

TCP Capital Corp.
Form 10-Q
November 06, 2014

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, DC 20549

FORM 10-Q

x Quarterly Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934

For the Quarter Ended September 30, 2014

Transition Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934

Commission File Number: 814-00899

TCP CAPITAL CORP.

(Exact Name of Registrant as Specified in Charter)

Delaware **56-2594706**
(State or Other Jurisdiction (IRS Employer
of Incorporation) Identification No.)

2951 28th Street, Suite 1000
Santa Monica, California **90405**
(Address of Principal Executive Offices) (Zip Code)

Registrant's telephone number, including area code **(310) 566-1000**

Table of Contents

TCP CAPITAL CORP.

FORM 10-Q FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2014

TABLE OF CONTENTS

Part I. Financial Information

Item 1. Financial Statements	
Consolidated Statements of Assets and Liabilities as of September 30, 2014 (unaudited) and December 31, 2013	2
Consolidated Statements of Investments as of September 30, 2014 (unaudited) and December 31, 2013	3
Consolidated Statements of Operations for the three and nine months ended September 30, 2014 (unaudited) and September 30, 2013 (unaudited)	13
Consolidated Statements of Changes in Net Assets for the nine months ended September 30, 2014 (unaudited) and year ended December 31, 2013	14
Consolidated Statements of Cash Flows for the nine months ended September 30, 2014 (unaudited) and September 30, 2013 (unaudited)	15
Notes to Consolidated Financial Statements (unaudited)	16
Consolidated Schedule of Changes in Investments in Affiliates for the nine months ended September 30, 2014 (unaudited) and year ended December 31, 2013	36
Consolidated Schedule of Restricted Securities of Unaffiliated Issuers as of September 30, 2014 (unaudited) and December 31, 2013	37
Consolidating Statement of Assets and Liabilities as of September 30, 2014 (unaudited) and December 31, 2013	39
Consolidating Statement of Operations for the nine months ended September 30, 2014 (unaudited) and September 30, 2013 (unaudited)	41
Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations	44
Item 3. Quantitative and Qualitative Disclosures About Market Risk	56
Item 4. Controls and Procedures	56

Part II. Other Information

Item 1. Legal Proceedings	57
---------------------------	----

Edgar Filing: TCP Capital Corp. - Form 10-Q

Item 1A. Risk Factors	57
Item 2. Unregistered Sales of Equity Securities and Use of Proceeds	58
Item 3. Defaults upon Senior Securities	58
Item 4. Mine Safety Disclosures	58
Item 5. Other Information	58
Item 6. Exhibits	58

TCP Capital Corp.

Consolidated Statements of Assets and Liabilities

	September 30, 2014 (unaudited)	December 31, 2013
Assets		
Investments, at fair value:		
Companies less than 5% owned (cost of \$1,012,619,777 and \$684,569,508, respectively)	\$ 1,010,685,137	\$ 678,326,915
Companies 5% to 25% owned (cost of \$54,987,297 and \$73,946,547, respectively)	48,193,229	69,068,808
Companies more than 25% owned (cost of \$40,807,126 and \$42,588,724 respectively)	15,918,961	18,867,236
Total investments (cost of \$1,108,414,200 and \$801,104,779, respectively)	1,074,797,327	766,262,959
Cash and cash equivalents	24,144,075	22,984,182
Receivable for investments sold	-	3,605,964
Accrued interest income:		
Companies less than 5% owned	9,677,087	6,282,353
Companies 5% to 25% owned	650,326	415,061
Companies more than 25% owned	31,901	41,691
Deferred debt issuance costs	7,487,811	2,969,085
Unrealized appreciation on swaps	1,071,130	-
Options (cost \$51,750)	1,327	14,139
Prepaid expenses and other assets	1,745,080	753,768
Total assets	1,119,606,064	803,329,202
Liabilities		
Debt	319,099,077	95,000,000
Incentive allocation payable	3,767,604	3,318,900
Interest payable	2,482,066	430,969
Payable for investments purchased	1,250,031	14,706,942
Payable to the Investment Manager	411,292	1,121,108
Unrealized depreciation on swaps	-	331,183
Accrued expenses and other liabilities	2,862,844	3,136,010
Total liabilities	329,872,914	118,045,112
Commitments and contingencies (Note 5)		
Preferred equity facility		
Series A preferred limited partner interests in Special Value Continuation Partners, LP; \$20,000/interest liquidation preference; 6,700 interests	134,000,000	134,000,000

Edgar Filing: TCP Capital Corp. - Form 10-Q

authorized, issued and outstanding		
Accumulated dividends on Series A preferred equity facility	498,858	504,252
Total preferred limited partner interests	134,498,858	134,504,252
Non-controlling interest		
General Partner interest in Special Value Continuation Partners, LP	701,164	1,168,583
Net assets applicable to common shareholders	\$ 654,533,128	\$ 549,611,255
Composition of net assets applicable to common shareholders		
Common stock, \$0.001 par value; 200,000,000 shares authorized, 42,410,242 and 36,199,916 shares issued and outstanding as of September 30, 2014 and December 31, 2013, respectively	42,410	36,200
Paid-in capital in excess of par	774,297,634	667,842,020
Accumulated net investment income	24,345,823	24,016,095
Accumulated net realized losses	(110,733,996)	(105,800,278)
Accumulated net unrealized depreciation	(32,717,579)	(35,314,199)
Non-controlling interest	(701,164)	(1,168,583)
Net assets applicable to common shareholders	\$ 654,533,128	\$ 549,611,255
Net assets per share	\$ 15.43	\$ 15.18

See accompanying notes.

TCP Capital Corp.

Consolidated Statement of Investments (Unaudited)

September 30, 2014

Showing Percentage of Total Cash and Investments of the Company

Issuer	Instrument	Ref	Spread	Floor	Maturity	Principal	Cost	Value	% of Portfolio
Debt									
Investments									
(A)									
Accounting, Tax Preparation, Bookkeeping, and Payroll Services									
Expert Global Solutions, LLC	First Lien Term Loan B	LIBOR (Q)	7.25%	1.25%	4/3/2018	\$683,590	\$696,318	\$684,728	0.06 %
Expert Global Solutions, LLC	Second Lien Term Loan	LIBOR (Q)	11.00%	1.50%	10/3/2018	\$7,448,973	7,266,578	7,363,310	0.67 %
							7,962,896	8,048,038	0.73 %
Activities Related to Real Estate									
Greystone Select Holdings, LLC	First Lien Term Loan	LIBOR (Q)	8.00%	1.00%	3/26/2021	\$16,511,362	16,284,331	16,560,896	1.51 %
Advertising, Public Relations, and Related Services									
Doubleplay III Limited (United Kingdom)	First Lien Facility A1 Term Loan	EURIBOR (Q)	6.25%	1.25%	3/18/2018	€13,165,705	16,717,182	16,213,862	1.48 %
Artificial Synthetic Fibers and Filaments Manufacturing									
AGY Holding Corp.	Sr Secured Term Loan	Fixed	12.00%	-	9/15/2016	\$2,298,418	2,298,418	2,298,418	0.21 %

Edgar Filing: TCP Capital Corp. - Form 10-Q

AGY Holding Corp.	Second Lien Notes	Fixed	11.00%	-	11/15/2016	\$9,268,000	7,586,318	8,637,777	0.79 %
							9,884,736	10,936,195	1.00 %
Basic Chemical Manufacturing									
M&G Chemicals S.A. (Luxembourg)	Sr Secured Term Loan	LIBOR (Q)	7.50%	-	3/18/2016	\$15,632,077	15,632,077	15,632,077	1.42 %
PeroxyChem, LLC	First Lien Term Loan	LIBOR (Q)	6.50%	1.00%	2/28/2020	\$8,955,000	8,794,870	9,089,325	0.83 %
							24,426,947	24,721,402	2.25 %
Beverage Manufacturing									
Carolina Beverage Group, LLC	Secured Notes	Fixed	10.625%	-	8/1/2018	\$7,780,000	7,780,000	8,091,200	0.74 %
Business Support Services									
STG-Fairway Acquisitions, Inc.	Second Lien Term Loan	LIBOR (Q)	9.25%	1.25%	8/28/2019	\$14,643,455	14,012,131	14,863,107	1.35 %
Chemical Manufacturing									
Archroma	Term Loan B	LIBOR (Q)	8.25%	1.25%	9/30/2018	\$19,946,579	19,627,478	20,208,378	1.84 %
Communications Equipment Manufacturing									
Globecomm Systems, Inc.	First Lien Term Loan	LIBOR (Q)	7.625%	1.25%	12/11/2018	\$14,887,500	14,738,625	14,746,069	1.34 %
Computer Equipment Manufacturing									
ELO Touch Solutions, Inc.	Second Lien Term Loan	LIBOR (Q)	10.50%	1.50%	12/1/2018	\$10,000,000	9,704,432	9,150,000	0.84 %
Computer Systems Design and Related Services									
Autoalert, LLC	First Lien Term Loan	LIBOR (Q)	4.75% Cash + 4% PIK	0.25%	3/31/2019	\$30,613,101	30,061,099	30,980,458	2.82 %
Blue Coat Systems, Inc.	First Lien Revolver	LIBOR (Q)	3.50%	1.00%	5/31/2018	\$-	(780,948)	(570,240)	(0.05%)
Blue Coat Systems, Inc.	Second Lien Term Loan	LIBOR (Q)	8.50%	1.00%	6/28/2020	\$15,000,000	14,878,125	15,000,000	1.36 %
MSC Software Corporation	Second Lien Term Loan	LIBOR (M)	7.50%	1.00%	5/29/2021	\$11,993,035	11,873,105	11,813,140	1.07 %
			8.00%	-	9/3/2018	\$2,367,400	2,367,400	2,352,012	0.21 %

Edgar Filing: TCP Capital Corp. - Form 10-Q

OnX Enterprise Solutions, Ltd.	First Lien Term Loan B	LIBOR (Q)								
OnX Enterprise Solutions, Ltd.	First Lien Term Loan	LIBOR (Q)	7.00%	-	9/3/2018	\$10,560,000	10,433,374	10,317,120	0.94 %	
OnX USA, LLC	First Lien Term Loan B	LIBOR (Q)	8.00%	-	9/3/2018	\$4,734,800	4,734,800	4,704,024	0.43 %	
OnX USA, LLC	First Lien Term Loan	LIBOR (Q)	7.00%	-	9/3/2018	\$5,280,000	5,220,412	5,158,560	0.47 %	
Vistronix, LLC	First Lien Revolver	LIBOR (Q)	7.50%	1.00%	12/4/2018	\$131,329	125,092	131,329	0.01 %	
Vistronix, LLC	First Lien Term Loan	LIBOR (M)	7.50%	1.00%	12/4/2018	\$6,595,001	6,521,724	6,529,051	0.59 %	
Websense, Inc.	Second Lien Term Loan	LIBOR (Q)	7.25%	1.00%	12/27/2020	\$7,200,000	7,164,000	7,200,000	0.66 %	
							92,598,183	93,615,454	8.51 %	
Cut and Sew Apparel Manufacturing										
Jones Apparel, LLC	First Lien FILO Term Loan	LIBOR (M)	9.60%	1.00%	4/8/2019	\$14,329,403	14,186,109	14,479,862	1.32 %	
Data Processing, Hosting, and Related Services										
Asset International, Inc.	Delayed Draw Term Loan	LIBOR (M)	7.00%	1.00%	7/31/2020	\$-	(42,880)	(34,304)	0.00 %	
Asset International, Inc.	Revolver	LIBOR (M)	7.00%	1.00%	7/31/2020	\$355,485	345,667	347,406	0.03 %	
Asset International, Inc.	First Lien Term Loan	LIBOR (M)	7.00%	1.00%	7/31/2020	\$8,212,337	8,051,574	8,130,214	0.74 %	
Rightside Group, Ltd.	Second Lien Term Loan	LIBOR (Q)	8.75%	0.50%	8/6/2019	\$5,000,000	3,994,082	4,280,000	0.39 %	
The Telx Group, Inc.	Senior Notes	Fixed	13.5% PIK	-	7/9/2021	\$4,165,481	4,165,481	4,332,100	0.39 %	
United TLD Holdco, Ltd. (Cayman Islands)	Second Lien Term Loan	LIBOR (Q)	8.75%	0.50%	8/6/2019	\$10,000,000	7,988,163	8,560,000	0.78 %	
							24,502,087	25,615,416	2.33 %	

Edgar Filing: TCP Capital Corp. - Form 10-Q

Electric Power Generation, Transmission and Distribution									
Panda Sherman Power, LLC	First Lien Term Loan	LIBOR (Q)	7.50%	1.50%	9/14/2018	\$11,045,948	10,926,541	11,301,385	1.03 %
Electrical Equipment and Component Manufacturing									
Palladium Energy, Inc.	First Lien Term Loan	LIBOR (Q)	9.00%	1.00%	12/26/2017	\$16,153,317	15,912,128	16,234,084	1.48 %
Electrical Equipment Manufacturing									
API Technologies Corp.	First Lien Term Loan	LIBOR (Q)	7.50%	1.50%	2/6/2018	\$6,773,900	6,706,161	6,746,804	0.61 %
Fabricated Metal Product Manufacturing									
Constellation Enterprises, LLC	First Lien Notes	Fixed	10.625%	-	2/1/2016	\$2,900,000	2,858,907	2,646,250	0.24 %
Financial Investment Activities									
Institutional Shareholder Services, Inc.	Second Lien Term Loan	LIBOR (Q)	7.50%	1.00%	4/30/2022	\$6,471,492	6,406,777	6,439,135	0.59 %
Marsico Capital Management	First Lien Term Loan	LIBOR (M)	5.00%	-	12/31/2022	\$10,520,758	13,247,034	3,892,680	0.35 %
							19,653,811	10,331,815	0.94 %

TCP Capital Corp.

Consolidated Statement of Investments (Unaudited) (Continued)

September 30, 2014

Showing Percentage of Total Cash and Investments of the Company

Issuer	Instrument	Ref	Spread	Floor	Maturity	Principal	Cost	Value	% of Portfolio	Notes
Debt Investments (continued)										
Full-Service Restaurants										
RM Holdco, LLC	Subordinated Convertible Term Loan	Fixed	1.12% PIK	-	3/21/2018	\$5,164,796	\$5,164,796	\$15,494	-	B
RM OpCo, LLC	Second Lien Convertible Term Loan Tranche B-1	Fixed	12% Cash + 7% PIK	-	3/21/2016	\$1,565,489	1,543,886	1,565,489	0.14%	B
RM OpCo, LLC	First Lien Term Loan Tranche A	Fixed	11.00%	-	3/21/2016	\$3,763,095	3,763,095	3,763,095	0.34%	B
RM OpCo, LLC	Second Lien Term Loan Tranche B	Fixed	12% Cash + 7% PIK	-	3/21/2016	\$7,800,294	7,800,294	6,891,560	0.63%	B
RM OpCo, LLC	Second Lien Term Loan Tranche B-1	Fixed	12% Cash + 7% PIK	-	3/21/2016	\$2,456,579	2,427,363	2,456,579	0.22%	B
							20,699,434	14,692,217	1.33%	
Gaming Industries										
AP Gaming I, LLC	First Lien Revolver	LIBOR (Q)	8.25%	1.00%	12/20/2018	\$2,500,000	2,879,797	3,000,000	0.27%	
AP Gaming I, LLC	First Lien Term Loan B	LIBOR (Q)	8.25%	1.00%	12/20/2020	\$14,887,500	14,474,462	15,036,375	1.37%	
							17,354,259	18,036,375	1.64%	
General Medical and Surgical Hospitals										
RegionalCare Hospital	Second Lien Term Loan	LIBOR (M)	9.50%	1.00%	10/23/2019	\$21,017,525	20,718,500	21,227,700	1.93%	

Edgar Filing: TCP Capital Corp. - Form 10-Q

Partners, Inc.

Grocery Stores

Bashas, Inc.	First Lien FILO Term Loan	LIBOR (M)	9.35%	1.50%	12/28/2015	\$12,537,855	12,502,700	12,531,586	1.14%
--------------	---------------------------------	--------------	-------	-------	------------	--------------	------------	------------	-------

The Great Atlantic & Pacific Tea Company, Inc.	Term Loan Tranche B	LIBOR (M)	8.85%	1.00%	9/17/2019	\$21,162,842	20,794,482	21,236,912	1.93%
							33,297,182	33,768,498	3.07%

Insurance Carriers

Acrisure, LLC	Second Lien Notes	LIBOR (Q)	10.50%	1.00%	3/7/2020	\$1,265,299	1,169,087	1,311,491	0.12% E
---------------	----------------------	--------------	--------	-------	----------	-------------	-----------	-----------	---------

Acrisure, LLC	Second Lien Notes	LIBOR (Q)	10.50%	1.00%	3/7/2020	\$20,627,638	20,219,076	20,823,601	1.90% E
---------------	----------------------	--------------	--------	-------	----------	--------------	------------	------------	---------

US Apple Holdco, LLC	First Lien Term Loan	LIBOR (Q)	11.50%	0.50%	8/29/2019	\$20,000,000	19,209,747	19,800,000	1.80%
							40,597,910	41,935,092	3.82%

Insurance Related Activities

Confie Seguros Holding II Co.	Second Lien Term Loan	LIBOR (M)	9.00%	1.25%	5/8/2019	\$7,861,809	7,772,384	7,940,466	0.72%
----------------------------------	--------------------------	--------------	-------	-------	----------	-------------	-----------	-----------	-------

Lessors of Nonfinancial Intangible
Assets

ABG

Intermediate Holdings 2, LLC	Second Lien Term Loan	LIBOR (S)	8.00%	1.00%	5/27/2022	\$15,990,714	15,830,807	15,970,726	1.45%
------------------------------------	--------------------------	--------------	-------	-------	-----------	--------------	------------	------------	-------

Lessors of Real Estate

Hunt Companies, Inc.	Senior Secured Notes	Fixed	9.625%	-	3/1/2021	\$13,084,000	12,931,013	13,672,780	1.24% E/0
----------------------------	----------------------------	-------	--------	---	----------	--------------	------------	------------	-----------

Merchant Wholesalers

Envision

Acquisition Company, LLC	Second Lien Term Loan	LIBOR (Q)	8.75%	1.00%	11/4/2021	\$9,079,011	8,897,430	9,124,406	0.83%
--------------------------------	--------------------------	--------------	-------	-------	-----------	-------------	-----------	-----------	-------

Motion Picture and Video Industries

CORE

Entertainment, Inc.	First Lien Term Loan	Fixed	9.00%	-	6/21/2017	\$9,462,231	9,396,582	8,279,452	0.75%
------------------------	-------------------------	-------	-------	---	-----------	-------------	-----------	-----------	-------

CORE

Entertainment, Inc.	Second Lien Term Loan	Fixed	13.50%	-	6/21/2018	\$7,569,785	7,513,892	6,812,807	0.62%
							16,910,474	15,092,259	1.37%

Newspaper, Periodical, Book, and
Directory Publishers

Edgar Filing: TCP Capital Corp. - Form 10-Q

Hanley-Wood, LLC	First Lien FILO Term Loan	LIBOR (Q)	6.75%	1.25%	7/15/2018	\$16,301,800	16,301,800	16,407,762	1.49%
MediMedia USA, Inc.	First Lien Revolver	LIBOR (Q)	6.75%	-	5/20/2018	\$3,875,000	3,005,743	3,458,283	0.31%
MediMedia USA, Inc.	First Lien Term Loan	LIBOR (Q)	6.75%	1.25%	11/20/2018	\$9,591,911	9,360,784	9,376,093	0.85%
							28,668,327	29,242,138	2.65%
Nondepository Credit Intermediation									
Caribbean									
Financial Group (Cayman Islands)	Sr Secured Notes	Fixed	11.50%	-	11/15/2019	\$10,000,000	9,840,428	10,875,000	0.99%
Trade Finance Funding I, Ltd. (Cayman Islands)	Secured Class B Notes	Fixed	10.75%	-	11/13/2018	\$15,084,000	15,084,000	15,084,000	1.37%
							24,924,428	25,959,000	2.36%
Nonscheduled Air Transportation									
One Sky Flight, LLC	Second Lien Term Loan	Fixed	12% Cash + 3% PIK	-	6/3/2019	\$18,518,669	17,275,660	19,074,229	1.74%
Oil and Gas Extraction									
Jefferson Gulf Coast Energy Partner, LLC	First Lien Term Loan B	LIBOR (M)	8.00%	1.00%	2/27/2018	\$15,000,000	14,850,000	14,943,750	1.36%
MD America Energy, LLC	Second Lien Term Loan	LIBOR (Q)	8.50%	1.00%	8/4/2019	\$10,000,000	9,514,338	9,779,150	0.89%
Willbros Group, Inc.	First Lien Term Loan	LIBOR (Q)	9.75%	1.25%	8/7/2019	\$13,622,801	13,292,164	13,781,711	1.25%
							37,656,502	38,504,611	3.50%
Other Information Services									
TCH-2 Holdings, LLC	Second Lien Term Loan	LIBOR (M)	7.75%	1.00%	11/6/2021	\$19,988,392	19,688,567	19,488,683	1.77%
Other Telecommunications									
Securus Technologies, Inc.	Second Lien Term Loan	LIBOR (Q)	7.75%	1.25%	4/30/2021	\$14,000,000	13,860,000	13,947,500	1.27%
Petroleum and Coal Products Manufacturing									
Boomerang Tube, LLC	Second Lien Term Loan	LIBOR (Q)	9.50%	1.50%	10/11/2017	\$3,879,333	3,819,695	3,481,701	0.32%

TCP Capital Corp.

Consolidated Statement of Investments (Unaudited) (Continued)

September 30, 2014

Showing Percentage of Total Cash and Investments of the Company

Issuer	Instrument	Ref	Spread	Floor	Maturity	Principal	Cost	Value	%
Debt Investments (continued)									
Pesticide, Fertilizer, and Other Agricultural Chemical Manufacturing									
VitAG Holdings, LLC	Sr Secured Term Loan	LIBOR (M)	10.27%	-	2/1/2018	\$7,700,000	\$7,545,323	\$7,766,000	0.
Plastics Products Manufacturing									
Iracore International, Inc.	Sr Secured Notes	Fixed	9.50%	-	6/1/2018	\$13,600,000	13,600,000	12,444,000	1.
Radio and Television Broadcasting									
SiTV, Inc.	Sr Secured Notes	Fixed	10.375%	-	7/1/2019	\$7,312,000	7,312,000	7,248,020	0.
The Tennis Channel, Inc.	First Lien Term Loan	LIBOR (Q)	8.50%	-	5/29/2017	\$18,111,966	17,744,530	18,274,974	1.
							25,056,530	25,522,994	2.
Retail									
Kenneth Cole Productions, Inc.	First Lien FILO Term Loan	LIBOR (M)	10.40%	1.00%	9/25/2017	\$10,863,636	10,689,030	10,917,954	0.
Shopzilla, Inc.	Second Lien Term Loan	LIBOR (Q)	12.50%	-	3/31/2016	\$6,630,353	6,536,895	6,567,364	0.
Shop Holding, LLC	Convertible Promissory Note	Fixed	5.00%	-	8/5/2015	\$73,140	73,140	65,899	0.
							17,299,065	17,551,217	1.
Satellite Telecommunications									
Avanti Communications	Sr Secured Notes	Fixed	10.00%	-	10/1/2019	\$9,914,000	9,914,000	9,914,000	0.

Edgar Filing: TCP Capital Corp. - Form 10-Q

Group, PLC
(United
Kingdom)

Scheduled Air Transportation
Aircraft Leased
to Delta Air
Lines, Inc.

