

TCP Capital Corp.  
Form 10-Q  
May 08, 2013

**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 March 31, 2013**

**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)

<b>Delaware</b>	<b>56-2594706</b>
(State or Other Jurisdiction of Incorporation)	(IRS Employer Identification No.)

**2951 28<sup>th</sup> Street, Suite 1000**

**90405**

**Santa Monica, California**

(Address of Principal Executive Offices) (Zip Code)

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

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

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes  No

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

Large accelerated filer  Accelerated filer

Non-accelerated filer  Smaller Reporting company

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).

Yes  No

The number of shares of the Registrant's common stock, \$0.001 par value, outstanding as of May 8, 2013 was 21,478,732.

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**TCP CAPITAL CORP.**

**FORM 10-Q FOR THE QUARTER ENDED MARCH 31, 2013**

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TCP Capital Corp.

## Consolidated Statements of Assets and Liabilities

	March 31, 2013 (unaudited)	December 31, 2012
<b>Assets</b>		
Investments, at fair value:		
Unaffiliated issuers (cost of \$514,388,646 and \$508,302,758, respectively)	\$ 449,148,562	\$ 440,772,190
Controlled companies (cost of \$44,370,322 and \$44,964,189 respectively)	21,612,031	22,489,208
Other affiliates (cost of \$40,912,250 and \$55,803,421, respectively)	39,234,352	54,421,689
Total investments (cost of \$599,671,218 and \$609,070,368, respectively)	509,994,945	517,683,087
Cash and cash equivalents	11,177,328	18,035,189
Accrued interest income:		
Unaffiliated issuers	6,585,365	4,039,149
Controlled companies	50,689	53,524
Other affiliates	486,707	482,634
Receivable for investments sold	-	7,727,415
Deferred debt issuance costs	587,454	696,018
Unrealized appreciation on swaps	349,347	179,364
Prepaid expenses and other assets	779,018	345,722
Total assets	\$ 530,010,853	\$ 549,242,102
<b>Liabilities</b>		
Credit facility payable	70,000,000	74,000,000
Incentive allocation payable	2,723,742	-
Payable for investments purchased	157,292	21,814,819
Interest payable	151,170	119,233
Payable to the Investment Manager	105,549	109,200
Accrued expenses and other liabilities	1,698,354	2,685,015
Total liabilities	74,836,107	98,728,267
<b>Preferred equity facility</b>		
Series A preferred limited partner interests in Special Value Continuation Partners, LP; \$20,000/interest liquidation preference; 6,700 interests authorized, issued and outstanding	134,000,000	134,000,000
Accumulated dividends on Series A preferred equity facility	510,274	526,285
Total preferred limited partner interests	134,510,274	134,526,285
<b>General Partner interest in Special Value Continuation Partners, LP</b>	471,078	-
Net assets applicable to common shareholders	\$ 320,193,394	\$ 315,987,550

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Composition of net assets applicable to common shareholders

Common stock, \$0.001 par value; 200,000,000 shares authorized, 21,478,732 and 21,477,628 shares issued and outstanding as of March 31, 2013 and December 31, 2012, respectively	21,479	21,478
Paid-in capital in excess of par	444,251,674	444,234,060
Accumulated net investment income	24,359,019	22,526,179
Accumulated net realized losses	(58,506,203 )	(59,023,861 )
Accumulated net unrealized depreciation	(89,932,575 )	(91,770,306 )
Net assets applicable to common shareholders	\$ 320,193,394	\$ 315,987,550
Net assets per share	\$ 14.91	\$ 14.71

*See accompanying notes.*

TCP Capital Corp.

Consolidated Statement of Investments (Unaudited)

March 31, 2013

Showing Percentage of Total Cash and Investments of the Company

Investment	Principal Amount	Cost	Fair Value	Percent of Cash and Investments	
Debt Investments (90.88%)					
<b>Bank Debt (74.19%) (1)</b>					
Accounting, Tax Preparation, Bookkeeping, and Payroll Services (3.04%)					
Expert Global Solutions, LLC, Senior Secured 1st Lien Term Loan B, LIBOR + 6.75%, 1.25% LIBOR Floor, due 4/3/18	\$ 714,687	\$ 705,388	\$ 724,071	0.14	%
Expert Global Solutions, LLC, Senior Secured 2nd Lien Term Loan, LIBOR + 9.5%, 1.5% LIBOR Floor, due 10/3/18	\$ 14,952,425	14,485,234	15,101,949	2.90	%
Total Accounting, Tax Preparation, Bookkeeping, and Payroll Services		15,190,622	15,826,020		
Business Support Services (2.78%)					
STG-Fairway Acquisitions, Inc., Senior Secured 2nd Lien Term Loan, LIBOR + 9.25%, 1.25% LIBOR Floor, due 8/28/19	\$ 14,643,455	13,874,674	14,497,021	2.78	%
Computer Equipment Manufacturing (2.21%)					
ELO Touch Solutions, Inc., Senior Secured 2nd Lien Term Loan, LIBOR + 10.5%, 1.5% LIBOR Floor, due 12/1/18	\$ 10,000,000	9,632,140	8,400,000	1.61	%
Mitel US Holdings, Inc., 1st Lien Term Loan, LIBOR + 5.75%, 1.25% LIBOR Floor, due 2/27/19	\$ 3,125,000	3,093,750	3,135,422	0.60	%
Total Computer Equipment Manufacturing		12,725,890	11,535,422		
Electric Power Generation, Transmission and Distribution (3.57%)					
	\$ 11,070,172	10,915,565	11,319,251	2.17	%

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Panda Sherman Power, LLC, Senior Secured 1st Lien Term Loan, LIBOR + 7.5%, 1.5% LIBOR Floor, due 9/14/18					
Astoria Generating Company Acquisitions, LLC, Senior Secured 1st Lien Term Loan, LIBOR + 7%, 1.5% LIBOR Floor, due 10/26/17	\$7,000,000	6,739,003	7,271,250	1.40	%
Total Electric Power Generation, Transmission and Distribution		17,654,568	18,590,501		
Electronic Shopping (2.00%)					
Shopzilla, Inc., Senior Secured 2nd Lien Term Loan, 13%, due 6/1/14	\$10,386,390	9,955,946	10,443,516	2.00	%
Financial Investment Activities (0.76%)					
Marsico Capital Management, Senior Secured 1st Lien Term Loan, LIBOR + 5%, due 12/31/22	\$11,025,653	13,882,765	3,941,671	0.76	%
Full-Service Restaurants (3.28%)					
RM Holdco, LLC, Subordinated Convertible Term Loan, 1.12% PIK, due 3/21/18 <sup>(2)</sup>	\$5,106,805	5,106,805	4,940,834	0.95	%
RM OpCo, LLC, Senior Secured 1st Lien Term Loan Tranche A, 11%, due 3/21/16 <sup>(2)</sup>	\$3,764,387	3,764,387	3,764,387	0.72	%
RM OpCo, LLC, Senior Secured 1st Lien Term Loan Tranche B, 12% Cash + 7% PIK, due 3/21/16 <sup>(2)</sup>	\$6,375,494	6,375,494	6,375,494	1.22	%
RM OpCo, LLC, Senior Secured 1st Lien Term Loan Tranche B-1, 12% Cash + 7% PIK, due 3/21/16 <sup>(2)</sup>	\$2,012,224	1,960,903	2,012,224	0.39	%
Total Full-Service Restaurants		17,207,589	17,092,939		
Gaming Industries (5.96%)					
Golden Gaming, Inc., Senior Secured 1st Lien Term Loan, LIBOR + 7% Cash + 1% PIK, 2% LIBOR Floor, due 3/1/16	\$15,976,999	15,603,254	15,737,344	3.02	%
AGS LLC, 1st Lien Term Loan, LIBOR + 10%, 1.5% LIBOR Floor, due 8/15/16	\$13,269,231	12,807,565	13,561,154	2.60	%
AGS LLC, DDTL 1st Lien Term Loan, LIBOR + 10%, 1.5% LIBOR Floor, due 8/15/16	\$1,730,769	1,661,538	1,768,846	0.34	%
Total Gaming Industries		30,072,357	31,067,344		
Grocery Stores (2.61%)					
Bashas, Inc., Senior Secured 1st Lien FILO Term Loan, LIBOR + 9.35%, 1.5% LIBOR Floor, due 12/28/15	\$13,296,217	13,296,217	13,628,623	2.61	%
Insurance Related Activities (1.10%)					
Confie Seguros Holding II Co., 2nd Lien Term Loan, LIBOR + 9%, 1.25% LIBOR Floor, due 5/8/19	\$5,600,000	5,493,114	5,740,000	1.10	%
Iron and Steel Mills and Ferroalloy Manufacturing (1.29%)					
Essar Steel Algoma, Inc., Senior Secured Term Loan, LIBOR + 7.5%, 1.25% LIBOR Floor, due 9/20/14	\$6,564,737	6,464,255	6,704,237	1.29	%
Motion Picture and Video Industries (2.94%)					
	\$9,462,231	9,366,615	8,320,897	1.60	%



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CORE Entertainment, Inc., Senior Secured 1st Lien Term Loan, 9%, due 6/21/17					
CORE Entertainment, Inc., Senior Secured 2nd Lien Term Loan, 13.5%, due 6/21/18	\$7,569,785	7,491,315	6,964,202	1.34	%
Total Motion Picture and Video Industries		16,857,930	15,285,099		

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TCP Capital Corp.

## Consolidated Statement of Investments (Unaudited) (Continued)

March 31, 2013

## Showing Percentage of Total Cash and Investments of the Company

Investment	Principal Amount	Cost	Fair Value	Percent of Cash and Investments	
Debt Investments (continued)					
Motor Vehicle Parts Manufacturing (2.51%)					
DMI SMW Holding Corporation, 1st Lien Senior Secured Term Loan, LIBOR + 7.75%, 1.5% LIBOR Floor, due 12/21/17	\$ 12,935,000	\$ 12,947,983	\$ 13,064,350	2.51	%
Other Amusement and Recreation Industries (2.27%)					
Intrawest Cayman L.P., 1st Lien Term Loan, LIBOR + 5.75%, 1.25% LIBOR Floor, due 12/4/17 - (Cayman Islands)	\$ 1,246,875	1,228,172	1,274,936	0.24	%
Intrawest Cayman L.P., 2nd Lien Term Loan, LIBOR + 9.5%, 1.25% LIBOR Floor, due 12/4/18 - (Cayman Islands)	\$ 10,250,000	9,993,750	10,570,313	2.03	%
Total Other Amusement and Recreation Industries		11,221,922	11,845,249		
Other Electrical Equipment and Component Manufacturing (3.19%)					
Palladium Energy, Inc., 1st Lien Senior Secured Term Loan, LIBOR + 9%, 1% LIBOR Floor, due 12/26/17	\$ 16,500,317	16,186,387	16,632,320	3.19	%
Other Professional, Scientific, and Technical Services (2.36%)					
Connolly, LLC, Senior Secured 2nd Lien Term Loan, LIBOR + 9.25%, 1.25% LIBOR Floor, due 7/15/19	\$ 12,000,000	11,813,421	12,315,000	2.36	%
Petroleum and Coal Products Manufacturing (1.63%)					
Boomerang Tube, LLC, 2nd Lien Term Loan, LIBOR + 9.5%, 1.5% LIBOR Floor, due 10/11/17	\$ 8,414,858	8,182,038	8,520,043	1.63	%

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Pharmaceutical and Medicine Manufacturing (1.56%)					
Pharmaceutical Research Associates, Inc., 2nd Lien Term Loan, LIBOR + 9.25%, 1.25% LIBOR Floor, due 6/10/19	\$8,000,000	7,840,000	8,110,000	1.56	%
Promoters of Performing Arts, Sports, and Similar Events (2.12%)					
Stadium Management Group, Senior Secured 2nd Lien Term Loan, LIBOR + 9.50%, 1.25% LIBOR Floor, due 12/7/18	\$11,000,000	10,798,044	11,055,000	2.12	%
Radio and Television Broadcasting (4.72%)					
Encompass Digital Media, Inc., 1st Lien Term Loan, LIBOR + 5.5%, 1.25% LIBOR Floor, due 8/10/17	\$7,920,150	7,920,150	8,009,252	1.54	%
Granite Broadcasting Corporation, Senior Secured 1st Lien Term Loan B, LIBOR + 7.25%, 1.25% LIBOR Floor, due 5/23/18	\$9,925,000	9,703,565	9,949,813	1.91	%
SiTV, Inc., Senior Secured 1st Lien Term Loan, LIBOR + 6% Cash + 4% PIK, 2% LIBOR Floor, due 8/3/16	\$6,859,770	6,484,806	6,616,248	1.27	%
Total Radio and Television Broadcasting		24,108,521	24,575,313		
Retail (1.90%)					
Kenneth Cole Productions, Inc., Senior Secured 1st Lien FILO Term Loan, LIBOR + 10.60%, 1% LIBOR Floor, due 9/25/17	\$9,727,273	9,463,661	9,921,818	1.90	%
Scheduled Air Transportation (3.00%)					
Aircraft Secured Mortgages - Aircraft Leased to Delta Air Lines, Inc.					
N913DL, 8%, due 3/15/17 <sup>(6)</sup>	\$347,755	347,755	349,350	0.07	%
N918DL, 8%, due 8/15/18 <sup>(6)</sup>	\$439,969	439,969	439,280	0.08	%
N954DL, 8%, due 3/20/19 <sup>(6)</sup>	\$574,079	574,079	570,350	0.11	%
N955DL, 8%, due 6/20/19 <sup>(6)</sup>	\$590,714	590,714	585,650	0.11	%
N956DL, 8%, due 5/20/19 <sup>(6)</sup>	\$590,661	590,661	585,990	0.11	%
N957DL, 8%, due 6/20/19 <sup>(6)</sup>	\$595,881	595,881	590,750	0.11	%
N959DL, 8%, due 7/20/19 <sup>(6)</sup>	\$601,058	601,058	595,510	0.11	%
N960DL, 8%, due 10/20/19 <sup>(6)</sup>	\$621,492	621,492	614,380	0.12	%
N961DL, 8%, due 8/20/19 <sup>(6)</sup>	\$616,432	616,432	610,300	0.12	%
N976DL, 8%, due 2/15/18 <sup>(6)</sup>	\$454,687	454,687	455,260	0.09	%
Aircraft Secured Mortgages - Aircraft Leased to United Air Lines, Inc.					
N510UA, 20%, due 10/26/16 <sup>(2)</sup>	\$391,510	391,510	503,500	0.10	%
N512UA, 20%, due 10/26/16 <sup>(2)</sup>	\$395,850	395,850	511,860	0.10	%
N536UA, 16%, due 9/29/14 <sup>(2)</sup>	\$218,270	218,270	237,690	0.05	%
N545UA, 16%, due 8/29/15 <sup>(2)</sup>	\$347,752	347,752	397,385	0.08	%
N585UA, 20%, due 10/25/16 <sup>(2)</sup>	\$464,787	464,787	601,065	0.12	%
N659UA, 12%, due 2/28/16 <sup>(6)</sup>	\$3,468,682	3,468,682	3,881,939	0.74	%
N661UA, 12%, due 5/4/16 <sup>(6)</sup>	\$3,617,747	3,617,747	4,063,848	0.78	%
Total Scheduled Air Transportation		14,337,326	15,594,107		

TCP Capital Corp.

