributable to borrowing would exceed the costs of such leverage, the Board concluded that the benefits of increased leverage outweigh the risks, as noted in more detail below.

The following tables illustrate the effect of leverage on returns from an investment in the Company's common stock, based on (1) the actual amount of borrowings incurred by the Company as of December 31, 2017, (2) the maximum amount of borrowings that could be incurred by the Company as of December 31, 2017 under the currently applicable 200% minimum asset coverage ratio (that is, a 1:1 debt-to-equity ratio), and (3) the maximum amount of borrowings that could be incurred by the Company as of December 31, 2017 if the proposed 150% minimum asset coverage ratio were applied (that is, a 2:1 debt-to-equity ratio), in each case assuming annual returns on the Company's portfolio (net of expenses) of -10%, -5%, 0%, 5% and 10%. The calculations in the tables below are hypothetical, and actual returns may be higher or lower than those appearing in the tables below.

**Effects of Leverage Based on the Actual Amount of Borrowings Incurred by the Company as of
December 31, 2017**

<u>Assumed annual returns on the Company's portfolio (net of expenses)</u>	<u>(10)%</u>	<u>(5)%</u>	<u>0 %</u>	<u>5%</u>	<u>10%</u>
<u>Corresponding return to common stockholder ⁽¹⁾</u>	<u>(20.540)%</u>	<u>(11.580)%</u>	<u>(2.610)%</u>	<u>6.35%</u>	<u>15.32%</u>

⁽¹⁾ As of December 31, 2017, the Company had (i) \$2.0 billion in total assets (ii) \$835.9 million in outstanding indebtedness, (iii) \$1.1 billion in net assets and (iv) a weighted average interest rate, excluding fees (such as fees on undrawn amounts and amortization of financing costs), of 3.52%.

**Effects of Leverage Based on the Pro Forma Maximum Amount of Borrowings That Could Be
Incurred by the Company
Under the Currently Applicable 200% Minimum Asset Coverage Ratio
(i.e., A 1:1 Debt-to-Equity Ratio)**

<u>Assumed annual returns on the Company's portfolio (net of expenses)</u>	<u>(10)%</u>	<u>(5)%</u>	<u>0 %</u>	<u>5%</u>	<u>10%</u>
<u>Corresponding return to common stockholder ⁽¹⁾</u>	<u>(24.040)%</u>	<u>(13.780)%</u>	<u>(3.520)%</u>	<u>6.74%</u>	<u>17.00%</u>

⁽¹⁾ Assuming that (a) the Company had incurred the maximum amount of borrowings that could be incurred by the Company as of December 31, 2017 under a 200% minimum asset coverage ratio, and (b) the additional borrowings compared to the actual amount of borrowings incurred by the Company as of December 31, 2017, which were \$291.4 million, are fully invested, the Company would have (i) \$2.3 billion in total assets, (ii) \$1.1 billion in outstanding indebtedness and (iii) \$1.1 billion in net assets. The weighted average interest rate, excluding fees (such as fees on undrawn amounts and amortization of financing costs), is assumed to be 3.52%, which is the Company's weighted average interest rate as of December 31, 2017.

**Effects of Leverage Based on the Pro Forma Maximum Amount of Borrowings That Could Be
Incurred by the Company
Under the Proposed 150% Minimum Asset Coverage Ratio
(i.e., A 2:1 Debt-to-Equity Ratio)**

<u>Assumed annual returns on the Company's portfolio (net of expenses)</u>	<u>(10)%</u>	<u>(5)%</u>	<u>0 %</u>	<u>5%</u>	<u>10%</u>
<u>Corresponding return to common stockholder ⁽¹⁾</u>	<u>(37.560)%</u>	<u>(22.300)%</u>	<u>(7.040)%</u>	<u>8.22%</u>	<u>23.48%</u>

⁽¹⁾ Assuming that (a) the Company had incurred the maximum amount of borrowings that could be incurred by the Company as of December 31, 2017 if a 150% minimum asset coverage ratio were applied, and (b) the additional borrowings compared to the maximum amount of borrowings that could be incurred by the Company as of December 31, 2017 under a 200% minimum asset coverage ratio, which was \$1.1 billion, are fully invested, the Company would have (i) \$3.4 billion in total assets, (ii) \$2.3 billion in outstanding indebtedness and (iii) \$1.1 billion in net assets. The weighted average interest rate, excluding fees (such as fees on undrawn amounts and amortization of financing costs), is assumed to be 3.52%, which is the Company's weighted average interest rate as of December 31, 2017.