N913DL	Aircraft Secured Mortgage	Fixed	8.00%	-	3/15/2017	\$226,723	226,723	232,220	0.
N918DL	Aircraft Secured Mortgage	Fixed	8.00%	-	8/15/2018	\$332,830	332,830	341,360	0.
N954DL	Aircraft Secured Mortgage	Fixed	8.00%	-	3/20/2019	\$450,991	450,991	461,380	0.
N955DL	Aircraft Secured Mortgage	Fixed	8.00%	-	6/20/2019	\$472,313	472,313	483,140	0.
N956DL	Aircraft Secured Mortgage	Fixed	8.00%	-	5/20/2019	\$470,291	470,291	481,440	0.
N957DL	Aircraft Secured Mortgage	Fixed	8.00%	-	6/20/2019	\$476,444	476,444	487,560	0.
N959DL	Aircraft Secured Mortgage	Fixed	8.00%	-	7/20/2019	\$482,545	482,545	493,680	0.
N960DL	Aircraft Secured Mortgage	Fixed	8.00%	-	10/20/2019	\$504,728	504,728	516,120	0.
N961DL	Aircraft Secured Mortgage	Fixed	8.00%	-	8/20/2019	\$496,848	496,848	508,300	0.
N976DL	Aircraft Secured Mortgage	Fixed	8.00%	-	2/15/2018	\$330,316	330,316	338,640	0.
Aircraft Leased to United Airlines, Inc.									
N510UA	Aircraft Secured Mortgage	Fixed	20.00%	-	10/26/2016	\$256,135	256,135	299,915	0.
N512UA	Aircraft Secured Mortgage	Fixed	20.00%	-	10/26/2016	\$263,385	263,385	310,270	0.
N545UA	Aircraft Secured Mortgage	Fixed	16.00%	-	8/29/2015	\$139,224	139,224	147,345	0.
N659UA	Aircraft Secured Mortgage	Fixed	12.00%	-	2/28/2016	\$1,876,367	1,876,367	1,990,292	0.

Edgar Filing: TCP Capital Corp. - Form 10-Q

N661UA	Aircraft Secured Mortgage	Fixed	12.00%	-	5/4/2016	\$2,073,525	2,073,525	2,227,375	0
Mesa Air Group, Inc.	Acquisition Delayed Draw Loan	LIBOR (M)	7.25%	-	7/15/2022	\$-	(271,500)	6,788	-
Mesa Air Group, Inc.	Acquisition Loan	LIBOR (M)	7.25%	-	7/15/2022	\$18,100,000	17,738,000	18,109,050	1
							26,319,165	27,434,875	2
Scientific Research and Development Services									
BPA Laboratories, Inc.	Senior Secured Notes	Fixed	12.25%	-	4/1/2017	\$17,200,000	16,536,295	18,640,500	1
Semiconductor and Other Electronic Component Manufacturing									
Soraa, Inc.	Sr Secured Term Loan	LIBOR (M)	10.27%	-	9/1/2017	\$22,500,000	21,771,128	21,892,500	1
SunEdison, Inc.	Senior Secured Letters of Credit	LIBOR (Q)	3.75%	-	2/28/2017	\$9,379,246	(1,031,717)	(937,925)	(0
							20,739,411	20,954,575	1
Software Publishers									
Acronis International GmbH (Switzerland)	First Lien Revolver	LIBOR (Q)	9.50%	1.00%	2/21/2017	\$5,634,068	5,634,068	5,634,068	0
Acronis International GmbH (Switzerland)	First Lien Term Loan	LIBOR (Q)	9.50%	1.00%	2/21/2017	\$25,000,000	24,774,635	24,612,500	2
ArcServe (USA), LLC	Second Lien Term Loan	LIBOR (Q)	8.50%	0.50%	1/31/2020	\$30,000,000	29,418,442	29,760,000	2
BlackLine Systems, Inc.	First Lien Term Loan	LIBOR (Q)	0.4% Cash + 7.6% PIK	1.50%	9/25/2018	\$13,318,777	12,589,982	13,438,646	1
Coreone Technologies, LLC	First Lien Term Loan	LIBOR (Q)	3.75% Cash + 5% PIK	1.00%	9/4/2018	\$14,077,353	13,829,562	13,929,541	1
Deltek, Inc.	Second Lien Term Loan	LIBOR (Q)	8.75%	1.25%	10/10/2019	\$15,000,000	14,824,557	15,237,450	1
Edmentum, Inc.	Second Lien Term Loan	LIBOR (Q)	9.75%	1.50%	5/17/2019	\$21,500,000	21,351,941	21,876,250	1
							122,423,187	124,488,455	1
Specialty Hospitals									
UBC Healthcare Analytics, Inc.	First Lien Term Loan	LIBOR (Q)	9.00%	1.00%	7/1/2018	\$4,795,797	4,771,818	4,707,075	0
Structured Note Funds									
		Fixed	13.125%	-	8/2/2021	\$15,000,000	15,000,000	15,211,500	1

Magnolia Asset-Backed
Finance V plc Credit Linked
(Cayman Islands) Notes

5

TCP Capital Corp.

Consolidated Statement of Investments (Unaudited) (Continued)

September 30, 2014

Showing Percentage of Total Cash and Investments of the Company

Issuer	Instrument	Ref	Spread	Floor	Maturity	Principal Amount or Shares	Cost	Value	% Portfolio
Debt Investments (continued)									
Textile Furnishings Mills									
Lexmark Carpet Mills, Inc.	First Lien Term Loan	LIBOR (Q)	10.00%	1.00%	9/30/2018	\$15,758,531	\$15,431,697	\$15,994,909	1.46
Utility System Construction									
Kawa Solar Holdings Limited	Revolving Credit Facility	Fixed	8.00%	-	7/2/2017	\$25,000,000	25,000,000	25,012,500	2.28
Wired Telecommunications Carriers									
Alpheus Communications, LLC	First Lien FILO Term Loan	LIBOR (Q)	6.92%	1.00%	5/31/2018	\$374,960	363,777	371,585	0.03
Alpheus Communications, LLC	First Lien FILO Term Loan	LIBOR (Q)	6.92%	1.00%	5/31/2018	\$8,196,573	8,115,088	8,171,983	0.74
Integra Telecom Holdings, Inc.	Second Lien Term Loan	LIBOR (Q)	8.50%	1.25%	2/22/2020	\$15,000,000	14,728,136	15,225,000	1.39
							23,207,001	23,768,568	2.16
Wireless Telecommunications Carriers									
Gogo, LLC	First Lien Term Loan	LIBOR (Q)	9.75%	1.50%	6/21/2017	\$19,209,212	18,646,792	20,457,811	1.86
Gogo, LLC	First Lien Term Loan B-2	LIBOR (Q)	6.50%	1.00%	3/21/2018	\$5,524,797	5,418,641	5,607,669	0.51
							24,065,433	26,065,480	2.37

Edgar Filing: TCP Capital Corp. - Form 10-Q

Total Debt Investments			1,036,294,182	1,041,145,246	94.73
Equity Securities					
Business Support Services					
Findly Talent, LLC	Membership Units	708,229	230,938	162,184	0.02
STG-Fairway Holdings, LLC	Class A Units	841,479	943,287	2,435,661	0.22
			1,174,225	2,597,845	0.24
Communications Equipment					
Manufacturing					
Wasserstein Cosmos Co-Invest, L.P.	Limited Partnership Units	5,000,000	5,000,000	4,375,000	0.40
Data Processing, Hosting, and Related Services					
Anacomp, Inc.	Class A Common Stock	1,255,527	26,711,048	878,869	0.08
Rightside Group, Ltd.	Warrants	498,855	2,778,622	2,391,002	0.22
			29,489,670	3,269,871	0.30
Depository Credit Intermediation					
Doral Financial Corporation (Puerto Rico)	Common Stock	53,890	11,699,417	357,828	0.03
Financial Investment Activities					
Marsico Holdings, LLC	Common Interest Units	168,698	172,694	18,557	-
Full-Service Restaurants					
RM Holdco, LLC	Membership Units	13,161,000	2,010,777	-	-
Machine Shops; Turned Product; and Screw, Nut, and Bolt Manufacturing					
Precision Holdings, LLC	Class C Membership Interest	33	-	2,165	-
Nonmetallic Mineral Mining and Quarrying					
EPMC HoldCo, LLC	Membership Units	1,312,720	-	682,614	0.06
Nonscheduled Air Transportation					
Flight Options Holdings I, Inc.	Warrants to Purchase	1,843	1,274,000	3,180,876	0.29

Edgar Filing: TCP Capital Corp. - Form 10-Q

	Common Stock				
Radio and Television Broadcasting					
SiTV, Inc.	Warrants to Purchase Common Stock	233,470	300,322	247,478	0.02
Retail					
Shop Holding, LLC	Class A Units	507,167	480,049	276,862	0.03
Shop Holding, LLC	Warrants to Purchase Class A Units	326,691	-	3	-
			480,049	276,865	0.03
Scheduled Air Transportation					
Aircraft Leased to Delta Air Lines, Inc.					
N913DL	Trust Beneficial Interests	937	89,178	119,680	0.01
N918DL	Trust Beneficial Interests	776	98,106	137,713	0.01
N954DL	Trust Beneficial Interests	728	115,597	71,400	0.01
N955DL	Trust Beneficial Interests	705	115,011	111,860	0.01
N956DL	Trust Beneficial Interests	710	114,963	107,440	0.01
N957DL	Trust Beneficial Interests	705	115,695	108,120	0.01
N959DL	Trust Beneficial Interests	699	116,425	109,140	0.01
N960DL	Trust Beneficial Interests	684	119,292	108,460	0.01
N961DL	Trust Beneficial Interests	694	118,520	103,020	0.01
N976DL	Trust Beneficial Interests	824	100,538	102,350	0.01
Aircraft Leased to United Airlines, Inc.					
N510UA		63	243,188	416,889	0.04

Edgar Filing: TCP Capital Corp. - Form 10-Q

	Trust				
	Beneficial				
	Interests				
N512UA	Trust				
	Beneficial	62	237,703	408,217	0.04
	Interests				
N545UA	Trust				
	Beneficial	79	422,890	598,547	0.05
	Interests				
United	Trust				
N659UA-767,	Beneficial	495	2,423,386	2,691,182	0.24
LLC (N659UA)	Interests				
United	Trust				
N661UA-767,	Beneficial	481	2,375,446	2,708,220	0.25
LLC (N661UA)	Interests				
			6,805,938	7,902,238	0.72

6

TCP Capital Corp.

Consolidated Statement of Investments (Unaudited) (Continued)

September 30, 2014

Showing Percentage of Total Cash and Investments of the Company

Issuer	Instrument	Ref Spread	Floor	Maturity	Shares	Cost	Value	% of Portfolio	Notes
Equity Securities (continued)									
Resin, Synthetic Rubber, and Artificial Synthetic Fibers and Filaments Manufacturing									
KAGY Holding Company, Inc.	Series A Preferred Stock				9,778	\$1,091,200	\$579,951	0.05	% B/C/E
Semiconductor and Other Electronic Component Manufacturing									
Ichor Systems Holdings, LLC	Membership Units				352	-	213,780	0.02	% C/E
Sora, Inc.	Warrants to Purchase Common Stock				315,000	408,987	411,611	0.04	% C/E
						408,987	625,391	0.06	%
Software Publishers									
Blackline Intermediate, Inc.	Warrants				1,232,731	522,678	749,747	0.07	% C/E
Wired Telecommunications Carriers									
Integra Telecom, Inc.	Common Stock				1,274,522	8,433,885	5,200,177	0.47	% C/E
					346,939	19,920	191,406	0.02	% C/E

Integra Telecom, Inc. V Telecom Investment S.C.A. (Luxembourg)	Common Shares	1,393	3,236,256	3,394,072	0.31	% C/D/E/I
			11,690,061	8,785,655	0.80	%
Total Equity Securities			72,120,018	33,652,081	3.07	%
Total Investments			1,108,414,200	1,074,797,327	97.80	%
Cash and Cash Equivalents Wells Fargo & Company Money Market Deposit Account				21,393,112	1.95	%
Cash Denominated in Foreign Currencies				240,156	0.02	%
Cash Held on Account at Various Institutions				2,510,807	0.23	%
Cash and Cash Equivalents				24,144,075	2.20	%
Total Cash and Investments				\$1,098,941,402	100.00	% M

Notes to Consolidated Statement of Investments:

Investments in bank debt generally are bought and sold among institutional investors in transactions not subject to (A) registration under the Securities Act of 1933. Such transactions are generally subject to contractual restrictions, such as approval of the agent or borrower.

Non-controlled affiliate – as defined under the Investment Company Act of 1940 (ownership of between 5% and (B) 25% of the outstanding voting securities of this issuer). See Consolidated Schedule of Changes in Investments in Affiliates.

(C) Non-income producing security.

(D) Principal amount denominated in foreign currency. Amortized cost and fair value converted from foreign currency to US dollars. (See Note 2)

(E) Restricted security. (See Note 2)

Controlled issuer – as defined under the Investment Company Act of 1940 (ownership of 25% or more of the (F) outstanding voting securities of this issuer). Investment is not more than 50% owned nor deemed to be a significant subsidiary. See Consolidated Schedule of Changes in Investments in Affiliates.

(G) Investment has been segregated to collateralize certain unfunded commitments.

(H) \$3,600,000 principal amount of this investment has been segregated to collateralize certain unfunded commitments.

(I) Non-U.S. company or principal place of business outside the U.S. and as a result the investment is not a qualifying asset under Section 55(a) of the Investment Company Act. Under the Investment Company 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 the Company's total assets.

(J) Exempt from the definition of investment company under Section 3(c) of the Investment Company Act and as a result the investment is not a qualifying asset under Section 55(a) of the Investment Company Act. Under the Investment Company 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 the Company's total assets.

(K) Publicly traded company with a market capitalization greater than \$250 million and as a result the investment is not a qualifying asset under Section 55(a) of the Investment Company Act. Under the Investment Company 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 the Company's total assets.

(L) Negative balances relate to an unfunded commitment that was acquired at a discount.

(M) All cash and investments, except those referenced in Notes G above, are pledged as collateral under certain debt as described in Note 4 to the Consolidated Financial Statements.

LIBOR or EURIBOR resets monthly (M), quarterly (Q), or semiannually (S).

Aggregate acquisitions and aggregate dispositions of investments, other than government securities, totaled \$486,041,022, and \$177,994,806, respectively, for the nine months ended September 30, 2014. Aggregate acquisitions includes investment assets received as payment in kind. Aggregate dispositions includes principal paydowns on and maturities of debt investments. The total value of restricted securities and bank debt as of September 30, 2014 was \$1,074,439,499, or 97.8% of total cash and investments of the Company.

Options and swaps at September 30, 2014 were as follows:

Investment	Notional Amount	Fair Value
------------	-----------------	------------

Edgar Filing: TCP Capital Corp. - Form 10-Q

Interest Rate Cap, 4%, expires 5/15/2016	\$ 25,000,000	\$1,327
Euro/US Dollar Cross-Currency Basis Swap, Pay Euros/Receive USD, Expires 3/31/2017	\$ 4,289,019	\$1,071,130

See accompanying notes.

7

TCP Capital Corp.

Consolidated Statement of Investments

December 31, 2013

Showing Percentage of Total Cash and Investments of the Company

Issuer	Instrument	Ref	Spread	Floor	Maturity	Principal	Cost	Value	% of Portfolio
Debt Investments ^(A)									
Accounting, Tax Preparation, Bookkeeping, and Payroll Services									
Expert Global Solutions, LLC	First Lien Term Loan	LIBOR (Q)	7.25%	1.25%	4/3/2018	\$699,754	\$701,280	\$703,691	0.09%
Expert Global Solutions, LLC	Second Lien Term Loan	LIBOR (Q)	11.00%	1.50%	10/3/2018	\$7,434,877	7,228,004	7,382,833	0.94%
							7,929,284	8,086,524	1.03%
Advertising, Public Relations, and Related Services									
Doubleplay III Limited (United Kingdom)	First Lien Facility A1 Term Loan	EURIBOR (Q)	6.25%	1.25%	3/18/2018	€13,165,705	16,428,630	16,736,606	2.12%
Architectural, Engineering, and Related Services									
ESP Holdings, Inc.	Jr Unsecured Subordinated Promissory Notes	Fixed	6% Cash + 10% PIK	-	12/31/2019	\$7,959,369	7,959,369	7,959,369	1.01%
Artificial Synthetic Fibers and Filaments Manufacturing									
AGY Holding Corp.	Sr Secured Term Loan	Fixed	12.00%	-	9/15/2016	\$2,056,927	2,056,927	2,056,927	0.26%
AGY Holding Corporation	Second Lien Term Loan	Fixed	11.00%	-	11/15/2016	\$9,268,000	7,586,317	9,268,000	1.17%
							9,643,244	11,324,927	1.43%

Edgar Filing: TCP Capital Corp. - Form 10-Q

Beverage

Manufacturing

Carolina Beverage Group, LLC	Secured Notes	Fixed	10.625%	-	8/1/2018	\$7,780,000	7,780,000	8,207,900	1.04%
------------------------------	---------------	-------	---------	---	----------	-------------	-----------	-----------	-------

Business

Support

Services

STG-Fairway Acquisitions, Inc.	Second Lien Term Loan	LIBOR (Q)	9.25%	1.25%	8/28/2019	\$14,643,455	13,944,123	14,929,002	1.89%
--------------------------------	-----------------------	-----------	-------	-------	-----------	--------------	------------	------------	-------

Chemical

Manufacturing

Archroma	Term Loan B	LIBOR (Q)	8.25%	1.25%	9/30/2018	\$17,456,250	17,107,125	17,401,699	2.20%
----------	-------------	-----------	-------	-------	-----------	--------------	------------	------------	-------

Communications Equipment

Manufacturing

Globecomm Systems Inc.	First Lien Term Loan	LIBOR (Q)	7.625%	1.25%	12/11/2018	\$15,000,000	14,850,000	15,097,500	1.91%
------------------------	----------------------	-----------	--------	-------	------------	--------------	------------	------------	-------

Computer Equipment

Manufacturing

ELO Touch Solutions, Inc.	Second Lien Term Loan	LIBOR (Q)	10.50%	1.50%	12/1/2018	\$10,000,000	9,666,672	9,100,000	1.15%
---------------------------	-----------------------	-----------	--------	-------	-----------	--------------	-----------	-----------	-------

Converted Paper Products

Manufacturing

Ranpak Corp.	Second Lien Term Loan	LIBOR (Q)	7.25%	1.25%	4/23/2020	\$3,469,573	3,434,877	3,573,660	0.45%
--------------	-----------------------	-----------	-------	-------	-----------	-------------	-----------	-----------	-------

Computer Systems Design and Related Services

Blue Coat Systems	First Lien Revolver	LIBOR (Q)	3.50%	1.00%	5/31/2018	\$4,500,000	3,540,000	4,060,800	0.51%
-------------------	---------------------	-----------	-------	-------	-----------	-------------	-----------	-----------	-------

Blue Coat Systems	Second Lien Term Loan	LIBOR (Q)	8.50%	1.00%	6/28/2020	\$15,000,000	14,878,125	15,300,000	1.94%
-------------------	-----------------------	-----------	-------	-------	-----------	--------------	------------	------------	-------

OnX Enterprise Solutions, Ltd.	First Lien Term Loan	LIBOR (Q)	7.00%	-	9/3/2018	\$10,640,000	10,483,300	10,709,160	1.36%
--------------------------------	----------------------	-----------	-------	---	----------	--------------	------------	------------	-------

OnX USA, LLC	First Lien Term Loan	LIBOR (Q)	7.00%	-	9/3/2018	\$5,320,000	5,244,790	5,354,580	0.68%
--------------	----------------------	-----------	-------	---	----------	-------------	-----------	-----------	-------

Websense, Inc.	Second Lien Term Loan	LIBOR (Q)	7.25%	1.00%	12/27/2020	\$7,200,000	7,164,000	7,218,000	0.91%
----------------	-----------------------	-----------	-------	-------	------------	-------------	-----------	-----------	-------

							41,310,215	42,642,540	5.40%
--	--	--	--	--	--	--	------------	------------	-------

Data Processing, Hosting, and Related Services

The Telx Group, Inc.	Senior Unsecured Notes	Fixed	10% Cash + 2% PIK	-	9/26/2019	\$7,098,916	6,960,435	7,631,335	0.97%
----------------------	------------------------	-------	-------------------	---	-----------	-------------	-----------	-----------	-------

Edgar Filing: TCP Capital Corp. - Form 10-Q

Panda Sherman Power, LLC	First Lien Term Loan	LIBOR (Q)	7.50%	1.50%	9/14/2018	\$11,070,172	10,932,474	11,402,277	1.44%
Panda Temple Power II, LLC	First Lien Term Loan	LIBOR (Q)	6.00%	1.25%	4/3/2019	\$5,892,970	5,834,041	6,069,759	0.77%
							16,766,515	17,472,036	2.21%
Electrical Equipment and Component Manufacturing									
Palladium Energy, Inc.	First Lien Term Loan	LIBOR (Q)	9.00%	1.00%	12/26/2027	\$16,500,317	16,225,541	16,426,066	2.08%
Fabricated Metal Product Manufacturing									
Constellation Enterprises, LLC	First Lien Notes	Fixed	10.625%	-	2/1/2016	\$12,500,000	12,322,875	10,875,000	1.38%
Financial Investment Activities									
Marsico Capital Management	First Lien Term Loan	LIBOR (M)	5.00%	-	12/31/2022	\$10,637,623	13,394,183	3,882,732	0.49%
Freight Transportation Arrangement									
Livingston International, Inc. (Canada)	Second Lien Term Loan	LIBOR (Q)	7.75%	1.25%	4/18/2020	\$3,665,217	3,597,620	3,756,848	0.48%
Full-Service Restaurants									
RM Holdco, LLC	Subordinated Convertible Term Loan	Fixed	1.12% PIK	-	3/21/2018	\$5,164,796	5,164,796	2,197,621	0.28%
RM OpCo, LLC	Convertible Second Lien Term Loan Tranche B-1	Fixed	12% Cash + 7% PIK	-	3/21/2016	\$1,370,199	1,339,883	1,370,199	0.17%
RM OpCo, LLC	First Lien Term Loan Tranche A	Fixed	11.00%	-	3/21/2016	\$3,626,947	3,626,947	3,626,947	0.46%
RM OpCo, LLC	Second Lien Term Loan Tranche B	Fixed	12% Cash + 7% PIK	-	3/21/2016	\$6,825,328	6,825,328	6,825,328	0.86%
RM OpCo, LLC	Second Lien Term Loan Tranche B-1	Fixed	12% Cash + 7% PIK	-	3/21/2016	\$2,150,088	2,109,019	2,150,088	0.27%
							19,065,973	16,170,183	2.04%

TCP Capital Corp.