## Consolidated Statement of Investments (Unaudited) (Continued)

March 31, 2013

## Showing Percentage of Total Cash and Investments of the Company

Investment	Principal Amount	Cost	Fair Value	Percent of Cash and Investments	
Debt Investments (continued)					
Semiconductor and Other Electronic Component Manufacturing (2.69%)					
Isola USA Corporation, 1st Lien Term Loan, LIBOR + 8%, 2% LIBOR Floor, due 9/30/15	\$ 14,000,000	\$ 13,975,000	\$ 14,000,000	2.69	%
Software Publishers (8.24%)					
Deltek, Inc., Senior Secured 2nd Lien Term Loan, LIBOR + 8.75%, 1.25% LIBOR Floor, due 10/10/19	\$ 15,000,000	14,787,278	15,342,225	2.94	%
Edmentum, Inc., Senior Secured 2nd Lien Term Loan, LIBOR + 9.75%, 1.5% LIBOR Floor, due 5/17/19	\$ 15,000,000	14,724,552	15,000,000	2.88	%
SumTotal Systems, LLC, Senior Secured 2nd Lien Term Loan, LIBOR + 9%, 1.25% LIBOR Floor, due 5/16/19	\$ 7,600,000	7,454,681	7,552,500	1.45	%
The TriZetto Group, Inc., Senior Secured 2nd Lien Term Loan, LIBOR + 7.25%, 1.25% LIBOR Floor, due 3/28/19	\$ 5,000,000	4,929,689	5,075,000	0.97	%
Total Software Publishers		41,896,200	42,969,725		
Wired Telecommunications Carriers (3.92%)					
Bulgaria Telecom Company AD, 1st Lien Facility 1A Term Loan, EURIBOR + 5.5%, due 11/9/17 - (Bulgaria) (4)	€3,262,515	3,525,355	3,846,740	0.74	%
Integra Telecom Holdings, Inc., 2nd Lien Term Loan, LIBOR + 8.5%, 1.25% LIBOR Floor, due 2/22/20	\$ 15,000,000	14,674,950	15,446,925	2.96	%
Viva Telecom Bulgaria EAD, 1st Lien Facility 1B Term Loan, EURIBOR + 5.5%, due 11/9/17 - (Luxembourg) (4)	€980,713	1,059,723	1,156,331	0.22	%
Total Wired Telecommunications Carriers		19,260,028	20,449,996		

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Wireless Telecommunications Carriers (2.54%)					
Globalive Wireless Management Corp., Senior Secured 1st Lien Term Loan, LIBOR + 10.9%, due 4/30/14 - (Canada)	\$3,037,292	2,933,872	3,023,624	0.58	%
Gogo, LLC, Senior Secured 1st Lien Term Loan, LIBOR + 9.75%, 1.5% LIBOR Floor, due 6/21/17	\$10,104,406	9,700,229	10,205,450	1.96	%
Total Wireless Telecommunications		12,634,101	13,229,074		
Total Bank Debt		387,340,559	386,634,388		
Other Corporate Debt Securities (16.69%)					
Architectural, Engineering, and Related Services (1.38%)					
ESP Holdings, Inc., Junior Unsecured Subordinated Promissory Notes, 6% Cash + 10% PIK, due 12/31/19 <sup>(2)</sup> , <sup>(5)</sup>	\$7,209,840	7,209,840	7,209,840	1.38	%
Artificial Synthetic Fibers and Filaments Manufacturing (1.83%)					
AGY Holding Corporation, Senior Secured 2nd Lien Notes, 11%, due 11/15/14	\$18,536,000	15,172,634	9,546,040	1.83	%
Data Processing, Hosting, and Related Services (1.45%)					
The Telx Group, Inc., Senior Unsecured Notes, 10% Cash + 2% PIK, due 9/26/19 <sup>(5)</sup>	\$6,993,490	6,855,009	7,552,970	1.45	%
Metal and Mineral (except Petroleum) Merchant Wholesalers (2.54%)					
Constellation Enterprises, LLC, Senior Secured 1st Lien Notes, 10.625%, due 2/1/16 <sup>(5)</sup>	\$12,500,000	12,322,875	13,248,048	2.54	%
Metal Ore Mining (1.44%)					
St Barbara Ltd., 1st Priority Senior Secured Notes, 8.875%, due 4/15/18 <sup>(5)</sup>	\$7,359,000	7,321,771	7,515,379	1.44	%
Nondepository Credit Intermediation (1.98%)					
Caribbean Financial Group, Senior Secured Notes, 11.5%, due 11/15/19 <sup>(5)</sup>	\$10,000,000	9,808,736	10,300,000	1.98	%
Nonferrous Metal Production and Processing (2.98%)					
International Wire Group Holdings, Inc., Senior Secured Notes, 8.5%, due 10/15/17 <sup>(5)</sup>	\$15,000,000	15,000,000	15,508,499	2.98	%
Scientific Research and Development Services (3.09%)					
BPA Laboratories, Inc., Senior Secured Notes, 12.25%, due 4/1/17 <sup>(5)</sup>	\$17,110,000	16,446,295	16,083,400	3.09	%
Total Other Corporate Debt Securities		90,137,160	86,964,176		
Total Debt Investments		477,477,719	473,598,564		



TCP Capital Corp.

## Consolidated Statement of Investments (Unaudited) (Continued)

March 31, 2013

## Showing Percentage of Total Cash and Investments of the Company

Investment	Shares	Cost	Fair Value	Percent of Cash and Investments	
Equity Securities (6.98%)					
Architectural, Engineering, and Related Services (1.21%)					
ESP Holdings, Inc., Cumulative Preferred 15% <sup>(2), (5)</sup>	20,297	\$2,249,930	\$3,643,088	0.70	%
ESP Holdings, Inc., Common Stock <sup>(2), (3), (5)</sup>	88,670	9,311,782	2,674,472	0.51	%
Total Architectural, Engineering, and Related Services		11,561,712	6,317,560		
Business Support Services (0.23%)					
STG-Fairway Holdings, LLC, Class A Units <sup>(3), (5)</sup>	80,396	1,100,348	1,209,960	0.23	%
Data Processing, Hosting, and Related Services (0.24%)					
Anacomp, Inc., Class A Common Stock <sup>(3), (5), (6)</sup>	1,255,527	26,711,048	1,255,527	0.24	%
Depository Credit Intermediation (0.15%)					
Doral Financial Corporation, Common Stock <sup>(3)</sup>	1,077,795	11,699,417	759,522	0.15	%
Electric Power Generation, Transmission and Distribution (0.01%)					
La Paloma Residual Bank Debt Claim <sup>(3), (5)</sup>	1,830,453	1,574,284	51,253	0.01	%
Electronic Shopping (0.26%)					
Shop Holding, LLC, Class A Units <sup>(3), (5)</sup>	490,037	462,576	1,020,008	0.19	%
Shop Holding, LLC, Warrants to Purchase Class A Units <sup>(3), (5)</sup>	326,691	-	353,286	0.07	%
Total Electronic Shopping		462,576	1,373,294		
Financial Investment Activities (0.00%)					
Marsico Holdings, LLC, Common Interest Units <sup>(3), (5)</sup>	168,698	172,694	9,278	-	

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Full-Service Restaurants (0.15%)					
RM Holdco, LLC, Membership Units <sup>(2), (3), (5)</sup>	13,161,000	2,010,777	751,443	0.15	%
Machine Shops; Turned Product; and Screw, Nut, and Bolt Manufacturing (0.00%)					
Precision Holdings, LLC, Class C Membership Interests <sup>(3), (5)</sup>	33	1,396	17,982	-	
Nonmetallic Mineral Mining and Quarrying (0.53%)					
EPMC HoldCo, LLC, Membership Units <sup>(2), (5)</sup>	1,312,720	-	2,782,966	0.53	%
Other Amusement and Recreation Industries (0.00%)					
Bally Total Fitness Holding Corporation, Common Stock <sup>(3), (5)</sup>	6,058	45,186,963	18,174	-	
Bally Total Fitness Holding Corporation, Warrants <sup>(3), (5)</sup>	10,924	-	1	-	
Total Other Amusement and Recreation Industries		45,186,963	18,175		
Radio and Television Broadcasting (0.07%)					
SiTV, Inc., Warrants to Purchase Common Stock <sup>(3), (5)</sup>	233,470	300,322	345,536	0.07	%
Scheduled Air Transportation (1.89%)					
Equipment Trusts - Aircraft Leased to Delta Air Lines, Inc.					
N913DL Trust Beneficial Interests <sup>(5), (6)</sup>	529	109,193	111,180	0.02	%
N918DL Trust Beneficial Interests <sup>(5), (6)</sup>	479	124,973	120,530	0.02	%
N954DL Trust Beneficial Interests <sup>(5), (6)</sup>	463	154,136	85,680	0.02	%
N955DL Trust Beneficial Interests <sup>(5), (6)</sup>	455	156,265	129,880	0.02	%
N956DL Trust Beneficial Interests <sup>(5), (6)</sup>	457	156,449	133,110	0.03	%
N957DL Trust Beneficial Interests <sup>(5), (6)</sup>	455	157,444	133,790	0.03	%
N959DL Trust Beneficial Interests <sup>(5), (6)</sup>	454	158,434	134,300	0.03	%
N960DL Trust Beneficial Interests <sup>(5), (6)</sup>	449	162,544	139,740	0.03	%
N961DL Trust Beneficial Interests <sup>(5), (6)</sup>	452	161,755	142,290	0.03	%
N967DL Trust Beneficial Interests <sup>(5), (6)</sup>	494	130,007	83,980	0.02	%
Equipment Trusts - Aircraft Leased to United Air Lines, Inc.					
N510UA Trust Beneficial Interests <sup>(2), (5)</sup>	46	161,681	485,106	0.09	%
N512UA Trust Beneficial Interests <sup>(2), (5)</sup>	45	158,224	478,704	0.09	%
N536UA Trust Beneficial Interests <sup>(2), (5)</sup>	66	320,764	642,039	0.12	%
N545UA Trust Beneficial Interests <sup>(2), (5)</sup>	56	285,666	632,306	0.12	%
N585UA Trust Beneficial Interests <sup>(2), (5)</sup>	45	177,826	589,948	0.11	%
United N659UA-767, LLC (N659UA) <sup>(5), (6)</sup>	336	1,843,142	2,926,343	0.56	%
United N661UA-767, LLC (N661UA) <sup>(5), (6)</sup>	326	1,825,775	2,873,073	0.55	%
Total Scheduled Air Transportation		6,244,278	9,841,999		



TCP Capital Corp.

## Consolidated Statement of Investments (Unaudited) (Continued)

March 31, 2013

## Showing Percentage of Total Cash and Investments of the Company

Investment	Shares	Cost	Fair Value	Percent of Cash and Investments	
Equity Securities (continued)					
Semiconductor and Other Electronic Component Manufacturing (0.01%)					
AIP/IS Holdings, LLC, Membership Units <sup>(3), (5)</sup>	352	\$-	\$68,922	0.01	%
Support Activities for Mining (0.64%)					
DeepOcean Group Holding BV, Common Stock - (Norway) <sup>(3), (5)</sup>	145,824	3,477,624	3,323,768	0.64	%
Wired Telecommunications Carriers (1.59%)					
Integra Telecom, Inc., Common Stock <sup>(3), (5)</sup>	1,274,522	8,433,884	5,048,571	0.97	%
Integra Telecom, Inc., Warrants <sup>(3), (5)</sup>	346,939	19,920	-		
V Telecom Investment S.C.A, Common Shares - (Luxembourg) <sup>(3), (4), (5)</sup>	1,393	3,236,256	3,220,625	0.62	%
Total Wired Telecommunications Carriers		11,690,060	8,269,196		
Total Equity Securities		122,193,499	36,396,381		
Total Investments		599,671,218	509,994,945		
Cash and Cash Equivalents (2.14%)					
Cash and Cash Equivalents			11,177,328	2.14	%
Total Cash and Investments			\$521,172,273	100.00	%

*Notes to Statement of Investments:*

Investments in bank debt generally are bought and sold among institutional investors in transactions not subject to (1) registration under the Securities Act of 1933. Such transactions are generally subject to contractual restrictions, such as approval of the agent or borrower.

(2) 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).

(3) Non-income producing security.

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

(5) Restricted security. (See Note 2)

(6) Controlled issuer – as defined under the Investment Company Act of 1940 (ownership of 25% or more of the outstanding voting securities of this issuer).

Aggregate acquisitions and aggregate dispositions of investments, other than government securities, totaled \$40,263,751 and \$51,006,153, respectively for the three months ended March 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 March 31, 2013 was \$499,689,383, or 95.9% of total cash and investments of the Company.

Swaps at March 31, 2013 were as follows:

Investment	Notional Amount	Fair Value
Euro/US Dollar Cross-Currency Basis Swap, Pay Euros/Receive USD, Expires 5/16/14	\$6,040,944	\$ 349,347

*See accompanying notes.*

TCP Capital Corp.

## Consolidated Statement of Investments

December 31, 2012

## Showing Percentage of Total Cash and Investments of the Company

Investment	Principal Amount	Cost	Fair Value	Percent of Cash and Investments	
Debt Investments (90.12%)					
<b>Bank Debt (75.60%) (1)</b>					
Accounting, Tax Preparation, Bookkeeping, and Payroll Services (3.16%)					
Expert Global Solutions, LLC, Senior Secured 1st Lien Term Loan B, LIBOR + 6.75%, 1.25% LIBOR Floor, due 4/2/18	\$1,916,252	\$1,882,302	\$1,925,239	0.36	%
Expert Global Solutions, LLC, Senior Secured 2nd Lien Term Loan, LIBOR + 9.5%, 1.5% LIBOR Floor, due 10/2/18	\$14,976,011	14,493,414	14,953,547	2.80	%
Total Accounting, Tax Preparation, Bookkeeping, and Payroll Services		16,375,716	16,878,786		
Business Support Services (3.58%)					
STG-Fairway Acquisitions, Inc., Senior Secured 2nd Lien Term Loan, 12.5%, due 12/29/15	\$19,878,935	18,821,586	19,193,112	3.58	%
Computer Equipment Manufacturing (1.78%)					
ELO Touch Solutions, Inc., Senior Secured 2nd Lien Term Loan, LIBOR + 10.5%, 1.5% LIBOR Floor, due 12/4/18	\$10,000,000	9,621,530	9,550,000	1.78	%
Electric Power Generation, Transmission and Distribution (3.41%)					
Panda Sherman Power, LLC, Senior Secured 1st Lien Term Loan, LIBOR + 7.5%, 1.5% LIBOR Floor, due 9/14/18	\$11,070,172	10,910,286	11,263,900	2.10	%
Astoria Generating Company Acquisitions, LLC, Senior Secured 1st Lien Term Loan, LIBOR + 9.35%, 1.5% LIBOR Floor, due 12/28/15	\$7,000,000	6,727,929	7,040,845	1.31	%

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Total Electric Power Generation, Transmission and Distribution		17,638,215	18,304,745		
Electronic Shopping (2.13%)					
Shopzilla, Inc., Senior Secured 2nd Lien Term Loan, 13%, due 6/1/14	\$ 11,382,687	10,869,637	11,422,526	2.13	%
Equipment Rental and Leasing (3.28%)					
Sky Funding AMR Lease Portfolio, Senior Subordinated 1st Lien Term Loan, 10%, due 9/6/16 - (Ireland)	\$ 17,000,000	16,412,490	17,595,000	3.28	%
Financial Investment Activities (0.02%)					
Marsico Capital Management, Senior Secured 1st Lien Term Loan, LIBOR + 5%, due 12/31/22	\$ 11,281,905	14,205,420	5,753,772	1.07	%
Full-Service Restaurants (3.20%)					
RM OpCo, LLC, Senior Secured 1st Lien Term Loan Tranche A, 11%, due 3/19/16 <sup>(2)</sup>	\$ 3,759,156	3,759,156	3,759,156	0.70	%
RM OpCo, LLC, Senior Secured 1st Lien Term Loan Tranche B, 12% Cash + 7% PIK, due 3/19/16 <sup>(2)</sup>	\$ 6,258,122	6,258,122	6,258,122	1.17	%
RM Holdco, LLC, Subordinated Convertible Term Loan, 1.12% PIK, due 3/21/18 <sup>(2)</sup>	\$ 5,106,805	5,106,805	5,106,805	0.96	%
RM OpCo, LLC, Senior Secured 1st Lien Term Loan Tranche B-1, 12% Cash + 7% PIK, due 3/19/16 <sup>(2)</sup>	\$ 1,976,470	1,922,118	1,976,470	0.37	%
Total Full-Service Restaurants		17,046,201	17,100,553		
Gaming Industries (5.61%)					
Golden Gaming, Inc., Senior Secured 1st Lien Term Loan, LIBOR + 7% Cash + 1% PIK, 2% LIBOR Floor, due 4/15/16	\$ 15,975,628	15,600,947	15,735,993	2.94	%
AGS LLC, 1st Lien Term Loan, LIBOR + 10%, 1.5% LIBOR Floor, due 8/15/16	\$ 13,269,231	12,781,083	13,395,288	2.50	%
AGS LLC, DDTL 1st Lien Term Loan, LIBOR + 10%, 1.5% LIBOR Floor, due 8/15/16	\$ 865,385	796,154	881,827	0.17	%
Total Gaming Industries		29,178,184	30,013,108		
Grocery Stores (2.58%)					
Bashas, Inc., Senior Secured 1st Lien FILO Term Loan, LIBOR + 9.35%, 1.5% LIBOR Floor, due 12/28/15	\$ 13,461,182	13,461,182	13,797,711	2.58	%

TCP Capital Corp.