The Company's Investment Strategy and Portfolio Construction

The Board considered the Company's investment strategy and portfolio construction and, based on that review, believes that the Company would be well-positioned to prudently and effectively employ an increased level of leverage if it chose to do so. The Board noted that the Company has historically held a defensive, diversified portfolio of first lien senior secured loans. The Board also noted that the Company focuses on stable, healthy businesses with strong cash-flow generation in non-cyclical sectors. As of December 31, 2017, the Company had a portfolio of 107 investments in 90 portfolio companies across 28 industries and 57 unique sponsors. It further noted that, as of December 31, 2017, approximately 99.3% of the Company's debt investments bore interest at floating rates, subject to interest rate floors, and 77.8% of the Company portfolio was invested in first lien debt investments.

[The Company believes that any use of increased leverage will generally depend on market conditions at the applicable time. Although the Company's plan with respect to increased leverage has yet to be determined, the Company anticipates that any increase in leverage is likely to be in the form of indebtedness.](#)

The Current Middle Market Direct Lending Landscape

The Board considered the middle market direct lending landscape in which the Company operates. The Company's primary competitors in providing financing to middle market companies include public and private funds, other BDCs, commercial and investment banks, collateralized loan obligations, commercial finance companies and, to the extent they provide an alternative form of financing, private equity and hedge funds. Many of the Company's potential competitors are substantially larger and have considerably greater financial, technical and marketing resources than the Company. For example, some competitors may have a lower cost of funds and access to funding sources that will not be available to the Company. In addition, some competitors may have higher risk tolerances or different risk assessments than the Company, which could allow them to consider a wider variety of investments than the Company. Furthermore, many of the Company's competitors are not subject to the regulatory restrictions to which the Company is subject under the 1940 Act. Enabling the Company to incur additional indebtedness is expected to increase the competitiveness of the Company. Moreover, if other BDCs take advantage of the ability to incur additional indebtedness and the Company does not have the flexibility to do so, its competitiveness relative to such BDCs may be reduced.

Risks Relative to Potential Benefits Associated With the Use of Increased Leverage

The Board considered how increased leverage could increase the risks associated with investing in the Company's common stock. For example, if the value of the Company's assets decreases, leverage will cause the Company's net asset value to decline more sharply than it otherwise would have without leverage or with lower leverage. Similarly, any decrease in the Company's revenue would cause its net income to decline more sharply than it would have if the Company had not borrowed or had borrowed less. However, since the Company already uses leverage in optimizing its investment portfolio, there are no material new risks associated with increased leverage. As a result, the Board concluded that the potential benefits of increased leverage outweigh these risks.

Impact on the Base Management and Incentive Fees

The Board considered the impact of the use of higher leverage on the Company's base management fee and incentive fee payable to the Investment Adviser, noting that additional leverage would increase the base management fee and could increase the incentive fees. For example, base management fees are payable based on its gross assets, including assets acquired through the use of leverage (but excluding cash and any temporary investments in cash-equivalents), which may give the Investment Adviser an incentive to use a higher level of leverage to make additional investments. Similarly, the incentive fees payable by the Company to the Investment Adviser may create an incentive for the Investment Adviser to pursue investments that are riskier or more speculative than would be the case in the absence of such compensation arrangement. [The incentive fees payable to the Investment Adviser are calculated based on a percentage of the Company's return on invested capital. This may encourage the Investment Adviser to use leverage to increase the return on the Company's investments. In particular, a portion of the incentive fees payable to the Investment Adviser is calculated based on the Company's pre-incentive fee net investment income, expressed as a rate of return on the value of the Company's net assets at the end of the immediately preceding calendar quarter, subject to a "hurdle rate" of 1.50% per quarter \(6% annualized\) and a "catch-up rate" of 1.82% per quarter \(7.28% annualized\). See "Corporate Governance—Certain Relationships and Related Party Transactions—Investment Advisory Agreement."](#) Accordingly, [an increase in leverage may make it easier for the Company to meet or exceed the hurdle rate applicable to the income-based incentive fee and may result in an increase in the amount of income-based incentive fee payable to the Investment Adviser.](#)