Consolidated Statement of Investments (Continued)

December 31, 2013

Showing Percentage of Total Cash and Investments of the Company

Issuer	Instrument	Ref	Spread	Floor	Maturity	Principal	Cost	Value	% of Portfolio
Debt Investments									
(continued)									
Gaming Industries									
AP Gaming I, LLC	First Lien Term Loan B	LIBOR (Q)	8.25%	1.00%	12/20/2020	\$ 15,000,000	\$ 14,550,000	\$ 14,737,500	1.87%
Grocery Stores									
Bashas, Inc.	First Lien FILO Term Loan	LIBOR (M)	9.35%	1.50%	12/28/2015	\$ 14,843,788	14,802,168	15,066,445	1.91%
Inland Water Transportation									
US Shipping Corp	First Lien Term Loan B	LIBOR (Q)	7.75%	1.25%	4/30/2018	\$ 12,603,333	12,477,300	12,965,679	1.64%
Insurance Related Activities									
Confie Seguros Holding II Co.	Second Lien Term Loan	LIBOR (Q)	9.00%	1.25%	5/8/2019	\$ 6,341,809	6,245,733	6,391,370	0.81%
Merchant Wholesalers									
Envision Acquisition Company, LLC	Second Lien Term Loan	LIBOR (Q)	8.75%	1.00%	11/4/2021	\$ 9,079,011	8,897,430	9,192,498	1.16%

Metal Ore Mining

St Barbara Ltd. (Australia)	First Priority Senior Secured Notes	Fixed	8.875%	-	4/15/2018	\$7,359,000	7,326,651	6,144,765	0.78%
--------------------------------	---	-------	--------	---	-----------	-------------	-----------	-----------	-------

Motion Picture and Video Industries

CORE Entertainment, Inc.	First Lien Term Loan	Fixed	9.00%	-	6/21/2017	\$9,462,231	9,381,116	8,610,631	1.09%
CORE Entertainment, Inc.	Second Lien Term Loan	Fixed	13.50%	-	6/21/2018	\$7,569,785	7,502,054	6,858,225	0.88%
							16,883,170	15,468,856	1.97%

Newspaper, Periodical, Book, and Directory Publishers

Hanley-Wood, LLC	First Lien FILO Term Loan	LIBOR (Q)	6.75%	1.25%	7/15/2018	\$16,707,600	16,707,600	16,699,246	2.13%
MediMedia USA, Inc.	First Lien Revolver	LIBOR (M)	6.75%	-	5/20/2018	\$4,960,000	3,797,500	4,523,908	0.57%
MediMedia USA, Inc.	First Lien Term Loan	LIBOR (M)	6.75%	1.25%	11/20/2018	\$9,701,250	9,433,029	9,458,719	1.20%
							29,938,129	30,681,873	3.90%

Nondepository Credit Intermediation

Caribbean Financial Group (Cayman Islands)	Senior Secured Notes	Fixed	11.50%	-	11/15/2019	\$10,000,000	9,824,072	10,700,000	1.35%
Trade Finance Funding I, Ltd. (Cayman Islands)	Secured Class B Notes	Fixed	10.75%	-	11/13/2018	\$15,000,000	15,000,000	14,962,500	1.90%
							24,824,072	25,662,500	3.25%

Nonresidential Building Construction

NCM Group Holdings, LLC	First Lien Term Loan	LIBOR (Q)	11.50%	1.00%	8/29/2018	\$10,000,000	9,620,619	9,875,000	1.25%
----------------------------	-------------------------	--------------	--------	-------	-----------	--------------	-----------	-----------	-------

Nonscheduled Air Transportation

One Sky Flight, LLC	Second Lien Term Loan	Fixed	12% Cash + 3% PIK	-	5/4/2019	\$18,200,000	16,929,086	17,708,600	2.24%
---------------------	-----------------------------	-------	----------------------------	---	----------	--------------	------------	------------	-------

Oil and Gas Extraction

Willbros Group, Inc.	First Lien Term Loan	LIBOR (Q)	9.75%	1.25%	8/7/2019	\$15,426,118	15,051,713	15,657,510	1.98%
----------------------	-------------------------	--------------	-------	-------	----------	--------------	------------	------------	-------

Other**Telecommunications**

Securus Technologies, Inc.	Second Lien Term Loan	LIBOR (Q)	7.75%	1.25%	4/30/2021	\$14,000,000	13,860,000	13,925,660	1.76%
----------------------------	-----------------------	-----------	-------	-------	-----------	--------------	------------	------------	-------

Petroleum and Coal Products**Manufacturing**

Boomerang Tube, LLC	Second Lien Term Loan	LIBOR (Q)	9.50%	1.50%	10/11/2017	\$7,749,023	7,563,978	7,477,807	0.95%
---------------------	-----------------------	-----------	-------	-------	------------	-------------	-----------	-----------	-------

Plastics Products**Manufacturing**

Iracore International, Inc.	Senior Secured Notes	Fixed	9.50%	-	6/1/2018	\$13,600,000	13,600,000	14,426,622	1.83%
-----------------------------	----------------------	-------	-------	---	----------	--------------	------------	------------	-------

Professional, Scientific, and Technical Services

Connolly, LLC	Second Lien Term Loan	LIBOR (Q)	9.25%	1.25%	7/15/2019	\$12,000,000	11,829,534	12,270,000	1.55%
ConvergeOne Holdings	First Lien Term Loan	LIBOR (Q)	8.00%	1.25%	5/8/2019	\$12,654,643	12,464,823	12,570,236	1.59%
							24,294,357	24,840,236	3.14%

Promoters of Performing Arts, Sports, and Similar Events

Stadium Management Group	Second Lien Term Loan	LIBOR (M)	9.50%	1.25%	12/7/2018	\$11,000,000	10,817,390	11,055,000	1.40%
--------------------------	-----------------------	-----------	-------	-------	-----------	--------------	------------	------------	-------

Radio and Television Broadcasting

SiTV, Inc.	First Lien Term Loan	LIBOR (Q)	6% Cash + 4% PIK	2.00%	8/3/2016	\$6,995,124	6,648,634	6,774,778	0.86%
The Tennis Channel, Inc.	First Lien Term Loan	LIBOR (Q)	8.50%	-	5/29/2017	\$17,589,459	17,134,705	17,615,843	2.23%
							23,783,339	24,390,621	3.09%

Retail

Kenneth Cole Productions, Inc.	First Lien FILO Term Loan	LIBOR (M)	10.40%	1.00%	9/25/2017	\$11,272,727	11,051,496	11,329,090	1.44%
Shopzilla, Inc.	Second Lien Term Loan	LIBOR (Q)	9.50%	-	3/31/2016	\$6,710,057	6,525,027	6,683,216	0.85%
							17,576,523	18,012,306	2.29%

**Satellite
Telecommunications**

Avanti Communications Group, PLC (United Kingdom)	Senior Secured Notes	Fixed	10.00%	-	10/1/2019	\$9,914,000	9,914,000	10,335,345	1.31%
--	----------------------------	-------	--------	---	-----------	-------------	-----------	------------	-------

TCP Capital Corp.

Consolidated Statement of Investments (Continued)

December 31, 2013

Showing Percentage of Total Cash and Investments of the Company

Issuer	Instrument	Ref	Spread	Floor	Maturity	Principal	Cost
<u>Debt Investments (continued)</u>							
Scheduled Air Transportation							
Aircraft Leased to Delta Air Lines, Inc.							
N913DL	Aircraft Secured Mortgage	Fixed	8.00%	-	3/15/2017	\$289,048	\$289,048
N918DL	Aircraft Secured Mortgage	Fixed	8.00%	-	8/15/2018	\$388,001	388,001
N954DL	Aircraft Secured Mortgage	Fixed	8.00%	-	3/20/2019	\$514,375	514,375
N955DL	Aircraft Secured Mortgage	Fixed	8.00%	-	6/20/2019	\$533,283	533,283
N956DL	Aircraft Secured Mortgage	Fixed	8.00%	-	5/20/2019	\$532,275	532,275
N957DL	Aircraft Secured Mortgage	Fixed	8.00%	-	6/20/2019	\$537,947	537,947
N959DL	Aircraft Secured Mortgage	Fixed	8.00%	-	7/20/2019	\$543,573	543,573
N960DL	Aircraft Secured Mortgage	Fixed	8.00%	-	10/20/2019	\$564,855	564,855
N961DL	Aircraft Secured	Fixed	8.00%	-	8/20/2019	\$558,427	558,427

Edgar Filing: TCP Capital Corp. - Form 10-Q

N976DL	Mortgage Aircraft Secured Mortgage	Fixed	8.00%	-	2/15/2018	\$394,360	394,360
Aircraft Leased to United Airlines, Inc.							
N510UA	Aircraft Secured Mortgage	Fixed	20.00%	-	10/26/2016	\$328,848	328,848
N512UA	Aircraft Secured Mortgage	Fixed	20.00%	-	10/26/2016	\$334,535	334,535
N536UA	Aircraft Secured Mortgage	Fixed	16.00%	-	9/29/2014	\$108,845	108,845
N545UA	Aircraft Secured Mortgage	Fixed	16.00%	-	8/29/2015	\$249,695	249,695
N585UA	Aircraft Secured Mortgage	Fixed	20.00%	-	10/25/2016	\$392,794	392,794
N659UA	Aircraft Secured Mortgage	Fixed	12.00%	-	2/28/2016	\$2,708,150	2,708,150
N661UA	Aircraft Secured Mortgage	Fixed	12.00%	-	5/4/2016	\$2,880,186	2,880,186
							11,859,197
Scientific Research and Development Services							
BPA Laboratories, Inc.	Senior Secured Notes	Fixed	12.25%	-	4/1/2017	\$17,200,000	16,536,295
Semiconductor and Other Electronic Component Manufacturing							
Isola USA Corporation	Senior Secured Term Loan B	LIBOR (Q)	8.25%	1.00%	11/29/2018	\$14,583,333	14,366,560
Software Publishers							
BlackLine Systems, Inc.	First Lien Term Loan	LIBOR (Q)	0.4% Cash + 7.6%	1.50%	9/25/2018	\$12,579,747	11,811,044
Coreone Technologies, LLC	First Lien Term Loan	LIBOR (Q)	PIK 3.75% Cash +5%	1.00%	9/14/2018	\$13,556,801	13,243,533
Deltek, Inc.	Second Lien Term Loan	LIBOR (Q)	8.75%	1.25%	10/10/2019	\$15,000,000	14,805,253
Edmentum, Inc.	Second Lien Term Loan	LIBOR (Q)	9.75%	1.50%	5/17/2019	\$15,000,000	14,748,486
							54,608,316

Specialty Hospitals

UBC Healthcare Analytics, Inc.	First Lien Term Loan	LIBOR (Q)	9.00%	1.00%	7/1/2018	\$5,526,021	5,498,391
Vantage Oncology, LLC	Senior Secured Notes	Fixed	9.50%	-	6/15/2017	\$5,000,000	5,000,000
							10,498,391

Structured Note Funds

Magnolia Finance V plc (Cayman Islands)	Asset-Backed Credit Linked Notes	Fixed	13.125%	-	8/2/2021	\$15,000,000	15,000,000
---	--	-------	---------	---	----------	--------------	------------

Textile Furnishings Mills

Lexmark Carpet Mills, Inc.	First Lien Term Loan	LIBOR (Q)	10.00%	1.00%	9/30/2018	\$16,351,467	15,942,680
----------------------------	-------------------------	--------------	--------	-------	-----------	--------------	------------

Wired Telecommunications Carriers

Integra Telecom Holdings, Inc.	Second Lien Term Loan	LIBOR (Q)	8.50%	1.25%	2/22/2020	\$15,000,000	14,701,027
--------------------------------	--------------------------	--------------	-------	-------	-----------	--------------	------------

Wireless Telecommunications Carriers

Alpheus Communications, LLC	First Lien Delayed FILO Term Loan	LIBOR (Q)	6.92%	1.00%	5/31/2018	\$-	(11,183)
Alpheus Communications, LLC	First Lien FILO Term Loan	LIBOR (Q)	6.92%	1.00%	5/31/2018	\$8,248,124	8,166,127
Globalive Wireless Management Corp. (Canada)	First Lien Term Loan	LIBOR (Q)	10.90%	-	4/30/2014	\$3,037,292	2,933,872
Gogo, LLC	First Lien Term Loan	LIBOR (Q)	9.75%	1.50%	6/21/2017	\$19,587,428	18,707,700
							29,796,516

Total Debt Investments

720,651,321

TCP Capital Corp.

Consolidated Statement of Investments (Continued)

December 31, 2013

Showing Percentage of Total Cash and Investments of the Company

Issuer	Instrument	Ref Spread	Flt	Maturity	Shares	Cost	Value	% of Portfolio	Notes
Equity Securities									
Architectural, Engineering, and Related Services									
ESP Holdings, Inc.	Cumulative Preferred 15%				20,297	\$2,249,930	\$3,947,862	0.51%	B/C/E
ESP Holdings, Inc., Common Stock	Common Stock				88,670	9,311,782	2,856,346	0.36%	B/C/E
						11,561,712	6,804,208	0.87%	
Business Support Services									
STG-Fairway Holdings	Class A Units				841,479	1,174,225	1,722,508	0.22%	C/E
Wasserstein Cosmos Co-Invest, L.P.	Limited Partnership Units				5,000,000	5,000,000	5,000,000	0.64%	B/C/E
						6,174,225	6,722,508	0.86%	
Data Processing, Hosting, and Related Services									
Anacomp, Inc.	Class A Common Stock				1,255,527	26,711,048	1,004,422	0.13%	B/C/E
Depository Credit Intermediation									
Doral Financial Corporation	Common Stock				53,890	11,699,417	843,913	0.11%	C/L

**Financial Investment
Activities**

Marsico Holdings, LLC	Common Interest Units	168,698	172,694	4,302	-	C/E/K
-----------------------	-----------------------	---------	---------	-------	---	-------

**Full-Service
Restaurants**

RM Holdco, LLC	Membership Units	13,161,000	2,010,777	-	-	B/C/E
----------------	------------------	------------	-----------	---	---	-------

**Machine Shops; Turned Product; and
Screw, Nut, and Bolt Manufacturing**

Precision Holdings, LLC	Class C Membership Interests	33	-	41,645	0.01 %	C/E
-------------------------	------------------------------	----	---	--------	--------	-----

**Nonmetallic Mineral Mining and
Quarrying**

EPMC HoldCo, LLC	Membership Units	1,312,720	-	1,562,137	0.20 %	B/E
------------------	------------------	-----------	---	-----------	--------	-----

**Nonscheduled Air
Transportation**

Flight Options Holdings I, Inc.	Warrants to Purchase Common Stock	1,843	1,274,000	1,268,904	0.16 %	C/E
---------------------------------	-----------------------------------	-------	-----------	-----------	--------	-----

**Radio and Television
Broadcasting**

SiTV, Inc.	Warrants to Purchase Common Stock	233,470	300,322	354,874	0.04 %	C/E
------------	-----------------------------------	---------	---------	---------	--------	-----

Retail

Shop Holding, LLC	Class A Unit	490,037	462,576	532,919	0.07 %	C/E
Shop Holding, LLC	Warrants to Purchase Class A Unit	326,691	-	38,258	-	C/E
			462,576	571,177	0.07 %	

**Scheduled Air
Transportation**

Aircraft Leased to Delta Air Lines, Inc.	Trust					
N913DL	Beneficial Interests	727	97,376	125,970	0.02 %	E/F
N918DL	Trust Beneficial Interests	623	109,938	142,970	0.02 %	E/F

Edgar Filing: TCP Capital Corp. - Form 10-Q

N954DL	Trust Beneficial Interests	591	133,027	68,000	0.01 % E/F
N955DL	Trust Beneficial Interests	576	133,868	113,560	0.01 % E/F
N956DL	Trust Beneficial Interests	580	133,907	108,800	0.01 % E/F
N957DL	Trust Beneficial Interests	576	134,785	109,650	0.01 % E/F
N959DL	Trust Beneficial Interests	573	135,658	110,500	0.01 % E/F
N960DL	Trust Beneficial Interests	563	139,173	109,650	0.01 % E/F
N961DL	Trust Beneficial Interests	570	138,350	103,870	0.01 % E/F
N976DL	Trust Beneficial Interests	654	113,413	103,033	0.01 % E/F
Aircraft Leased to United Airlines, Inc.					
N510UA	Trust Beneficial Interests	54	197,409	465,625	0.06 % B/E
N512UA	Trust Beneficial Interests	53	193,046	458,277	0.06 % B/E
N536UA	Trust Beneficial Interests	81	396,289	656,766	0.08 % B/E
N545UA	Trust Beneficial Interests	67	348,071	641,840	0.08 % B/E
N585UA	Trust Beneficial Interests	53	214,737	571,706	0.07 % B/E
United N659UA-767, LLC (N659UA)	Trust Beneficial Interests	412	2,097,640	2,840,323	0.36 % E/F
United N661UA-767, LLC (N661UA)	Trust Beneficial Interests	400	2,066,062	2,852,677	0.36 % E/F
			6,782,749	9,583,217	1.19 %
Resin, Synthetic Rubber, and Artificial Synthetic Fibers and Filaments Manufacturing					
		9,778	1,091,200	662,134	0.08 % B/C/E

KAGY Holding Company, Inc. Series A Preferred Stock

Semiconductor and Other Electronic Component Manufacturing

AIP/IS Holdings, LLC	Membership Units	352	-	229,504	0.03% C/E
----------------------	------------------	-----	---	---------	-----------

Software Publishers

SLS Breeze Intermediate Holdings, Inc.	Warrants to Purchase Common Stock	1,232,731	522,678	561,632	0.07% C/E
--	-----------------------------------	-----------	---------	---------	-----------

Wired Telecommunications Carriers

Integra Telecom, Inc.	Common Stock	1,274,522	8,433,884	5,583,686	0.72% C/E
Integra Telecom, Inc.	Warrants	346,939	19,920	194,050	0.02% C/E
V Telecom Investment S.C.A (Luxembourg)	Common Shares	1,393	3,236,256	3,756,053	0.48% C/D/E/A
			11,690,060	9,533,789	1.22%

Total Equity Securities

	80,453,458	39,748,366	5.04%
--	------------	------------	-------

Total Investments

	801,104,779	766,262,959
--	-------------	-------------

TCP Capital Corp.

Consolidated Statement of Investments (Continued)

December 31, 2013

Showing Percentage of Total Cash and Investments of the Company

Issuer	Instrument	Ref	Spread	Floor	Maturity	Shares	Cost Value	% of Portfolio	Notes
<u>Cash and Cash Equivalents</u>									
Wells Fargo & Company	Overnight Repurchase Agreement	Fixed	0.09%	-	1/2/2014		\$ 10,501,688	1.33	%
Union Bank of California	Commercial Paper	Fixed	0.10%	-	1/2/2014		8,499,976	1.07	%
Cash Denominated in Foreign Currencies							121,389	0.02	%
Cash Held on Account at Various Institutions							3,861,129	0.49	%
Cash and Cash Equivalents							22,984,182	2.91	%
Total Cash and Investments							\$ 789,247,141	100.00	% I

Notes to Consolidated Statement of Investments:

Investments in bank debt generally are bought and sold among institutional investors in transactions not subject to (A) registration under the Securities Act of 1933. Such transactions are generally subject to contractual restrictions, such as approval of the agent or borrower.

(B)

Edgar Filing: TCP Capital Corp. - Form 10-Q

Non-controlled affiliate – as defined under the Investment Company Act of 1940 (ownership of between 5% and 25% of the outstanding voting securities of this issuer). See Consolidated Schedule of Changes in Investments in Affiliates.

(C) Non-income producing security.

(D) Principal amount denominated in foreign currency. Amortized cost and fair value converted from foreign currency to US dollars. (See Note 2)

(E) Restricted security. (See Note 2)

Controlled issuer – as defined under the Investment Company Act of 1940 (ownership of 25% or more of the
(F) outstanding voting securities of this issuer). Investment is not more than 50% owned nor deemed to be a significant subsidiary. See Consolidated Schedule of Changes in Investments in Affiliates.

(G) Investment has been segregated to collateralize certain unfunded commitments.

(H) \$2,000,000 principal amount of this investment has been segregated to collateralize certain unfunded commitments.

(I) All cash and investments, except those referenced in Notes G and H above, are pledged as collateral under the Revolving Facilities as described in Note 4 to the Consolidated Financial Statements.

Non-U.S. company or principal place of business outside the U.S. and as a result the investment is not qualifying asset under Section 55(a) of the Investment Company Act. Under the Investment Company Act, the Company may
(J) not acquire any non-qualifying asset unless, at the time such acquisition is made, qualifying assets represent at least 70% of the Company's total assets.

Excepted from the definition of investment company under Section 3(c) of the Investment Company Act and as a result the investment is not a qualifying asset under Section 55(a) of the Investment Company Act. Under the
(K) Investment Company 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 the Company's total assets.

Publicly traded company with a market capitalization greater than \$250 million and as a result the investment is not a qualifying asset under Section 55(a) of the Investment Company Act. Under the Investment Company Act,
(L) the Company may not acquire any non-qualifying asset unless, at the time such acquisition is made, qualifying assets represent at least 70% of the Company's total assets.

(M) Negative balances relate to an unfunded commitment that was acquired at a discount.

LIBOR or EURIBOR resets monthly (M), quarterly (Q), or semiannually (S).

Aggregate acquisitions and aggregate dispositions of investments, other than government securities, totaled \$471,087,319, and \$235,641,665, respectively for the year ended December 31, 2013. Aggregate acquisitions includes investment assets received as payment in kind. Aggregate dispositions includes principal paydowns on and maturities of debt investments. The total value of restricted securities and bank debt as of December 31, 2013 was \$765,419,046, or 97.0% of total cash and investments of the Company.

Options and Swaps at December 31, 2013 were as follows:

Investment	Notional Amount	Fair Value
Interest Rate Cap, 4%, expires 5/15/2016	\$25,000,000	\$ 14,139
Euro/US Dollar Cross-Currency Basis Swap, Pay Euros/Receive USD, Expires 3/31/17	\$4,289,019	\$(331,183)

See accompanying notes.

TCP Capital Corp.

Consolidated Statements of Operations (Unaudited)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2014	2013	2014	2013
Investment income				
Interest income:				
Companies less than 5% owned	\$ 24,699,976	\$ 14,257,066	\$ 65,174,101	\$ 41,745,035
Companies 5% to 25% owned	1,728,834	1,938,950	4,423,013	4,035,115
Companies more than 25% owned	214,091	293,711	706,553	936,296
Dividend income:				
Companies 5% to 25% owned	-	-	1,968,748	-
Other income:				
Companies less than 5% owned	210,622	529,011	1,164,938	1,105,959
Companies 5% to 25% owned	74,038	85,983	282,581	305,739
Companies more than 25% owned	262,905	183,650	726,477	495,165
Total investment income	27,190,466	17,288,371	74,446,411	48,623,309
Operating expenses				
Management and advisory fees	3,513,238	2,205,517	9,504,317	6,110,550
Interest expense	2,535,555	340,711	4,012,167	663,820
Amortization of deferred debt issuance costs	545,294	218,764	1,347,442	470,242
Administrative expenses	392,794	256,806	1,029,069	592,422
Legal fees, professional fees and due diligence expenses	268,710	188,284	828,102	489,488
Commitment fees	243,147	85,749	650,209	146,843
Director fees	88,395	76,478	255,776	220,288
Insurance expense	83,996	55,020	202,823	133,816
Custody fees	54,369	45,776	166,025	105,427
Other operating expenses	264,778	227,287	1,033,422	644,793
Total operating expenses	7,990,276	3,700,392	19,029,352	9,577,689
Net investment income	19,200,190	13,587,979	55,417,059	39,045,620
Net realized and unrealized gain (loss) on investments and foreign currency				
Net realized gain (loss):				
Investments in companies less than 5% owned	544,212	804,482	(5,317,388)	(2,773,020)
Investments in companies 5% to 25% owned	383,670	-	383,670	-
Net realized gain (loss)	927,882	804,482	(4,933,718)	(2,773,020)

Edgar Filing: TCP Capital Corp. - Form 10-Q

Net change in net unrealized appreciation/depreciation	(5,433,060)	2,132,565	2,596,620	8,723,819
Net realized and unrealized gain (loss)	(4,505,178)	2,937,047	(2,337,098)	5,950,799
Dividends on Series A preferred equity facility	(357,451)	(364,043)	(1,083,263)	(1,131,014)
Net change in accumulated dividends on Series A preferred equity facility	(4,718)	(23,939)	5,394	(7,928)
Distributions of incentive allocation to the General Partner from:				
Net investment income	(3,767,604)	(2,639,999)	(10,867,837)	(7,581,335)
Net realized gains	-	(54,157)	-	(312,598)
Net change in reserve for incentive allocation	901,035	(533,253)	467,419	(877,563)
Net increase in net assets applicable to common shareholders resulting from operations	\$ 11,466,274	\$ 12,909,635	\$ 41,601,674	\$ 35,085,981
Basic and diluted earnings per common share	\$ 0.29	\$ 0.48	\$ 1.11	\$ 1.47
Basic and diluted weighted average common shares outstanding	40,079,914	26,654,702	37,507,497	23,942,996

See accompanying notes.

TCP Capital Corp.

Consolidated Statements of Changes in Net Assets

	Common Stock Shares	Par Amount	Capital in Excess of Par	Paid in Net Investment Income	Accumu Net Rea Losses
Balance at December 31, 2012	21,477,628	\$21,478	\$444,234,060	\$22,526,179	\$(59,020)
Issuance of common stock in public offering, net	14,720,000	14,720	224,548,170	-	-
Issuance of common stock from dividend reinvestment plan	2,288	2	37,414	-	-
Net investment income	-	-	-	54,330,262	-
Realized and unrealized gains (losses)	-	-	-	-	(47,380)
Dividends on Series A preferred equity facility	-	-	-	(1,494,552)	-
General Partner incentive allocation	-	-	-	(10,567,142)	(645,600)
Dividends paid to common shareholders	-	-	-	(40,502,256)	-
Tax reclassification of stockholders' equity in accordance with generally accepted accounting principles	-	-	(977,624)	(276,396)	1,254,000
Balance at December 31, 2013	36,199,916	\$36,200	\$667,842,020	\$24,016,095	\$(105,800)
Issuance of common stock in public offering, net	6,210,000	6,210	103,934,511	-	-
Issuance of common stock from dividend reinvestment plan	326	-	5,509	-	-
Issuance of convertible debt	-	-	2,515,594	-	-
Net investment income	-	-	-	55,417,059	-
Realized and unrealized gains (losses)	-	-	-	-	(4,933)
Dividends on Series A preferred equity facility	-	-	-	(1,077,869)	-
General Partner incentive allocation	-	-	-	(10,867,837)	-
Dividends paid to common shareholders	-	-	-	(43,141,625)	-
Balance at September 30, 2014	42,410,242	\$42,410	\$774,297,634	\$24,345,823	\$(110,700)

See accompanying notes.

TCP Capital Corp.

