NEVRO CORP
Form 4
December 03, 2015

FORM 4

Check this box if no longer subject to Section 16. Form 4 or Form 5 obligations may continue. *See* Instruction 1(b).

UNITED STATES SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

STATEMENT OF CHANGES IN BENEFICIAL OWNERSHIP OF SECURITIES

Filed pursuant to Section 16(a) of the Securities Exchange Act of 1934, Section 17(a) of the Public Utility Holding Company Act of 1935 or Section 30(h) of the Investment Company Act of 1940

OMB APPROVAL

OMB Number:	3235-0287
Expires:	January 31, 2005
Estimated average burden hours per response...	0.5

(Print or Type Responses)

1. Name and Address of Reporting Person *
Behbahani Ali

(Last) (First) (Middle)

1954 GREENSPRING DRIVE, SUITE 600

(Street)

TIMONIUM, MD 21093

(City) (State) (Zip)

2. Issuer Name **and** Ticker or Trading Symbol
NEVRO CORP [NVRO]

3. Date of Earliest Transaction (Month/Day/Year)
12/02/2015

4. If Amendment, Date Original Filed(Month/Day/Year)

5. Relationship of Reporting Person(s) to Issuer

(Check all applicable)

__X__ Director _____ 10% Owner
_____ Officer (give title below) _____ Other (specify below)

6. Individual or Joint/Group Filing(Check Applicable Line)
_X_ Form filed by One Reporting Person
___ Form filed by More than One Reporting Person

Table I - Non-Derivative Securities Acquired, Disposed of, or Beneficially Owned

1.Title of Security (Instr. 3)	2. Transaction Date (Month/Day/Year)	2A. Deemed Execution Date, if any (Month/Day/Year)	3. Transaction Code (Instr. 8)		4. Securities Acquired (A) or Disposed of (D) (Instr. 3, 4 and 5)			5. Amount of Securities Beneficially Owned Following Reported Transaction(s) (Instr. 3 and 4)	6. Ownership Form: Direct (D) or Indirect (I) (Instr. 4)	7. Nature of Indirect Beneficial Ownership (Instr. 4)
			Code	V	Amount	(A) or (D)	Price			
Common Stock	12/02/2015		J (1)		22	A	$ 0	22	D	
Common Stock	12/02/2015		J (2)		3	A	$ 0	25	D	

Reminder: Report on a separate line for each class of securities beneficially owned directly or indirectly.

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SEC 1474 (9-02)

Table II - Derivative Securities Acquired, Disposed of, or Beneficially Owned
(*e.g.*, puts, calls, warrants, options, convertible securities)

1. Title of Derivative Security (Instr. 3)	2. Conversion or Exercise Price of Derivative Security	3. Transaction Date (Month/Day/Year)	3A. Deemed Execution Date, if any (Month/Day/Year)	4. Transaction Code (Instr. 8)		5. Number of Derivative Securities Acquired (A) or Disposed of (D) (Instr. 3, 4, and 5)		6. Date Exercisable and Expiration Date (Month/Day/Year)		7. Title and Amount of Underlying Securities (Instr. 3 and 4)		8. Price of Derivative Security (Instr. 5)	9. Nu Deriv Secur Bene Owne Follo Repo Trans (Instr
								Date Exercisable	Expiration Date	Title	Amount or Number of Shares		
				Code	V	(A)	(D)						

Reporting Owners

Reporting Owner Name / Address	Relationships			
	Director	10% Owner	Officer	Other
Behbahani Ali 1954 GREENSPRING DRIVE, SUITE 600 TIMONIUM, MD 21093	X			

Signatures

/s/ Sasha Keough, attorney-in-fact	12/03/2015
**Signature of Reporting Person	Date

Explanation of Responses:

* If the form is filed by more than one reporting person, *see* Instruction 4(b)(v).

** Intentional misstatements or omissions of facts constitute Federal Criminal Violations. *See* 18 U.S.C. 1001 and 15 U.S.C. 78ff(a).