However, since the Company already uses leverage in optimizing its investment portfolio, there are no material new risks associated with increased leverage on the base management and incentive fees payable to the Investment Advisor or the Investment Advisor's incentives. The Investment Advisor also informed the Board that it intends to manage the Company in the same disciplined manner as it has prior to the effectiveness of the lower

minimum asset coverage ratio. As a result, the Board concluded that the potential benefits of increased leverage outweigh these risks.

The following table illustrates the impact of leverage on the base management and incentive fees payable to the Investment Adviser based on financial data for the quarter ended December 31, 2017. The calculations in the table below are hypothetical, and the base management and incentive fees payable to the Investment Adviser will be based on the Company's actual performance and will not be paid unless the Company achieves certain goals.

<u>Selected Consolidated Statement of Operations Data (Unaudited)</u> ⁽¹⁾	<u>Pro Forma Amounts</u> <u>For the Quarter Ended December 31, 2017</u> <u>Assuming That the Company Had Incurred the Maximum Amount of Borrowings That Could Be Incurred by the Company</u>			
	<u>Actual Amounts For the Quarter Ended December 31, 2017</u>	<u>Under the Currently Applicable 200% Minimum Asset Coverage Ratio</u> ⁽²⁾		<u>Under the Proposed 150% Minimum Asset Coverage Ratio</u> ⁽³⁾
<i>(dollar amounts in thousands)</i>				
Total Investment Income	\$ 49,510	\$ 56,734	\$ 85,101	
Base Management Fees ⁽⁴⁾	\$ 7,473	\$ 8,455	\$ 12,682	
Pre-Incentive Net Investment Income	\$ 32,141	\$ 35,268	\$ 47,341	
Incentive Fees ⁽⁵⁾⁽⁶⁾	\$ 5,625	\$ 6,172	\$ 8,285	
Net Investment Income	\$ 26,516	\$ 29,096	\$ 39,056	
Net Investment Income Divided by Weighted-Average Common Shares	9.4 %	10.3 %	13.9 %	

⁽¹⁾ Not annualized, except for net investment income divided by the weighted-average number of common shares.

⁽²⁾ Assumes that the Company had incurred the maximum amount of borrowings that could be incurred by the Company under the currently applicable 200% minimum asset coverage ratio. The maximum amount of borrowings that could be incurred by the Company is presented for comparative and informational purposes only and such information is not a representation of the amount of borrowings that the Company intends to incur or that would be available to the Company to be incurred.

⁽³⁾ Assumes that the Company had incurred the maximum amount of borrowings that could be incurred by the Company under the proposed 150% minimum asset coverage ratio. The maximum amount of borrowings that could be incurred by the Company is presented for comparative and informational purposes only and such information is not a representation of the amount of borrowings that the Company intends to incur or that would be available to the Company to be incurred.

⁽⁴⁾ The base management fee under the Investment Advisory Agreement is calculated and payable quarterly in arrears at an annual rate of 1.50% of the Company's average gross assets, including assets acquired through the incurrence of debt, excluding cash and cash equivalents and adjusted for share issuances or repurchases. See "Corporate Governance—Certain Relationships and Related Party Transaction—Investment Advisory Agreement."

⁽⁵⁾ The incentive fee has two parts. The first part is calculated and payable quarterly in arrears based on the Company's pre-incentive fee net investment income for the immediately preceding calendar quarter. The second part is determined and payable in arrears as of the end of each calendar year (or upon termination of the Investment Advisory Agreement, as of the termination date) in an amount equal to 17.5% of our realized capital gains, if any, on a cumulative basis from inception through the end of each calendar year, computed net of all realized capital losses and unrealized capital depreciation on a cumulative basis, less the aggregate amount of any previously paid capital gain incentive fees. See "Corporate Governance—Certain Relationships and Related Party Transaction—Investment Advisory Agreement."