## Consolidated Statement of Investments (Continued)

December 31, 2012

## Showing Percentage of Total Cash and Investments of the Company

Investment	Principal Amount	Cost	Fair Value	Percent of Cash and Investments	
Debt Investments (continued)					
Insurance Related Activities (1.04%)					
Confie Seguros Holding II Co., 2nd Lien Term Loan, LIBOR + 9%, 1.25% LIBOR Floor, due 7/26/19	\$5,600,000	\$5,490,103	\$5,590,676	1.04	%
Iron and Steel Mills and Ferroalloy Manufacturing (1.22%)					
Essar Steel Algoma, Inc., Senior Secured Term Loan, LIBOR + 7.5%, 1.25% LIBOR Floor, due 9/20/14	\$6,581,231	6,464,979	6,537,367	1.22	%
Motion Picture and Video Industries (2.83%)					
CORE Entertainment, Inc., Senior Secured 1st Lien Term Loan, 9%, due 6/21/17	\$9,462,231	9,362,125	8,220,313	1.53	%
CORE Entertainment, Inc., Senior Secured 2nd Lien Term Loan, 13.5%, due 6/21/18	\$7,569,785	7,488,038	6,964,202	1.30	%
Total Motion Picture and Video Industries		16,850,163	15,184,515		
Motor Vehicle Parts Manufacturing (2.41%)					
DMI SMW Holding Corporation, Term Loan, LIBOR + 7.75%, 1.5% LIBOR Floor, due 12/21/17	\$12,935,000	12,938,292	12,902,663	2.41	%
Other Amusement and Recreation Industries (2.14%)					
Intrawest Cayman L.P., 1st Lien Term Loan, LIBOR + 5.75%, 1.25% LIBOR Floor, due 12/4/17 - (Cayman Islands)	\$1,250,000	1,231,250	1,257,813	0.23	%
Intrawest Cayman L.P., 2nd Lien Term Loan, LIBOR + 9.5%, 1.25% LIBOR Floor, due 12/4/18 - (Cayman Islands)	\$10,250,000	9,993,750	10,250,000	1.91	%
Total Other Amusement and Recreation Industries		11,225,000	11,507,813		

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Other Electrical Equipment and Component Manufacturing (3.03%)						
Palladium Energy, Inc., Term Loan, LIBOR + 9%, 1% LIBOR Floor, due 12/21/17	\$16,500,317	16,170,991	16,219,812	3.03	%	
Other Professional, Scientific, and Technical Services (2.27%)						
Connolly, LLC, Senior Secured 2nd Lien Term Loan, LIBOR + 9.25%, 1.25% LIBOR Floor, due 7/26/19	\$12,000,000	11,808,454	12,157,500	2.27	%	
Petroleum and Coal Products Manufacturing (1.57%)						
Boomerang Tube, LLC, 2nd Lien Term Loan, LIBOR + 9.5%, 1.5% LIBOR Floor, due 10/2/17	\$8,522,741	8,277,159	8,416,206	1.57	%	
Pharmaceutical and Medicine Manufacturing (1.51%)						
Pharmaceutical Research Associates, Inc., 2nd Lien Term Loan, LIBOR + 9.25%, 1.25% LIBOR Floor, due 6/10/19	\$8,000,000	7,840,000	8,085,000	1.51	%	
Promoters of Performing Arts, Sports, and Similar Events (2.06%)						
Stadium Management Group, Senior Secured 2nd Lien Term Loan, LIBOR + 9.50%, 1.25% LIBOR Floor, due 12/7/18	\$11,000,000	10,792,091	11,055,000	2.06	%	
Radio and Television Broadcasting (4.58%)						
Encompass Digital Media, Inc., 1st Lien Term Loan, LIBOR + 6.5%, 1.5% LIBOR Floor, due 8/10/17	\$7,940,000	7,802,595	8,039,250	1.50	%	
Granite Broadcasting Corporation, Senior Secured 1st Lien Term Loan B, LIBOR + 7.25%, 1.25% LIBOR Floor, due 5/23/18	\$9,950,000	9,719,719	9,974,875	1.86	%	
SiTV, Inc., Senior Secured 1st Lien Term Loan, LIBOR + 6% Cash + 4% PIK, 2% LIBOR Floor, due 8/3/16	\$6,806,343	6,421,282	6,523,880	1.22	%	
Total Radio and Television Broadcasting		23,943,596	24,538,005			
Retail (1.90%)						
Kenneth Cole Productions, Inc., Senior Secured 1st Lien FILO Term Loan, LIBOR + 10.60%, 1% LIBOR Floor, due 9/25/17	\$10,000,000	9,717,763	10,200,000	1.90	%	

TCP Capital Corp.

## Consolidated Statement of Investments (Continued)

December 31, 2012

## Showing Percentage of Total Cash and Investments of the Company

Investment	Principal Amount	Cost	Fair Value	Percent of Cash and Investments	
Debt Investments (continued)					
Scheduled Air Transportation (3.11%)					
Delta Air Lines, Inc., Aircraft Secured Mortgage (N913DL), 8%, due 7/15/18 <sup>(6)</sup>	\$366,557	\$366,557	\$367,370	0.07	%
Delta Air Lines, Inc., Aircraft Secured Mortgage (N918DL), 8%, due 7/15/18 <sup>(6)</sup>	\$456,613	456,613	454,580	0.08	%
Delta Air Lines, Inc., Aircraft Secured Mortgage (N954DL), 8%, due 9/20/19 <sup>(6)</sup>	\$593,200	593,200	597,720	0.11	%
Delta Air Lines, Inc., Aircraft Secured Mortgage (N955DL), 8%, due 9/20/19 <sup>(6)</sup>	\$609,107	609,107	612,000	0.11	%
Delta Air Lines, Inc., Aircraft Secured Mortgage (N956DL), 8%, due 9/20/19 <sup>(6)</sup>	\$609,360	609,360	612,850	0.11	%
Delta Air Lines, Inc., Aircraft Secured Mortgage (N957DL), 8%, due 9/20/19 <sup>(6)</sup>	\$614,434	614,434	617,440	0.12	%
Delta Air Lines, Inc., Aircraft Secured Mortgage (N959DL), 8%, due 9/20/19 <sup>(6)</sup>	\$619,468	619,468	622,030	0.12	%
Delta Air Lines, Inc., Aircraft Secured Mortgage (N960DL), 8%, due 9/20/19 <sup>(6)</sup>	\$639,631	639,631	640,730	0.12	%
Delta Air Lines, Inc., Aircraft Secured Mortgage (N961DL), 8%, due 9/20/19 <sup>(6)</sup>	\$635,009	635,009	636,990	0.12	%
Delta Air Lines, Inc., Aircraft Secured Mortgage (N976DL), 8%, due 7/15/18 <sup>(6)</sup>	\$474,007	474,007	473,280	0.09	%
United Air Lines, Inc., Aircraft Secured Mortgage (N510UA), 20%, due 9/26/16 <sup>(2)</sup>	\$410,410	410,410	548,340	0.10	%
United Air Lines, Inc., Aircraft Secured Mortgage (N512UA), 20%, due 10/26/16 <sup>(2)</sup>	\$414,343	414,343	556,225	0.10	%
United Air Lines, Inc., Aircraft Secured Mortgage (N536UA), 16%, due 8/21/14 <sup>(2)</sup>	\$251,941	251,941	277,780	0.05	%

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United Air Lines, Inc., Aircraft Secured Mortgage (N545UA), 16%, due 7/17/15 <sup>(2)</sup>	\$377,925	377,925	436,810	0.08	%
United Air Lines, Inc., Aircraft Secured Mortgage (N585UA), 20%, due 10/25/16 <sup>(2)</sup>	\$486,501	486,501	653,220	0.12	%
United Air Lines, Inc., Aircraft Secured Mortgage (N659UA), 12%, due 3/28/16 <sup>(6)</sup>	\$3,707,430	3,707,430	4,264,148	0.80	%
United Air Lines, Inc., Aircraft Secured Mortgage (N661UA), 12%, due 5/4/16 <sup>(6)</sup>	\$3,849,284	3,849,284	4,351,424	0.81	%
		15,115,220	16,722,937		
Semiconductor and Other Electronic Component Manufacturing (2.61%)					
Isola USA Corporation, 1st Lien Term Loan, LIBOR + 8%, 2% LIBOR Floor, due 9/29/15	\$14,000,000	13,975,000	14,000,000	2.61	%
Software Publishers (8.47%)					
Blackboard, Inc., Senior Secured 1st Lien Term Loan, LIBOR + 6%, 1.5% LIBOR Floor, due 10/4/18	\$2,671,613	2,457,884	2,705,008	0.51	%
Deltek, Inc., Senior Secured 2nd Lien Term Loan, LIBOR + 8.75%, 1.25% LIBOR Floor, due 10/10/19	\$15,000,000	14,781,719	15,275,025	2.85	%
Edmentum, Inc., Senior Secured 2nd Lien Term Loan, LIBOR + 9.75%, 1.5% LIBOR Floor due 5/8/19	\$15,000,000	14,717,168	14,831,250	2.77	%
SumTotal Systems, LLC, Senior Secured 2nd Lien Term Loan, LIBOR + 9%, 1.25% LIBOR Floor, due 5/13/19	\$7,600,000	7,449,234	7,524,000	1.41	%
The TriZetto Group, Inc., Senior Secured 2nd Lien Term Loan, LIBOR + 7.25%, 1.25% LIBOR Floor, due 3/28/19	\$5,000,000	4,927,523	4,979,175	0.93	%
Total Software Publishers		44,333,528	45,314,458		
Support Activities for Mining (0.06%)					
Trico Shipping AS, 1st Lien Term Loan A, LIBOR + 8.5%, 1.5% LIBOR Floor, due 5/13/14 - (Norway)	\$228,803	228,803	228,803	0.04	%
Trico Shipping AS, 1st Lien Term Loan B, LIBOR + 8.5%, 1.5% LIBOR Floor, due 5/13/14 - (Norway)	\$80,543	80,543	80,543	0.02	%
Total Support Activities for Mining		309,346	309,346		
Wired Telecommunications Carriers (2.52%)					
Bulgaria Telecom Company AD, 1st Lien Facility 1A Term Loan, EURIBOR + 5.5%, due 11/9/17 - (Bulgaria) <sup>(4)</sup>	€3,262,515	3,525,355	3,744,685	0.70	%
Integra Telecom Holdings, Inc., 1st Lien Term Loan, LIBOR + 7.25%, 2% LIBOR Floor, due 4/15/15	\$8,477,489	8,070,172	8,518,096	1.60	%
Viva Telecom Bulgaria EAD, 1st Lien Facility 1B Term Loan, EURIBOR + 5.5%, due 11/9/17 - (Luxembourg) <sup>(4)</sup>	€980,713	1,059,723	1,125,653	0.22	%
Total Wired Telecommunications Carriers		12,655,250	13,388,434		



TCP Capital Corp.

## Consolidated Statement of Investments (Continued)

December 31, 2012

## Showing Percentage of Total Cash and Investments of the Company

Investment	Principal Amount	Cost	Fair Value	Percent of Cash and Investments	
Debt Investments (continued)					
Wireless Telecommunications Carriers (0.56%)					
Globalive Wireless Management Corp., Senior Secured 1st Lien Term Loan, LIBOR + 8.9%, due 10/9/12 - (Canada)	\$3,037,292	\$2,933,872	\$3,000,845	0.56	%
Gogo, LLC, Senior Secured 1st Lien Term Loan, LIBOR + 9.75%, 1.5% LIBOR Floor, due 6/21/17	\$10,168,765	9,762,014	10,270,452	1.92	%
Total Wireless Telecommunications		12,695,886	13,271,297		
Total Bank Debt		404,232,982	405,010,342		
Other Corporate Debt Securities (14.51%)					
Architectural, Engineering, and Related Services (1.33%)					
ESP Holdings, Inc., Junior Unsecured Subordinated Promissory Notes, 6% Cash + 10% PIK, due 12/31/19 <sup>(2)</sup> , <sup>(5)</sup>	\$7,209,840	7,209,840	7,134,137	1.33	%
Artificial Synthetic Fibers and Filaments Manufacturing (1.72%)					
AGY Holding Corporation, Senior Secured 2nd Lien Notes, 11%, due 11/15/14	\$18,536,000	15,172,634	9,221,660	1.72	%
Data Processing, Hosting, and Related Services (1.34%)					
The Telx Group, Inc., Senior Unsecured Notes, 10% Cash + 2% PIK, due 9/26/19 <sup>(5)</sup>	\$6,958,697	6,820,215	7,167,458	1.34	%
Metal and Mineral (except Petroleum) Merchant Wholesalers (2.48%)					

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Constellation Enterprises, LLC, Senior Secured 1st Lien Notes, 10.625%, due 2/1/16 <sup>(5)</sup>	\$ 12,500,000	12,322,875	13,296,875	2.48	%
Nondepository Credit Intermediation (1.87%)					
Caribbean Financial Group, Senior Secured Notes, 11.5%, due 11/15/19 <sup>(5)</sup>	\$ 10,000,000	9,803,494	10,037,500	1.87	%
Nonferrous Metal Production and Processing (2.88%)					
International Wire Group Holdings, Inc., Senior Secured Notes, 8.5%, due 10/15/17 <sup>(2), (5)</sup>	\$ 15,000,000	15,000,000	15,450,000	2.88	%
Scientific Research and Development Services (2.89%)					
BPA Laboratories, Inc., Senior Secured Notes, 12.25%, due 4/1/17 <sup>(5)</sup>	\$ 17,110,000	16,446,295	15,484,550	2.89	%
Total Other Corporate Debt Securities		82,775,353	77,792,180		
Total Debt Investments		487,008,335	482,802,522		
Equity Securities (6.51%)					
Other Amusement and Recreation Industries (0.01%)					
Bally Total Fitness Holding Corporation, Common Stock <sup>(3), (5)</sup>	6,058	45,186,963	27,746	0.01	%
Bally Total Fitness Holding Corporation, Warrants <sup>(3), (5)</sup>	10,924	-	1	-	
Total Other Amusement and Recreation Industries		45,186,963	27,747		
Architectural, Engineering, and Related Services (1.10%)					
ESP Holdings, Inc., Cumulative Preferred 15% <sup>(2), (3), (5)</sup>	20,297	2,249,930	3,643,088	0.68	%
ESP Holdings, Inc., Common Stock <sup>(2), (3), (5)</sup>	88,670	9,311,782	2,263,124	0.42	%
Total Architectural, Engineering, and Related Services		11,561,712	5,906,212		
Business Support Services (0.05%)					
STG-Fairway Holdings, LLC, Class A Units <sup>(3), (5)</sup>	80,396	1,100,348	241,188	0.05	%
Data Processing, Hosting, and Related Services (0.23%)					
Anacomp, Inc., Class A Common Stock <sup>(3), (5), (6)</sup>	1,255,527	26,711,048	1,255,527	0.23	%

TCP Capital Corp.