(1) NEA Partners 14, L.P. ("NEA Partners 14") made a pro rata distribution for no consideration of an aggregate of 3,330 shares of common stock of the Issuer to its limited partners on December 2, 2015. The Reporting Person received 22 shares of common stock of the Issuer in the distribution by NEA Partners 14 on December 2, 2015.

(2) NEA 14 Manager Fund, L.P. made a pro rata distribution for no consideration of an aggregate of 1,665 shares of common stock of the Issuer to its partners on December 2, 2015. The Reporting Person received 3 shares of common stock of the Issuer in the distribution by NEA 14 Manager Fund, L.P. on December 2, 2015.

Note: File three copies of this Form, one of which must be manually signed. If space is insufficient, *see* Instruction 6 for procedure.
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Net realized and unrealized gain (loss)

-

-

-

-

(3,693,762
)

28,123

-

(3,665,639
)
Dividends on Series A preferred equity facility

-

-

-

(754,140
)

-

-

-

(754,140
)
General Partner incentive allocation

-

-

-

(14,742,130
)

-

-

-

(14,742,130

Explanation of Responses:

)
Regular dividends paid to common shareholders

-

-

-

(52,786,506
)

-

-

-

(52,786,506
)
Balance at September 30, 2015

48,934,498

$
48,934

$
880,682,891

$
28,066,387

$
(128,426,795
)

$
(41,471,787
)

$
-

$
738,899,630

See accompanying notes to the consolidated financial statements.

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Explanation of Responses:

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TCP Capital Corp.

Consolidated Statements of Cash Flows (Unaudited)

	Nine Months Ended September 30,	
	2015	2014
Operating activities		
Net increase in net assets applicable to common shareholders resulting from operations	$56,977,873	$41,601,674
Adjustments to reconcile net increase in net assets applicable to common shareholders resulting from operations to net cash used in operating activities:		
Net realized loss	3,693,762	4,933,718
Change in net unrealized appreciation/depreciation of investments	(374,026)	(2,614,461)
Gain on repurchase of Series A preferred interests	(1,675,000)	-
Dividends paid on Series A preferred equity facility	1,251,930	1,083,263
Net change in accumulated dividends on Series A preferred equity facility	(497,790)	(5,394)
Net change in reserve for incentive allocation	-	(467,419)
Accretion of original issue discount on investments	(9,198,452)	(3,044,889)
Net accretion of market discount/premium	(54,404)	(1,152,021)
Accretion of original issue discount on convertible debt	308,402	114,671
Interest and dividend income paid in kind	(4,854,335)	(4,366,287)
Amortization of deferred debt issuance costs	1,623,333	1,347,442
Changes in assets and liabilities:		
Purchases of investment securities	(418,493,733)	(481,674,735)
Proceeds from sales, maturities and pay downs of investments	305,505,796	177,994,806
Increase in accrued interest income - companies less than 5% owned	(4,039,131)	(3,394,734)
Increase in accrued interest income - companies 5% to 25% owned	(496,698)	(235,265)
Decrease in accrued interest income - companies more than 25% owned	10,957	9,790
Decrease in receivable for investments sold	8,991,647	3,605,964
Decrease (increase) in prepaid expenses and other assets	795,661	(991,312)
Increase (decrease) in payable for investments purchased	5,798,002	(13,456,911)
Increase (decrease) in payable to the Advisor	271,345	(709,816)
Increase in interest payable	2,069,047	2,051,097
Increase in incentive allocation payable	535,494	448,704
Decrease in accrued expenses and other liabilities	(584,783)	(273,166)
Net cash used in operating activities	(52,435,104)	(279,195,281)
Financing activities		
Borrowings	415,300,000	519,500,000
Repayments of debt	(169,000,000)	(293,000,000)
Repurchase of Series A preferred interests	(132,325,000)	-
Payments of debt issuance costs	(3,766,618)	(5,866,168)
Dividends paid on Series A preferred equity facility	(1,251,930)	(1,083,263)
Regular dividends paid to common shareholders	(52,786,506)	(43,141,625)
Repurchase of common shares	(372,843)	-
Proceeds from shares issued in connection with dividend reinvestment plan	6,012	5,509
Proceeds from common shares sold, net of underwriting and offering costs	3,946,066	103,940,721

Net cash provided by financing activities	59,749,181	280,355,174
Net increase in cash and cash equivalents	7,314,077	1,159,893
Cash and cash equivalents at beginning of period	27,268,792	22,984,182
Cash and cash equivalents at end of period	$34,582,869	$24,144,075
Supplemental cash flow information		
Interest payments	$8,110,934	$1,846,399
Excise tax payments	$877,879	$938,460

See accompanying notes to the consolidated financial statements.