Consolidated Statements of Cash Flows (Unaudited)

	Nine Months Ended September 30,	
	2014	2013
Operating activities		
Net increase in net assets applicable to common shareholders resulting from operations	\$ 41,601,674	\$ 35,085,981
Adjustments to reconcile net increase in net assets applicable to common shareholders resulting from operations to net cash used in operating activities:		
Net realized loss	4,933,718	2,773,020
Net change in unrealized appreciation/depreciation of investments	(2,614,461)	(8,675,023)
Dividends paid on Series A preferred equity facility	1,083,263	1,131,014
Net change in accumulated dividends on Series A preferred equity facility	(5,394)	7,928
Net change in reserve for incentive allocation	(467,419)	877,563
Accretion of original issue discount on investments	(3,044,889)	(1,703,018)
Net accretion of market discount/premium	(1,152,021)	(674,077)
Accretion of original issue discount on convertible debt	114,671	-
Interest and dividend income paid in kind	(4,366,287)	(1,248,459)
Amortization of deferred debt issuance costs	1,347,442	470,242
Changes in assets and liabilities:		
Purchases of investment securities	(481,674,735)	(353,293,497)
Proceeds from sales, maturities and paydowns of investments	177,994,806	176,516,172
Increase in accrued interest income - companies less than 5% owned	(3,394,734)	(2,346,218)
Increase in accrued interest income - companies 5% to 25% owned	(235,265)	(321,152)
Decrease in accrued interest income - companies more than 25% owned	9,790	8,749
Decrease in receivable for investments sold	3,605,964	6,439,614
Increase in prepaid expenses and other assets	(991,312)	(371,259)
Increase (decrease) in payable for investments purchased	(13,456,911)	15,103,635
Increase (decrease) in payable to the Investment Manager	(709,816)	171,251
Increase in interest payable	2,051,097	170,674
Increase in incentive allocation payable	448,704	2,694,156
Decrease in accrued expenses and other liabilities	(273,166)	(526,520)
Net cash used in operating activities	(279,195,281)	(127,709,224)
Financing activities		
Borrowings	519,500,000	191,000,000
Repayments of debt	(293,000,000)	(115,000,000)
Payments of debt issuance costs	(5,866,168)	(3,058,502)
Dividends paid on Series A preferred equity facility	(1,083,263)	(1,131,014)
Dividends paid to common shareholders	(43,141,625)	(27,782,087)

Edgar Filing: TCP Capital Corp. - Form 10-Q

Proceeds from shares issued in connection with dividend reinvestment plan	5,509	35,507
Proceeds from common shares sold, net of underwriting and offering costs	103,940,721	78,176,790
Net cash provided by financing activities	280,355,174	122,240,694
Net increase (decrease) in cash and cash equivalents	1,159,893	(5,468,530)
Cash and cash equivalents at beginning of period	22,984,182	18,035,189
Cash and cash equivalents at end of period	\$ 24,144,075	\$ 12,566,659
Supplemental cash flow information		
Interest payments	\$ 1,846,399	\$ 493,146
Excise tax payments	938,460	969,946

See accompanying notes.

TCP Capital Corp.

Notes to Consolidated Financial Statements (Unaudited)

September 30, 2014

1. Organization and Nature of Operations

TCP Capital Corp. (the “Company”) is a Delaware corporation formed on April 2, 2012 as an externally managed, closed-end, non-diversified management investment company. The Company elected to be treated as a business development company (“BDC”) under the Investment Company Act of 1940, as amended (the “1940 Act”). The Company’s investment objective is to achieve high total returns through current income and capital appreciation, with an emphasis on principal protection. The Company invests primarily in the debt of middle-market companies as well as small businesses, including senior secured loans, junior loans, mezzanine debt and bonds. Such investments may include an equity component, and, to a lesser extent, the Company may make equity investments directly.

Investment operations are conducted in Special Value Continuation Partners, LP, a Delaware limited partnership (the “Partnership”), of which the Company owns 100% of the common limited partner interests, or in one of the Partnership’s wholly owned subsidiaries, TCPC Funding I, LLC, a Delaware limited liability company (“TCPC Funding”) and TCPC SBIC, LP, a Delaware limited partnership (the “SBIC”). The Partnership has also elected to be treated as a BDC under the 1940 Act. The SBIC was organized in June 2013, and on April 22, 2014, received a license from the United States Small Business Administration (the “SBA”) to operate as a small business investment company under the provisions of Section 301(c) of the Small Business Investment Act of 1958. These consolidated financial statements include the accounts of the Company, the Partnership, TCPC Funding and the SBIC. All significant intercompany transactions and balances have been eliminated in the consolidation.

The Company has elected to be treated as a regulated investment company (“RIC”) for U.S. federal income tax purposes. As a RIC, the Company will not be taxed on its income to the extent that it distributes such income each year and satisfies other applicable income tax requirements. The Partnership, TCPC Funding, and the SBIC have elected to be treated as partnerships for U.S. federal income tax purposes.

The general partner of the Partnership is SVOF/MM, LLC, which also serves as the administrator of the Company and the Partnership (the “Administrator” or the “General Partner”). The managing member of the General Partner is Tennenbaum Capital Partners, LLC (the “Advisor”), which serves as the Investment Manager to the Company, the

Partnership, TCPC Funding, and the SBIC. Most of the equity interests in the General Partner are owned directly or indirectly by the Advisor and its employees.

Company management consists of the Investment Manager and the Board of Directors. Partnership management consists of the General Partner and the Board of Directors. The Investment Manager and the General Partner direct and execute the day-to-day operations of the Company and the Partnership, respectively, subject to oversight from the respective Board of Directors, which sets the broad policies of the Company and performs certain functions required by the 1940 Act in the case of the Partnership.

The Board of Directors of the Partnership has delegated investment management of the Partnership's assets to the Investment Manager. Each Board of Directors consists of five persons, three of whom are independent. If the Company or the Partnership has preferred equity interests outstanding, as the Partnership currently does, the holders of the preferred interests voting separately as a class are entitled to elect two of the Directors. The remaining directors will be subject to election by holders of the common shares and preferred interests voting together as a single class.

TCP Capital Corp.

Notes to Consolidated Financial Statements (Unaudited) (Continued)

September 30, 2014

2. Summary of Significant Accounting Policies

Basis of Presentation

The consolidated financial statements of the Company have been prepared in accordance with accounting principles generally accepted in the United States (“GAAP”). The following is a summary of the significant accounting policies of the Company and the Partnership.

Use of Estimates

The preparation of the financial statements 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 financial statements, as well as the reported amounts of revenues and expenses during the reporting period. Although management believes these estimates and assumptions to be reasonable, actual results could differ from those estimates and differences could be material.

Investment Valuation

The Company’s investments are generally held by the Partnership, TCPC Funding, or the SBIC. Management values investments at fair value based upon the principles and methods of valuation set forth in policies adopted by the Partnership’s Board of Directors and in conformity with procedures set forth in the Revolving Facilities and the statement of preferences for the Preferred Interests, as defined in Note 4, below. Fair value is generally defined as the amount for which an investment would be sold in an orderly transaction between market participants at the measurement date.

All investments are valued at least quarterly based on affirmative pricing or quotations from independent third-party sources, with the exception of investments priced directly by the Investment Manager which together comprise, in total, less than 5% of the capitalization of the Partnership. Investments listed on a recognized exchange or market quotation system, whether U.S. or foreign, are valued for financial reporting purposes as of the last business day of the reporting period using the closing price on the date of valuation. Liquid investments not listed on a recognized exchange or market quotation system are valued using prices provided by a nationally recognized pricing service or by using quotations from broker-dealers. Investments not priced by a pricing service or for which market quotations are either not readily available or are determined to be unreliable are valued using affirmative valuations performed by independent valuation services or, for investments aggregating less than 5% of the total capitalization of the Partnership, directly by the Investment Manager.

Fair valuations of investments are determined under our documented valuation policy that has been reviewed and approved by the Boards of Directors of the Company and the Partnership, and are subject to their approval in good faith. Generally, to increase objectivity in valuing the investments, the Investment Manager will utilize external measures of value, such as public markets or third-party transactions, whenever possible. The Investment Manager's valuation is not based on long-term work-out value, immediate liquidation value, nor incremental value for potential changes that may take place in the future. The values assigned to investments that are valued by the Investment Manager are based on available information and do not necessarily represent amounts that might ultimately be realized, as these amounts depend on future circumstances and cannot reasonably be determined until the individual investments are actually liquidated. The foregoing policies apply to all investments, including those in companies and groups of affiliated companies aggregating more than 5% of the Company's assets.

TCP Capital Corp.

Notes to Consolidated Financial Statements (Unaudited) (Continued)

September 30, 2014

2. Summary of Significant Accounting Policies (continued)

Fair valuations of investments in each asset class are determined using one or more methodologies including the market approach, income approach, or, in the case of recent investments, the cost approach, as appropriate. The market approach uses prices and other relevant information generated by market transactions involving identical or comparable assets. The income approach uses valuation techniques to convert future amounts (for example, cash flows or earnings) to a single present value amount (discounted). The measurement is based on the value indicated by current market expectations about those future amounts. In following these approaches, the types of factors that may be taken into account include, as relevant: available current market data, including relevant and applicable market trading and transaction comparables, applicable market yields and multiples, security covenants, call protection provisions, information rights, the nature and realizable value of any collateral, the portfolio company's ability to make payments, its earnings and discounted cash flows, the markets in which the portfolio company does business, comparisons of financial ratios of peer companies that are public, M&A comparables, our principal market and enterprise values, among other factors.

Unobservable inputs used in the fair value measurement of Level 3 investments as of September 30, 2014 included the following:

Asset Type	Fair Value	Valuation Technique	Unobservable Input	Range (Weighted Avg.)
Bank Debt	\$508,251,512	Market rate approach	Market yields	3.8% - 18.9% (11.2%)
	213,520,856	Market quotations	Indicative bid/ask quotes	1 - 3 (1)
	14,692,216	Market comparable companies	Revenue multiples	0.4x (0.4x)
	2,298,418	Market comparable companies	EBITDA multiples	7.8x (7.8x)
Other Corporate Debt	65,899	Market rate approach	Market yields	19.0% (19.0%)
	43,816,750	Market quotations	Indicative bid/ask quotes	1 (1)

Edgar Filing: TCP Capital Corp. - Form 10-Q

	12,969,876	Market comparable companies	EBITDA multiples	7.8x – 10.5x (8.7x)
Equity	7,902,239	Market rate approach	Market yields	13.0% - 18.0% (13.7 %)
	5,648,331	Market quotations	Indicative bid/ask quotes	1 - 2 (1)
	878,869	Market comparable companies	Revenue multiples	0.4x - 1.1x (1.1x)
	18,864,816	Market comparable companies	EBITDA multiples	4.6x – 7.0x (6.3x)

Generally, a change in an unobservable input may result in a change to the value of an investment as follows:

Input	Impact to Value if Input Increases	Impact to Value if Input Decreases
Market yields	Decrease	Increase
Revenue multiples	Increase	Decrease
EBITDA multiples	Increase	Decrease

TCP Capital Corp.

Notes to Consolidated Financial Statements (Unaudited) (Continued)

September 30, 2014

2. Summary of Significant Accounting Policies (continued)

Investments may be categorized based on the types of inputs used in valuing such investments. The level in the GAAP valuation hierarchy in which an investment falls is based on the lowest level input that is significant to the valuation of the investment in its entirety. Transfers between levels are recognized as of the beginning of the reporting period.

At September 30, 2014, the Company's investments were categorized as follows:

Level	Basis for Determining Fair Value	Bank Debt	Other Corporate Debt	Equity Securities
1	Quoted prices in active markets for identical assets	\$-	\$-	\$357,828
2	Other observable market inputs *	175,519,217	70,010,500	-
3	Independent third-party pricing sources that employ significant unobservable inputs	738,763,002	52,520,425	32,003,559
3	Investment Manager valuations with significant unobservable inputs	-	4,332,100	1,290,696
Total		\$914,282,219	\$126,863,025	\$33,652,083

* For example, quoted prices in inactive markets or quotes for comparable investments.

Changes in investments categorized as Level 3 during the nine months ended September 30, 2014 were as follows:

Independent Third-Party Valuation
Bank Debt

Edgar Filing: TCP Capital Corp. - Form 10-Q

		Other Corporate Debt	Equity Securities
Beginning balance	\$515,953,643	\$ 53,334,634	\$36,066,746
Net realized and unrealized gains (losses)	47,146	(14,913)	(1,335,910)
Acquisitions	424,280,318	174,943	5,882,955
Dispositions	(115,964,311)	(22,549,239)	(10,046,998)
Transfers out of Level 3 †	(89,614,594)	-	-
Transfers into Level 3 ‡	4,060,800	21,575,000	-
Reclassifications within Level 3 §	-	-	1,436,766
Ending balance	\$738,763,002	\$ 52,520,425	\$32,003,559
Net change in unrealized appreciation/ depreciation during the period on investments still held at period end (included in net realized and unrealized gains/losses, above)	\$1,089,298	\$ 1,005,398	\$(1,075,632)

† Comprised of nine investments that transferred to Level 2 due to increased observable market activity.

‡ Comprised of two investments that transferred from Level 2 due to reduced trading volumes.

§ Comprised of two investments that reclassified from Investment Manager Valuation and one that reclassified to Investment Manager Valuation.

TCP Capital Corp.

Notes to Consolidated Financial Statements (Unaudited) (Continued)

September 30, 2014

2. Summary of Significant Accounting Policies (continued)

	Investment Manager Valuation		
	Bank Debt	Other Corporate Debt	Equity Securities
Beginning balance	\$4,060,800	\$ 7,631,335	\$2,837,707
Net realized and unrealized losses	-	(504,281)	(313,703)
Acquisitions	-	4,303,962	230,937
Dispositions	(4,060,800)	(7,098,916)	(27,479)
Reclassifications within Level 3 **	-	-	(1,436,766)
Ending balance	\$-	\$ 4,332,100	\$1,290,696
Net change in unrealized appreciation/ depreciation during the period on investments still held at period end (included in net realized and unrealized gains/losses, above)	\$-	\$ 166,619	\$(341,183)

** Comprised of two investments that reclassified to Independent Third-Party Valuation and one that reclassified from Independent Third-Party Valuation.

There were no transfers between Level 1 and 2 during the nine months ended September 30, 2014.

At September 30, 2013, the Company's investments were categorized as follows:

Level	Basis for Determining Fair Value	Bank Debt	Other Corporate Debt	Equity Securities
1	Quoted prices in active markets for identical assets	\$-	\$ -	\$ 1,028,216
2	Other observable market inputs *	100,098,095	70,698,908	-

Edgar Filing: TCP Capital Corp. - Form 10-Q

3	Independent third-party pricing sources that employ significant unobservable inputs	448,827,207	38,174,605	34,757,266
3	Investment Manager valuations with significant unobservable inputs	-	7,628,686	2,882,504
	Total	\$548,925,302	\$ 116,502,199	\$ 38,667,986

* For example, quoted prices in inactive markets or quotes for comparable investments.

TCP Capital Corp.

Notes to Consolidated Financial Statements (Unaudited) (Continued)

September 30, 2014

2. Summary of Significant Accounting Policies (continued)

Changes in investments categorized as Level 3 during the nine months ended September 30, 2013 were as follows:

	Independent Third-Party Valuation		
	Bank Debt	Other Corporate Debt	Equity Securities
Beginning balance	\$359,343,326	\$ 17,171,637	\$32,675,370
Net realized and unrealized gains (losses)	(1,062,389)	7,520,997	(3,573,701)
Acquisitions	215,773,748	22,962,665	11,023,992
Dispositions	(100,185,011)	(15,172,634)	(3,215,534)
Transfers out of Level 3 †	(58,651,283)	(10,300,000)	-
Transfers into Level 3 ‡	33,608,816	15,991,940	-
Reclassifications within Level 3 §	-	-	(2,152,861)
Ending balance	\$448,827,207	\$ 38,174,605	\$34,757,266
Net change in unrealized appreciation/ depreciation during the period on investments still held at period end (included in net realized and unrealized gains/losses, above)	\$(740,697)	\$ 1,570,023	\$(2,724,223)

† Comprised of nine investments that transferred to Level 2 due to increased observable market activity.

‡ Comprised of five investments that transferred from Level 2 due to reduced trading volumes.

§ Comprised of one investment that was reclassified to Investment Manager Valuation.

Investment Manager Valuation		
Bank Debt	Other Corporate Debt	Equity Securities

Edgar Filing: TCP Capital Corp. - Form 10-Q

Beginning balance	\$-	\$ 7,167,458	\$ 1,424,764
Net realized and unrealized gains (losses)	-	356,327	(607,055)
Acquisitions	-	104,901	-
Dispositions	-	-	(88,066)
Reclassifications within Level 3 §	-	-	2,152,861
Ending balance	\$-	\$ 7,628,686	\$ 2,882,504
Net change in unrealized appreciation/ depreciation during the period on investments still held at period end (included in net realized and unrealized gains/losses, above)	\$-	\$ 356,327	\$(607,055)

§ Comprised of one investment that was reclassified from Independent Third-Party Valuation.

There were no transfers between Level 1 and 2 during the nine months ended September 30, 2013.

Investment Transactions

Investment transactions are recorded on the trade date, except for private transactions that have conditions to closing, which are recorded on the closing date. The cost of investments purchased is based upon the purchase price plus those professional fees which are specifically identifiable to the investment transaction. Realized gains and losses on investments are recorded based on the identification method, which typically allocates the highest cost inventory to the basis of investments sold.

TCP Capital Corp.

Notes to Consolidated Financial Statements (Unaudited) (Continued)

September 30, 2014

2. Summary of Significant Accounting Policies (continued)

Cash and Cash Equivalents

Cash consists of amounts held in accounts with brokerage firms and the custodian bank. Cash equivalents consist of highly liquid investments with an original maturity of three months or less.

Repurchase Agreements

In connection with transactions in repurchase agreements, it is the Company's policy that the custodian take possession of the underlying collateral, the fair value of which is required to exceed the principal amount of the repurchase transaction, including accrued interest, at all times. If the seller defaults, and the fair value of the collateral declines, realization of the collateral may be delayed or limited.

Restricted Investments

The Company may invest without limitation in instruments that are subject to legal or contractual restrictions on resale. These instruments generally may be resold to institutional investors in transactions exempt from registration or to the public if the securities are registered. Disposal of these investments may involve time-consuming negotiations and additional expense, and prompt sale at an acceptable price may be difficult. Information regarding restricted investments is included at the end of the Consolidated Statement of Investments. Restricted investments, including any restricted investments in affiliates, are valued in accordance with the investment valuation policies discussed above.

Foreign Investments

The Company may invest in instruments traded in foreign countries and denominated in foreign currencies. Foreign currency denominated investments comprised approximately 1.8% and 2.7% of total investments at September 30, 2014 and December 31, 2013, respectively. Such positions were converted at the respective closing rate in effect at September 30, 2014 and December 31, 2013 and reported in U.S. dollars. Purchases and sales of investments and income and expense items denominated in foreign currencies, when they occur, are translated into U.S. dollars on the respective dates of such transactions. The portion of gains and losses on foreign investments resulting from fluctuations in foreign currencies is included in net realized and unrealized gain or loss from investments.

Investments in foreign companies and securities of foreign governments may involve special risks and considerations not typically associated with investing in U.S. companies and securities of the U.S. government. These risks include, among other things, revaluation of currencies, less reliable information about issuers, different transaction clearance and settlement practices, and potential future adverse political and economic developments. Moreover, investments in foreign companies and securities of foreign governments and their markets may be less liquid and their prices more volatile than those of comparable U.S. companies and the U.S. government.

TCP Capital Corp.

Notes to Consolidated Financial Statements (Unaudited) (Continued)

September 30, 2014

2. Summary of Significant Accounting Policies (continued)*Derivatives*

In order to mitigate certain currency exchange and interest rate risks, the Partnership has entered into certain swap and option transactions. All derivatives are recognized as either assets or liabilities in the Consolidated Statement of Assets and Liabilities. The transactions entered into are accounted for using the mark-to-market method with the resulting change in fair value recognized in earnings for the current period. Risks may arise upon entering into these contracts from the potential inability of counterparties to meet the terms of their contracts and from unanticipated movements in interest rates and the value of foreign currency relative to the U.S. dollar.

The Partnership did not enter into any new derivative transactions during the nine months ended September 30, 2014. At September 30, 2014, the Partnership held an interest rate cap with a notional amount of \$25,000,000 and a cross currency basis swap with a notional amount of \$4,289,019. Gains and losses from derivatives during the nine months ended September 30, 2014 were included in net realized and unrealized loss on investments in the Consolidated Statement of Operations as follows:

Instrument	Realized Gains (Losses)	Unrealized Gains (Losses)
Cross currency basis swaps	\$ -	\$ 1,402,313
Interest rate cap	-	(12,812)

During the nine months ended September 30, 2013, TCPC Funding purchased an interest rate cap with a notional amount of \$25,000,000 and continued to hold a cross currency basis swap with a notional amount of \$6,040,944. Gains and losses from derivatives during the nine months ended September 30, 2013 were included in net realized and unrealized loss on investments in the Consolidated Statement of Operations as follows:

Instrument	Realized Gains (Losses)	Unrealized Gains (Losses)
Cross currency basis swaps	\$ -	\$ (126,670)
Interest rate cap		(32,598)

Valuations of derivatives held at September 30, 2014 and September 30, 2013 were determined using observable market inputs other than quoted prices in active markets for identical assets and, accordingly, are classified as Level 2 in the GAAP valuation hierarchy.

TCP Capital Corp.

Notes to Consolidated Financial Statements (Unaudited) (Continued)

September 30, 2014

2. Summary of Significant Accounting Policies (continued)

Debt Issuance Costs

Costs of approximately \$3.5 million and \$1.5 million were incurred during 2006 and 2013 in connection with placing and extending the Partnership's revolving credit facility (see Note 4), respectively. Costs of approximately \$1.6 million and \$1.3 million were incurred during 2013 and 2014 in connection with placing and extending TCPC Funding's revolving credit facility (see Note 4), respectively. Costs of approximately \$3.4 million were incurred in June 2014 in connection with placing the Company's unsecured convertible notes (see Note 4). These costs were deferred and are being amortized on a straight-line basis over the estimated life of the respective instruments. The impact of utilizing the straight-line amortization method versus the effective-interest method is not material to the operations of the Company or the Partnership.

Revenue Recognition

Interest and dividend income, including income paid in kind, is recorded on an accrual basis. Origination, structuring, closing, commitment and other upfront fees, including original issue discounts, earned with respect to capital commitments are generally amortized or accreted into interest income over the life of the respective debt investment. Other fees, including certain amendment fees, prepayment fees and commitment fees on broken deals, are recognized as earned. Prepayment fees and similar income received upon the early repayment of a loan or debt security are included in interest income.

Certain debt investments are purchased at a considerable discount to par as a result of the underlying credit risks and financial results of the issuer, as well as general market factors that influence the financial markets as a whole. GAAP generally requires that discounts on the acquisition of corporate bonds, municipal bonds and treasury bonds be amortized using the effective-interest or constant-yield method. GAAP also requires the collectability of interest to be

considered when making accruals. Accordingly, when accounting for purchase discounts, discount accretion income is recognized when it is probable that such amounts will be collected, generally at disposition. When principal payments on a loan are received in an amount in excess of the loan's amortized cost, the excess principal payments are recorded as interest income.

Income Taxes

The Company intends to comply with the applicable provisions of the Internal Revenue Code of 1986, as amended, pertaining to regulated investment companies and to make distributions of taxable income sufficient to relieve it from substantially all federal income taxes. Accordingly, no provision for income taxes is required in the consolidated financial statements. The income or loss of the Partnership, TCPC Funding and the SBIC is reported in the respective partners' income tax returns. In accordance with ASC Topic 740 – *Income Taxes*, the Company recognizes in its consolidated financial statements the effect of a tax position when it is determined that such position is more likely than not, based on the technical merits, to be sustained upon examination. As of September 30, 2014, all tax years of the Company, the Partnership, TCPC Funding and the SBIC since January 1, 2010 remain subject to examination by federal tax authorities. No such examinations are currently pending.

TCP Capital Corp.

Notes to Consolidated Financial Statements (Unaudited) (Continued)

September 30, 2014

2. Summary of Significant Accounting Policies (continued)

Cost and unrealized appreciation and depreciation of the Partnership's investments (including derivatives) for U.S. federal income tax purposes at September 30, 2014 were as follows:

Unrealized appreciation	\$32,760,177
Unrealized depreciation	(65,356,343)
Net unrealized depreciation	(32,596,166)
Cost	\$1,108,465,950

3. Management Fees, Incentive Compensation and Other Expenses

The Company's management fee is calculated at an annual rate of 1.5% of total assets (excluding cash and cash equivalents) on a consolidated basis as of the beginning of each quarter and is payable to the Investment Manager quarterly in arrears.