⁽⁶⁾ In calculating the *pro forma* incentive fees as a result of the Company's incurring additional borrowings, the Company has assumed that the same weighted-average yield that was earned on the investments held during the quarter ended December 31, 2017 is generated on incremental investments made using proceeds from such additional borrowings. For example, the *pro forma* total investment income is calculated by applying the ratio of "total investment income" to "total investments, at fair value" for the quarter ended December 31, 2017 to the *pro forma* assets. This same ratio is used to calculate other *pro forma* expenses, such as professional fees, administrative service fees, directors' fees and other general and administrative expenses. For costs associated with interest expenses and credit facility fees, the ratios of interest expense and credit facility fees for the quarter ended December 31, 2017 to the total debt outstanding as of December 31, 2017, respectively, are applied to the *pro forma* total debt outstanding to calculate the *pro forma* interest expenses and credit facility fees.

Limitations of Current Credit Facilities

The Company and its wholly owned subsidiary, TCG BDC SPV LLC ("SPV"), have each entered into a senior secured revolving credit facility (collectively, the "Facilities"). The Facilities include financial covenants that

require the Company and the SPV to maintain a 200% minimum asset coverage ratio. The Company plans to seek amendments to the Facilities to lower the minimum asset coverage ratio to 150%. The Company cannot assure you that it will be able to negotiate a change to the Facilities to allow it and/or the SPV to incur additional leverage or that any such amendment will be available to it and/or the SPV on favorable terms. An inability on the part of the Company and/or the SPV to amend the contractual asset coverage limitation and access additional leverage could limit the Company's ability to take advantage of the benefits described above related to its ability to incur additional leverage. [Amendments to the Facilities to reduce the asset coverage limitation in the Facilities may result in the lenders demanding higher interest rates being applied to the borrowings under the Facilities, which, in turn, would increase the Company's borrowing costs and limit the benefits of increased leverage.](#)

The Company's Additional Disclosure Obligations

The Company must comply with the following additional disclosure requirements upon approval of the application of the 150% minimum asset coverage ratio to the Company by either a majority of the Company's Independent Directors or the Company's stockholders:

- not later than 5 business days after the date on which the 150% minimum asset coverage ratio is approved, the Company is required to disclose such approval, and the effective date of such approval, in (1) any filing submitted to the SEC under Section 13(a) or 15(d) of the Exchange Act (such as the Company's Form 8-K, Form 10-Q or Form 10-K); and (2) a notice on the Company's website (<http://tcgbdc.com/>), both of which have been done;
- the Company is required to disclose, in each periodic filing required under Section 13(a) of the Exchange Act (i.e., the Company's Form 10-Q or Form 10-K): (1) the aggregate principal amount or liquidation preference, as applicable, of the senior securities issued by the Company and the asset coverage ratio as of the date of the Company's most recent financial statements included in that filing; (2) that the 150% minimum asset coverage ratio was approved; and (3) the effective date of such approval; and
- as an issuer of common stock, the Company is also required to include in each periodic filing required under Section 13(a) of the Exchange Act (i.e., the Company's Form 10-Q or Form 10-K) disclosures that are reasonably designed to ensure that the Company's stockholders are informed of: (1) the amount of senior securities (and the associated asset coverage ratios) of the Company, determined as of the date of the most recent financial statements of the Company included in the filing; and (2) the principal risk factors associated with the senior securities described in the preceding clause, to the extent that risk is incurred by the Company.

The Board noted that, based on discussions with the Investment Adviser, none of these requirements are burdensome and the additional disclosure is appropriate.

Conclusion

Following consideration of the foregoing benefits and risks, the Board, including all Independent Directors, believes that permitting the Company to apply a minimum asset coverage ratio of 150% as of the earliest possible date is in the best interests of the Company and its stockholders. No single factor was determinative of the Board's decision, but rather, the Directors based their determination on the total mix of information available to them.

Required Vote

Approval requires the receipt of "FOR" votes constituting a majority of the votes cast on the proposal at the Meeting, provided a quorum is present. Abstentions will not be included in determining the number of votes cast and, as a result, will have no effect on this proposal. Shares represented by broker non-votes also are not considered votes cast and thus have no effect on the proposal.

THE BOARD UNANIMOUSLY RECOMMENDS THAT YOU VOTE "FOR" THE ASSET COVERAGE RATIO PROPOSAL.