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TCP Capital Corp.

Notes to Consolidated Financial Statements (Unaudited)

September 30, 2015

1. Organization and Nature of Operations

TCP Capital Corp. (the “Company”) is a Delaware corporation formed on April 2, 2012 as an externally managed, closed-end, non-diversified management investment company. The Company elected to be treated as a business development company (“BDC”) under the Investment Company Act of 1940, as amended (the “1940 Act”). The Company’s investment objective is to achieve high total returns through current income and capital appreciation, with an emphasis on principal protection. The Company invests primarily in the debt of middle-market companies as well as small businesses, including senior secured loans, junior loans, mezzanine debt and bonds. Such investments may include an equity component, and, to a lesser extent, the Company may make equity investments directly. The Company was formed through the conversion on April 2, 2012 of the Company’s predecessor, Special Value Continuation Fund, LLC, from a limited liability company to a corporation in a non-taxable transaction, leaving the Company as the surviving entity. On April 3, 2012, the Company completed its initial public offering.

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

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

The general partner of the Partnership is SVOF/MM, LLC, which also serves as the administrator of the Company and the Partnership (the “Administrator” or the “General Partner”). The managing member of the General Partner is Tennenbaum Capital Partners, LLC (the “Advisor”), which serves as the investment manager to the Company, the Partnership, TCPC Funding, and the SBIC. Most of the equity interests in the General Partner are owned directly or indirectly by the Advisor and its employees.

Company management consists of the Advisor and the Company’s board of directors. Partnership management consists of the General Partner and the Partnership’s board of directors. The Advisor and the General Partner direct and execute the day-to-day operations of the Company and the Partnership, respectively, subject to oversight from the respective board of directors, which sets the broad policies of the Company and performs certain functions required by the 1940 Act in the case of the Partnership. The board of directors of the Partnership has delegated investment management of the Partnership’s assets to the Advisor. Each board of directors consists of five persons, three of whom are independent.

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TCP Capital Corp.

Notes to Consolidated Financial Statements (Unaudited) (Continued)

September 30, 2015

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 Company is an investment company following accounting and reporting guidance in Accounting Standards Codification ("ASC") Topic 946, Financial Services – Investment Companies. The following is a summary of the significant accounting policies of the Company and the Partnership.

Reclassifications

Certain prior period amounts relating to lease income have been reclassified to conform to the current period presentation.

Use of Estimates

The preparation of the financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Although management believes these estimates and assumptions to be reasonable, actual results could differ from those estimates and differences could be material.

Investment Valuation

The Company's investments are generally held by the Partnership, TCPC Funding, or the SBIC. Management values investments at fair value in accordance with GAAP, based upon the principles and methods of valuation set forth in policies adopted by the board of directors. 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 Advisor 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 priced at fair value using affirmative valuations performed by independent valuation services approved by the board of directors or, for investments aggregating less than 5% of the total capitalization of the Partnership, using valuations determined directly by the Advisor. Such valuations are determined under a documented valuation policy that has been reviewed and approved by the boards of directors.

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TCP Capital Corp.

Notes to Consolidated Financial Statements (Unaudited) (Continued)

September 30, 2015

2. Summary of Significant Accounting Policies (continued)

Pursuant to this policy, investment professionals of the Advisor provide recent portfolio company financial statements and other reporting materials to independent valuation firms as applicable, which firms evaluate such materials 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 audit committee of the board of directors discusses the valuations, and the board of directors approves the fair value of the investments in good faith based on the input of the Advisor, the respective independent valuation firms as applicable, and the audit committee of the board of directors.

Generally, to increase objectivity in valuing the investments, the Advisor will utilize external measures of value, such as public markets or third-party transactions, whenever possible. The Advisor'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 Advisor 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, merger and acquisition comparables, the principal market in which the investment trades and enterprise values, among other factors.