Incentive compensation is only paid to the extent the total performance of the Company exceeds a cumulative 8% annual return since January 1, 2013 (the "Total Return Hurdle"). Beginning January 1, 2013, the incentive compensation equals 20% of net investment income (reduced by preferred dividends) and 20% of net realized gains (reduced by any net unrealized losses), subject to the Total Return Hurdle. The incentive compensation is payable quarterly in arrears as an allocation and distribution to the General Partner and is calculated as the difference between cumulative incentive compensation earned since January 1, 2013 and cumulative incentive compensation paid since January 1, 2013. A reserve for incentive compensation is accrued based on the amount of additional incentive compensation that would have been distributable to the General Partner assuming a hypothetical liquidation of the Company at net asset value on the balance sheet date. At September 30, 2014, the General Partner's equity interest in the Partnership was comprised entirely of the reserve amount and is reported as a non-controlling interest in the consolidated financial

statements of the Company.

The Company and the Partnership bear all respective expenses incurred in connection with the business of the Company and the Partnership, including fees and expenses of outside contracted services, such as custodian, administrative, legal, audit and tax preparation fees, costs of valuing investments, insurance costs, brokers' and finders' fees relating to investments, and any other transaction costs associated with the purchase and sale of investments.

4. Leverage

Leverage is comprised of convertible senior unsecured notes issued by the Company (the "Convertible Notes"), amounts outstanding under senior secured revolving credit facilities issued by the Partnership (the "Partnership Facility") and TCPC Funding (the "TCPC Funding Facility," and, together with the Partnership Facility, the "Revolving Facilities"), debentures guaranteed by the SBA (the "SBA Debentures"), and amounts outstanding under a preferred leverage facility issued by the Partnership (the "Preferred Interests"), as follows:

TCP Capital Corp.

Notes to Consolidated Financial Statements (Unaudited) (Continued)

September 30, 2014

4. Leverage (continued)

	September 30, 2014	December 31, 2013
Convertible Notes	\$ 105,599,077	\$ -
Partnership Facility	45,000,000	45,000,000
SBA Debentures	18,500,000	-
TCPC Funding Facility	150,000,000	50,000,000
Total Debt	\$ 319,099,077	\$ 95,000,000
Preferred Interests	134,000,000	134,000,000
Total Leverage	\$ 453,099,077	\$ 229,000,000

The combined weighted-average interest and dividend rates on total leverage outstanding at September 30, 2014 and December 31, 2013 were 2.83% and 1.38%, respectively.

Amounts outstanding under the Revolving Facilities, the Convertible Notes and the SBA Debentures are carried at amortized cost in the Statement of Assets and Liabilities. As of September 30, 2014, the estimated fair value of the TCPC Funding Facility and the SBA Debentures approximated its carrying value, and the Partnership Facility and Convertible Notes had estimated fair values of \$44,314,383 and \$108,000,000, respectively. The estimated fair values of the Revolving Facilities, the Convertible Notes and the SBA Debentures are determined by discounting projected remaining payments using market interest rates for our borrowings and entities with similar credit risks at the measurement date. At September 30, 2014, the Revolving Facilities, the Convertible Notes and the SBA Debentures were deemed to be Level 3 in the GAAP valuation hierarchy.

Convertible Notes

On June 11, 2014, the Company issued \$108 million of convertible senior unsecured notes that mature on December 15, 2019, unless previously converted or repurchased in accordance with their terms. The Convertible Notes are general unsecured obligations of the Company, and rank structurally junior to the Revolving Facilities and Preferred Interests. The Company does not have the right to redeem the Convertible Notes prior to maturity. The Convertible Notes bear interest at an annual rate of 5.25%, payable semi-annually. In certain circumstances, the Convertible Notes will be convertible into cash, shares of the Company's common stock or a combination of cash and shares of common stock (such combination to be at the Company's election), at an initial conversion rate of 50.9100 shares of common stock per one thousand dollar principal amount of the Convertible Notes, which is equivalent to an initial conversion price of approximately \$19.64 per share of common stock, subject to customary anti-dilution adjustments. The initial conversion price was approximately 12.5% above the \$17.46 per share closing price of the Company's common stock on June 11, 2014. At September 30, 2014, the principal amount of the Convertible Notes exceeded the value of the conversion rate multiplied by the per share closing price of the Company's common stock. Therefore, no additional shares have been added to the calculation of diluted earnings per common share and weighted average common shares outstanding.

TCP Capital Corp.

Notes to Consolidated Financial Statements (Unaudited) (Continued)

September 30, 2014

4. Leverage (continued)

Prior to the close of business on the business day immediately preceding June 15, 2019, holders may convert their Convertible Notes only under certain circumstances set forth in the indenture governing the terms of the Convertible Notes (the “Indenture”). On or after June 15, 2019 until the close of business on the scheduled trading day immediately preceding December 15, 2019, holders may convert their Convertible Notes at any time. Upon conversion, the Company will pay or deliver, as the case may be, at its election, cash, shares of the Company’s common stock or a combination of cash and shares of the Company’s common stock, subject to the requirements of the Indenture.

The Convertible Notes are accounted for in accordance with ASC Topic 470-20 – *Debt with Conversion and Other Options*. Upon conversion of any Convertible Note, the Company intends to pay the outstanding principal amount in cash and to the extent that the conversion value exceeds the principal amount, has 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. The Company has determined that the embedded conversion option in the Convertible Notes is not required to be separately accounted for as a derivative under GAAP. At the time of issuance the estimated values of the debt and equity components of the Convertible Notes were approximately 97.7% and 2.3%, respectively. The original issue discount equal to the equity component of the Convertible Notes was recorded in “paid-in-capital in excess of par” in the accompanying Consolidated Statement of Assets and Liabilities. As a result, the Company will record interest expense comprised of both stated interest and accretion of the original issue discount. At the time of issuance, the equity component was \$2,515,594. As of September 30, 2014, the components of the carrying value of the Convertible Notes were as follows:

Principal amount of debt	\$ 108,000,000
Original issue discount, net of accretion	(2,400,923)
Carrying value of debt	\$ 105,599,077

For the nine months ended September 30, 2014, the components of interest expense for the Convertible Notes were as follows:

Stated interest expense	\$1,759,233
Accretion of original issue discount	114,671
Total interest expense	\$1,873,904

The estimated effective interest rate of the debt component of the Convertible Notes, equal to the stated interest of 5.25% plus the accretion of the original issue discount, was approximately 5.75% for the nine months ended September 30, 2014.

TCP Capital Corp.

Notes to Consolidated Financial Statements (Unaudited) (Continued)

September 30, 2014

4. Leverage (continued)

Partnership Facility

The Partnership Facility provides for amounts to be drawn up to \$116 million, subject to certain collateral and other restrictions. The Partnership Facility matures on July 31, 2016. Most of the cash and investments held directly by the Partnership, as well as the net assets of TCPC Funding and the SBIC, are included in the collateral for the facility.

Advances under the Partnership Facility through July 31, 2014 bore interest at an annual rate equal to 0.44% plus either LIBOR or the lender's cost of funds (subject to a cap of LIBOR plus 20 basis points). Advances under the Partnership Facility for periods from July 31, 2014 through the maturity date of the facility bear interest at an annual rate equal to 2.5% plus either LIBOR or the lender's cost of funds (subject to a cap of LIBOR plus 20 basis points). In addition to amounts due on outstanding debt, the facility accrues commitment fees of 0.20% per annum on the unused portion of the facility, or 0.25% per annum when less than \$46.4 million in borrowings are outstanding. The facility may be terminated, and any outstanding amounts thereunder may become due and payable, should the Partnership fail to satisfy certain financial or other covenants. As of September 30, 2014, the Partnership was in full compliance with such covenants.

SBA Debentures

As of September 30, 2014 the SBIC is able to issue up to \$75 million in SBA Debentures, subject to funded regulatory capital and other customary regulatory requirements. As of September 30, 2014, the Partnership had committed \$75 million of regulatory capital to the SBIC, \$23 million of which had been funded. SBA Debentures are non-recourse and may be prepaid at any time without penalty. The interest rate on SBA Debentures is fixed at the time of issuance at a market-driven spread over 10-year U.S. Treasury Notes.

SBA Debentures as of September 30, 2014 were as follows:

Issuance Date	Maturity	Debenture Amount	Fixed Interest Rate	SBA Annual Charge
September 24, 2014	September 1, 2024	\$ 18,500,000	3.015 %	0.355 %

TCP Capital Corp.

Notes to Consolidated Financial Statements (Unaudited) (Continued)

September 30, 2014

4. Leverage (continued)

TCPC Funding Facility

The TCPC Funding Facility, issued on May 15, 2013, provides for amounts to be drawn up to \$200 million, subject to certain collateral and other restrictions. The TCPC Funding Facility matures on May 15, 2017, subject to extension by the lender at the request of TCPC Funding. The facility contains an accordion feature which allows for expansion of the facility up to \$250 million subject to consent from the lender and other customary conditions. The cash and investments of TCPC Funding are included in the collateral for the facility.

As of September 30, 2014, borrowings under the TCPC Funding Facility bore interest at a rate of LIBOR plus 2.50% per annum. In addition to amounts due on outstanding debt, the facility accrues commitment fees of 0.75% per annum on the unused portion of the facility, or 1.00% per annum when the unused portion is greater than 33% of the total facility. The facility may be terminated, and any outstanding amounts thereunder may become due and payable, should TCPC Funding fail to satisfy certain financial or other covenants. As of September 30, 2014, TCPC Funding was in full compliance with such covenants.

Preferred Interests

At September 30, 2014, the Preferred Interests were comprised of 6,700 Series A preferred limited partner interests issued and outstanding with a liquidation preference of \$20,000 per interest. The Preferred Interests accrue dividends at an annual rate equal to 0.85% plus either LIBOR or the interestholder's cost of funds (subject to a cap of LIBOR plus 20 basis points). The Preferred Interests are redeemable at the option of the Partnership, subject to certain conditions. Additionally, under certain conditions, the Partnership may be required to either redeem certain of the Preferred Interests or repay indebtedness, at the Partnership's option. Such conditions would include a failure by the Partnership to maintain adequate collateral as required by its credit facility agreement or by the Statement of

Preferences of the Preferred Interests or a failure by the Partnership to maintain sufficient asset coverage as required by the 1940 Act. As of September 30, 2014, the Partnership was in full compliance with such requirements.

5. Commitments, Contingencies, Concentration of Credit Risk and Off-Balance Sheet Risk

The Partnership, TCPC Funding and the SBIC conduct business with brokers and dealers that are primarily headquartered in New York and Los Angeles and are members of the major securities exchanges. Banking activities are conducted with a firm headquartered in the San Francisco area.

In the normal course of business, investment activities involve executions, settlement and financing of various transactions resulting in receivables from, and payables to, brokers, dealers and the custodian. These activities may expose the Company, the Partnership, TCPC Funding and the SBIC to risk in the event that such parties are unable to fulfill contractual obligations. Management does not anticipate any material losses from counterparties with whom it conducts business. Consistent with standard business practice, the Company, the Partnership, TCPC

TCP Capital Corp.

Notes to Consolidated Financial Statements (Unaudited) (Continued)

September 30, 2014

5. Commitments, Contingencies, Concentration of Credit Risk and Off-Balance Sheet Risk (continued)

Funding and the SBIC enter into contracts that contain a variety of indemnifications, and are engaged from time to time in various legal actions. The maximum exposure under these arrangements and activities is unknown. However, management expects the risk of material loss to be remote.

The Consolidated Statement of Investments includes certain revolving loan facilities and other commitments held by the Partnership with unfunded balances at September 30, 2014 as follows:

Revolving Loan Facilities	\$20,517,102
Delayed Draw Loans and Notes	25,652,366
Letters of Credit	9,379,246
Total Unfunded Commitments	\$55,548,714

6. Related Parties

The Company, the Partnership, TCPC Funding, the SBIC, the Investment Manager, the General Partner and their members and affiliates may be considered related parties. From time to time, the Partnership advances payments to third parties on behalf of the Company which are reimbursable through deductions from distributions to the Company. At September 30, 2014, no such amounts were outstanding. From time to time, the Investment Manager advances payments to third parties on behalf of the Company and the Partnership and receives reimbursement from the Company and the Partnership. At September 30, 2014, amounts reimbursable to the Investment Manager totaled \$411,292, as reflected in the Consolidated Statement of Assets and Liabilities.

Pursuant to administration agreements between the Administrator and each of the Company and the Partnership (the “Administration Agreements”), the Administrator may be reimbursed for costs and expenses incurred by the Administrator for office space rental, office equipment and utilities allocable to the Company or the Partnership, as well as costs and expenses incurred by the Administrator or its affiliates relating to any administrative, operating, or other non-investment advisory services provided by the Administrator or its affiliates to the Company or the Partnership. For the nine months ended September 30, 2014, expenses allocated pursuant to the Administration Agreements totaled \$1,002,418. The Administrator waived reimbursement of all administrative expenses prior to January 1, 2013.

TCP Capital Corp.

Notes to Consolidated Financial Statements (Unaudited) (Continued)

September 30, 2014

7. Stockholders' Equity and Dividends

The following table summarizes the total shares issued and proceeds received in the public offering of the Company's common stock net of underwriting discounts and offering costs as well as shares issued in connection with the Company's dividend reinvestment plan for the nine months ended September 30, 2014.

	Shares Issued	Price Per Share	Net Proceeds
August 1, 2014 public offering	6,210,000	\$ 17.33	\$103,940,721
Shares issued from dividend reinvestment plan	326	\$ 16.90	\$5,509

The following table summarizes the total shares issued and proceeds received in the public offering of the Company's common stock net of underwriting discounts and offering costs as well as shares issued in connection with the Company's dividend reinvestment plan for the year ended December 31, 2013:

	Shares Issued	Price Per Share	Net Proceeds
May 21, 2013 public offering	5,175,000	\$ 15.63	\$78,176,790
October 1, 2013 public offering	4,370,000	\$ 15.76	\$66,473,600
December 18, 2013 public offering	5,175,000	\$ 16.00	\$79,912,500
Shares issued from dividend reinvestment plan	2,288	\$ 16.35	\$37,416

The Company's dividends are recorded on the ex-dividend date. The following table summarizes the Company's dividends declared for the nine months ended September 30, 2014:

Date Declared	Record Date	Payment Date	Amount Per Share	Total Amount
March 6, 2014	March 17, 2014	March 31, 2014	\$ 0.36	\$ 13,031,970
May 7, 2014	June 18, 2014	June 30, 2014	\$ 0.41	* \$ 14,842,008

Edgar Filing: TCP Capital Corp. - Form 10-Q

August 7, 2014	September 16, 2014	September 30, 2014	\$ 0.36	\$ 15,267,647
				\$ 43,141,625

* Includes a special dividend of \$0.05.

The following table summarizes the Company's dividends declared for the nine months ended September 30, 2013:

Date Declared	Record Date	Payment Date	Amount Per Share	Total Amount
March 7, 2013	March 18, 2013	March 29, 2013	\$ 0.40	* \$ 8,591,051
May 8, 2013	June 7, 2013	June 28, 2013	\$ 0.36	\$ 9,595,344
August 8, 2013	September 9, 2014	September 30, 2013	\$ 0.36	\$ 9,595,692
				\$ 27,782,087

* Includes a special dividend of \$0.05.

TCP Capital Corp.

Notes to Consolidated Financial Statements (Unaudited) (Continued)

September 30, 2014

8. Earnings Per Share

The following information sets forth the computation of the net increase in net assets per share resulting from operations for the nine months ended September 30, 2014 and September 30, 2013:

	Nine Months Ended September 30, 2014	Nine Months Ended September 30, 2013
Net increase in net assets applicable to common shareholders resulting from operations	\$ 41,601,674	\$ 35,085,981
Weighted average shares outstanding	37,507,497	23,942,996
Earnings per share	\$ 1.11	\$ 1.47

9. Subsequent Events

On October 3, 2014, the Company entered into an equity distribution agreement with each of Raymond James & Associates, Inc. and Cantor Fitzgerald & Co. under which the Company may from time to time offer and sell, at a premium to net asset value, shares of its common stock in negotiated transactions or “at the market” offerings having an aggregate offering price of up to \$100,000,000. Through November 3, 2014, the Company issued 400,255 shares pursuant the equity distribution agreement.

On November 5, 2014, the aggregate principal commitment on the TCPC Funding Facility increased to \$250 million and the facility’s accordion feature expanded to \$300 million.

On November 6, 2014, the Company's board of directors declared a fourth quarter regular dividend of \$0.36 per share and a special dividend of \$0.05 per share. Both dividends are payable on December 31, 2014 to stockholders of record as of the close of business on December 8, 2014.

TCP Capital Corp.

Notes to Consolidated Financial Statements (Unaudited) (Continued)

September 30, 2014

10. Financial Highlights

	Nine Months Ended September 30,			
	2014		2013	
Per Common Share				
Per share NAV at beginning of period ⁽¹⁾	\$ 15.18		\$ 14.71	
Investment operations:				
Net investment income	1.48		1.64	
Net realized and unrealized gain	(0.06	)	0.25	
Dividends on Series A preferred equity facility	(0.03	)	(0.05)
Incentive allocation reserve and distributions	(0.28	)	(0.37)
Total from investment operations	1.11		1.47	
Issuance of common stock	0.20		-	
Issuance of convertible debt	0.07		-	
Distributions to common shareholders from:				
Net investment income	(1.13	)	(1.12)
Per share NAV at end of period	\$ 15.43		\$ 15.06	
Per share market price at end of period	\$ 16.07		\$ 16.23	
Total return based on market value ^{(1), (2)}	2.5	%	17.7	%
Total return based on net asset value ^{(1), (3)}	9.1	%	10.1	%
Shares outstanding at end of period	42,410,242		26,654,802	

TCP Capital Corp.

Notes to Consolidated Financial Statements (Unaudited) (Continued)

September 30, 2014

10. Financial Highlights (continued)

	Nine Months Ended September 30,			
	2014		2013	
Ratios to average common equity: ^{(4), (5)}				
Net investment income ⁽⁶⁾	11.0	%	12.3	%
Expenses	4.4	%	3.5	%
Expenses and incentive allocation ⁽⁷⁾	6.3	%	5.7	%
Ending common shareholder equity	\$ 654,533,128		\$ 401,503,741	
Portfolio turnover rate ⁽¹⁾	20.2	%	31.1	%
Weighted-average debt outstanding	\$ 179,507,606		\$ 77,106,227	
Weighted-average interest rate on debt	3.0	%	1.2	%
Weighted-average number of common shares	37,507,497		23,942,996	
Average debt per share	\$ 4.79		\$ 3.22	

(1) Not annualized.

(2) Total return based on market value equals the change in ending market value per share during the period plus declared dividends per share during the period, divided by the market value per share at the beginning of the period.

(3) Total return based on net asset value equals the change in net asset value per share during the period plus declared dividends per share during the period, divided by the beginning net asset value per share at the beginning of the period.

(4) Annualized, except for incentive allocation.

(5) These ratios include interest expense but do not reflect the effect of dividends on the preferred equity facility.

(6) Net of incentive allocation.

(7) Includes incentive allocation payable to the General Partner and all Company expenses.

TCP Capital Corp.

Consolidated Schedule of Investments in Affiliates ⁽¹⁾ (Unaudited)

Nine Months Ended September 30, 2014

Security	Acquisitions	Dispositions (2)	Dividends or Interest (3)
AGY Holding Corp., Senior Secured Term Loan, 12%, due 9/15/16	\$ 241,491	\$ -	\$ 194,666
AGY Holding Corporation, Senior Secured 2nd Lien Notes, 11%, due 11/15/16	-	-	764,610
Anacomp, Inc., Class A Common Stock	-	-	-
EPMC HoldCo, LLC, Membership Units	-	(969,969)	-
ESP Holdings, Inc., Cumulative Preferred 15%	-	(2,489,100)	1,968,748
ESP Holdings, Inc., Common Stock	-	(3,481,696)	289,315
ESP Holdings, Inc., Junior Unsecured Subordinated Promissory Notes, 6% Cash + 10% PIK, due 12/31/19	-	(7,959,369)	205,175
Globecomm Systems Inc., Senior Secured 1st Lien Term Loan, LIBOR + 7.625%, 1.25% LIBOR Floor, due 12/11/18	-	(112,500)	1,007,054
KAGY Holding Company, Inc., Series A Preferred Stock	-	-	-
N510UA Aircraft Secured Mortgage, 20%, due 10/26/16	-	(72,713)	44,412
N512UA Aircraft Secured Mortgage, 20%, due 10/26/16	-	(71,150)	17,362
N536UA Aircraft Secured Mortgage, 16%, due 9/29/14	-	(108,844)	4,678
N545UA Aircraft Secured Mortgage, 16%, due 8/29/15	-	(110,472)	23,416
N585UA Aircraft Secured Mortgage, 20%, due 10/25/16	-	(392,795)	27,571
N659UA Aircraft Secured Mortgage, 12%, due 2/28/16	-	(831,783)	210,182
N661UA Aircraft Secured Mortgage, 12%, due 5/4/16	-	(806,660)	220,226
N510UA Equipment Trust Beneficial Interests	72,713	(26,934)	66,191
N512UA Equipment Trust Beneficial Interests	71,150	(26,493)	93,674
N536UA Equipment Trust Beneficial Interests	80,397	(467,756)	40,259
N545UA Equipment Trust Beneficial Interests	110,472	(35,652)	83,596
N585UA Equipment Trust Beneficial Interests	92,583	(536,863)	31,098
N913DL Aircraft Secured Mortgage, 8%, due 3/15/17	-	(62,325)	15,477
N918DL Aircraft Secured Mortgage, 8%, due 8/15/18	-	(55,171)	21,629
N954DL Aircraft Secured Mortgage, 8%, due 3/20/19	-	(63,383)	29,035
N955DL Aircraft Secured Mortgage, 8%, due 6/20/19	-	(60,971)	30,241
N956DL Aircraft Secured Mortgage, 8%, due 5/20/19	-	(61,985)	30,151
N957DL Aircraft Secured Mortgage, 8%, due 6/20/19	-	(61,503)	30,504
N959DL Aircraft Secured Mortgage, 8%, due 7/20/19	-	(61,027)	30,855
N960DL Aircraft Secured Mortgage, 8%, due 10/20/19	-	(60,127)	32,159
N961DL Aircraft Secured Mortgage, 8%, due 8/20/19	-	(61,580)	31,732

Edgar Filing: TCP Capital Corp. - Form 10-Q

N976DL Aircraft Secured Mortgage, 8%, due 2/15/18	-	(64,044	)	21,745
N913DL Equipment Trust Beneficial Interests	62,325	(70,524	)	13,226
N918DL Equipment Trust Beneficial Interests	55,171	(67,002	)	10,621
N954DL Equipment Trust Beneficial Interests	63,383	(80,814	)	9,947
N955DL Equipment Trust Beneficial Interests	60,971	(79,827	)	9,272
N956DL Equipment Trust Beneficial Interests	61,985	(80,928	)	9,305
N957DL Equipment Trust Beneficial Interests	61,503	(80,592	)	9,124
N959DL Equipment Trust Beneficial Interests	61,027	(80,262	)	8,949
N960DL Equipment Trust Beneficial Interests	60,127	(80,007	)	8,292
N961DL Equipment Trust Beneficial Interests	61,580	(81,411	)	8,497
N976DL Equipment Trust Beneficial Interests	64,044	(76,920	)	9,600
RM Holdco, LLC, Membership Units	-	-		-
RM Holdco, LLC, Subordinated Convertible Term Loan, 1.12% PIK, due 3/21/18	-	-		43,866
RM OpCo, LLC, Senior Secured 1st Lien Term Loan Tranche A, 11%, due 3/19/16	278,599	(142,450	)	310,334
RM OpCo, LLC, Senior Secured 1st Lien Term Loan Tranche B, 12% Cash + 7% PIK, due 3/19/16	974,966	-		1,056,044
RM OpCo, LLC, Senior Secured 1st Lien Term Loan Tranche B-1, 12% Cash + 7% PIK, due 3/19/16	318,343	-		344,447
RM OpCo, LLC, Convertible 1st Lien Term Loan Tranche B-1, 12% Cash + 7% PIK, due 3/21/16	204,002	-		220,664
United N659UA-767, LLC (N659UA)	831,783	(506,034	)	318,023
United N661UA-767, LLC (N661UA)	806,660	(497,274	)	315,057
Wasserstein Cosmos Co-Invest, L.P., Limited Partnership Units	-	-		-

Notes to Schedule of Changes in Investments in Affiliates:

(1) The issuers of the securities listed on this schedule are considered affiliates under the Investment Company Act of 1940 due to the ownership by the Company of 5% or more of the issuers' voting securities.