## Consolidated Statement of Investments (Continued)

December 31, 2012

## Showing Percentage of Total Cash and Investments of the Company

Investment	Shares	Cost	Fair Value	Percent of Cash and Investments	
Equity Securities (continued)					
Depository Credit Intermediation (0.15%)					
Doral Financial Corporation, Common Stock <sup>(3)</sup>	1,077,795	\$ 11,699,417	\$ 780,431	0.15	%
Electric Power Generation, Transmission and Distribution (0.01%)					
La Paloma Residual Bank Debt Claim <sup>(3), (5)</sup>	1,830,453	1,574,284	51,253	0.01	%
Electronic Shopping (0.21%)					
Shop Holding, LLC, Class A Units <sup>(3), (5)</sup>	490,037	462,576	915,198	0.16	%
Shop Holding, LLC, Warrants to Purchase Class A Units <sup>(3), (5)</sup>	326,691	-	283,346	0.05	%
Total Electronic Shopping		462,576	1,198,544		
Financial Investment Activities (0.02%)					
Marsico Holdings, LLC, Common Interest Units <sup>(3), (5)</sup>	168,698	172,694	84,349	0.02	%
Full-Service Restaurants (0.16%)					
RM Holdco, LLC, Membership Units <sup>(2), (3), (5)</sup>	13,161,000	2,010,777	849,478	0.16	%
Machine Shops; Turned Product; and Screw, Nut, and Bolt Manufacturing (0.00%)					
Precision Holdings, LLC, Class C Membership Interests <sup>(3), (5)</sup>	33	1,396	21,317	-	
Nonmetallic Mineral Mining and Quarrying (0.51%)					
EPMC HoldCo, LLC, Membership Units <sup>(2), (5)</sup>	1,312,720	-	2,730,458	0.51	%

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Radio and Television Broadcasting (0.06%)					
SiTV, Inc., Warrants to Purchase Common Stock <sup>(3), (5)</sup>	233,470	300,322	336,197	0.06	%
Scheduled Air Transportation (1.83%)					
Delta Air Lines, Inc., Equipment Trust Beneficial Interests (N913DL) <sup>(5), (6)</sup>	466	113,899	111,520	0.02	%
Delta Air Lines, Inc., Equipment Trust Beneficial Interests (N918DL) <sup>(5), (6)</sup>	433	130,664	120,530	0.02	%
Delta Air Lines, Inc., Equipment Trust Beneficial Interests (N954DL) <sup>(5), (6)</sup>	421	161,952	113,390	0.02	%
Delta Air Lines, Inc., Equipment Trust Beneficial Interests (N955DL) <sup>(5), (6)</sup>	417	164,481	160,650	0.03	%
Delta Air Lines, Inc., Equipment Trust Beneficial Interests (N956DL) <sup>(5), (6)</sup>	418	164,726	163,200	0.03	%
Delta Air Lines, Inc., Equipment Trust Beneficial Interests (N957DL) <sup>(5), (6)</sup>	417	165,755	163,880	0.03	%
Delta Air Lines, Inc., Equipment Trust Beneficial Interests (N959DL) <sup>(5), (6)</sup>	416	166,778	164,390	0.03	%
Delta Air Lines, Inc., Equipment Trust Beneficial Interests (N960DL) <sup>(5), (6)</sup>	412	171,075	169,660	0.03	%
Delta Air Lines, Inc., Equipment Trust Beneficial Interests (N961DL) <sup>(5), (6)</sup>	415	170,315	171,360	0.03	%
Delta Air Lines, Inc., Equipment Trust Beneficial Interests (N976DL) <sup>(5), (6)</sup>	442	136,326	83,300	0.02	%
United Air Lines, Inc., Equipment Trust Beneficial Interests (N510UA) <sup>(2), (5)</sup>	43	151,759	479,682	0.09	%
United Air Lines, Inc., Equipment Trust Beneficial Interests (N512UA) <sup>(2), (5)</sup>	43	148,561	473,761	0.09	%
United Air Lines, Inc., Equipment Trust Beneficial Interests (N536UA) <sup>(2), (5)</sup>	62	298,394	624,746	0.12	%
United Air Lines, Inc., Equipment Trust Beneficial Interests (N545UA) <sup>(2), (5)</sup>	52	267,249	616,897	0.12	%
United Air Lines, Inc., Equipment Trust Beneficial Interests (N585UA) <sup>(2), (5)</sup>	43	167,806	583,391	0.11	%
United N659UA-767, LLC (N659UA) <sup>(5), (6)</sup>	312	1,773,072	2,771,428	0.52	%
United N661UA-767, LLC (N661UA) <sup>(5), (6)</sup>	303	1,759,997	2,789,809	0.52	%
Total Scheduled Air Transportation		6,112,809	9,761,594		
Semiconductor and Other Electronic Component Manufacturing (0.01%)					
AIP/IS Holdings, LLC, Membership Units <sup>(3), (5)</sup>	352	-	68,922	0.01	%
Support Activities for Mining (0.61%)					
DeepOcean Group Holding AS, Common Stock - (Norway) <sup>(3), (5)</sup>	145,824	3,477,627	3,255,535	0.61	%

TCP Capital Corp.

## Consolidated Statement of Investments (Continued)

December 31, 2012

## Showing Percentage of Total Cash and Investments of the Company

Investment	Shares	Cost	Fair Value	Percent of Cash and Investments	
Equity Securities (continued)					
Wired Telecommunications Carriers (1.55%)					
Integra Telecom, Inc., Common Stock <sup>(3), (5)</sup>	1,274,522	\$8,433,884	\$5,038,718	0.94	%
Integra Telecom, Inc., Warrants <sup>(3), (5)</sup>	346,939	19,920	-	-	
V Telecom Investment S.C.A, Common Shares - (Luxembourg) <sup>(3), (4), (5)</sup>	1,393	3,236,256	3,273,095	0.61	%
Total Wired Telecommunications Carriers		11,690,060	8,311,813		
Total Equity Securities		122,062,033	34,880,565		
<b>Total Investments <sup>(7)</sup></b>		609,070,368	517,683,087		
Cash and Cash Equivalents			18,035,189	3.37	%
Total Cash and Investments			\$535,718,276	100.00	%

*Notes to Statement of Investments:*

Investments in bank debt generally are bought and sold among institutional investors in transactions not subject to (1) registration under the Securities Act of 1933. Such transactions are generally subject to contractual restrictions, such as approval of the agent or borrower.

(2) 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).

(3) Non-income producing security.

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- (4) Principal amount denominated in foreign currency. Amortized cost and fair value converted from foreign currency to US dollars. (See Note 2)
- (5) Restricted security. (See Note 2)
- (6) Controlled issuer – as defined under the Investment Company Act of 1940 (ownership of 25% or more of the outstanding voting securities of this issuer).
- (7) Includes investments with an aggregate market value of \$1,382,875 that have been segregated to collateralize certain unfunded commitments.

Aggregate acquisitions and aggregate dispositions of investments, other than government securities, totaled \$359,020,926 and \$211,216,033, respectively for the year ended December 31, 2012. 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, 2012 was \$507,680,996, or 94.8% of total cash and investments of the Company.

Swaps at December 31, 2012 were as follows:

Investment	Notional Amount	Fair Value
Euro/US Dollar Cross-Currency Basis Swap, Pay Euros/Receive USD, Expires 5/16/14	\$6,040,944	\$ 179,364

*See accompanying notes.*

TCP Capital Corp.

## Consolidated Statements of Operations

	Three Months Ended March 31,	
	2013	2012 <sup>(1)</sup>
Investment income		
Interest income:		
Unaffiliated issuers	\$ 15,240,367	\$ 8,152,548
Controlled companies	330,317	-
Other affiliates	893,512	1,682,714
Dividend income:		
Other affiliates	-	1,811,189
Other income:		
Unaffiliated issuers	157,533	-
Controlled companies	142,911	-
Other affiliates	101,103	167,874
Total investment income	16,865,743	11,814,325
Operating expenses		
Management and advisory fees	1,964,738	1,696,797
Professional fees relating to the Conversion	-	411,523
Administrative expenses	167,808	-
Amortization of deferred debt issuance costs	108,564	109,771
Legal fees, professional fees and due diligence expenses	139,052	90,785
Interest expense	136,407	46,519
Commitment fees	22,589	62,208
Director fees	71,809	53,500
Insurance expense	36,273	28,891
Custody fees	29,419	23,034
Other operating expenses	192,971	53,195
Total operating expenses	2,869,630	2,576,223
Net investment income before taxes	13,996,113	9,238,102
Excise tax expense	-	502,978
Net investment income	13,996,113	8,735,124
Net realized and unrealized gain (loss) on investments and foreign currency		
Net realized gain (loss):		
Investments in unaffiliated issuers	517,658	(5,981,289 )
Investments in non-controlled affiliates	-	718,845
Net realized gain (loss)	517,658	(5,262,444 )

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Net change in net unrealized appreciation/depreciation	1,837,731	374,743
Net realized and unrealized gain (loss)	2,355,389	(4,887,701 )
Dividends paid on Series A preferred equity facility	(393,413 )	(371,492 )
Net change in accumulated dividends on Series A preferred equity facility	16,011	(43,307 )
Distributions of incentive allocation to the General Partner	(2,723,742 )	-
Net change in reserve for General Partner incentive allocation	(471,078 )	-
Net increase in net assets applicable to common shareholders resulting from operations	\$ 12,779,280	\$ 3,432,624
Basic and diluted earnings per common share	\$ 0.60	N/A
Basic and diluted weighted average common shares outstanding	21,477,628	N/A

*See accompanying notes.*

<sup>(1)</sup> The Consolidated Statement of Operations for the three months ended March 31, 2012 reflects a portfolio prior to the Conversion which had different objectives.



TCP Capital Corp.

## Consolidated Statements of Changes in Net Assets

	<b>Common Stock Shares</b>	<b>Common Stock Par Amount</b>	<b>Paid in Capital in Excess of Par</b>	<b>Accumulated Net Investment Income</b>	<b>Accumulated Net Realized Losses</b>	<b>Accumulated Net Unrealized Depreciation</b>	<b>Total Net Assets</b>
Balance at December 31, 2011	418,956	\$419	\$364,742,957	\$13,515,239	\$(45,411,498)	\$(94,976,243)	\$237,870,874
Retirement of old common stock in the Conversion	(418,956 )	(419 )	419	-	-	-	-
Issuance of common stock in the Conversion	5,725,635	15,726	(15,726 )	-	-	-	-
Issuance of common stock in public offering	5,750,000	5,750	80,956,005	-	-	-	80,961,755
Issuance of common stock from dividend reinvestment plan	1,993	2	30,383	-	-	-	30,385
Net increase in net assets applicable to common shareholders resulting from operations	-	-	-	38,717,561	(15,990,188)	3,205,937	25,933,310
Dividends paid to common shareholders	-	-	-	(28,808,774)	-	-	(28,808,774 )
Tax reclassification of stockholders' equity in	-	-	(1,479,978 )	(897,847 )	2,377,825	-	-

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accordance  
with generally  
accepted  
accounting  
principles

Balance at December 31, 2012	21,477,628	\$21,478	\$444,234,060	\$22,526,179	\$(59,023,861)	\$(91,770,306)	\$315,987,550
Issuance of common stock from dividend reinvestment plan	1,104	1	17,614	-	-	-	17,615
Net increase in net assets applicable to common shareholders resulting from operations	-	-	-	10,423,891	517,658	1,837,731	12,779,280
Dividends paid to common shareholders	-	-	-	(8,591,051 )	-	-	(8,591,051 )
Balance at March 31, 2013	21,478,732	\$21,479	\$444,251,674	\$24,359,019	\$(58,506,203)	\$(89,932,575)	\$320,193,394

*See accompanying notes.*

TCP Capital Corp.

## Consolidated Statements of Cash Flows

	Three Months Ended March 31,	
	2013	2012
Operating activities		
Net increase in net assets applicable to common shareholders resulting from operations	\$ 12,779,280	\$ 3,432,624
Adjustments to reconcile net increase in net assets applicable to common shareholders resulting from operations to net cash provided by operating activities:		
Net realized loss (gain)	(517,658 )	5,262,444
Net change in unrealized appreciation/depreciation of investments	(1,880,949 )	(515,367 )
Dividends paid on Series A preferred equity facility	393,413	371,492
Net change in accumulated dividends on Series A preferred equity facility	(16,011 )	43,307
Net change in reserve for incentive allocation	471,078	-
Accretion of original issue discount	(825,555 )	(143,604 )
Net accretion of market discount/premium	(81 )	(556,441 )
Interest and dividend income paid in kind	(253,156 )	(754,214 )
Amortization of deferred debt issuance costs	108,564	109,771
Changes in assets and liabilities:		
Purchases of investment securities	(40,010,595 )	(74,402,541 )
Proceeds from sales, maturities and paydowns of investments	51,006,153	46,076,803
Decrease (increase) in accrued interest income - unaffiliated issuers	(2,546,216 )	637,460
Decrease in accrued interest income - controlled companies	2,835	-
Increase in accrued interest income - other affiliates	(4,073 )	(474,898 )
Decrease in receivable for investments sold	7,727,415	966,560
Decrease (increase) in prepaid expenses and other assets	(433,296 )	42,618
Increase (decrease) in payable for investments purchased	(21,657,527 )	25,696,767
Increase (decrease) in payable to the Investment Manager	(3,651 )	443,261
Increase (decrease) in interest payable	31,937	(11,407 )
Increase in incentive allocation payable	2,723,742	-
Decrease in accrued expenses and other liabilities	(986,661 )	(138,409 )
Net cash provided by operating activities	6,108,988	6,086,226
Financing activities		
Proceeds from draws on credit facility	6,000,000	57,000,000
Principal repayments on credit facility	(10,000,000 )	(44,000,000 )
Dividends paid on Series A preferred equity facility	(393,413 )	(371,492 )
Dividends paid to common shareholders	(8,591,051 )	-
Proceeds from shares issued in connection with dividend reinvestment plan	17,615	-
Net cash provided by (used in) financing activities	(12,966,849 )	12,628,508

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Net increase in cash and cash equivalents	(6,857,861 )	18,714,734
Cash and cash equivalents at beginning of period	18,035,189	10,831,678
Cash and cash equivalents at end of period	\$ 11,177,328	\$ 29,546,412
Supplemental cash flow information		
Interest payments	\$ 104,470	\$ 57,926
Excise tax payments	969,946	502,978

*See accompanying notes.*

TCP Capital Corp.

Notes to Consolidated Financial Statements (Unaudited)

March 31, 2013

## 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, 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. The Partnership has also elected to be treated as a BDC under the 1940 Act. These consolidated financial statements include the accounts of the Company and the Partnership. All significant intercompany transactions and balances have been eliminated in the consolidation.

The Company was formed through the conversion on April 2, 2012 of the Company’s predecessor, Special Value Continuation Fund, LLC (“SVCF”), from a limited liability company to a corporation in a non-taxable transaction, leaving the Company as the surviving entity (the “Conversion”). At the time of the Conversion, all limited liability company interests were exchanged for 15,725,635 shares of common stock in the Company. As a result of the Conversion, the books and records of SVCF have become the books and records of the surviving entity. For periods prior to April 2, 2012, the consolidated financial statements and related footnotes reflect the performance of SVCF. Per share amounts prior to the conversion are not considered useful and have been marked as “N/A” in the consolidated financial statements.

On April 3, 2012, the Company priced its initial public offering (the “Offering”), selling 5,750,000 shares of its common stock at a public offering price of \$14.75 per share.