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

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TCP Capital Corp.

Notes to Consolidated Financial Statements (Unaudited) (Continued)

September 30, 2015

2. Summary of Significant Accounting Policies (continued)

At September 30, 2015, the Company's investments were categorized as follows:

Level	Basis for Determining Fair Value	Bank Debt	Other Corporate Debt	Equity Securities
1	Quoted prices in active markets for identical assets	$-	$-	$-
2	Other observable market inputs *	101,347,633	43,940,470	-
3	Independent third-party pricing sources that employ significant unobservable inputs	986,414,413	94,850,874	39,055,086
3	Advisor valuations with significant unobservable inputs	1,124,503	-	2,427,660
Total		$1,088,886,549	$138,791,344	$41,482,746

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

Unobservable inputs used in the fair value measurement of Level 3 investments as of September 30, 2015 included the following:

Asset Type	Fair Value	Valuation Technique	Unobservable Input	Range (Weighted Avg.)
Bank Debt	$ 763,574,930	Market rate approach	Market yields	4.3% - 22.7% (12.0%)
	152,703,450	Market quotations	Indicative bid/ask quotes	1 - 4 (1)
	45,619,986	Market comparable companies	Revenue multiples	0.4x – 5.8x (3.0x)
	25,640,550	Market comparable companies	EBITDA multiples	3.3x – 16.5x (10.1x)
Other Corporate Debt	4,889,204	Market rate approach	Market yields	13.2% (13.2%)
	80,693,670	Market quotations	Indicative bid/ask quotes	1 - 2 (1)
	9,268,000	Market comparable companies	EBITDA multiples	7.3x (7.3x)
Equity	7,801,506	Market rate approach	Market yields	5.9% - 26.2% (8.0%)
	6,553,914	Market quotations	Indicative bid/ask quotes	1 - 2(1)
	3,020,806	Market comparable companies	Revenue multiples	0.4x – 6.0x (3.0x)
	24,106,520	Market comparable companies	EBITDA multiples	4.8x – 11.0x (7.0x)
	$ 1,123,872,536			

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

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

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TCP Capital Corp.

Notes to Consolidated Financial Statements (Unaudited) (Continued)

September 30, 2015

2. Summary of Significant Accounting Policies (continued)

Changes in investments categorized as Level 3 during the three months ended September 30, 2015 were as follows:

	Independent Third-Party Valuation		
	Bank Debt	Other Corporate Debt	Equity Securities
Beginning balance	$908,884,909	$96,136,194	$38,634,245
Net realized and unrealized gains (losses)	(3,214,866)	(1,285,320)	6,167,397
Acquisitions	111,630,494	-	2,750,607
Dispositions	(30,596,992)	-	(8,497,163)
Reclassifications within Level 3 **	(289,132)†	-	-
Ending balance	$986,414,413	$94,850,874	$39,055,086
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)	$(1,862,003)	$(1,285,320)	$4,284,045

** Comprised of one investment that reclassified from Advisor Valuation

† Negative balance relates to an unfunded commitment that was acquired and valued at a discount

	Advisor Valuation		
	Bank Debt	Other Corporate Debt	Equity Securities
Beginning balance	$(383,918)†	$ -	$2,455,417
Net realized and unrealized gains (losses)	149,870	-	(26,540)
Acquisitions	1,076,312	-	-
Dispositions	(6,893)	-	(1,217)
Reclassifications within Level 3 *	289,132	-	-
Ending balance	$1,124,503	$ -	$2,427,660
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)	$149,870	$ -	$201,750

* Comprised of one investment that reclassified to Independent Third-Party Valuation

† Negative balance relates to an unfunded commitment that was acquired and valued at a discount

There were no transfers between Level 1 and 2 during the three months ended September 30, 2015.

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TCP Capital Corp.