(2) Dispositions include sales, paydowns, mortgage amortizations, and aircraft depreciation.

(3) Also includes fee and lease income as applicable.

TCP Capital Corp.

Consolidated Schedule of Changes in Investments in Affiliates ⁽¹⁾

Year Ended December 31, 2013

Security	Acquisitions	Dispositions ⁽²⁾	Dividends or Interest ⁽³⁾
AGY Holding Corp., Senior Secured Term Loan, 12%, due 9/15/16	\$2,056,927	\$ -	\$ 128,215
AGY Holding Corporation, Senior Secured 2nd Lien Notes, 11%, due 11/15/16	7,586,317	-	640,007
Anacomp, Inc., Class A Common Stock	-	-	-
EPMC HoldCo, LLC, Membership Units	-	(1,481,930)	-
ESP Holdings, Inc., Cumulative Preferred 15%	-	-	-
ESP Holdings, Inc., Common Stock	-	-	32,627
ESP Holdings, Inc., Junior Unsecured Subordinated Promissory Notes, 6% Cash + 10% PIK, due 12/31/19	749,529	-	1,199,575
Globecomm Systems Inc., Senior Secured 1st Lien Term Loan, LIBOR + 7.625%, 1.25% LIBOR Floor, due 12/11/18	14,850,000	-	83,281
International Wire Group Holdings, Inc., Senior Secured Notes, 8.5%, due 10/15/17	-	(15,759,750)	443,715
KAGY Holding Company, Inc., Series A Preferred Stock	8,096,057	(1,644)	-
N510UA Aircraft Secured Mortgage, 20%, due 10/26/16	-	(81,562)	74,646
N512UA Aircraft Secured Mortgage, 20%, due 10/26/16	-	(79,808)	75,593
N536UA Aircraft Secured Mortgage, 16%, due 9/29/14	-	(143,097)	29,100
N545UA Aircraft Secured Mortgage, 16%, due 8/29/15	-	(128,230)	50,422
N585UA Aircraft Secured Mortgage, 20%, due 10/25/16	-	(93,707)	88,705
N659UA Aircraft Secured Mortgage, 12%, due 2/28/16	-	(999,280)	390,117
N661UA Aircraft Secured Mortgage, 12%, due 5/4/16	-	(969,098)	401,041
N510UA Equipment Trust Beneficial Interests	81,562	(35,912)	72,866
N512UA Equipment Trust Beneficial Interests	79,808	(35,323)	72,497
N536UA Equipment Trust Beneficial Interests	143,097	(45,201)	104,929
N545UA Equipment Trust Beneficial Interests	128,359	(47,536)	92,525
N585UA Equipment Trust Beneficial Interests	93,707	(46,776)	80,203
N913DL Aircraft Secured Mortgage, 8%, due 3/15/17	-	(77,509)	26,248
N918DL Aircraft Secured Mortgage, 8%, due 8/15/18	-	(68,612)	33,806
N954DL Aircraft Secured Mortgage, 8%, due 3/20/19	-	(78,825)	44,415
N955DL Aircraft Secured Mortgage, 8%, due 6/20/19	-	(75,824)	45,803
N956DL Aircraft Secured Mortgage, 8%, due 5/20/19	-	(77,085)	45,775
N957DL Aircraft Secured Mortgage, 8%, due 6/20/19	-	(76,487)	46,204
N959DL Aircraft Secured Mortgage, 8%, due 7/20/19	-	(75,896)	46,629

Edgar Filing: TCP Capital Corp. - Form 10-Q

N960DL Aircraft Secured Mortgage, 8%, due 10/20/19	-	(74,776	)	48,285
N961DL Aircraft Secured Mortgage, 8%, due 8/20/19	-	(76,582	)	47,846
N976DL Aircraft Secured Mortgage, 8%, due 2/15/18	-	(79,647	)	34,759
N913DL Equipment Trust Beneficial Interests	77,509	(94,032	)	12,045
N918DL Equipment Trust Beneficial Interests	68,612	(89,338	)	9,213
N954DL Equipment Trust Beneficial Interests	78,825	(107,751	)	7,578
N955DL Equipment Trust Beneficial Interests	75,824	(106,437	)	6,891
N956DL Equipment Trust Beneficial Interests	77,085	(107,904	)	6,845
N957DL Equipment Trust Beneficial Interests	76,487	(107,457	)	6,648
N959DL Equipment Trust Beneficial Interests	75,896	(107,015	)	6,456
N960DL Equipment Trust Beneficial Interests	74,776	(106,678	)	5,662
N961DL Equipment Trust Beneficial Interests	76,582	(108,546	)	5,805
N967DL Equipment Trust Beneficial Interests	79,647	(102,560	)	7,056
RM Holdco, LLC, Membership Units	-	-	-	-
RM Holdco, LLC, Subordinated Convertible Term Loan, 1.12% PIK, due 3/21/18	57,991	-	-	57,992
RM OpCo, LLC, Senior Secured 1st Lien Term Loan Tranche A, 11%, due 3/19/16	16,974	(149,183	)	413,430
RM OpCo, LLC, Senior Secured 1st Lien Term Loan Tranche B, 12% Cash + 7% PIK, due 3/19/16	567,205	-	-	1,258,016
RM OpCo, LLC, Senior Secured 1st Lien Term Loan Tranche B-1, 12% Cash + 7% PIK, due 3/19/16	186,901	-	-	410,004
RM OpCo, LLC, Convertible 1st Lien Term Loan Tranche B-1, 12% Cash + 7% PIK, due 3/21/16	1,339,883	-	-	182,711
United N659UA-767, LLC (N659UA)	999,280	(674,714	)	316,842
United N661UA-767, LLC (N661UA)	969,098	(663,034	)	313,627
Wasserstein Cosmos Co-Invest, L.P., Limited Partnership Units	5,000,000	-	-	-

Notes to Schedule of Changes in Investments in Affiliates:

(1) The issuers of the securities listed on this schedule are considered affiliates under the Investment Company Act of 1940 due to the ownership by the Company of 5% or more of the issuers' voting securities.

(2) Dispositions include sales, paydowns, mortgage amortizations, and aircraft depreciation.

(3) Also includes fee and lease income as applicable.

TCP Capital Corp.

Consolidated Schedule of Restricted Securities of Unaffiliated Issuers (Unaudited)

September 30, 2014

Investment	Acquisition Date
Avanti Communications Group, PLC, Senior Secured Notes, 10%, due 10/1/19	9/26/13
BlackLine Intermediate, Inc., Warrants to Purchase Common Stock	9/25/13
BPA Laboratories, Inc., Senior Secured Notes, 12.25%, due 4/1/17	3/5/12
Caribbean Financial Group, Senior Secured Notes, 11.5%, due 11/15/19	10/19/12
Carolina Beverage Group, LLC, Secured Notes, 10.625%, due 8/1/18	7/26/13
Constellation Enterprises, LLC, Senior Secured 1st Lien Notes, 10.625%, due 2/1/16	1/20/11
Findly Talent, LLC, Membership Units	1/1/14
Flight Options Holdings I, Inc., Warrants to Purchase Common Stock	12/4/13
Hunt Companies, Inc., Senior Secured Notes, 9.625%, due 3/1/21	2/25/14
Ichor Systems Holdings, LLC, Membership Units	Var. 2009 & 2010
Integra Telecom, Inc., Common Stock	11/19/09
Integra Telecom, Inc., Warrants	11/19/09
Iracore International, Inc., Senior Secured Notes, 9.5%, due 6/1/18	5/8/13
Magnolia Finance V plc, Asset-Backed Credit Linked Notes, 13.125%, due 8/2/21	8/1/13
Marsico Holdings, LLC Common Interest Units	9/10/12
Precision Holdings, LLC, Class C Membership Interests	Var. 2010 & 2011
Rightside Group, Ltd, Warrants	8/6/14
Shop Holdings, LLC, Convertible Promissory Note, 5%, due 8/5/15	2/5/14
Shop Holding, LLC, Class A Units	6/2/11
Shop Holding, LLC, Warrants to Purchase Class A Units	6/2/11
SiTV, Inc., Senior Secured Notes, 10.375%, due 7/1/19	6/18/14
SiTV, Inc., Warrants to Purchase Common Stock	8/3/12
Soraa, Inc., Warrants to Purchase Common Stock	8/29/14
STG-Fairway Holdings, LLC, Class A Units	12/30/10
The Telx Group, Inc., Senior Notes, 13.5% PIK, due 7/9/21	4/9/14
Trade Finance Funding I, Ltd., Secured Class B Notes, 10.75%, due 11/13/18	11/13/13
V Telecom Investment S.C.A, Common Shares	11/9/12

TCP Capital Corp.

Consolidated Schedule of Restricted Securities of Unaffiliated Issuers

December 31, 2013

Investment	Acquisition Date
AIP/IS Holdings, LLC, Membership Units	Var. 2009 & 2010
Avanti Communications Group, PLC, Senior Secured Notes, 10%, due 10/1/19	9/26/13
BPA Laboratories, Inc., Senior Secured Notes, 12.25%, due 4/1/17	3/5/12
Caribbean Financial Group, Senior Secured Notes, 11.5%, due 11/15/19	10/19/12
Carolina Beverage Group, LLC, Secured Notes, 10.625%, due 8/1/18	7/26/13
Constellation Enterprises, LLC, Senior Secured 1st Lien Notes, 10.625%, due 2/1/16	1/20/11
Flight Options Holdings I, Inc., Warrants to Purchase Common Stock	12/4/13
Integra Telecom, Inc., Common Stock	11/19/09
Integra Telecom, Inc., Warrants	11/19/09
Iracore International, Inc., Senior Secured Notes, 9.5%, due 6/1/18	5/8/13
Magnolia Finance V plc, Asset-Backed Credit Linked Notes, 13.125%, due 8/2/21	8/1/13
Marsico Holdings, LLC Common Interest Units	9/10/12
Precision Holdings, LLC, Class C Membership Interests	Var. 2010 & 2011
Shop Holding, LLC, Class A Units	6/2/11
Shop Holding, LLC, Warrants to Purchase Class A Units	6/2/11
SiTV, Inc., Warrants to Purchase Common Stock	8/3/12
SLS Breeze Intermediate Holdings, Inc., Warrants to Purchase Common Stock	9/25/13
St Barbara Ltd., 1st Priority Senior Secured Notes, 8.875%, due 4/15/18	3/22/13
STG-Fairway Holdings, LLC, Class A Units	12/30/10
The Telx Group, Inc., Senior Unsecured Notes, 10% Cash + 2% PIK, due 9/26/19	9/26/11
Trade Finance Funding I, Ltd., Secured Class B Notes, 10.75%, due 11/13/18	11/13/13
V Telecom Investment S.C.A, Common Shares	11/9/12
Vantage Oncology, LLC, Senior Secured Notes, 9.5%, due 6/15/17	6/6/13

TCP Capital Corp.

Consolidating Statement of Assets and Liabilities (Unaudited)

September 30, 2014

	TCP Capital Corp. Standalone	Special Value Continuation Partners, LP Consolidated	Eliminations	TCP Capital Corp. Consolidated
Assets				
Investments:				
Companies less than 5% owned	\$-	\$1,010,685,137	\$-	\$1,010,685,137
Companies 5% to 25% owned	-	48,193,229	-	48,193,229
Companies more than 25% owned	-	15,918,961	-	15,918,961
Investment in subsidiary	758,688,769	-	(758,688,769)	-
Total investments	758,688,769	1,074,797,327	(758,688,769)	1,074,797,327
Cash and cash equivalents	-	24,144,075	-	24,144,075
Accrued interest income	-	10,359,314	-	10,359,314
Deferred debt issuance costs	3,174,156	4,313,655	-	7,487,811
Unrealized appreciation on swaps	-	1,071,130	-	1,071,130
Interest rate cap option	-	1,327	-	1,327
Receivable from subsidiary	633,589	-	(633,589)	-
Prepaid expenses and other assets	150,212	1,594,868	-	1,745,080
Total assets	762,646,726	1,116,281,696	(759,322,358)	1,119,606,064
Liabilities				
Debt	105,599,077	213,500,000	-	319,099,077
Incentive allocation payable	-	3,767,604	-	3,767,604
Interest payable	1,656,229	825,837	-	2,482,066
Payable for investment securities purchased	-	1,250,031	-	1,250,031
Payable to the Investment Manager	128,687	282,605	-	411,292
Payable to Parent	-	633,589	(633,589)	-
Accrued expenses and other liabilities	729,605	2,133,239	-	2,862,844
Total liabilities	108,113,598	222,392,905	(633,589)	329,872,914
Preferred equity facility				
Series A preferred limited partner interests	-	134,000,000	-	134,000,000
Accumulated dividends on Series A preferred equity facility	-	498,858	-	498,858
Total preferred limited partner interests	-	134,498,858	-	134,498,858

Edgar Filing: TCP Capital Corp. - Form 10-Q

Non-controlling interest				
General Partner interest in Special Value			701,164	701,164
Continuation Partners, LP	-	-		
Net assets	\$654,533,128	\$759,389,933	\$(759,389,933)	\$654,533,128
Composition of net assets				
Common stock	\$42,410	\$-	\$-	\$42,410
Additional paid-in capital	774,297,634	771,171,985	(771,171,985)	774,297,634
Accumulated deficit	(119,806,916)	(11,782,052)	12,483,216	(119,105,752)
Non-controlling interest	-	-	(701,164)	(701,164)
Net assets	\$654,533,128	\$759,389,933	\$(759,389,933)	\$654,533,128

TCP Capital Corp.

Consolidating Statement of Assets and Liabilities

December 31, 2013

	TCP Capital Corp. Standalone	Special Value Continuation Partners, LP Consolidated	Eliminations	TCP Capital Corp. Consolidated
Assets				
Investments:				
Companies less than 5% owned	\$-	\$678,326,915	\$-	\$678,326,915
Companies 5% to 25% owned	-	69,068,808	-	69,068,808
Companies more than 25% owned	-	18,867,236	-	18,867,236
Investment in subsidiary	551,095,042	-	(551,095,042)	-
Total investments	551,095,042	766,262,959	(551,095,042)	766,262,959
Cash and cash equivalents	-	22,984,182	-	22,984,182
Accrued interest income	-	6,739,105	-	6,739,105
Receivable for investments sold	-	3,605,964	-	3,605,964
Deferred debt issuance costs	-	2,969,085	-	2,969,085
Interest rate cap option	-	14,139	-	14,139
Receivable from subsidiary	531,717	-	(531,717)	-
Prepaid expenses and other assets	30,493	723,275	-	753,768
Total assets	551,657,252	803,298,709	(551,626,759)	803,329,202
Liabilities				
Debt	-	95,000,000	-	95,000,000
Payable for investment securities purchased	-	14,706,942	-	14,706,942
Incentive allocation payable	-	3,318,900	-	3,318,900
Payable to the Investment Manager	833,737	287,371	-	1,121,108
Interest payable	-	430,969	-	430,969
Unrealized depreciation on swaps	-	331,183	-	331,183
Payable to Parent	-	531,717	(531,717)	-
Accrued expenses and other liabilities	1,212,260	1,923,750	-	3,136,010
Total liabilities	2,045,997	116,530,832	(531,717)	118,045,112
Preferred equity facility				
Series A preferred limited partner interests	-	134,000,000	-	134,000,000
Accumulated dividends on Series A preferred equity facility	-	504,252	-	504,252

Edgar Filing: TCP Capital Corp. - Form 10-Q

Total preferred limited partner interests	-	134,504,252	-	134,504,252
Non-controlling interest				
General Partner interest in Special Value Continuation Partners, LP	-	-	1,168,583	1,168,583
Net assets	\$549,611,255	\$552,263,625	\$(552,263,625)	\$549,611,255
Composition of net assets				
Common stock	\$36,200	\$-	\$-	\$36,200
Additional paid-in capital	667,842,020	666,530,318	(666,530,318)	667,842,020
Accumulated deficit	(118,266,965)	(114,266,693)	115,435,276	(117,098,382)
Non-controlling interest	-	-	(1,168,583)	(1,168,583)
Net assets	\$549,611,255	\$552,263,625	\$(552,263,625)	\$549,611,255

TCP Capital Corp.

Consolidating Statement of Operations (Unaudited)

Nine Months Ended September 30, 2014

	TCP Capital Corp. Standalone	Special Value Continuation Partners, LP Consolidated	Eliminations	TCP Capital Corp. Consolidated
Investment income				
Interest income:				
Companies less than 5% owned	\$-	\$ 65,174,101	\$-	\$ 65,174,101
Companies 5% to 25% owned	-	4,423,013	-	4,423,013
Companies more than 25% owned	-	706,553	-	706,553
Dividend income:				
Companies 5% to 25% owned	-	1,968,748	-	1,968,748
Other income:				
Companies less than 5% owned	-	1,164,938	-	1,164,938
Companies 5% to 25% owned	-	282,581	-	282,581
Companies more than 25% owned	-	726,477	-	726,477
Total interest and related investment income	-	74,446,411	-	74,446,411
Operating expenses				
Management and advisory fees	-	9,504,317	-	9,504,317
Interest expense	1,759,234	2,252,933	-	4,012,167
Amortization of deferred debt issuance costs	195,844	1,151,598	-	1,347,442
Administration expenses	-	1,029,069	-	1,029,069
Legal fees, professional fees and due diligence expenses	285,870	542,232	-	828,102
Commitment fees	-	650,209	-	650,209
Director fees	84,487	171,289	-	255,776
Insurance expense	67,547	135,276	-	202,823
Custody fees	2,625	163,400	-	166,025
Other operating expenses	671,530	361,892	-	1,033,422
Total expenses	3,067,137	15,962,215	-	19,029,352
Net investment income (loss)	(3,067,137)	58,484,196	-	55,417,059
Net realized and unrealized gain (loss) on investments and foreign currency				
Net realized gain (loss):				

Edgar Filing: TCP Capital Corp. - Form 10-Q

Investments in companies less than 5% owned	-	(5,317,388)	-	(5,317,388)
Investments in companies 5% to 25% owned	-	383,670	-	383,670
Net realized loss	-	(4,933,718)	-	(4,933,718)
Net change in unrealized appreciation/depreciation	-	2,596,620	-	2,596,620
Net realized and unrealized gain	-	(2,337,098)	-	(2,337,098)
Interest in earnings of subsidiary	44,668,811	-	(44,668,811)	-
Dividends paid on Series A preferred equity facility	-	(1,083,263)	-	(1,083,263)
Net change in accumulated dividends on Series A preferred equity facility	-	5,394	-	5,394
Distributions of incentive allocation to the General Partner				
from net investment income	-	-	(10,867,837)	(10,867,837)
Net change in reserve for incentive allocation	-	-	467,419	467,419
Net increase in net assets resulting from operations	\$41,601,674	\$55,069,229	\$(55,069,229)	\$41,601,674

TCP Capital Corp.

Consolidating Statement of Operations (Unaudited)

Nine Months Ended September 30, 2013

	TCP Capital Corp. Standalone	Special Value Continuation Partners, LP Consolidated	Eliminations	TCP Capital Corp. Consolidated
Investment income				
Interest income:				
Unaffiliated issuers	\$-	\$41,745,035	\$-	\$41,745,035
Controlled companies	-	936,296	-	936,296
Affiliates	-	4,035,115	-	4,035,115
Other income:				
Unaffiliated issuers	-	1,105,959	-	1,105,959
Controlled companies	-	495,165	-	495,165
Other Affiliates	-	305,739	-	305,739
Total interest and related investment income	-	48,623,309	-	48,623,309
Operating expenses				
Management and advisory fees	-	6,110,550	-	6,110,550
Interest expense	-	663,820	-	663,820
Administration expenses	-	592,422	-	592,422
Amortization of deferred debt issuance costs	-	470,242	-	470,242
Legal fees, professional fees and due diligence expenses	262,770	226,718	-	489,488
Commitment fees	-	146,843	-	146,843
Director fees	73,243	147,045	-	220,288
Insurance expense	44,555	89,261	-	133,816
Custody fees	2,625	102,802	-	105,427
Other operating expenses	409,651	235,142	-	644,793
Total expenses	792,844	8,784,845	-	9,577,689
Net investment income	(792,844)	39,838,464	-	39,045,620
Net realized and unrealized gain (loss) on investments and foreign currency				
Net realized loss:				
Investments in unaffiliated issuers	-	(2,773,020)	-	(2,773,020)
Net change in unrealized appreciation/depreciation	-	8,723,819	-	8,723,819

Edgar Filing: TCP Capital Corp. - Form 10-Q

Net realized and unrealized gain	-	5,950,799	-	5,950,799
Interest in earnings of subsidiary	35,878,825	-	(35,878,825)	-
Dividends paid on Series A preferred equity facility	-	(1,131,014)	-	(1,131,014)
Net change in accumulated dividends on Series A preferred equity facility	-	(7,928)	-	(7,928)
Distributions of incentive allocation to the General Partner from net investment income	-	-	(7,581,335)	(7,581,335)
Distributions of incentive allocation to the General Partner from net realized gains	-	-	(312,598)	(312,598)
Net change in reserve for incentive allocation	-	-	(877,563)	(877,563)
Net increase in net assets resulting from operations	\$ 35,085,981	\$ 44,650,321	\$(44,650,321)	\$ 35,085,981

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 our unaudited consolidated financial statements and related notes thereto appearing elsewhere in this quarterly report on Form 10-Q. Some of the statements in this report (including in the following discussion) constitute forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995, which relate to future events or the future performance or financial condition of TCP Capital Corp. (the “Holding Company,” “we,” “us,” or “our”). The forward-looking statements contained in this report involve a number of risks and uncertainties, including statements concerning:

- our, or our portfolio companies’, future business, operations, operating results or prospects;
 - the return or impact of current and future investments;
- the impact of a protracted decline in the liquidity of credit markets on our business;
 - the impact of fluctuations in interest rates on our business;
- the impact of changes in laws or regulations governing our operations or the operations of our portfolio companies;
 - our contractual arrangements and relationships with third parties;
- the general economy and its impact on the industries in which we invest;
- the financial condition of and ability of our current and prospective portfolio companies to achieve their objectives;
 - our expected financings and investments;
 - the adequacy of our financing resources and working capital;
- the ability of our investment adviser to locate suitable investments for us and to monitor and administer our investments;

- the timing of cash flows, if any, from the operations of our portfolio companies;
- the timing, form and amount of any dividend distributions; and

our ability to maintain our qualification as a regulated investment company and as a business development company.

We use words such as “anticipate,” “believe,” “expect,” “intend,” “will,” “should,” “could,” “may,” “plan” and similar words to indicate forward-looking statements. The forward looking statements contained in this annual report involve risks and uncertainties. Our actual results could differ materially from those implied or expressed in the forward-looking statements for any reason, including the factors set forth as “Risk Factors” in this report.

We have based the forward-looking statements included in this report on information available to us on the date of this report, and we assume no obligation to update any such forward-looking statements. Although we undertake no obligation to revise or update any forward-looking statements, whether as a result of new information, future events or otherwise, you are advised to consult any additional disclosures that we may make directly to you or through reports that we have filed or in the future may file with the SEC, including annual reports on Form 10-K, registration statements on Form N-2, quarterly reports on Form 10-Q and current reports on Form 8-K.

Overview

The Holding Company is a Delaware corporation formed on April 2, 2012 and is an externally managed, closed-end, non-diversified management investment company. The Holding Company elected to be treated as a business development company (“BDC”) under the Investment Company Act of 1940, as amended (the “1940 Act”). Our investment objective is to seek to achieve high total returns through current income and capital appreciation, with an emphasis on principal protection. We invest primarily in the debt of middle-market companies as well as small businesses, including senior secured loans, junior loans, mezzanine debt and bonds. Such investments may include an equity component, and, to a lesser extent, we may make equity investments directly. Investment operations are conducted either in Special Value Continuation Partners, LP, a Delaware Limited Partnership (the “Operating Company”), of which the Holding Company owns 100% of the common limited partner interests, or in one of the Operating Company’s wholly-owned subsidiaries, TCPC Funding I, LLC (“TCPC Funding”) and TCPC SBIC, LP (the “SBIC”). The Operating Company has also elected to be treated as a BDC under the 1940 Act. The General Partner of the Operating Company is SVOF/MM, LLC (“SVOF/MM”), which also serves as the administrator (“Administrator”) of the Holding Company and the Operating Company. The managing member of SVOF/MM is Tennenbaum Capital Partners, LLC (the “Advisor”), which serves as the investment manager to the Holding Company, the Operating Company, TCPC Funding, and the SBIC. Most of the equity interests in the General Partner are owned directly or indirectly by the Advisor and its employees.