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 has elected to be treated as a partnership 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”). The managing member of the Administrator is Tennenbaum Capital Partners, LLC (the “Advisor”), which serves as the Investment Manager to both the Company and the Partnership. 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.

TCP Capital Corp.

Notes to Consolidated Financial Statements (Unaudited) (Continued)

March 31, 2013

### **1. Organization and Nature of Operations (continued)**

The Board of Directors of the Partnership has delegated investment management of the Partnership's assets to the Investment Manager. At March 31, 2013, each Board of Directors consists of four 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.

#### ***Preferred Equity***

At March 31, 2013, the Partnership had 6,700 Series A preferred limited partner interests (the "Preferred Interests") issued and outstanding with a liquidation preference of \$20,000 per preferred limited interest. 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 March 31, 2013, the Partnership was in full compliance with such requirements.

The Preferred Interests accrue dividends at an annual rate equal to LIBOR plus 0.85% or, in the case of any holders of Preferred Interests that are CP Conduits (as defined in the leveraging documents), the higher of (i) LIBOR plus 0.85% or (ii) the CP Conduit's cost of funds rate plus 0.85%, subject to certain limitations and adjustments.

### **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.



TCP Capital Corp.

Notes to Consolidated Financial Statements (Unaudited) (Continued)

March 31, 2013

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

### ***Investment Valuation***

The Company's investments are generally held by the Partnership. Management values investments held by the Partnership 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 Senior Facility, as defined in Note 4, below, and the Statement of Preferences for the Preferred Interests. 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 guidelines adopted by the Boards of Directors of the Company and the Partnership, and are subject to their approval. Generally, to increase objectivity in valuing the Partnership's 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.

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.

TCP Capital Corp.

Notes to Consolidated Financial Statements (Unaudited)

March 31, 2013

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

Unobservable inputs used in the fair value measurement of the Partnership's Level 3 investments as of March 31, 2013 included the following:

Asset Type	Fair Value	Valuation Technique	Unobservable Input	Range (Weighted Average)
Bank Debt	\$275,074,150	Market rate approach	Market yields	5.3% - 15.9% (11.1%)
			Indicative bid/ask quotes	1 - 2 (1)
			Revenue multiples	0.4x - 0.4x (0.4x)
			EBITDA multiples	7.7x - 7.7x (7.7x)
Other Corporate Debt	\$25,062,810	Market rate approach	Market yields	14.2% - 14.2% (14.2%)
			Indicative bid/ask quotes	1 - 1 (1)
			EBITDA multiples	10.0x - 10.0x (10.0x)
Equity	\$35,636,859	Market rate approach	Market yields	7.0% - 26.0% (12.3%)
			Indicative bid/ask quotes	1 - 2 (1)
			Revenue multiples	0.4x - 1.1x (0.8x)
			EBITDA multiples	3.5x - 9.1x (5.7x)

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

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

Investments of the Partnership 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.

TCP Capital Corp.

Notes to Consolidated Financial Statements (Unaudited) (Continued)

March 31, 2013

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

At March 31, 2013, the investments of the Partnership 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	\$-	\$ -	\$759,522
2	Other observable market inputs*	111,560,238	61,901,366	-
3	Independent third-party pricing sources that employ significant unobservable inputs	275,074,150	17,509,840	34,225,001
3	Investment Manager valuations with significant unobservable inputs	-	7,552,970	1,411,858
Total		\$386,634,388	\$ 86,964,176	\$36,396,381

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

Changes in investments categorized as Level 3 during the three months ended March 31, 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)	(2,705,665 )	332,962	1,418,164
Acquisitions	15,489,607	5,241	778,020
Dispositions	(38,401,835 )	-	(646,553 )
Transfers out of Level 3 <sup>†</sup>	(58,651,283 )	-	-

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Ending balance	\$275,074,150	\$17,509,840	\$34,225,001
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)	\$(1,074,858 )	\$332,962	\$1,418,164

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

TCP Capital Corp.

Notes to Consolidated Financial Statements (Unaudited) (Continued)

March 31, 2013

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

	Bank Debt	Investment Manager Valuation Other Corporate Debt	Equity Securities
Beginning balance	\$-	\$ 7,167,458	\$ 1,424,764
Net realized and unrealized gains (losses)	-	350,718	(12,906 )
Acquisitions	-	34,794	-
Ending balance	\$-	\$ 7,552,970	\$ 1,411,858
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)	\$-	\$ 350,718	\$(12,906 )

There were no transfers between Level 1 and 2 during the three months ended March 31, 2013.

At December 31, 2012, the investments of the Partnership 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	\$-	\$ -	\$780,431
2	Other observable market inputs*	45,667,016	53,453,085	-
3	Independent third-party pricing sources that employ significant unobservable inputs	359,343,326	17,171,637	32,675,370
3	Investment Manager valuations with significant unobservable inputs	-	7,167,458	1,424,764
Total		\$405,010,342	\$ 77,792,180	\$34,880,565

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



TCP Capital Corp.

Notes to Consolidated Financial Statements (Unaudited) (Continued)

March 31, 2013

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

Changes in investments categorized as Level 3 during the year ended December 31, 2012 were as follows:

	Independent Third-Party Valuation		
	Bank Debt	Other Corporate Debt	Equity Securities
Beginning balance	\$ 159,949,811	\$ 24,061,229	\$ 68,114,764
Net realized and unrealized losses	(8,709,385 )	(6,540,882 )	(7,100,618 )
Acquisitions	288,929,785	3,731,290	9,584,408
Dispositions	(84,994,292 )	-	(37,923,184)
Transfers out of Level 3 <sup>†</sup>	-	(4,080,000 )	-
Transfers into Level 3 <sup>††</sup>	4,167,407	-	-
Ending balance	\$ 359,343,326	\$ 17,171,637	\$ 32,675,370
Net change in unrealized appreciation/ depreciation during the period on investments still held at period end (included in net realized and unrealized losses, above)	\$(5,856,277 )	\$ 127,255	\$(9,797,319 )

<sup>†</sup>Comprised of one investment that transferred to Level 2 due to increased trading volumes.

<sup>††</sup>Comprised of one investment that transferred from Level 2 due to reduced trading volumes.

	Investment Manager Valuation		
	Bank Debt	Other Corporate Debt	Equity Securities
Beginning balance	\$ 51,436	\$ 7,464,188	\$ 1,252,190
Net realized and unrealized gains (losses)	-	284,156	274,554
Acquisitions	-	148,281	-

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Dispositions	-	(729,167	) (5,842 )
Transfers out of Level 3 <sup>#</sup>	-	-	(147,574 )
Reclassifications within Level 3 <sup>##</sup>	(51,436)	-	51,436
Ending balance	\$-	\$ 7,167,458	\$1,424,764
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)	\$-	\$ 272,637	\$274,555

<sup>#</sup> Comprised of one investment that transferred to Level 2 due to increased trading volumes.

<sup>##</sup> Comprised of claims in the liquidation of a portfolio company that were reclassified as equity.

There were no transfers between Level 1 and 2 during the year ended December 31, 2012.

***Investment Transactions***

The Partnership records investment transactions 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)

March 31, 2013

## **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 Partnership's policy that its 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 by the Partnership may be delayed or limited.

### ***Restricted Investments***

The Partnership 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 Partnership may invest in instruments traded in foreign countries and denominated in foreign currencies. The Partnership held foreign currency denominated investments comprising approximately 1.6% of the Partnership's total investments at both March 31, 2013 and December 31, 2012. Such positions were converted at the respective closing rate in effect at March 31, 2013 and December 31, 2012 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.

TCP Capital Corp.

Notes to Consolidated Financial Statements (Unaudited) (Continued)

March 31, 2013

## 2. Summary of Significant Accounting Policies (continued)

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 transactions 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.

### *Derivatives*

In order to mitigate certain currency exchange and interest rate risks, the Partnership has entered into several swap, forward currency and option transactions. All derivatives are recognized as either assets or liabilities in the 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 three months ended March 31, 2013 or March 31, 2012. At March 31, 2013 and March 31, 2012, the Partnership held a cross currency basis swap with a notional amount of \$6,040,944. Gains and losses from derivatives during the three months ended March 31, 2013 were included in net realized and unrealized loss on investments in the Statement of Operations as follows:

Instrument	Realized	Unrealized
Cross currency basis swaps	\$ -	\$ 169,983

Gains and losses from derivatives during the three months ended March 31, 2012 were included in net realized and unrealized loss on investments in the Statement of Operations as follows:

Instrument	Realized	Unrealized
Cross currency basis swaps	\$ -	\$(123,904 )

Valuations of swaps held at March 31, 2013 and March 31, 2012 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.

### ***Debt Issuance Costs***

Costs of approximately \$3.5 million were incurred during 2006 in connection with placing the Partnership's Senior Facility. These costs were deferred and are being amortized on a straight-line basis over eight years, the estimated life of the Senior Facility. 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.

TCP Capital Corp.

Notes to Consolidated Financial Statements (Unaudited)

March 31, 2013

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

### ***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 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 the Partnership's 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 Partnership to consider the collectability of interest when making accruals. Accordingly, when accounting for purchase discounts, the Partnership recognizes discount accretion income when it is probable that such amounts will be collected, generally at disposition. When the Partnership receives principal payments on a loan in an amount in excess of the loan's amortized cost, it records the excess principal payments 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 Partnership's income or loss is reported in the 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 March 31, 2013, all tax years of the Company and the Partnership since January 1, 2009 remain subject to examination by federal tax authorities. No such examinations are currently pending.

During the three months ended March 31, 2013, the Company paid \$969,946 in excise taxes related to income earned in 2012. During the three months ended March 31, 2012, the Company paid \$502,978 in excise taxes related to income earned in 2011.



TCP Capital Corp.

Notes to Consolidated Financial Statements (Unaudited) (Continued)

March 31, 2013

## 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 March 31, 2013 were as follows:

Unrealized appreciation	\$24,593,396
Unrealized depreciation	(113,920,322)
Net unrealized depreciation	(89,326,926 )
Cost	\$599,671,218

## 3. Management Fees, Incentive Compensation and Other Expenses

Following the Conversion, 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"). The Company did not incur any incentive compensation prior to January 1, 2013. 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 incentive compensation distributable to the General Partner assuming a hypothetical liquidation of the Company at net asset value on the balance sheet date. At March 31, 2013, the General Partner's equity interest in the Partnership was comprised entirely of the reserve amount and is reported as a minority

interest in the consolidated financial statements of the Company.

Prior to the Conversion, the Investment Manager received an annual management and advisory fee, payable monthly in arrears, equal to 1.0% of committed capital, defined as the sum of the maximum amount of the Preferred Interests, the maximum amount available under the Senior Facility, the initial value of the contributed general partnership equity and the initial value of the contributed common equity, subject to reduction by the amount of the Senior Facility commitment when the Senior Facility is no longer outstanding, and by the amount of the Preferred Interests when less than \$1 million in liquidation preference of preferred securities remains outstanding. In addition to the management fee, the General Partner was entitled to a performance allocation equal to 20% of all cumulative income and gain distributions, subject to an 8% hurdle on undistributed contributed equity with a catch up for the General Partner.

TCP Capital Corp.

Notes to Consolidated Financial Statements (Unaudited) (Continued)

March 31, 2013

### **3. Management Fees, Incentive Compensation and Other Expenses (continued)**

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 of the Partnership.

### **4. Senior Secured Revolving Credit Facility**

The Partnership has entered into a credit agreement with certain lenders, which provides for a senior secured revolving credit facility (the "Senior Facility"), pursuant to which amounts may be drawn up to \$116 million subject to certain collateral and other restrictions. The Senior Facility matures July 31, 2014, subject to extension by the lenders at the request of the Partnership for one 12-month period. Most of the cash and cash investments of the Partnership are included in the collateral for the Senior Facility.

Advances under the Senior Facility bear interest at LIBOR plus 0.44% per annum, except in the case of loans from CP Conduits, which bear interest at the higher of LIBOR plus 0.44% or the CP Conduit's cost of funds plus 0.44%, subject to certain limitations. The weighted-average interest rate on outstanding borrowing at March 31, 2013 and December 31, 2012 was 0.64% and 0.65%, respectively. In addition to amounts due on outstanding debt, the Senior Facility accrues commitment fees of 0.20% per annum on the unused portion of the Senior Facility, or 0.25% per annum when less than \$46.4 million in borrowings are outstanding. The Senior 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 March 31, 2013, the Partnership was in full compliance with such covenants.

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

The Partnership conducts 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 New York area.

In the normal course of business, the Partnership's investment activities involve executions, settlement and financing of various transactions resulting in receivables from, and payables to, brokers, dealers and the Partnership's custodian. These activities may expose the Company and the Partnership 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 and the Partnership enter into contracts that contain a variety of indemnifications, and are engaged from time to time in various legal actions. The maximum exposure of the Company and the Partnership under these arrangements and activities is unknown. However, the Company and the Partnership expect the risk of material loss to be remote.

TCP Capital Corp.

Notes to Consolidated Financial Statements (Unaudited) (Continued)

March 31, 2013

## **6. Related Parties**

The Company, the Partnership, 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 March 31, 2013, 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 March 31, 2013, amounts reimbursable to the Investment Manager totaled \$105,549, 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 three months ended March 31, 2013, expenses allocated pursuant to the Administration Agreements totaled \$167,808. The Administrator waived reimbursement of all administrative expenses prior to January 1, 2013.

## **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 year ended December 31, 2012.

Shares Issued

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		Price Per Share	Proceeds Net of Underwriting and Offering Costs
April 3, 2012 initial public offering	5,750,000	\$ 14.75	\$ 80,961,755
Shares issued from dividend reinvestment plan	1,993	\$ 15.25	\$ 30,385

The following table summarizes the total shares issued in connection with the Company's dividend reinvestment plan for the three months ended March 31, 2013.

	Shares Issued	Price Per Share	Proceeds
Shares issued from dividend reinvestment plan	1,104	\$ 15.96	\$ 17,615

TCP Capital Corp.

Notes to Consolidated Financial Statements (Unaudited) (Continued)

March 31, 2013

**7. Stockholders' Equity and Dividends (continued)**

The Company's dividends are recorded on the ex-dividend date. The following table summarizes the Company's dividends declared for the three months ended March 31, 2013:

Date Declared	Record Date	Payment Date	Amount Per Share	Total Amount
March 17, 2013	March 18, 2013	March 29, 2013	\$ 0.40	* \$ 8,591,051

\* Includes a special dividend of \$0.05.

The following table summarizes the Company's dividends declared for the year ended December 31, 2012:

Date Declared	Record Date	Payment Date	Amount Per Share	Total Amount
March 9, 2012	March 9, 2012	April 3, 2012	\$ 0.34	* \$ 5,400,000
April 3, 2012	June 15, 2012	June 29, 2012	\$ 0.34	\$ 7,301,716
August 9, 2012	September 14, 2012	September 28, 2012	\$ 0.35	\$ 7,516,472
November 7, 2012	December 17, 2012	December 31, 2012	\$ 0.40	** \$ 8,590,586

\*Based on 15,725,635 pro-forma converted shares before the initial public offering.

\*\* Includes a special dividend of \$0.05.

**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 three months ended March 31, 2013:

	Three Months Ended March 31, 2013
Net increase in net assets applicable to common shareholders resulting from operations	\$ 12,779,280
Weighted average shares outstanding	21,477,628
Earnings per share	\$ 0.60

### **9. Subsequent Events**

On May 1, 2013, the stockholders of the Company voted to add an additional director, Rajneesh Vig, to the Board of Directors effective as of May 1, 2013.

On May 8, 2013, the Company's board of directors declared a second quarter cash dividend of \$0.36 per share payable on June 28, 2013 to stockholders of record as of the close of business on June 7, 2013.



TCP Capital Corp.