Notes to Consolidated Financial Statements (Unaudited) (Continued)

September 30, 2015

2. Summary of Significant Accounting Policies (continued)

Changes in investments categorized as Level 3 during the nine months ended September 30, 2015 were as follows:

	Independent Third-Party Valuation		
	Bank Debt	Other Corporate Debt	Equity Securities
Beginning balance	$840,538,179	$56,621,975	$30,618,142
Net realized and unrealized gains (losses)	(14,665,802)	897,833	13,506,731
Acquisitions	406,576,197	300,149	5,266,261
Dispositions	(223,620,986)	(2,516,390)	(10,336,048)
Transfers out of Level 3 ‡	(36,143,175)	(16,311,095)	-
Transfers into Level 3 §	13,730,000	51,247,224	-
Reclassifications within Level 3 **	-	4,611,178	-
Ending balance	$986,414,413	$94,850,874	$39,055,086
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)	$(11,815,486)	$841,634	$7,600,170

‡ Comprised of five investments that transferred to Level 2 due to increased observable market activity

§ Comprised of three investments that transferred from Level 2 due to reduced trading volumes

** Comprised of one investment that reclassified from Advisor Valuation

	Advisor Valuation		
	Bank Debt	Other Corporate Debt	Equity Securities
Beginning balance	$-	$4,611,178	$2,324,629
Net realized and unrealized gains (losses)	134,445	-	104,248
Acquisitions	1,725,243	-	-
Dispositions	(735,185)	-	(1,217)
Reclassifications within Level 3 *	-	(4,611,178)	-
Ending balance	$1,124,503	$-	$2,427,660
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)	$134,445	$-	$332,538

* Comprised of one investment that reclassified to Independent Third-Party Valuation

There were no transfers between Level 1 and 2 during the nine months ended September 30, 2015.

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TCP Capital Corp.

Notes to Consolidated Financial Statements (Unaudited) (Continued)

September 30, 2015

2. Summary of Significant Accounting Policies (continued)

At December 31, 2014, the Company's investments were categorized as follows:

Level	Basis for Determining Fair Value	Bank Debt	Other Corporate Debt	Equity Securities
1	Quoted prices in active markets for identical assets	$-	$-	$-
2	Other observable market inputs *	131,946,338	79,875,445	-
3	Independent third-party pricing sources that employ significant unobservable inputs	840,538,179	56,621,975	30,618,142
3	Advisor valuations with significant unobservable inputs	-	4,611,178	2,324,629
Total		$972,484,517	$141,108,598	$32,942,771

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

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

	Independent Third-Party Valuation		
	Bank Debt	Other Corporate Debt	Equity Securities
Beginning balance	$580,830,991	$50,098,573	$26,851,302
Net realized and unrealized gains (losses)	(2,348,229)	(266,272)	996,648
Acquisitions	205,639,764	5,624	4,046,906
Dispositions	(33,252,537)	-	(1,006,480)
Transfers out of Level 3 ‡	(28,782,948)	-	-
Transfers into Level 3 §	17,131,420	2,682,500	-
Reclassifications within Level 3 **	(455,459)†	-	1,115,183
Ending balance	$738,763,002	$52,520,425	$32,003,559
Net change in unrealized appreciation/depreciation during the period on investments still held at period end (included in net realized and unrealized gains/losses, above)	$(1,011,779)	$(266,272)	$629,452

‡ Comprised of three investments that transferred to Level 2 due to increased observable market activity
§ Comprised of three investments that transferred from Level 2 due to reduced trading volumes
** Comprised of three investments that reclassified from Advisor Valuation and one investment that reclassified to Advisor Valuation
† Negative balance relates to an unfunded commitment that was acquired and valued at a discount

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TCP Capital Corp.

Notes to Consolidated Financial Statements (Unaudited) (Continued)

September 30, 2015

2. Summary of Significant Accounting Policies (continued)

	Advisor Valuation		
	Bank Debt	Other Corporate Debt	Equity Securities
Beginning balance	$(455,459)†	$4,307,107	$2,389,805
Net realized and unrealized gains (losses)	-	24,993	16,074
Reclassifications within Level 3 *	455,459	-	(1,115,183)
Ending balance	$-	$4,332,100	$1,290,696
Net change in unrealized appreciation/depreciation during the period on investments still held at period end (included in net realized and unrealized gains/losses, above)	$-	$24,993	$16,075

* Comprised of three investments that reclassified to Independent Third-Party Valuation and one investment that reclassified from Independent Third-Party Valuation
† Negative balance relates to an unfunded commitment that was acquired and valued at a discount

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

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

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

† Comprised of nine investments that transferred to Level 2 due to increased observable market activity
‡ Comprised of two investments that transferred from Level 2 due to reduced trading volumes
§ Comprised of two investments that reclassified from Advisor Valuation and one that reclassified to Advisor Valuation

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Explanation of Responses:

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TCP Capital Corp.