The SBIC was organized as a Delaware limited partnership in June 2013. On April 22, 2014, the SBIC received a license from the United States Small Business Administration (the “SBA”) to operate as a small business investment company under the provisions of Section 301(c) of the Small Business Investment Act of 1958.

The Holding Company has elected to be treated as a regulated investment company (“RIC”) for U.S. federal income tax purposes. As a RIC, the Holding Company will not be taxed on its income to the extent that it distributes such income each year and satisfies other applicable income tax requirements. The Operating Company, TCPC Funding, and the SBIC have elected to be treated as partnerships for U.S. federal income tax purposes.

Our leverage program is comprised of \$116 million in available debt under a senior secured revolving credit facility issued by the Operating Company (the “Operating Company Facility”), \$200 million in available debt under a senior secured revolving credit facility issued by TCPC Funding (the “TCPC Funding Facility,” and, together with the Operating Company Facility, the “Revolving Facilities”), \$108 million in convertible senior unsecured notes issued by the Holding Company (the “Convertible Notes”), \$75 million in committed leverage from the SBA (the “SBA Program”), and \$134 million of outstanding preferred limited partner interests in the Operating Company (the “Preferred Interests,” and, together with the Revolving Facilities, the Convertible Notes, and the SBA Program, the “Leverage Program”).

To qualify as a RIC, we must, among other things, meet certain source-of-income and asset diversification requirements and timely distribute to our stockholders generally at least 90% of our investment company taxable income, as defined by the Internal Revenue Code of 1986, as amended, for each year. Pursuant to this election, we generally will not have to pay corporate level taxes on any income that we distribute to our stockholders provided that we satisfy those requirements.

Investments

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

As a BDC, we are required to comply with certain regulatory requirements. For instance, we generally have to invest at least 70% of our total assets in “qualifying assets,” including securities and indebtedness of private U.S. companies, public U.S. operating companies whose securities are not listed on a national securities exchange or registered under the Securities Exchange Act of 1934, as amended, public domestic operating companies having a market capitalization of less than \$250 million, cash, cash equivalents, U.S. government securities and high-quality debt investments that mature in one year or less. We are also permitted to make certain follow-on investments in

companies that were eligible portfolio companies at the time of initial investment but that no longer meet the definition. As of September 30, 2014, 88.3% of our total assets were invested in qualifying assets.

Revenues

We generate revenues primarily in the form of interest on the debt we hold. We also generate revenue from dividends on our equity interests and capital gains on the sale of warrants and other debt or equity interests that we acquire. Our investments in fixed income instruments generally have an expected maturity of three to five years, although we have no lower or upper constraint on maturity. Interest on our debt investments is generally payable quarterly or semi-annually. Payments of principal of our debt investments may be amortized over the stated term of the investment, deferred for several years or due entirely at maturity. In some cases, our debt investments and preferred stock investments may defer payments of cash interest or dividends or PIK. Any outstanding principal amount of our debt investments and any accrued but unpaid interest will generally become due at the maturity date. In addition, we may generate revenue in the form of prepayment fees, commitment, origination, structuring or due diligence fees, fees for providing significant managerial assistance, consulting fees and other investment related income.

Expenses

Our primary operating expenses include the payment of a base management fee and, depending on our operating results, incentive compensation, expenses reimbursable under the management agreement, administration fees and the allocable portion of overhead under the administration agreement. The base management fee and incentive compensation remunerates the Advisor for work in identifying, evaluating, negotiating, closing and monitoring our investments. Our administration agreement with SVOF/MM, LLC (the "Administrator") provides that the Administrator may be reimbursed for costs and expenses incurred by the Administrator for office space rental, office equipment and utilities allocable to us under the administration agreement, as well as any costs and expenses incurred by the Administrator or its affiliates relating to any non-investment advisory, administrative or operating services provided by the Administrator or its affiliates to us. We also bear all other costs and expenses of our operations and transactions (and the Holding Company's common stockholders indirectly bear all of the costs and expenses of the Holding Company, the Operating Company, TCPC Funding and the SBIC), which may include those relating to:

- our organization;
- calculating our net asset value (including the cost and expenses of any independent valuation firms);
 - interest payable on debt, if any, incurred to finance our investments;
 - costs of future offerings of our common stock and other securities, if any;
 - the base management fee and any incentive compensation;
 - dividends and distributions on our preferred shares, if any, and common shares;
 - administration fees payable under the administration agreement;
 - fees payable to third parties relating to, or associated with, making investments;
 - transfer agent and custodial fees;
 - registration fees;
 - listing fees;
 - taxes;
 - director fees and expenses;
 - costs of preparing and filing reports or other documents with the SEC;
- costs of any reports, proxy statements or other notices to our stockholders, including printing costs;
 - 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 and legal costs; and

all other expenses reasonably incurred by us and the Administrator in connection with administering our business, such as the allocable portion of overhead under the administration agreement, including rent and other allocable portions of the cost of certain of our officers and their respective staffs.

The investment management agreement provides that the base management fee be calculated at an annual rate of 1.5% of our total assets (excluding cash and cash equivalents) payable quarterly in arrears. For purposes of calculating the base management fee, "total assets" is determined without deduction for any borrowings or other liabilities. The base management fee is calculated based on the value of our total assets (excluding cash and cash equivalents) at the end of the most recently completed calendar quarter.

Additionally, the investment management agreement and the Amended and Restated Limited Partnership Agreement provide that the Advisor or its affiliates may be entitled to incentive compensation under certain circumstances. The incentive compensation equals the sum of (1) 20% of all ordinary income since January 1, 2013 and (2) 20% of all net realized capital gains (net of any net unrealized capital depreciation) since January 1, 2013, with each component being subject to a total return requirement of 8% of contributed common equity annually. The incentive compensation is payable to the General Partner by the Operating Company pursuant to the Amended and Restated Limited Partnership Agreement. If the Operating Company is terminated or for any other reason incentive compensation is not paid by the Operating Company, it would be paid pursuant to the investment management agreement between us and the Advisor. The determination of incentive compensation is subject to limitations under the 1940 Act and the Advisers Act.

Critical accounting policies

Our discussion and analysis of our financial condition and results of operations are based upon our financial statements, which have been prepared in accordance with GAAP. The preparation of these financial statements requires management 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. Management considers the following critical accounting policies important to understanding the financial statements. In addition to the discussion below, our critical accounting policies are further described in the notes to our financial statements.

Valuation of portfolio investments

We value our portfolio investments at fair value based upon the principles and methods of valuation set forth in policies adopted by our board of directors. Fair value is defined as the price that would be received to sell an asset in an orderly transaction between market participants at the measurement date. Market participants are buyers and sellers in the principal (or most advantageous) market for the asset that (i) are independent of us, (ii) are knowledgeable, having a reasonable understanding about the asset based on all available information (including information that might be obtained through due diligence efforts that are usual and customary), (iii) are able to transact for the asset, and (iv) are willing to transact for the asset or liability (that is, they are motivated but not forced or otherwise compelled to do so).

Investments for which market quotations are readily available are valued at such market quotations unless the quotations are deemed not to represent fair value. We generally obtain market quotations from recognized exchanges, market quotation systems, independent pricing services or one or more broker-dealers or market makers. However, short term debt investments with remaining maturities within 90 days are generally valued at amortized cost, which approximates fair value. Debt and equity securities for which market quotations are not readily available, which is the case for many of our investments, or for which market quotations are deemed not to represent fair value, are valued at fair value using a consistently applied valuation process in accordance with our documented valuation policy that has been reviewed and approved by our board of directors, who also approve in good faith the valuation of such securities as of the end of each quarter. Due to the inherent uncertainty and subjectivity of determining the fair value of investments that do not have a readily available market value, the fair value of our investments may differ significantly from the values that would have been used had a readily available market value existed for such investments and may differ materially from the values that we may ultimately realize. In addition, changes in the market environment and other events may have differing impacts on the market quotations used to value some of our investments than on the fair values of our investments for which market quotations are not readily available. Market quotations may be deemed not to represent fair value in certain circumstances where we believe that facts and circumstances applicable to an issuer, a seller or purchaser, or the market for a particular security cause current market quotations to not reflect the fair value of the security. Examples of these events could include cases where a security trades infrequently causing a quoted purchase or sale price to become stale, where there is a “forced” sale by a distressed seller, where market quotations vary substantially among market makers, or where there is a wide bid-ask spread or

significant increase in the bid-ask spread.

The valuation process adopted by our board of directors with respect to investments for which market quotations are not readily available or for which market quotations are deemed not to represent fair value is as follows:

The investment professionals of the Advisor provide recent portfolio company financial statements and other reporting materials to independent valuation firms approved by our board of directors.

Such firms evaluate this information along with relevant observable market data to conduct independent appraisals each quarter, and their preliminary valuation conclusions are documented and discussed with senior management of the Advisor.

The fair value of smaller investments comprising in the aggregate less than 5% of our total capitalization may be determined by the Advisor in good faith in accordance with our valuation policy without the employment of an independent valuation firm.

The audit committee of the board of directors discusses the valuations, and the board of directors approves the fair value of the investments in our portfolio in good faith based on the input of the Advisor, the respective independent valuation firms (to the extent applicable) and the audit committee of the board of directors.

Those investments for which market quotations are not readily available or for which market quotations are deemed not to represent fair value are valued utilizing a market approach, an income approach, or both approaches, as appropriate. The market approach uses prices and other relevant information generated by market transactions involving identical or comparable assets or liabilities (including a business). The income approach uses valuation techniques to convert future amounts (for example, cash flows or earnings) to a single present amount (discounted). The measurement is based on the value indicated by current market expectations about those future amounts. In following these approaches, the types of factors that we may take into account in determining the fair value of our investments include, as relevant and among other factors: available current market data, including relevant and applicable market trading and transaction comparables, applicable market yields and multiples, security covenants, call protection provisions, information rights, the nature and realizable value of any collateral, the portfolio company's ability to make payments, its earnings and discounted cash flows, the markets in which the portfolio company does business, comparisons of financial ratios of peer companies that are public, merger and acquisition comparables, our principal market (as the reporting entity) and enterprise values.

When valuing all of our investments, we strive to maximize the use of observable inputs and minimize the use of unobservable inputs. Inputs refer broadly to the assumptions that market participants would use in pricing an asset, including assumptions about risk. Inputs may be observable or unobservable. Observable inputs are inputs that reflect the assumptions market participants would use in pricing an asset or liability developed based on market data obtained from sources independent of us. Unobservable inputs are inputs that reflect our assumptions about the assumptions market participants would use in pricing an asset or liability developed based on the best information available in the circumstances.

Our investments may be categorized based on the types of inputs used in their valuation. The level in the GAAP valuation hierarchy in which an investment falls is based on the lowest level input that is significant to the valuation of the investment in its entirety. Investments are classified by GAAP into the three broad levels as follows:

Level 1 — Investments valued using unadjusted quoted prices in active markets for identical assets.

Level 2 — Investments valued using other unadjusted observable market inputs, e.g. quoted prices in markets that are not active or quotes for comparable instruments.

Level 3 — Investments that are valued using quotes and other observable market data to the extent available, but which also take into consideration one or more unobservable inputs that are significant to the valuation taken as a whole.

As of September 30, 2014, 0.1% of our investments were categorized as Level 1, 22.8% were categorized as Level 2, 76.6% were Level 3 investments valued based on valuations by independent third party sources, and 0.5% were

Level 3 investments valued based on valuations by the Advisor.

Determination of fair value involves subjective judgments and estimates. Accordingly, the notes to our financial statements express the uncertainty with respect to the possible effect of such valuations, and any change in such valuations, on the financial statements.

Revenue recognition

Interest and dividend income, including income paid in kind, is recorded on an accrual basis to the extent that such amounts are determined to be collectible. Origination, structuring, closing, commitment and other upfront fees earned with respect to capital commitments are generally amortized or accreted into interest income over the life of the respective debt investment. Other fees, including certain amendment fees, prepayment fees and commitment fees on broken deals, are recognized as earned. Prepayment fees and similar income received upon the early repayment of a loan or debt security are included in interest income.

Certain of our debt investments are purchased at a considerable discount to par as a result of the underlying credit risks and financial results of the issuer, as well as general market factors that influence the financial markets as a whole. GAAP generally requires that discounts on the acquisition of corporate bonds, municipal bonds and treasury bonds be amortized using the effective-interest or constant-yield method. GAAP also requires that we consider the collectability of interest when making accruals. Accordingly, when accounting for purchase discounts, we recognize discount accretion income when it is probable that such amounts will be collected.

Net realized gains or losses and net change in unrealized appreciation or depreciation

We measure realized gains or losses by the difference between the net proceeds from the repayment or sale and the amortized cost basis of the investment, without regard to unrealized appreciation or depreciation previously recognized. Realized gains and losses are computed using the specific identification method. Net change in unrealized appreciation or depreciation reflects the change in portfolio investment values during the reporting period, including the reversal of previously recorded unrealized appreciation or depreciation when gains or losses are realized.

Portfolio and investment activity

During the three months ended September 30, 2014, we invested approximately \$207.0 million, comprised of new investments in 10 new and 4 existing portfolio companies, as well as draws made on existing commitments and PIK received on prior investments. Of these investments, 98.5% were in senior secured debt comprised of senior loans (\$203.9 million, or 98.5% of the total). The remaining \$3.1 million (1.5% of the total) were comprised of two equity investments and PIK payments received on investments in unsecured debt. Additionally, we received approximately \$22.6 million in proceeds from sales or repayments of investments during the three months ended September 30, 2014.

During the nine months ended September 30, 2014, we invested approximately \$486.0 million, comprised of new investments in 27 new and 12 existing portfolio companies, as well as draws made on existing commitments and PIK received on prior investments. Of these investments, 99.3% were in senior secured debt comprised of senior loans (\$446.7 million, or 91.9% of the total) and senior secured notes (\$36.0 million, or 7.4% of the total). The remaining \$3.4 million (0.7% of the total) were comprised of four equity investments and PIK payments received on investments in unsecured debt. Additionally, we received approximately \$178.0 million in proceeds from sales or repayments of investments during the nine months ended September 30, 2014.

At September 30, 2014, our investment portfolio of \$1,074.8 million (at fair value) consisted of 82 portfolio companies and was invested 97% in debt investments, of which 100.0% was in senior secured debt. In aggregate, our investment portfolio was invested 83% in senior secured loans, 14% in senior secured notes, and 3% in equity investments. Our average portfolio company investment at fair value was approximately \$13.1 million. Our largest portfolio company investment by value was approximately \$31.0 million and our five largest portfolio company investments by value comprised approximately 13% of our portfolio at September 30, 2014. At December 31, 2013, our investment portfolio of \$766.3 million (at fair value) consisted of 67 portfolio companies and was invested 95% in debt investments, of which 98% was in senior secured debt and 2% in unsecured or subordinated debt. In aggregate, our investment portfolio was invested 76% in senior secured loans, 17% in senior secured notes, 2% in unsecured or subordinated debt, and 5% in equity investments. Our average portfolio company investment at fair value was approximately \$11.4 million. Our largest portfolio company investment by value was approximately \$21.3 million and our five largest portfolio company investments by value comprised approximately 13% of our portfolio at December

31, 2013.

48

The industry composition of our portfolio at fair value at September 30, 2014 was as follows:

Industry	Percent of Total Investments	
Software Publishers	11.7	%
Computer Systems Design and Related Services	8.7	%
Insurance Carriers	3.9	%
Oil and Gas Extraction	3.6	%
Scheduled Air Transportation	3.3	%
Grocery Stores	3.1	%
Wired Telecommunications Carriers	3.0	%
Newspaper, Periodical, Book, and Directory Publishers	2.7	%
Data Processing, Hosting, and Related Services	2.7	%
Wireless Telecommunications	2.4	%
Nondepository Credit Intermediation	2.4	%
Radio and Television Broadcasting	2.4	%
Utility System Construction	2.3	%
Basic Chemical Manufacturing	2.3	%
Nonscheduled Air Transportation	2.1	%
Semiconductor and Other Electronic Component Manufacturing	2.0	%
General Medical and Surgical Hospitals	2.0	%
Chemical Manufacturing	1.9	%
Other Information Services	1.8	%
Communications Equipment Manufacturing	1.8	%
Scientific Research and Development Services	1.7	%
Gaming Industries	1.7	%
Retail	1.7	%
Business Support Services	1.6	%
Activities Related to Real Estate	1.5	%
Electrical Equipment and Component Manufacturing	1.5	%
Advertising, Public Relations, and Related Services	1.5	%
Textile Furnishings Mills	1.5	%
Lessors of Nonfinancial Intangible Assets	1.5	%
Structured Note Funds	1.5	%
Motion Picture and Video Industries	1.4	%
Full-Service Restaurants	1.4	%
Cut and Sew Apparel Manufacturing	1.4	%
Other Telecommunications	1.3	%
Lessors of Real Estate	1.3	%
Plastics Products Manufacturing	1.3	%
Electric Power Generation, Transmission and Distribution	1.2	%
Artificial Synthetic Fibers and Filaments Manufacturing	1.1	%
Financial Investment Activities	1.0	%
Other	7.3	%
Total	100.0	%

The weighted average effective yield of the debt securities in our portfolio was 10.7% at September 30, 2014 and 10.9% at December 31, 2013. At September 30, 2014, 79.7% of our debt investments bore interest based on floating rates, such as LIBOR, EURIBOR, the Federal Funds Rate or the Prime Rate, and 20.3% bore interest at fixed rates. The percentage of our floating rate debt investments that bore interest based on an interest rate floor was 86.2% at September 30, 2014. At December 31, 2013, 71.2% of our debt investments bore interest based on floating rates, and 28.8% bore interest at fixed rates. The percentage of our floating rate debt investments that bore interest based on an interest rate floor was 92.1% at December 31, 2013.

Results of operations

Investment income

Investment income totaled \$27.2 million and \$17.3 million, respectively, for the three months ended September 30, 2014 and 2013, of which \$26.6 million and \$16.5 million were attributable to interest and fees on our debt investments and \$0.6 million and \$0.8 million to other income, respectively. The increase in investment income in the three months ended September 30, 2014 compared to the three months ended September 30, 2013 reflects an increase in interest income due to the larger investment portfolio and a higher percentage of the portfolio in income-producing assets in the three months ended September 30, 2014 compared to the three months ended September 30, 2013.

Investment income totaled \$74.5 million and \$48.6 million, respectively, for the nine months ended September 30, 2014 and 2013, of which \$70.3 million and \$46.7 million were attributable to interest and fees on our debt investments, \$2.0 million and \$0.0 million to dividends from equity securities, and \$2.2 million and \$1.9 million to other income, respectively. The increase in investment income in the nine months ended September 30, 2014 compared to the nine months ended September 30, 2013 reflects an increase in interest income due to the larger investment portfolio and a higher percentage of the portfolio in income-producing assets in the nine months ended September 30, 2014 compared to the nine months ended September 30, 2013 and an increase in dividend income and other income.

Expenses

Total operating expenses for the three months ended September 30, 2014 and 2013 were \$8.0 million and \$3.7 million, respectively, comprised of \$3.5 million and \$2.2 million in base management fees, \$0.3 million and \$0.2 million in legal and professional fees, \$2.8 million and \$0.4 million in interest expense and fees related to the Convertible Notes and the Revolving Facilities, \$0.5 million and \$0.2 million in amortization of debt issuance costs, and \$0.9 million and \$0.7 million in other expenses, respectively. The increase in expenses in the three months ended September 30, 2014 compared to the three months ended September 30, 2013 primarily reflects the increase in management fees due to the larger portfolio and the increase in interest expense and other costs related to the increase in available and outstanding debt and the higher average interest rate following the issuance of the Convertible Notes.

Total operating expenses for the nine months ended September 30, 2014 and 2013 were \$19.0 million and \$9.6 million, respectively, comprised of \$9.5 million and \$6.1 million in base management fees, \$0.8 million and \$0.5 million in legal and professional fees, \$4.7 million and \$0.8 million in interest expense and fees related to the Convertible Notes and the Revolving Facilities, \$1.3 million and \$0.5 million in amortization of debt issuance costs, and \$2.7 million and \$1.7 million in other expenses, respectively. The increase in expenses in the nine months ended

September 30, 2014 compared to the nine months ended September 30, 2013 primarily reflects the increase in management fees due to the larger portfolio and the increase in interest expense and other costs related to the increase in available and outstanding debt and the higher average interest rate following the issuance of the Convertible Notes.

Net investment income

Net investment income was \$19.2 million and \$13.6 million, respectively, for the three months ended September 30, 2014 and 2013. The increase in net investment income in the three months ended September 30, 2014 compared to the three months ended September 30, 2013 primarily reflects the increased interest income in the three months ended September 30, 2014, partially offset by the increase in expenses.

Net investment income was \$55.4 million and \$39.0 million, respectively, for the nine months ended September 30, 2014 and 2013. The increase in net investment income in the nine months ended September 30, 2014 compared to the nine months ended September 30, 2013 primarily reflects the increased interest and dividend income in the nine months ended September 30, 2014, partially offset by the increase in expenses.

Net realized and unrealized gain or loss

Net realized gains for the three months ended September 30, 2014 and 2013 were \$0.9 million and \$0.8 million, respectively. For the three months ended September 30, 2014 and 2013, the change in net unrealized depreciation was \$(5.4) million and \$2.1 million, respectively. The change in net unrealized depreciation for the three months ended September 30, 2014 was primarily a result of increases in market yield spreads and a mark down on an investment made prior to our initial public offering. The change in net unrealized depreciation for the three months ended September 30, 2013 was primarily due to the reversal of unrealized depreciation on a taxable recapitalization of a portfolio investment.

Net realized gains (losses) for the nine months ended September 30, 2014 and 2013 were \$(4.9) million and \$(2.8) million, respectively. The net realized loss during the nine months ended September 30, 2014 was due primarily to the disposition of our investment in ESP Holdings, Inc., an investment made prior to our initial public offering as part of our legacy distressed strategy and which has generated substantial cash interest income. For the nine months ended September 30, 2014 and 2013, the change in net unrealized appreciation was \$2.6 million and \$8.7 million, respectively. The change in net unrealized depreciation for the nine months ended September 30, 2014 and September 30, 2013 were primarily due to reversals of prior period unrealized depreciation partially offset by mark to market adjustments during the period.

Income tax expense, including excise tax

The Holding Company has elected to be treated as a RIC under Subchapter M of the Internal Revenue Code (“the Code”) and operates in a manner so as to qualify for the tax treatment applicable to RICs. To qualify as a RIC, the Holding Company must, among other things, timely distribute to its stockholders generally at least 90% of its investment company taxable income, as defined by the Code, for each year. The Holding Company has made and intends to continue to make the requisite distributions to its stockholders which will generally relieve the Holding Company from U.S. federal income taxes.

Depending on the level of taxable income earned in a tax year, we may choose to carry forward taxable income in excess of current year dividend distributions from such current year taxable income into the next tax year and pay a 4% excise tax on such income. Any excise tax expense is recorded at year-end as such amounts are known. There was no U.S. federal excise tax recorded during the nine months ended September 30, 2014 and 2013.

Dividends to preferred equity holders

Dividends on the Preferred Interests for the three months ended September 30, 2014 and 2013 were \$0.4 million and \$0.4 million, respectively, as average LIBOR rates for the two periods were similar. Dividends on the Preferred Interests for the nine months ended September 30, 2014 and 2013 were \$1.1 million and \$1.1 million, respectively, as average LIBOR rates for the two periods were similar.

Incentive compensation

Incentive compensation distributable to the General Partner for the three months ended September 30, 2014 and 2013 was \$2.9 million and \$3.2 million, respectively. Incentive compensation distributable to the General Partner for the

nine months ended September 30, 2014 and 2013 was \$10.4 million and \$8.8 million, respectively. Incentive compensation for the three and nine months ended September 30, 2014 and 2013 was distributable due to our performance exceeding the total return threshold. The reserve for incentive compensation to the General Partner decreased during the three months ended September 30, 2014 by \$0.9 million and increased during the three months ended September 30, 2013 by \$0.5 million. The reserve for incentive compensation to the General Partner decreased during the nine months ended September 30, 2014 and 2013 by \$0.5 million and increased during the nine months ended September 30, 2013 by \$0.9 million. The change in reserve for incentive compensation for the three and nine months ended September 30, 2014 reflects the change in the amount in excess of distributable incentive compensation which would have been earned by the General Partner had we liquidated at net asset value at September 30, 2014 and September 30, 2013, respectively.