Notes to Consolidated Financial Statements (Unaudited) (Continued)

March 31, 2013

**10. Financial Highlights**

	Three Months Ended March 31, 2013	
Per Common Share		
Per share NAV at the beginning of period	\$ 14.71	
Investment operations:		
Net investment income	0.65	
Net realized and unrealized gain (loss)	0.11	
Dividends on Series A preferred equity facility	(0.01)	)
Incentive allocation reserve and distributions	(0.15)	)
Total from investment operations	0.60	
Distributions to common shareholders from:		
Net investment income	(0.40)	)
Per share NAV at end of period	\$ 14.91	
Per share market price at end of the quarter	\$ 15.96	
Total return based on market value <sup>(1)</sup>	11.0	%
Total return based on net asset value <sup>(1)</sup>	4.1	%
Shares outstanding at end of period	21,478,732	

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TCP Capital Corp.

Notes to Consolidated Financial Statements (Unaudited) (Continued)

March 31, 2013

**10. Financial Highlights (continued)**

	Three Months Ended March 31, 2013	
Ratios to average common equity: <sup>(2), (3)</sup>		
Net investment income <sup>(4)</sup>	16.8	%
Expenses	3.6	%
Expenses and incentive allocation <sup>(5)</sup>	4.4	%
Ending common shareholder equity	\$ 320,635,079	
Portfolio turnover rate <sup>(1)</sup>	7.8	%
Weighted-average debt outstanding	\$ 73,355,556	
Weighted-average interest rate on debt	0.8	%
Weighted-average number of common shares	21,477,640	
Average debt per share	\$ 3.42	

(1) Not annualized.

(2) Annualized, except for incentive allocation.

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

(4) Net of incentive allocation.

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

TCP Capital Corp.

Notes to Consolidated Financial Statements (Unaudited) (Continued)

March 31, 2013

**11. Select Quarterly Data (Unaudited)**

	Q1 2013			
Total investment income	\$16,865,743			
Net investment income before taxes	13,996,113			
Excise taxes	-			
Net investment income	13,996,113			
Net realized and unrealized gain	2,355,389			
Preferred dividends	(377,402 )			
Incentive allocation reserve and distributions	(3,194,820 )			
Net increase in net assets resulting from operations	\$12,779,820			
Basic and diluted earnings per common share	\$0.60			
	2012			
	Q4	Q3	Q2	Q1 <sup>(1)</sup>
Total investment income	\$17,181,003	\$12,110,973	\$11,086,458	\$11,814,325
Net investment income before taxes	14,037,545	9,603,653	8,921,038	9,238,102
Excise taxes	(977,000 )	-	-	(502,978 )
Net investment income	13,060,545	9,603,653	8,921,038	8,735,124
Net realized and unrealized gain (loss)	(5,743,587 )	344,397	(2,497,360 )	(4,887,701 )
Preferred dividends	(391,402 )	(399,121 )	(397,477 )	(414,799 )
Net increase in net assets resulting from operations	\$6,925,556	\$9,548,929	\$6,026,201	\$3,432,624
Basic and diluted earnings per common share	\$0.32	\$0.44	\$0.28	N/A
	2011 <sup>(1)</sup>			
	Q4	Q3	Q2	Q1
Total investment income	\$9,103,299	\$10,509,783	\$17,257,216	\$17,987,378
Net investment income before taxes	6,295,451	8,318,985	15,235,777	15,757,513
Excise taxes	-	-	-	-

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Net investment income	6,295,451	8,318,985	15,235,777	15,757,513
Net realized and unrealized loss	(2,980,033)	(20,014,551)	(9,556,909)	(6,327,388)
Preferred dividends	(389,857)	(389,747)	(392,339)	(373,612)
Net increase in net assets resulting from operations	\$2,925,561	\$(12,085,313)	\$5,286,529	\$9,056,513
Basic and diluted earnings per common share	N/A	N/A	N/A	N/A

<sup>(1)</sup> Periods prior to the Conversion reflect portfolios that had different investment objectives.

TCP Capital Corp.

Consolidated Schedule of Changes in Investments in Affiliates <sup>(1)</sup>

Three Months Ended March 31, 2013

Security	Value, Beginning of Period	Acquisitions	Dispositions (2)	Value, End of Period
Anacomp, Inc., Class A Common Stock	\$ 1,255,527	\$ -	\$ -	\$ 1,255,527
EPMC HoldCo, LLC, Membership Units	2,730,458	-	-	2,782,966
ESP Holdings, Inc., Cumulative Preferred 15%	3,643,088	-	-	3,643,088
ESP Holdings, Inc., Common Stock	2,263,124	-	-	2,674,472
ESP Holdings, Inc., Junior Unsecured Subordinated Promissory Notes, 6% Cash + 10% PIK, due 12/31/19	7,134,137	-	-	7,209,840
N510UA Aircraft Secured Mortgage, 20%, due 10/26/16	548,340	-	(18,900 )	503,500
N512UA Aircraft Secured Mortgage, 20%, due 10/26/16	556,225	-	(18,493 )	511,860
N536UA Aircraft Secured Mortgage, 16%, due 9/29/14	277,780	-	(33,671 )	237,690
N545UA Aircraft Secured Mortgage, 16%, due 8/29/15	436,810	-	(30,173 )	397,385
N585UA Aircraft Secured Mortgage, 20%, due 10/25/16	653,220	-	(21,714 )	601,065
N659UA Aircraft Secured Mortgage, 12%, due 2/28/16	4,264,148	-	(238,748 )	3,881,939
N661UA Aircraft Secured Mortgage, 12%, due 5/4/16	4,351,424	-	(231,537 )	4,063,848
N510UA Equipment Trust Beneficial Interests	479,682	18,900	(8,978 )	485,106
N512UA Equipment Trust Beneficial Interests	473,761	18,493	(8,831 )	478,704
N536UA Equipment Trust Beneficial Interests	624,746	33,671	(11,300 )	642,039
N545UA Equipment Trust Beneficial Interests	616,897	30,302	(11,884 )	632,306
N585UA Equipment Trust Beneficial Interests	583,391	21,714	(11,694 )	589,948
N913DL Aircraft Secured Mortgage, 8%, due 3/15/17	367,370	-	(18,802 )	349,350
N918DL Aircraft Secured Mortgage, 8%, due 8/15/18	454,580	-	(16,644 )	439,280
N954DL Aircraft Secured Mortgage, 8%, due 3/20/19	597,720	-	(19,121 )	570,350
N955DL Aircraft Secured Mortgage, 8%, due 6/20/19	612,000	-	(18,393 )	585,650
N956DL Aircraft Secured Mortgage, 8%, due 5/20/19	612,850	-	(18,699 )	585,990
N957DL Aircraft Secured Mortgage, 8%, due 6/20/19	617,440	-	(18,554 )	590,750
N959DL Aircraft Secured Mortgage, 8%, due 7/20/19	622,030	-	(18,410 )	595,510
N960DL Aircraft Secured Mortgage, 8%, due 10/20/19	640,730	-	(18,139 )	614,380
N961DL Aircraft Secured Mortgage, 8%, due 8/20/19	636,990	-	(18,577 )	610,300
N976DL Aircraft Secured Mortgage, 8%, due 2/15/18	473,280	-	(19,320 )	455,260
N913DL Equipment Trust Beneficial Interests	111,520	18,802	(23,508 )	111,180
N918DL Equipment Trust Beneficial Interests	120,530	16,644	(22,334 )	120,530
N954DL Equipment Trust Beneficial Interests	113,390	19,121	(26,938 )	85,680

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N955DL Equipment Trust Beneficial Interests	160,650	18,393	(26,609	)	129,880
N956DL Equipment Trust Beneficial Interests	163,200	18,699	(26,976	)	133,110
N957DL Equipment Trust Beneficial Interests	163,880	18,554	(26,864	)	133,790
N959DL Equipment Trust Beneficial Interests	164,390	18,410	(26,754	)	134,300
N960DL Equipment Trust Beneficial Interests	169,660	18,139	(26,669	)	139,740
N961DL Equipment Trust Beneficial Interests	171,360	18,577	(27,137	)	142,290
N967DL Equipment Trust Beneficial Interests	83,300	19,320	(25,640	)	83,980
RM Holdco, LLC, Membership Units	849,478	-	-		751,443
RM Holdco, LLC, Subordinated Convertible Term Loan, 1.12% PIK, due 3/21/18	5,106,805	-	-		4,940,834
RM OpCo, LLC, Senior Secured 1st Lien Term Loan Tranche A, 11%, due 3/19/16	3,759,156	-	5,231		3,764,387
RM OpCo, LLC, Senior Secured 1st Lien Term Loan Tranche B, 12% Cash + 7% PIK, due 3/19/16	6,258,122	-	117,372		6,375,494
RM OpCo, LLC, Senior Secured 1st Lien Term Loan Tranche B-1, 12% Cash + 7% PIK, due 3/19/16	1,976,470	-	38,785		2,012,224
United N659UA-767, LLC (N659UA)	2,771,428	238,748	(168,678	)	2,926,343
United N661UA-767, LLC (N661UA)	2,789,809	231,537	(165,758	)	2,873,073

*Notes to Consolidated Schedule of Changes in Investments in Affiliates:*

<sup>(1)</sup> 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.

<sup>(2)</sup> Dispositions include sales, paydowns, mortgage amortizations, and aircraft depreciation.

TCP Capital Corp.

Consolidated Schedule of Changes in Investments in Affiliates <sup>(1)</sup>

Year Ended December 31, 2012

Security	Value, Beginning of Period	Acquisitions	Dispositions <sup>(2)</sup>	Value, End of Period
Anacomp, Inc., Class A Common Stock	\$740,761	\$-	\$-	\$1,255,527
Delta Air Lines, Inc., Aircraft Secured Mortgage (N913DL), 8%, due 7/15/18	-	403,947	(37,389)	) 367,370
Delta Air Lines, Inc., Aircraft Secured Mortgage (N918DL), 8%, due 7/15/18	-	490,003	(33,390)	) 454,580
Delta Air Lines, Inc., Aircraft Secured Mortgage (N954DL), 8%, due 9/20/19	-	631,014	(37,814)	) 597,720
Delta Air Lines, Inc., Aircraft Secured Mortgage (N955DL), 8%, due 9/20/19	-	645,523	(36,417)	) 612,000
Delta Air Lines, Inc., Aircraft Secured Mortgage (N956DL), 8%, due 9/20/19	-	646,372	(37,011)	) 612,850
Delta Air Lines, Inc., Aircraft Secured Mortgage (N957DL), 8%, due 9/20/19	-	651,170	(36,735)	) 617,440
Delta Air Lines, Inc., Aircraft Secured Mortgage (N959DL), 8%, due 9/20/19	-	655,930	(36,462)	) 622,030
Delta Air Lines, Inc., Aircraft Secured Mortgage (N960DL), 8%, due 9/20/19	-	675,587	(35,956)	) 640,730
Delta Air Lines, Inc., Aircraft Secured Mortgage (N961DL), 8%, due 9/20/19	-	671,812	(36,803)	) 636,990
Delta Air Lines, Inc., Aircraft Secured Mortgage (N976DL), 8%, due 7/15/18	-	512,643	(38,636)	) 473,280
Delta Air Lines, Inc., Equipment Trust Beneficial Interests (N913DL)	-	145,176	(31,277)	) 111,520
Delta Air Lines, Inc., Equipment Trust Beneficial Interests (N918DL)	-	162,691	(32,027)	) 120,530
Delta Air Lines, Inc., Equipment Trust Beneficial Interests (N954DL)	-	202,368	(40,415)	) 113,390
Delta Air Lines, Inc., Equipment Trust Beneficial Interests (N955DL)	-	204,598	(40,116)	) 160,650
Delta Air Lines, Inc., Equipment Trust Beneficial Interests (N956DL)	-	205,404	(40,679)	) 163,200

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Delta Air Lines, Inc., Equipment Trust Beneficial Interests (N957DL)	-	206,328	(40,572	)	163,880
Delta Air Lines, Inc., Equipment Trust Beneficial Interests (N959DL)	-	207,244	(40,467	)	164,390
Delta Air Lines, Inc., Equipment Trust Beneficial Interests (N960DL)	-	211,653	(40,578	)	169,660
Delta Air Lines, Inc., Equipment Trust Beneficial Interests (N961DL)	-	211,555	(41,241	)	171,360
Delta Air Lines, Inc., Equipment Trust Beneficial Interests (N976DL)	-	173,597	(37,271	)	83,300
EPMC HoldCo, LLC, Membership Units	5,264,007	-	(1,276,226	)	2,730,458
ESP Holdings, Inc., Cumulative Preferred 15%	3,287,872	-	-		3,643,088
ESP Holdings, Inc., Common Stock	7,473,887	-	-		2,263,124
ESP Holdings, Inc., Junior Unsecured Subordinated Promissory Notes, 6% Cash + 10% PIK, due 12/31/19	6,240,393	1,000,494	-		7,134,137
International Wire Group Holdings, Inc., Common Stock	30,077,606	-	(31,940,733	)	-
International Wire Group Holdings, Inc., Senior Notes, 11.5% Cash or 12.25% PIK, due 4/15/15	18,180,000	-	(18,000,000	)	-
International Wire Group Holdings, Inc., Senior Secured Notes, 8.5%, due 10/15/17	-	15,000,000	-		15,450,000
Real Mex Restaurants, Inc. Senior Secured Notes, 14%, due 1/1/13	12,410,823	-	(6,627,711	)	-
RM Holdco, LLC, Membership Units	-	2,010,777	-		849,478
RM Holdco, LLC, Subordinated Convertible Term Loan, 1.12% PIK, due 3/21/18	-	5,106,805	-		5,106,805
RM OpCo, LLC, Senior Secured 1st Lien Term Loan Tranche A, 11%, due 3/19/16	-	3,759,156	-		3,759,156
RM OpCo, LLC, Senior Secured 1st Lien Term Loan Tranche B, 12% Cash + 7% PIK, due 3/19/16	-	6,258,122	-		6,258,122
RM OpCo, LLC, Senior Secured 1st Lien Term Loan Tranche B-1, 12% Cash + 7% PIK, due 3/19/16	-	1,922,118	-		1,976,470
United Air Lines, Inc., Aircraft Secured Mortgage (N510UA), 20%, due 9/26/16	624,066	-	(66,886	)	548,340
United Air Lines, Inc., Aircraft Secured Mortgage (N512UA), 20%, due 10/26/16	630,208	-	(65,449	)	556,225
United Air Lines, Inc., Aircraft Secured Mortgage (N536UA), 16%, due 8/21/14	414,963	-	(122,068	)	277,780
United Air Lines, Inc., Aircraft Secured Mortgage (N545UA), 16%, due 7/17/15	563,575	-	(109,385	)	436,810
United Air Lines, Inc., Aircraft Secured Mortgage (N585UA), 20%, due 10/25/16	739,958	-	(76,848	)	653,220
United Air Lines, Inc., Aircraft Secured Mortgage (N659UA), 12%, due 3/28/16	5,014,613	-	(886,810	)	4,264,148
United Air Lines, Inc., Aircraft Secured Mortgage (N661UA), 12%, due 5/4/16	5,192,014	-	(860,025	)	4,351,424
	467,137	66,886	(35,913	)	479,682



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United Air Lines, Inc., Equipment Trust Beneficial Interests (N510UA)				
United Air Lines, Inc., Equipment Trust Beneficial Interests (N512UA)	458,665	65,449	(35,325	) 473,761
United Air Lines, Inc., Equipment Trust Beneficial Interests (N536UA)	686,303	122,068	(45,201	) 624,746
United Air Lines, Inc., Equipment Trust Beneficial Interests (N545UA)	612,589	109,256	(47,505	) 616,897
United Air Lines, Inc., Equipment Trust Beneficial Interests (N585UA)	498,602	76,848	(46,776	) 583,391
United N659UA-767, LLC (N659UA)	2,274,815	886,810	(674,712	) 2,771,428
United N661UA-767, LLC (N661UA)	2,205,523	860,025	(663,033	) 2,789,809

*Notes to Consolidated Schedule of Changes in Investments in Affiliates:*

<sup>(1)</sup> 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.