Notes to Consolidated Financial Statements (Unaudited) (Continued)

September 30, 2015

2. Summary of Significant Accounting Policies (continued)

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

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

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

Investment Transactions

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

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 generally three months or less. Cash and cash equivalents are carried at amortized cost which approximates fair value. Cash equivalents are classified as Level 1 in the GAAP valuation hierarchy.

Restricted Investments

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

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TCP Capital Corp.

Notes to Consolidated Financial Statements (Unaudited) (Continued)

September 30, 2015

2. Summary of Significant Accounting Policies (continued)

Foreign Investments

The Company may invest in instruments traded in foreign countries and denominated in foreign currencies. Foreign currency denominated investments comprised approximately 1.4% and 1.7% of total investments at September 30, 2015 and December 31, 2014, respectively. Such positions were converted at the respective closing foreign exchange rates in effect at September 30, 2015 and December 31, 2014 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 based on the foreign exchange rates in effect on the respective dates of such transactions. The portion of gains and losses on foreign investments resulting from fluctuations in foreign currencies is included in net realized and unrealized gain or loss from investments.

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

Derivatives

In order to mitigate certain currency exchange and interest rate risks, the Partnership has entered into certain swap and option transactions. All derivatives are reported at their gross amounts as either assets or liabilities in the Consolidated Statements 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 is required under the terms of its derivative agreement to pledge assets as collateral to secure its obligation under the derivatives. As of September 30, 2015, $492,045 of cash was pledged as collateral under the Partnership’s derivative instrument.

The Partnership did not enter into any new derivative transactions during the nine months ended September 30, 2015. At September 30, 2015, the Partnership held an interest rate cap with a notional amount of $25,000,000 and a cross currency basis swap with a notional amount of $16,401,467. Gains and losses from derivatives during the nine months ended September 30, 2015 were included in net realized and unrealized loss on investments in the Consolidated Statements of Operations as follows:

Instrument	Realized Gains (Losses)	Unrealized Gains (Losses)
Cross currency basis swap	$ -	$1,151,138
Interest rate cap	-	(497)

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TCP Capital Corp.

Notes to Consolidated Financial Statements (Unaudited) (Continued)

September 30, 2015

2. Summary of Significant Accounting Policies (continued)

The Partnership did not enter into any new derivative transactions during the nine months ended September 30, 2014. At September 30, 2014, the Partnership held an interest rate cap with a notional amount of $25,000,000 and a cross currency basis swap with a notional amount of $16,401,467. Gains and losses from derivatives during the nine months ended September 30, 2014 were included in net realized and unrealized loss on investments in the Consolidated Statements of Operations as follows:

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

Valuations of derivatives held at September 30, 2015 and 2014 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 $1.6 million and $1.5 million were incurred during 2015 and 2013, respectively, in connection with the amendment and extension of the Partnership's credit facility (see Note 4). Costs of approximately $1.9 million, $1.8 million and $1.6 million were incurred during 2015, 2014 and 2013, respectively, in connection with placing and extending TCPC Funding's revolving credit facility (see Note 4). Costs of approximately $3.4 million were incurred in 2014 in connection with placing the Company's unsecured convertible notes (see Note 4). Costs of approximately $0.3 million and $1.5 million were incurred during 2015 and 2014, respectively, in connection with placing the SBIC's SBA debentures (see Note 4). These costs were deferred and are being amortized on a straight-line basis over the estimated life of the respective instruments. The impact of utilizing the straight-line amortization method versus the effective-interest method is not material to the operations of the Company or the Partnership.