Net increase or decrease in net assets resulting from operations

The net increase in net assets resulting from operations was \$11.5 million and \$12.9 million for the three months ended September 30, 2014 and 2013, respectively. The lower net increase in net assets resulting from operations during the three months ended September 30, 2014 is primarily due to the net realized and unrealized loss during the three months ended September 30, 2014 compared to the net realized and unrealized gain during the three months ended September 30, 2013. The net increase in net assets resulting from operations was \$41.6 million and \$35.1 million for the nine months ended September 30, 2014 and 2013, respectively. The higher net increase in net assets resulting from operations during the nine months ended September 30, 2014 is primarily due to the increase in net investment income.

Liquidity and capital resources

Since our inception, our liquidity and capital resources have been generated primarily through the initial private placement of common shares of Special Value Continuation Fund, LLC (the predecessor entity) which were subsequently converted to common stock of the Holding Company, the net proceeds from the initial and secondary public offerings of our common stock, borrowings under our Leverage Program, and cash flows from operations, including investments sales and repayments and income earned from investments and cash equivalents. The primary uses of cash have been investments in portfolio companies, cash distributions to our equity holders, payments to service our Leverage Program and other general corporate purposes.

Amounts outstanding and available under the combined Leverage Program at September 30, 2014 were as follows:

	Rate	Carrying Value **	Available	Total Capacity
Operating Company Facility	L+250*	\$ 45,000,000	\$71,000,000	\$ 116,000,000
TCPC Funding Facility	L+250*	150,000,000	50,000,000	200,000,000
Convertible Notes (\$108 million par)	5.25%	105,599,077	-	105,599,077
SBA Program	3.015%	18,500,000	56,500,000	75,000,000
Preferred Interests	L+85*	134,000,000	-	134,000,000
Total Leverage Program		\$ 453,099,077	\$ 177,500,000	\$ 630,599,077

* Based on either LIBOR or the lender's cost of funds, subject to certain limitations.

** Except for the Convertible Notes, all carrying values are the same as the principal amounts outstanding.

Net cash used in operating activities during the nine months ended September 30, 2014 was \$279.2 million. Our primary use of cash in operating activities during this period consisted of the settlement of acquisitions of investments (net of dispositions) of \$303.7 million, partially offset by net investment income less preferred dividends and incentive allocation (net of non-cash income and expenses) of approximately \$24.5 million.

Net cash provided by financing activities was \$280.4 million during the nine months ended September 30, 2014, consisting primarily of \$226.5 million of net borrowings and \$103.9 million of net proceeds from the public offering of our common stock on August 1, 2014, reduced by \$43.1 million in dividends on common equity, \$1.1 million in dividends on the Preferred Interests, and payment of \$5.8 million in debt issuance costs.

At September 30, 2014, we had \$24.1 million in cash and cash equivalents.

The Revolving Facilities are secured by substantially all of the assets in our portfolio, including cash and cash equivalents, and are subject to compliance with customary affirmative and negative covenants, including the maintenance of a minimum shareholders' equity, the maintenance of a ratio of not less than 200% of total assets (less total liabilities other than indebtedness) to the sum of total preferred equity and indebtedness, and restrictions on certain payments and issuance of debt. Unfavorable economic conditions may result in a decrease in the value of our investments, which would affect both the asset coverage ratios and the value of the collateral securing the Revolving Facilities, and may therefore impact our ability to borrow under the Revolving Facilities. In addition to regulatory restrictions that restrict our ability to raise capital, the Leverage Program contains various covenants which, if not complied with, could accelerate repayment of debt or require redemption of the Preferred Interests, thereby materially

and adversely affecting our liquidity, financial condition and results of operations. At September 30, 2014, we were in compliance with all financial and operational covenants required by the Leverage Program.

Unfavorable economic conditions, while potentially creating attractive opportunities for us, may decrease liquidity and raise the cost of capital generally, which could limit our ability to renew, extend or replace the Leverage Program on terms as favorable as are currently included therein. If we are unable to renew, extend or replace the Leverage Program upon the various dates of maturity, we expect to have sufficient funds to repay the outstanding balances in full from our net investment income and sales of, and repayments of principal from, our portfolio company investments, as well as from anticipated debt and equity capital raises, among other sources. Unfavorable economic conditions may limit our ability to raise capital or the ability of the companies in which we invest to repay our loans or engage in a liquidity event, such as a sale, recapitalization or initial public offering. The Operating Company Facility, the TCPC Funding Facility and the Convertible Notes mature in July 2016, May 2017, and December 2019, respectively, and the Preferred Interests will be subject to mandatory redemption in July 2016. Any inability to renew, extend or replace the Leverage Program could adversely impact our liquidity and ability to find new investments or maintain distributions to our stockholders.

Challenges in the market are intensified for us by certain regulatory limitations under the Code and the 1940 Act. To maintain our qualification as a RIC, we must satisfy, among other requirements, an annual distribution requirement to pay out at least 90% of our ordinary income and short-term capital gains to our stockholders. Because we are required to distribute our income in this manner, and because the illiquidity of many of our investments may make it difficult for us to finance new investments through the sale of current investments, our ability to make new investments is highly dependent upon external financing. While we anticipate being able to continue to satisfy all covenants and repay the outstanding balances under the Leverage Program when due, there can be no assurance that we will be able to do so, which could lead to an event of default.

Contractual obligations

In addition to obligations under our Leverage Program, we have entered into several contracts under which we have future commitments. Pursuant to an investment management agreement, the Advisor manages our day-to-day operations and provides investment advisory services to us. Payments under the investment management agreement will be equal to a percentage of the value of our gross assets (excluding cash and cash equivalents) and an incentive compensation, plus reimbursement of certain expenses incurred by the Advisor. Under our administration agreement, the Administrator provides us with administrative services, facilities and personnel. Payments under the administration agreement are equal to an allocable portion of overhead and other expenses incurred by the Administrator in performing its obligations to us, and may include rent and our allocable portion of the cost of certain of our officers and their respective staffs. We are responsible for reimbursing the Advisor for due diligence and negotiation expenses, fees and expenses of custodians, administrators, transfer and distribution agents, counsel and directors, insurance, filings and registrations, proxy expenses, expenses of communications to investors, compliance expenses, interest, taxes, portfolio transaction expenses, costs of responding to regulatory inquiries and reporting to regulatory authorities, costs and expenses of preparing and maintaining our books and records, indemnification, litigation and other extraordinary expenses and such other expenses as are approved by the directors as being reasonably related to our organization, offering, capitalization, operation or administration and any portfolio investments, as applicable. The Advisor is not responsible for any of the foregoing expenses and such services are not investment advisory services under the 1940 Act. Either party may terminate each of the investment management agreement and administration agreement without penalty upon not less than 60 days' written notice to the other.

Distributions

Our quarterly dividends and distributions to common stockholders are recorded on the ex-dividend date. Distributions are declared considering our estimate of annual taxable income available for distribution to stockholders and the amount of taxable income carried over from the prior year for distribution in the current year. We do not have a policy to pay distributions at a specific level and expect to continue to distribute substantially all of our taxable income. We cannot assure stockholders that they will receive any distributions or distributions at a particular level.

The following tables summarize dividends declared for the nine months ended September 30, 2014 and September 30, 2013:

Date Declared	Record Date	Payment Date	Amount Per Share	Total Amount
March 6, 2014	March 17, 2014	March 31, 2014	\$ 0.36	\$ 13,031,970
May 7, 2014	June 18, 2014	June 30, 2014	0.41 *	14,842,008
August 7, 2014	September 16, 2014	September 30, 2014	0.36	15,267,647

Edgar Filing: TCP Capital Corp. - Form 10-Q

Total for nine months ended September 30, 2014			\$ 1.13	\$43,141,625
March 7, 2013	March 18, 2013	March 29, 2013	\$ 0.40	* \$8,591,051
May 8, 2013	June 7, 2013	June 28, 2013	0.36	9,595,344
August 8, 2013	September 9, 2013	September 30, 2013	0.36	9,595,692
Total for nine months ended September 30, 2013			\$ 1.12	\$27,782,087

* Includes a special dividend of \$0.05.

The following table summarizes the total shares issued in connection with our dividend reinvestment plan for the nine months ended September 30, 2014 and 2013:

	2014	2013
Shares Issued	326	2,174
Average Price Per Share	\$16.90	\$16.33
Proceeds	\$5,509	\$35,507

We have elected to be taxed as a RIC under Subchapter M of the Code. In order to maintain favorable RIC tax treatment, we must distribute annually to our stockholders at least 90% of our ordinary income and realized net short-term capital gains in excess of realized net long-term capital losses, if any, out of the assets legally available for distribution. In order to avoid certain excise taxes imposed on RICs, we must distribute during each calendar year an amount at least equal to the sum of:

- 98% of our ordinary income (not taking into account any capital gains or losses) for the calendar year;

98.2% of the amount by which our capital gains exceed our capital losses (adjusted for certain ordinary losses) for the one-year period generally ending on October 31 of the calendar year; and

- certain undistributed amounts from previous years on which we paid no U.S. federal income tax.

We may, at our discretion, carry forward taxable income in excess of calendar year distributions and pay a 4% excise tax on this income. If we choose to do so, all other things being equal, this would increase expenses and reduce the amounts available to be distributed to our stockholders. We will accrue excise tax on estimated taxable income as required. In addition, although we currently intend to distribute realized net capital gains (i.e., net long-term capital gains in excess of short-term capital losses), if any, at least annually, out of the assets legally available for such distributions, we may in the future decide to retain such capital gains for investment.

We have adopted an “opt in” dividend reinvestment plan for our common stockholders. As a result, if we declare a dividend or other distribution payable in cash, each stockholder that has not “opted in” to our dividend reinvestment plan will receive such dividends in cash, rather than having their dividends automatically reinvested in additional shares of our common stock.

We may not be able to achieve operating results that will allow us to make dividends and distributions at a specific level or to increase the amount of these dividends and distributions from time to time. Also, we may be limited in our ability to make dividends and distributions due to the asset coverage test applicable to us as a BDC under the 1940 Act and due to provisions in our existing and future credit facilities. If we do not distribute a certain percentage of our income annually, we will suffer adverse tax consequences, including possible loss of favorable RIC tax treatment. In addition, in accordance with U.S. generally accepted accounting principles and tax regulations, we include in income certain amounts that we have not yet received in cash, such as PIK interest, which represents contractual interest added to the loan balance that becomes due at the end of the loan term, or the accrual of original issue or market discount. Since we may recognize income before or without receiving cash representing such income, we may have difficulty meeting the requirement to distribute at least 90% of our investment company taxable income to obtain tax benefits as a RIC and may be subject to an excise tax.

In order to satisfy the annual distribution requirement applicable to RICs, we have the ability to declare a large portion of a dividend in shares of our common stock instead of in cash. As long as a portion of such dividend is paid in cash and certain requirements are met, the entire distribution would be treated as a dividend for U.S. federal income tax purposes.

Related Parties

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

Each of the Holding Company, the Operating Company, TCPC Funding, and the SBIC has entered into an investment management agreement with the Advisor.

The Administrator provides us with administrative services necessary to conduct our day-to-day operations. For providing these services, facilities and personnel, the Administrator may be reimbursed by us for expenses incurred by the Administrator in performing its obligations under the administration agreement, including our allocable portion of the cost of certain of our officers and the Administrator's administrative staff and providing, at our request and on our behalf, significant managerial assistance to our portfolio companies to which we are required to provide such assistance.

- We have entered into a royalty-free license agreement with the Advisor, pursuant to which the Advisor has agreed to grant us a non-exclusive, royalty-free license to use the name "TCP."

Pursuant to its limited partnership agreement, the general partner of the Operating Company is SVOF/MM, LLC. SVOF/MM, LLC is an affiliate of the Advisor and the general partners or managing member of certain other funds managed by the Advisor.

The Advisor and its affiliates, employees and associates currently do and in the future may manage other funds and accounts. The Advisor and its affiliates may determine that an investment is appropriate for us and for one or more of those other funds or accounts. Accordingly, conflicts may arise regarding the allocation of investments or opportunities among us and those accounts. In general, the Advisor will allocate investment opportunities pro rata among us and the other funds and accounts (assuming the investment satisfies the objectives of each) based on the amount of committed capital each then has available. The allocation of certain investment opportunities in private placements is subject to independent director approval pursuant to the terms of the co-investment exemptive order applicable to us. In certain cases, investment opportunities may be made other than on a pro rata basis. For example, we may desire to retain an asset at the same time that one or more other funds or accounts desire to sell it or we may not have additional capital to invest at a time the other funds or accounts do. If the Advisor is unable to manage our investments effectively, we may be unable to achieve our investment objective. In addition, the Advisor may face conflicts in allocating investment opportunities between us and certain other entities that could impact our investment returns. While our ability to enter into transactions with our affiliates is restricted under the 1940 Act, we have received an exemptive order from the SEC permitting certain affiliated investments subject to certain conditions. As a result, we may face conflict of interests and investments made pursuant to the exemptive order conditions which could in certain circumstances affect adversely the price paid or received by us or the availability or size of the position purchased or sold by us.

Recent Developments

From October 1, 2014 through November 5, 2014, the Operating Company has invested approximately \$68.8 million in three senior secured loans with a combined effective yield of approximately 10.4%.

On October 3, 2014, the Company entered into an equity distribution agreement with each of Raymond James & Associates, Inc. and Cantor Fitzgerald & Co. under which the Company may from time to time offer and sell, at a premium to net asset value, shares of its common stock in negotiated transactions or “at the market” offerings having an aggregate offering price of up to \$100,000,000. Through November 3, 2014, the Company issued 400,255 shares pursuant the equity distribution agreement.

On November 5, 2014, the aggregate principal commitment on the TCPC Funding Facility increased to \$250 million and the facility’s accordion feature expanded to \$300 million.

On November 6, 2014, the Company’s board of directors declared a fourth quarter regular dividend of \$0.36 per share and a special dividend of \$0.05 per share. Both dividends are payable on December 31, 2014 to stockholders of record as of the close of business on December 8, 2014.

Item 3: Quantitative and qualitative disclosure about market risk

We are subject to financial market risks, including changes in interest rates. At September 30, 2014, 79.7% of our debt investments bore interest based on floating rates, such as LIBOR, EURIBOR, the Federal Funds Rate or the Prime Rate. The interest rates on such investments generally reset by reference to the current market index after one to six months. At September 30, 2014, the percentage of our floating rate debt investments that bore interest based on an interest rate floor was 86.2%. Floating rate investments subject to a floor generally reset by reference to the current market index after one to six months only if the index exceeds the floor.

Interest rate sensitivity refers to the change in earnings that may result from changes in the level of interest rates. Because we fund a portion 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. As a result, there can be no assurance that a significant change in market interest rates will not have a material adverse effect on our net investment income. We assess our portfolio companies periodically to determine whether such companies will be able to continue making interest payments in the event that interest rates increase. There can be no assurances that the portfolio companies will be able to meet their contractual obligations at any or all levels of increases in interest rates.

Based on our September 30, 2014 balance sheet, the following table shows the annual impact on net income (excluding the related incentive compensation impact) of base rate changes in interest rates (considering interest rate floors for variable rate instruments) assuming no changes in our investment and borrowing structure:

Basis Point Change	Interest income	Interest Expense	Net Income
Up 300 basis points	\$ 20,189,336	\$ (10,425,000)	\$9,764,336
Up 200 basis points	11,474,475	(6,950,000)	4,524,475
Up 100 basis points	3,065,566	(3,475,000)	(409,434)
Down 100 basis points	(330,249)	813,150	482,901
Down 200 basis points	(330,249)	813,150	482,901
Down 300 basis points	(330,249)	813,150	482,901

Item 4. Controls and Procedures

As of the period covered by this report, we, including our chief executive officer and chief financial officer, evaluated the effectiveness of the design and operation of our disclosure controls and procedures (as defined in Rule 13a-15(e) under the Exchange Act). Based on our evaluation, our management, including the chief executive officer and chief financial officer, concluded that our disclosure controls and procedures were effective in timely alerting management, including the chief executive officer and chief financial officer, of material information about us required to be included in our periodic SEC filings. However, in evaluating the disclosure controls and procedures, management recognized that any controls and procedures, no matter how well designed and operated, are based upon certain assumptions about the likelihood of future events and can provide only reasonable assurance of achieving the desired control objectives, and management necessarily was required to apply its judgment in evaluating the cost-benefit relationship of possible controls and procedures. There has not been any change in our internal controls over financial reporting (as defined in Rule 13a-15(f) under the Exchange Act) that occurred during the period covered by this report that has materially affected, or is reasonably likely to materially affect, our internal controls over financial reporting.

PART II – Other Information

Item 1. Legal Proceedings

Although we may, from time to time, be involved in litigation arising out of our operations in the normal course of business or otherwise, as of September 30, 2014, we are currently not a party to any pending material legal proceedings.

Item 1A. Risk Factors

Except as set forth below, there have been no material changes from the risk factors previously disclosed in our most recent annual report on Form 10-K, as filed with the Securities and Exchange Commission on March 6, 2014.

The SBIC may be unable to make distributions to us that will enable us to meet or maintain RIC status, which could result in the imposition of an entity-level tax.

In order for us to continue to qualify for RIC tax treatment and to minimize corporate-level taxes, we will be required to distribute substantially all of our net ordinary income and net capital gain income, including income from certain of our subsidiaries, which includes the income from the SBIC. We will be partially dependent on the SBIC for cash distributions to enable us to meet the RIC distribution requirements. The SBIC may be limited by the Small Business Investment Act of 1958, and SBA regulations governing SBICs, from making certain distributions to us that may be necessary to enable us to maintain our status as a RIC. We may have to request a waiver of the SBA's restrictions for the SBIC to make certain distributions to maintain our eligibility for RIC status. We cannot assure you that the SBA will grant such a waiver and if the SBIC is unable to obtain a waiver, compliance with the SBA regulations may result in loss of RIC tax treatment and a consequent imposition of an entity-level tax on us.

The SBIC is subject to SBA regulations, and any failure to comply with SBA regulations could have an adverse effect on our operations.

On April 22, 2014, the Operating Company's wholly-owned subsidiary, the SBIC received an SBIC license from the SBA. The SBIC license allows the SBIC to obtain leverage by issuing SBA-guaranteed debentures, subject to the issuance of a capital commitment by the SBA and other customary procedures. SBA-guaranteed debentures are

non-recourse, interest only debentures with interest payable semi-annually and have a ten year maturity. The principal amount of SBA-guaranteed debentures is not required to be paid prior to maturity but may be prepaid at any time without penalty. The interest rate of SBA-guaranteed debentures is fixed on a semi-annual basis at a market-driven spread over U.S. Treasury Notes with 10-year maturities. The SBA, as a creditor, will have a superior claim to the SBIC's assets over our stockholders in the event we liquidate the SBIC or the SBA exercises its remedies under the SBA-guaranteed debentures issued by the SBIC upon an event of default.

Under current SBA regulations, a licensed SBIC can provide capital to those entities that have a tangible net worth not exceeding \$18.0 million and an average annual net income after Federal income taxes not exceeding \$6.0 million for the two most recent fiscal years. In addition, a licensed SBIC must devote 25.0% of its investment activity to those entities that have a tangible net worth not exceeding \$6.0 million and an average annual net income after Federal income taxes not exceeding \$2.0 million for the two most recent fiscal years. The SBA regulations also provide alternative size standard criteria to determine eligibility, which depend on the industry in which the business is engaged and are based on factors such as the number of employees and gross sales. The SBA regulations permit licensed SBICs to make long term loans to small businesses, invest in the equity securities of such businesses and provide them with consulting and advisory services. The SBA also places certain limitations on the financing terms of investments by SBICs in portfolio companies and prohibits SBICs from providing funds for certain purposes or to businesses in a few prohibited industries. Compliance with SBA requirements may cause the SBIC to forego attractive investment opportunities that are not permitted under SBA regulations.

Further, the SBA regulations require that a licensed SBIC be periodically examined and audited by the SBA to determine its compliance with the relevant SBA regulations. The SBA prohibits, without prior SBA approval, a "change of control" of an SBIC or any transfers of the capital stock of a licensed SBIC. If the SBIC fails to comply with applicable SBA regulations, the SBA could, depending on the severity of the violation, limit or prohibit its use of debentures, declare outstanding debentures immediately due and payable, and/or limit it from making new investments. In addition, the SBA can revoke or suspend a license for willful or repeated violation of, or willful or repeated failure to observe, any provision of the Small Business Investment Act of 1958 or any rule or regulation promulgated thereunder. The Advisor, as the SBIC's investment adviser, does not have any prior experience managing an SBIC. Its lack of experience in complying with SBA regulations may hinder its ability to take advantage of the SBIC's access to SBA-guaranteed debentures. Any failure to comply with SBA regulations could have an adverse effect on our operations.

SBA regulations limit the outstanding dollar amount of SBA-guaranteed debentures that may be issued by an SBIC or group of SBICs under common control.

The SBA regulations currently limit the dollar amount of SBA-guaranteed debentures that can be issued by any one SBIC to \$150.0 million or to a group of SBICs under common control to \$225.0 million. A proposed bill in the U.S. Senate, the Expanding Access to Capital for Entrepreneurial Act, or Senate Bill 511, would increase the total SBIC leverage capacity for affiliated SBIC funds from \$225 million to \$350 million. However, the ultimate form and likely outcome of such legislation or any similar legislation cannot be predicted.

An SBIC may not borrow an amount in excess of two times (and in certain cases, up to three times) its regulatory capital. As of September 30, 2014, the SBIC had \$18.5 million in SBA-guaranteed debentures outstanding. If we reach the maximum dollar amount of SBA-guaranteed debentures permitted, and if we require additional capital, our cost of capital may increase, and there is no assurance that we will be able to obtain additional financing on acceptable terms.

Moreover, the current status of the SBIC as an SBIC does not automatically assure that the SBIC will continue to receive SBA-guaranteed debenture funding. Receipt of SBA leverage funding is dependent upon the SBIC continuing to be in compliance with SBA regulations and policies and available SBA funding. The amount of SBA leverage funding available to SBICs is dependent upon annual Congressional authorizations and in the future may be subject to annual Congressional appropriations. There can be no assurance that there will be sufficient debenture funding available at the times desired by the SBIC.

The debentures guaranteed by the SBA have a maturity of ten years and require semi-annual payments of interest. The SBIC will need to generate sufficient cash flow to make required interest payments on the debentures. If the SBIC is unable to meet its financial obligations under the debentures, the SBA, as a creditor, will have a superior claim to the SBIC's assets over our stockholders in the event we liquidate the SBIC or the SBA exercises its remedies under such debentures as the result of a default by us.

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

None.

Item 3. Defaults Upon Senior Securities.

None.

Item 4: Mine Safety Disclosures.

None.

Item 5: Other Information.

None.

Item 6: Exhibits

Number Description

- 3.1 Articles of Incorporation of the Registrant (1)
- 3.2 Bylaws of the Registrant (2)
- 31.1 Certification of Chief Executive Officer Pursuant to Rule 13a-14(a) under the Securities Exchange Act of 1934*
- 31.2 Certification of Chief Financial Officer Pursuant to Rule 13a-14(a) under the Securities Exchange Act of 1934*
- 32.1 Certification of Chief Executive Officer and Chief Financial Officer Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 (18 U. S. C. 1350)*

* Filed herewith.

⁽¹⁾ Incorporated by reference to Exhibit (a)(2) to the Registrant's Registration Statement under the Securities Act of 1933 (File No. 333-172669), on Form N-2, filed on May 13, 2011.

⁽²⁾ Incorporated by reference to Exhibit (b)(2) to the Registrant's Registration Statement under the Securities Act of 1933 (File No. 333-172669), on Form N-2, filed on May 13, 2011.

SIGNATURES

Pursuant to the requirements of the Securities Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned, there unto duly authorized.

TCP CAPITAL CORP.

Date: November 6, 2014

By: /s/ Howard M. Levkowitz
Name: Howard M. Levkowitz
Title: Chief Executive Officer

Date: November 6, 2014

By: /s/ Paul L. Davis
Name: Paul L. Davis
Title: Chief Financial Officer