<sup>(2)</sup> Dispositions include sales, paydowns, mortgage amortizations, and aircraft depreciation.

TCP Capital Corp.

## Consolidated Schedule of Restricted Securities of Unaffiliated Issuers

March 31, 2013

Investment	Acquisition Date	Cost
AIP/IS Holdings, LLC, Membership Units	Var. 2009 & 2010	\$-
Bally Total Fitness Holding Corporation, Common Stock	4/30/10	45,186,963
Bally Total Fitness Holding Corporation, Warrants	4/30/10	-
BPA Laboratories, Inc., Senior Secured Notes, 12.25%, due 4/1/17	3/5/12	16,446,295
Caribbean Financial Group, Senior Secured Notes, 11.5%, due 11/15/19	10/19/12	9,808,736
Constellation Enterprises, LLC, Senior Secured 1st Lien Notes, 10.625%, due 2/1/16	1/20/11	12,322,875
DeepOcean Group Holding AS, Common Stock	5/13/11	3,477,627
Integra Telecom, Inc., Common Stock	11/19/09	8,433,884
Integra Telecom, Inc., Warrants	11/19/09	19,920
La Paloma Generating Company, Residual Claim	2/2/05	1,574,284
Marsico Holdings, LLC Common Interest Units	9/10/12	172,694
Precision Holdings, LLC, Class C Membership Interests	Var. 2010 & 2011	1,396
Shop Holding, LLC, Class A Units	6/2/11	462,576
Shop Holding, LLC, Warrants to Purchase Class A Units	6/2/11	-
SiTV, Inc., Warrants to Purchase Common Stock	8/3/12	300,322
St Barbara Ltd., 1st Priority Senior Secured Notes, 8.875%, due 4/15/18	3/22/13	7,321,771
STG-Fairway Holdings, LLC, Class A Units	12/30/10	1,100,348
The Telx Group, Inc., Senior Unsecured Notes, 10% Cash + 2% PIK, due 9/26/19	9/26/11	6,855,009
V Telecom Investment S.C.A, Common Shares	11/9/12	3,236,256

December 31, 2012

Investment	Acquisition Date	Cost
AIP/IS Holdings, LLC, Membership Units	Var. 2009 & 2010	\$-

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Bally Total Fitness Holding Corporation, Common Stock	4/30/10	45,186,963
Bally Total Fitness Holding Corporation, Warrants	4/30/10	-
BPA Laboratories, Inc., Senior Secured Notes, 12.25%, due 4/1/17	3/5/12	16,446,295
Caribbean Financial Group, Senior Secured Notes, 11.5%, due 11/15/19	10/19/12	9,803,494
Constellation Enterprises, LLC, Senior Secured 1st Lien Notes, 10.625%, due 2/1/16	1/20/11	12,322,875
DeepOcean Group Holding AS, Common Stock	5/13/11	3,477,627
Integra Telecom, Inc., Common Stock	11/19/09	8,433,884
Integra Telecom, Inc., Warrants	11/19/09	19,920
La Paloma Generating Company, Residual Claim	2/2/05	1,574,284
Marsico Holdings, LLC Common Interest Units	9/10/12	172,694
Precision Holdings, LLC, Class C Membership Interests	Var. 2010 & 2011	1,396
Shop Holding, LLC, Class A Units	6/2/11	462,576
Shop Holding, LLC, Warrants to Purchase Class A Units	6/2/11	-
SiTV, Inc., Warrants to Purchase Common Stock	8/3/12	300,322
STG-Fairway Holdings, LLC, Class A Units	12/30/10	1,100,348
The Telx Group, Inc., Senior Unsecured Notes, 10% Cash + 2% PIK, due 9/26/19	9/26/11	6,820,215
V Telecom Investment S.C.A, Common Shares	11/9/12	3,236,256

TCP Capital Corp.

## Consolidating Statement of Assets and Liabilities

March 31, 2013

	TCP Capital Corp. Standalone	Special Value Continuation Partners, LP Standalone	Eliminations	TCP Capital Corp. Consolidated
<b>Assets</b>				
<b>Investments:</b>				
Unaffiliated issuers	\$-	\$449,148,562	\$-	\$449,148,562
Investment in subsidiary	320,323,227	-	(320,323,227)	-
Controlled companies	-	21,612,031	-	21,612,031
Other affiliates	-	39,234,352	-	39,234,352
Total investments	320,323,227	509,994,945	(320,323,227)	509,994,945
Cash and cash equivalents	-	11,177,328	-	11,177,328
Accrued interest income	-	7,122,761	-	7,122,761
Deferred debt issuance costs	-	587,454	-	587,454
Unrealized appreciation on swaps	-	349,347	-	349,347
Prepaid expenses and other assets	18,813	760,205	-	779,018
Total assets	320,342,040	529,992,040	(320,323,227)	530,010,853
<b>Liabilities</b>				
Credit facility payable	-	70,000,000	-	70,000,000
Incentive allocation payable	-	2,723,742	-	2,723,742
Payable for investment securities purchased	-	157,292	-	157,292
Interest payable	-	151,170	-	151,170
Payable to the Investment Manager	37,329	68,220	-	105,549
Accrued expenses and other liabilities	111,317	1,587,037	-	1,698,354
Total liabilities	148,646	74,687,461	-	74,836,107
<b>Preferred equity facility</b>				
Series A preferred limited partner interests	-	134,000,000	-	134,000,000
Accumulated dividends on Series A preferred equity facility	-	510,274	-	510,274
Total preferred limited partner interests	-	134,510,274	-	134,510,274
<b>General Partner interest in Special Value Continuation Partners, LP</b>	-	-	471,078	471,078

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Net assets	\$320,193,394	\$320,794,305	\$(320,794,305)	\$320,193,394
Composition of net assets				
Common stock	\$21,479	\$-	\$-	\$21,479
Additional paid-in capital	444,251,674	441,328,968	(441,328,968)	444,251,674
Accumulated deficit	(124,079,759)	(120,534,663)	120,534,663	(124,079,759)
Net assets	\$320,193,394	\$320,794,305	\$(320,794,305)	\$320,193,394

TCP Capital Corp.

## Consolidating Statement of Assets and Liabilities

December 31, 2012

	TCP Capital Corp. Standalone	Special Value Continuation Partners, LP	Eliminations	TCP Capital Corp. Consolidated
<b>Assets</b>				
<b>Investments:</b>				
Unaffiliated issuers	\$-	\$440,772,190	\$-	\$440,772,190
Investment in subsidiary	317,209,574	-	(317,209,574)	-
Controlled companies	-	22,489,208	-	22,489,208
Other affiliates	-	54,421,689	-	54,421,689
Total investments	317,209,574	517,683,087	(317,209,574)	517,683,087
Cash and cash equivalents	-	18,035,189	-	18,035,189
Accrued interest income	-	4,575,307	-	4,575,307
Receivable for investment securities sold	-	7,727,415	-	7,727,415
Deferred debt issuance costs	-	696,018	-	696,018
Unrealized appreciation on swaps	-	179,364	-	179,364
Prepaid expenses and other assets	20,606	325,116	-	345,722
Total assets	317,230,180	549,221,496	(317,209,574)	549,242,102
<b>Liabilities</b>				
Credit facility payable	-	74,000,000	-	74,000,000
Payable for investment securities purchased	-	21,814,819	-	21,814,819
Payable to the Investment Manager	61,051	48,149	-	109,200
Interest payable	-	119,233	-	119,233
Payable to subsidiary	-	-	-	-
Accrued expenses and other liabilities	1,181,579	1,503,436	-	2,685,015
Total liabilities	1,242,630	97,485,637	-	98,728,267
<b>Preferred equity facility</b>				
Series A preferred limited partner interests	-	134,000,000	-	134,000,000
Accumulated dividends on Series A preferred equity facility	-	526,285	-	526,285
Total preferred limited partner interests	-	134,526,285	-	134,526,285
Net assets	\$315,987,550	\$317,209,574	\$(317,209,574)	\$315,987,550

Composition of net assets

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Common stock	\$21,478	\$-	\$-	\$21,478
Additional paid-in capital	444,234,060	441,328,969	(441,328,969)	444,234,060
Accumulated deficit	(128,267,988)	(124,119,395)	124,119,395	(128,267,988)
Net assets	\$315,987,550	\$317,209,574	\$(317,209,574)	\$315,987,550

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TCP Capital Corp.

## Consolidating Statement of Operations (Unaudited)

Three Months Ended March 31, 2013

	TCP Capital Corp. Standalone	Special Value Continuation Partners, LP Standalone	Eliminations	TCP Capital Corp. Consolidated
Investment income				
Interest income:				
Unaffiliated issuers	\$-	\$ 15,240,367	\$-	\$ 15,240,367
Controlled companies	-	330,317	-	330,317
Affiliates	-	893,512	-	893,512
Other income:				
Unaffiliated issuers	-	157,533	-	157,533
Controlled companies	-	142,911	-	142,911
Other Affiliates	-	101,103	-	101,103
Total interest and related investment income	-	16,865,743	-	16,865,743
Operating expenses				
Management and advisory fees	-	1,964,738	-	1,964,738
Administration expenses	-	167,808	-	167,808
Amortization of deferred debt issuance costs	-	108,564	-	108,564
Legal fees, professional fees and due diligence expenses	64,590	74,462	-	139,052
Interest expense	-	136,407	-	136,407
Commitment fees	-	22,589	-	22,589
Director fees	23,750	48,059	-	71,809
Insurance expense	12,072	24,201	-	36,273
Custody fees	875	28,544	-	29,419
Other operating expenses	56,562	136,409	-	192,971
Total expenses	157,849	2,711,781	-	2,869,630
Net investment income before taxes	(157,849 )	14,153,962	-	13,996,113
Excise tax expense	-	-	-	-
Net investment income	(157,849 )	14,153,962	-	13,996,113
Net realized and unrealized gain (loss) on investments and foreign currency				



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Net realized gain	-	517,658	-	517,658
Net change in unrealized appreciation/depreciation	19,326,769	1,837,731	(19,326,769)	1,837,731
Net realized and unrealized gain (loss)	19,326,769	2,355,389	(19,326,769)	2,355,389
Dividends paid on Series A preferred equity facility	-	(393,413 )	-	(393,413 )
Net change in accumulated dividends on Series A preferred equity facility	-	16,011	-	16,011
Distributions of incentive allocation to the General Partner	-	-	(2,723,742 )	(2,723,742 )
Net change in reserve for General Partner incentive allocation	-	-	(471,078 )	(471,078 )
Net increase in net assets resulting from operations	\$ 19,168,920	\$ 16,131,949	\$(22,521,589)	\$ 12,779,280

TCP Capital Corp.

## Consolidating Statement of Operations (Unaudited)

Three Months Ended March 31, 2012

	TCP Capital Corp. Standalone	Special Value Continuation Partners, LP	Eliminations	TCP Capital Corp. Consolidated
Investment income				
Interest income:				
Unaffiliated issuers	-	\$ 8,152,548	-	\$ 8,152,548
Other affiliates	-	1,682,714	-	1,682,714
Dividend income:				
Affiliates	-	1,811,189	-	1,811,189
Other income:				
Other affiliates	-	167,874	-	167,874
Total interest and related investment income	-	11,814,325	-	11,814,325
Operating expenses				
Management and advisory fees	-	1,696,797	-	1,696,797
Professional fees relating to the Conversion	133,333	278,190	-	411,523
Amortization of deferred debt issuance costs	-	109,771	-	109,771
Legal fees, professional fees and due diligence expenses	(9,445 )	100,230	-	90,785
Commitment fees	-	62,208	-	62,208
Director fees	17,833	35,667	-	53,500
Interest expense	-	46,519	-	46,519
Insurance expense	9,630	19,261	-	28,891
Custody fees	875	22,159	-	23,034
Other operating expenses	2,452	50,743	-	53,195
Total operating expenses	154,678	2,421,545	-	2,576,223
Net investment income (loss) before taxes	(154,678 )	9,392,780	-	9,238,102
Excise tax expense	502,978	-	-	502,978
Net investment income (loss)	(657,656 )	9,392,780	-	8,735,124
Net realized and unrealized gain (loss) on investments and foreign currency				
Net realized gain (loss):				
Investments in unaffiliated issuers	-	(5,981,289 )	-	(5,981,289 )

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Investments in affiliates	-	718,845	-	718,845
Net realized loss	-	(5,262,444 )	-	(5,262,444 )
Net change in unrealized appreciation/depreciation	4,090,280	374,743	(4,090,280 )	374,743
Net realized and unrealized gain (loss)	4,090,280	(4,887,701 )	(4,090,280 )	(4,887,701 )
Dividends paid on Series A preferred equity facility	-	(371,492 )	-	(371,492 )
Net change in accumulated dividends on Series A preferred equity facility	-	(43,307 )	-	(43,307 )
Net increase in net assets resulting from operations	\$ 3,432,624	\$ 4,090,280	\$ (4,090,280 )	\$ 3,432,624

## 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. For periods prior to April 2, 2012, the consolidated financial statements and related footnotes reflect the performance of Special Value Continuation Fund, LLC which was formed on July 17, 2006. In addition, 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 quarterly 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 and included in our amended registration statement on Form N-2 filed with the Securities and Exchange Commission on December 7, 2012.

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”). The Holding Company’s investment objective is to achieve high total returns while minimizing losses. The Company invests primarily in the debt of middle-market companies, 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 “Operating Company”), of which the Company owns 100% of the common limited partner interests. The Partnership has also elected to be treated as a BDC under the 1940 Act. The General Partner of the Partnership is SVOF/MM, LLC (“SVOF/MM”), which also serves as the administrator (“Administrator”) of the Company and the Partnership. The managing member of SVOF/MM is Tennenbaum Capital Partners, LLC (the “Advisor”), which serves as the investment manager to both the Company and the Operating Company. Most of the equity interests in the General Partner are owned directly or indirectly by the Advisor and its employees.

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 has elected to be treated as a partnership for U.S. federal income tax purposes.

On April 2, 2012, Special Value Continuation Fund, LLC (“SVCF”) converted from a limited liability company to a corporation, leaving the Holding Company as the surviving entity (the “Conversion”). At the time of the Conversion, all limited liability company interests were exchanged for 15,725,635 shares of common stock in the Holding Company. As a result of the Conversion, the books and records of SVCF have become the books and records of the surviving entity and the Operating Company became a wholly owned subsidiary of the Holding Company.

On April 3, 2012, the Holding Company priced its initial public offering (the “Offering”), selling 5,750,000 shares of its common stock at a public offering price of \$14.75 per share.

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.

### *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 and the Operating Company), 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. For the first calendar quarter (or portion thereof) of our operations as a BDC, the base management fee was calculated based on the initial value of our total assets (excluding cash and cash equivalents) as of a date as close as practicable to the Conversion. Beginning with our second calendar quarter of operations as a BDC, 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. No incentive compensation was incurred prior to January 1, 2013. Beginning January 1, 2013, the incentive compensation equals the sum of (1) 20% of all ordinary income since that date and (2) 20% of all net realized capital gains (net of any net unrealized capital depreciation) since that date, with each component being subject to a total return requirement of 8% of contributed common equity annually. The incentive compensation initially is payable to the General Partner by the Partnership 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 each investment 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 March 31, 2013, 0.1% of our investments were categorized as Level 1, 34.0% were categorized as Level 2, 64.1% were Level 3 investments valued based on valuations by independent third party sources, and 1.8% 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 March 31, 2013, we invested approximately \$40.3 million across 1 new and 4 existing portfolio companies. All of these investments were in senior secured debt comprised of senior loans (\$32.9 million, or 82% of the total) and senior secured notes (\$7.4 million, or 18% of the total). Additionally, we received approximately \$51.0 million in proceeds from sales or repayments of investments during the three months ended March 31, 2013.