Revenue Recognition

Interest and dividend income, including income paid in kind, is recorded on an accrual basis. Origination, structuring, closing, commitment and other upfront fees, including original issue discounts, earned with respect to capital commitments are generally amortized or accreted into interest income over the life of the respective debt investment, as are end-of-term or exit fees receivable upon repayment of a 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 due upon the early repayment of a loan or debt security are recognized when receivable and are included in interest income.

Certain debt investments are purchased at a 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 assuming there are no questions as to collectability. When principal payments on a loan are received in an amount in excess of the loan's amortized cost, the excess principal payments are recorded as interest income.

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TCP Capital Corp.

Notes to Consolidated Financial Statements (Unaudited) (Continued)

September 30, 2015

2. Summary of Significant Accounting Policies (continued)

Income Taxes

The Company intends to comply with the applicable provisions of the Internal Revenue Code of 1986, as amended, pertaining to regulated investment companies and to make distributions of taxable income sufficient to relieve it from substantially all federal income taxes. Accordingly, no provision for income taxes is required in the consolidated financial statements. The income or loss of the Partnership, TCPC Funding and the SBIC is reported in the respective partners' income tax returns. In accordance with ASC Topic 740 – Income Taxes , the Company recognizes in its consolidated financial statements the effect of a tax position when it is determined that such position is more likely than not, based on the technical merits, to be sustained upon examination. As of September 30, 2015, all tax years of the Company, the Partnership, TCPC Funding and the SBIC since January 1, 2011 remain subject to examination by federal tax authorities. No such examinations are currently pending.

Cost and unrealized appreciation and depreciation of the Partnership's investments (including derivatives) for U.S. federal income tax purposes at September 30, 2015 and December 31, 2014 were as follows:

	September 30, 2015	December 31, 2014
Unrealized appreciation	$39,427,027	$32,342,656
Unrealized depreciation	(80,333,641)	(73,638,935)
Net unrealized depreciation	$(40,906,614)	$(41,296,279)
Cost	$1,312,936,001	$1,189,550,272

Recent Accounting Pronouncements

In May 2014, the Financial Accounting Standards Board (the "FASB") issued Accounting Standards Update ("ASU") 2014-09, Revenue from Contracts with Customers (Topic 606), which supersedes the revenue recognition requirements in Topic 605, Revenue Recognition. Under this new guidance, an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. ASU 2014-09 applies to all entities and, for public entities, is effective for annual periods beginning after December 15, 2017, and interim periods within those fiscal years. Early application is permitted, but no earlier than annual periods beginning after December 15, 2016 and interim periods within that reporting period. The Company is currently evaluating the impact this ASU will have on its consolidated financial statements.

In April 2015, the FASB issued ASU 2015-03, Interest – Imputation of Interest (Subtopic 835-30) - Simplifying the Presentation of Debt Issuance Costs , which generally requires debt issuance costs to be presented in the balance sheet as a direct deduction from the carrying value of the associated debt liability, consistent with the presentation of a debt discount. ASU 2015-03 is effective for annual periods beginning after December 15, 2015, and interim periods within those fiscal years. Early application is permitted. In August 2015, the FASB issued ASU 2015-15, Presentation and Subsequent Measurement of Debt Issuance Costs Associated with Line-of-Credit Arrangements – Amendments to SEC Paragraphs Pursuant to Staff Announcement at June 18, 2015, which clarified the SEC staff's position on presenting and measuring debt issuance costs incurred in connection with line-of-credit arrangements. ASU 2015-15 should be adopted concurrent with the adoption of ASU 2015-03. The Company does not expect adoption of this guidance to have a material impact on its consolidated financial statements.

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TCP Capital Corp.