At March 31, 2013, our investment portfolio of \$510.0 million (at fair value) consisted of 54 portfolio companies and was invested 93% in debt investments, of which 96% was in senior secured debt and 4% in unsecured or subordinated debt. In aggregate, our investment portfolio was invested 75% in senior secured loans, 14% in senior secured notes, 4% in unsecured or subordinated debt, and 7% in equity investments. Our average portfolio company investment at fair value was approximately \$9.4 million. Our largest portfolio company investment by value was approximately \$20.5 million and our five largest portfolio company investments by value comprised approximately 17% of our portfolio at March 31, 2013. At December 31, 2012, our investment portfolio of \$517.7 million (at fair value) consisted of 54 portfolio companies and was invested 93% in debt investments, of which 96% was in senior secured debt and 4% in unsecured or subordinated debt. In aggregate, our investment portfolio was invested 77% in senior secured loans, 12% in senior secured notes, 4% in unsecured or subordinated debt, and 7% in equity investments. Our average portfolio company investment at fair value was approximately \$9.6 million. Our largest portfolio company investment by value was approximately \$19.4 million and our five largest portfolio company investments by value comprised approximately 17% of our portfolio at December 31, 2012.

The industry composition of our portfolio at fair value at March 31, 2013 was as follows:

Industry	Percent of Total Investments	
Software Publishers	8.4	%
Gaming Industries	6.1	%
Wired Telecommunications Carriers	5.6	%
Scheduled Air Transportation	5.0	%
Radio and Television Broadcasting	4.9	%
Electric Power Generation, Transmission and Distribution	3.7	%
Full-Service Restaurants	3.5	%
Other Electrical Equipment and Component Manufacturing	3.3	%
Scientific Research and Development Services	3.2	%
Accounting, Tax Preparation, Bookkeeping, and Payroll Services	3.1	%
Business Support Services	3.1	%
Nonferrous Metal Production and Processing	3.0	%
Motion Picture and Video Industries	3.0	%
Semiconductor and Other Electronic Component Manufacturing	2.8	%
Grocery Stores	2.7	%
Architectural, Engineering, and Related Services	2.7	%
Metal and Mineral (except Petroleum) Merchant Wholesalers	2.6	%
Wireless Telecommunications	2.6	%
Motor Vehicle Parts Manufacturing	2.6	%
Other Professional, Scientific, and Technical Services	2.4	%
Other Amusement and Recreation Industries	2.3	%
Electronic Shopping	2.3	%
Computer Equipment Manufacturing	2.3	%
Promoters of Performing Arts, Sports, and Similar Events	2.2	%
Nondepository Credit Intermediation	2.0	%
Retail	1.9	%
Artificial Synthetic Fibers and Filaments Manufacturing	1.9	%
Data Processing, Hosting, and Related Services	1.7	%
Petroleum and Coal Products Manufacturing	1.7	%
Pharmaceutical and Medicine Manufacturing	1.6	%
Metal Ore Mining	1.5	%
Iron and Steel Mills and Ferroalloy Manufacturing	1.3	%
Insurance Related Activities	1.0	%
Other	2.0	%
Total	100.0	%

The weighted average effective yield of the debt securities in our portfolio was 11.1% at March 31, 2013 and 11.3% at December 31, 2012. The weighted effective yields on our senior debt and other debt investments were 11.1% and 10.0%, respectively, at March 31, 2013, versus 11.4% and 9.9% at December 31, 2012.



At March 31, 2013, 69.3% of our debt investments bore interest based on floating rates, such as LIBOR, EURIBOR, the Federal Funds Rate or the Prime Rate, and 30.7% bore interest at fixed rates. The percentage of our floating rate debt investments that bore interest based on an interest rate floor was 96.4% at March 31, 2013. At December 31, 2012, 63.8% of our debt investments bore interest based on floating rates and 36.2% bore interest at fixed rates. The percentage of our floating rate debt investments that bore interest based on an interest rate floor was 95.6% at December 31, 2012.

### **Results of operations**

Results of operations for the three months ended March 31, 2013 are not directly comparable to the three months ended March 31, 2012, since the three months ended March 31, 2012 reflect a portfolio prior to the Conversion with different investment objectives.

***Investment income***

Investment income totaled \$16.9 million and \$11.8 million, respectively, for the three months ended March 31, 2013 and 2012, of which \$16.5 million and \$9.8 million were attributable to interest and fees on our debt investments, \$0.0 million and \$1.8 million to dividends from equity securities and \$0.4 million and \$0.2 million to other income, respectively. The increase in investment income in the three months ended March 31, 2013 compared to the three months ended March 31, 2012 reflects an increase in interest income due to the larger investment portfolio and the higher percentage of the portfolio in income-producing assets in the three months ended March 31, 2013 compared to the three months ended March 31, 2012.

***Expenses***

Net expenses for the three months ended March 31, 2013 and 2012 were \$2.9 million and \$2.6 million, respectively, \$2.0 million and \$1.7 million in base management fees, \$0.1 million and \$0.1 million in legal and professional fees, \$0.2 million and \$0.1 million in interest expense and fees related to the Revolving Facility, \$0.1 million and \$0.1 million in amortization of debt issuance costs, and \$0.5 million and \$0.6 million in other expenses, respectively. The increase in expenses in the three months ended March 31, 2013 compared to the three months ended March 31, 2012 primarily reflects the increase in management fees due to the larger portfolio.

***Net investment income***

Net investment income was \$14.0 million and \$8.7 million respectively, for the three months ended March 31, 2013 and 2012. The increase in net investment income in the three months ended March 31, 2013 compared to the three months ended March 31, 2012 primarily reflects the increase in interest and other income in the three months ended March 31, 2013, partially offset by the decline in dividend income and the increase in expenses.

***Net realized and unrealized gain or loss***

Net realized gains (losses) for the three months ended March 31, 2013 and 2012 were \$0.5 million and \$(5.3) million, respectively. The net realized losses during the three months ended March 31, 2012 were primarily due to a reorganization charge on one debt investment of \$(5.5) million. For the three months ended March 31, 2013 and 2012, the change in net unrealized appreciation was \$1.8 million and \$0.4 million, respectively.

***Income tax expense, including excise tax***

The 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 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 Company has made and intends to continue to make the requisite distributions to its stockholders which will generally relieve the 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. There was no U.S. federal excise tax recorded for the three months ended March 31, 2013. For the three months ended March 31, 2012, an expense of \$0.5 million was recorded for U.S. federal excise tax, which related to 2011 income.

***Dividends to preferred equity holders***

Dividends on the Preferred Interests for the three months ended March 31, 2013 and 2012 were \$0.4 million and \$0.4 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 March 31, 2013 and 2012 was \$2.7 million and \$0.0 million, respectively. Incentive compensation for the three months ended March 31, 2013 was distributable due to net investment income, net of preferred dividends, exceeding the total return threshold. No incentive compensation was payable prior to January 1, 2013. The reserve for incentive compensation to the General Partner for the three months ended March 31, 2013 and 2012 was \$0.5 million and \$0.0 million, respectively. The reserve for incentive compensation for the three months ended March 31, 2013 reflects amounts in excess of distributable incentive compensation which would have been earned by the General Partner had the Company liquidated at net asset value at March 31, 2013.

***Net increase or decrease in net assets resulting from operations***

The net increase in net assets resulting from operations was \$12.8 million and \$3.4 million for the three months ended March 31, 2013 and 2012, respectively. The increased amount in the three months ended March 31, 2013 compared to the three months ended March 31, 2012 primarily reflects the increase in net investment income and the increase in net realized and unrealized gains.

**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 SVCF (the predecessor entity) which were subsequently converted to common stock of the Holding Company, net proceeds from the Offering, our preferred equity facility and our revolving credit facility (together, the "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.

Net cash provided by operating activities during the three months ended March 31, 2013 was \$6.1 million. Our primary source of cash from operating activities during this period consisted of net investment income (net of non-cash income and expenses) of approximately \$9.0 million, partially offset by settlement of acquisitions of investments (net of dispositions) of \$2.9 million.

Net cash used in financing activities was \$13.0 million during the three months ended March 31, 2013, consisting primarily of \$8.6 million of dividends on common equity, \$0.4 million of dividends on our preferred equity facility (the "Preferred Interests"), and \$4.0 million of net repayments under our revolving credit facility (the "Revolving Facility").

At March 31, 2013, we had \$11.2 million in cash and cash equivalents.

The Revolving Facility is secured by substantially all of the assets in our portfolio, including cash and cash equivalents. At March 31, 2013, we had \$70.0 million drawn and outstanding under the Revolving Facility, with an additional \$46.0 million available to us, subject to compliance with customary affirmative and negative covenants, including the maintenance of a minimum shareholders' equity, the maintenance of ratios of not less than 300% of total assets (less total liabilities other than indebtedness) to total indebtedness and 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. Economic conditions, like those that began in 2007 and which have continued, 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 Facility, and may therefore impact our ability to borrow under the Revolving Facility. 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 under the Revolving Facility or require redemption of the Preferred Interests, thereby materially and adversely affecting our liquidity, financial condition and results of operations. At March 31, 2013, we were in compliance with all financial and operational covenants required by the Revolving Facility.

Economic conditions, like those that began in 2007 and which have continued, while 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 its maturity, we expect to have sufficient funds to repay the outstanding balance 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. Economic conditions, like those that began in 2007 and which have continued, 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 Revolving Facility matures in July 2014 and the Preferred Interests will be subject to mandatory redemption in July 2016. Any inability to renew, extend or replace the Revolving Facility or replace the Preferred Interests 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 balance 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. 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 under the Revolving Facility or require redemption of the Preferred Interests, thereby materially and adversely affecting our liquidity, financial condition and results of operations.

### **Contractual obligations**

Our Revolving Facility is a senior secured revolving credit facility with certain lenders pursuant to which amounts may be drawn up to \$116 million. The Revolving Facility matures on July 31, 2014, and may be extended at our option for one 12-month period. At March 31, 2013, \$70 million in advances were outstanding under the Revolving Facility, all of which were short-term draws of less than one year.

We have also 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 the organization, offering, capitalization, operation or administration of the Company 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 and are determined under guidelines established by our board of directors. 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.

On March 7, 2013, the Company's board of directors declared a first quarter cash dividend of \$0.35 per share and a special dividend of \$0.05 per share, both payable on March 29, 2013 to stockholders of record as of the close of business on March 18, 2013. On March 28, 2013, we paid a cash dividend of \$8.6 million.

The following tables summarize the Company's dividends declared for the three months ended March 31, 2013 and March 31, 2012:

Date Declared	Record Date	Payment Date	Amount Per Share	Total Amount
March 17, 2013	March 18, 2013	March 29, 2013	\$ 0.40	* \$8,591,051
Total for three months ended March 31, 2013			\$ 0.40	* \$8,591,051
March 9, 2012	April 3, 2012	March 29, 2013	\$ 0.34	** \$5,400,000
Total for three months ended March 31, 2012			\$ 0.34	** \$5,400,000

\* Includes a special dividend of \$0.05.

\*\* Based on 15,725,635 pro-forma converted shares before the initial public offering.

The following table summarizes the total shares issued in connection with our dividend reinvestment plan for the three months ended March 31, 2013:

	Shares Issued	Price Per Share	Proceeds
Shares issued from dividend reinvestment plan	1,104	\$ 15.96	\$17,614

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 and the Operating Company 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 Partnership 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 will be 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 April 1, 2013 through May 3, 2013, the Company has invested approximately \$62.5 million in six loans with an effective yield of approximately 9.3%.

On May 1, 2013, the stockholders of the Company voted to add an additional director, Rajneesh Vig, to the Board of Directors effective as of May 1, 2013.

On May 8, 2013, the Company's board of directors declared a second quarter cash dividend of \$0.36 per share payable on June 28, 2013 to stockholders of record as of the close of business on June 7, 2013.

**Item 3: Quantitative and qualitative disclosure about market risk**

We are subject to financial market risks, including changes in interest rates. At March 31, 2013, 69.3% 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 March 31, 2013, the percentage of our floating rate debt investments that bore interest based on an interest rate floor was 96.4%. 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.

Based on our March 31, 2013 balance sheet, the following table shows the annual impact on net income 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	\$ 6,414,658	\$ (6,120,000 )	\$294,658
Up 200 basis points	\$ 3,087,323	\$ (4,080,000 )	\$(992,677 )
Up 100 basis points	\$ 290,343	\$ (2,040,000 )	\$(1,749,657)
Down 100 basis points	\$ (47,569 )	\$ 563,244	\$515,675
Down 200 basis points	\$ (47,569 )	\$ 563,244	\$515,675
Down 300 basis points	\$ (47,569 )	\$ 563,244	\$515,675

**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 March 31, 2013, we are currently not a party to any pending material legal proceedings.

### **Item 1A. Risk Factors**

There have been no material changes from the risk factors previously disclosed in our most recent registration statement, as filed with the Securities and Exchange Commission on April 1, 2013.

### **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**

- 3.1 Articles of Incorporation (1)
- 3.2 Post-offering Bylaws (1)
- 4.1 Statement of Preferences of Preferred Interests of Special Value Continuation Partners, LP (1)
- 10.1 Form of Investment Management Agreement by and between Registrant and Tennenbaum Capital Partners, LLC (1)
- 10.2 Form of Amended and Restated Investment Management Agreement by and between Special Value Continuation Partners, LP and Tennenbaum Capital Partners, LLC (1)
- 10.3 Form of Administration Agreement of the Registrant (1)
- 10.4 Form of Administration Agreement of Special Value Continuation Partners, LP (1)
- 10.5 Form of Dividend Reinvestment Plan (2)
- 10.6 Form of Underwriting Agreement (1)
- 10.7 Custodial Agreement, dated as of July 31, 2006 (3)
- 10.8 Form of License Agreement (2)
- 10.9 Form of Transfer Agency and Registrar Service Agreement (2)
- 10.10 Credit Agreement, dated July 31, 2006 (4)
- 10.11 First Amendment to Credit Agreement, dated February 28, 2011 (5)
- 11 Computation of Per Share Earnings (included in the notes to the financial statements contained in this report)
- 12 Computation of Ratios (included in the notes to the financial statements contained in this report)
- 22 Published report regarding matters submitted to vote of security holders (6)
- 23.1 Opinion and Consent of Skadden, Arps, Slate, Meagher & Flom LLP, counsel for the Registrant (7)
- 23.2 Consent of independent registered public accounting firm (7)
- 24 Power of Attorney (8)
- 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 Certifications pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 \*

\* Filed herewith.

- (1) Incorporated by reference to the Registrant's Registration Statement under the Securities Act of 1933, as amended, on Form N-2 (File No. 333-172669), filed on May 13, 2011.
- (2) Incorporated by reference to the Registrant's Registration Statement under the Securities Act of 1933, as amended, on Form N-2 (File No. 333-172669), filed on March 5, 2012.
- (3) Incorporated by reference to Exhibit 10.2 to Form 10-12G of Special Value Continuation Partners, LP (File No. 000-54393), filed May 6, 2011.
- (4) Incorporated by reference to Exhibit 10.5 to Form 10-12G of Special Value Continuation Partners, LP (File No. 000-54393), filed May 6, 2011.
- (5) Incorporated by reference to Exhibit 10.6 to Form 10-12G of Special Value Continuation Partners, LP (File No. 000-54393), filed May 6, 2011.
- (6) Incorporated by reference to Item 5.07 of the Registrant's Form 8-K filed on May 6, 2013.
- (7) Incorporated by reference to the Registrant's Registration Statement under the Securities Act of 1933 (File No. 333-185319), on Form N-2, filed on April 1, 2013.
- (8) Incorporated by reference to the Registrant's Registration Statement under the Securities Act of 1933 (File No. 333-185319), on Form N-2, filed on December 7, 2012.

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**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: May 8, 2013

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

Date: May 8, 2013

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