Notes to Consolidated Financial Statements (Unaudited) (Continued)

September 30, 2015

3. Management Fees, Incentive Compensation and Other Expenses

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

Incentive compensation is only paid to the extent the total performance of the Company exceeds a cumulative 8% annual return since January 1, 2013 (the “Total Return Hurdle”). Beginning January 1, 2013, the incentive compensation equals 20% of net investment income (reduced by preferred dividends) and 20% of net realized gains (reduced by any net unrealized losses), subject to the Total Return Hurdle. The incentive compensation is payable quarterly in arrears as an allocation and distribution to the General Partner and is calculated as the difference between cumulative incentive compensation earned since January 1, 2013 and cumulative incentive compensation paid since January 1, 2013. A reserve for incentive compensation is accrued based on the amount of additional incentive compensation that would have been distributable to the General Partner assuming a hypothetical liquidation of the Company at net asset value on the balance sheet date. The General Partner’s equity interest in the Partnership is comprised entirely of such reserve amount, if any, and is reported as a non-controlling interest in the consolidated financial statements of the Company. As of September 30, 2015 and December 31, 2014, no such reserve was accrued.

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

4. Leverage

Leverage is comprised of convertible senior unsecured notes issued by the Company (the “Convertible Notes”), amounts outstanding under a term loan issued by the Partnership (the “Term Loan”), amounts outstanding under a senior secured revolving credit facility issued by the Partnership (the “Revolving Credit Facility,” and together with the Term Loan, the “Partnership Facility”), amounts outstanding under a senior secured revolving credit facility issued by TCPC Funding (the “TCPC Funding Facility”), debentures guaranteed by the SBA (the “SBA Debentures”), and amounts outstanding under a preferred equity facility issued by the Partnership (the “Preferred Interests”) which were fully repurchased and retired by the Partnership on September 3, 2015.

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TCP Capital Corp.

Notes to Consolidated Financial Statements (Unaudited) (Continued)

September 30, 2015

4. Leverage (continued)

Total leverage outstanding and available at September 30, 2015 was as follows:

	Maturity	Rate	Carrying Value †	Available	Total Capacity
Partnership Facility					
Revolving Credit Facility	2018	L+1.75% *	$109,000,000	$7,000,000	$116,000,000
Term Loan	2018	L+1.75% *	100,500,000	-	100,500,000
TCPC Funding Facility	2020	L+2.50% *§	221,000,000	129,000,000	350,000,000
Convertible Notes ($108 million par)	2019	5.25%	106,005,233	-	106,005,233
SBA Debentures	2024-2025	2.84% **	38,800,000	36,200,000	75,000,000 ‡
Total leverage			$575,305,233	$172,200,000	$747,505,233

* Based on either LIBOR or the lender's cost of funds, subject to certain limitations
† Except for the Convertible Notes, all carrying values are the same as the principal amounts outstanding
§ Or L+2.25% subject to certain funding requirements
** Weighted-average interest rate, excluding fees of 0.36%
‡ Anticipated total capacity of $150 million

Total leverage outstanding and available at December 31, 2014 was as follows:

	Maturity	Rate	Carrying Value †	Available	Total Capacity
Partnership Facility					
Revolving Credit Facility	2016	L+2.50% *	$70,000,000	$46,000,000	$116,000,000
TCPC Funding Facility	2017	L+2.50% *	125,000,000	125,000,000	250,000,000
Convertible Notes ($108 million par)	2019	5.25%	105,696,830	-	105,696,830
SBA Debentures	2024-2025	3.02% **	28,000,000	47,000,000	75,000,000 ‡
Preferred Interests	2016	L+0.85% *	134,000,000	-	134,000,000
Total leverage			$462,696,830	$218,000,000	$680,696,830

* Based on either LIBOR or the lender's cost of funds, subject to certain limitations
† Except for the Convertible Notes, all carrying values are the same as the principal amounts outstanding
** Interest rate on pooled loans of $18.5 million, excluding fees of 0.36%. As of December 31, 2014, the remaining $9.5 million of the outstanding amount was not yet pooled, and bore interest at a temporary rate of 0.56% plus fees of 0.36% through March 25, 2015, the date of the next SBA pooling
‡ Anticipated total capacity of $150 million

The combined weighted-average interest and dividend rates on total leverage outstanding at September 30, 2015 and December 31, 2014 were 2.96% and 2.86%, respectively.

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TCP Capital Corp.

Notes to Consolidated Financial Statements (Unaudited) (Continued)

September 30, 2015

4. Leverage (continued)

Total expenses related to debt include:

	Nine Months Ended September 30,	
	2015	2014
Interest expense	$10,488,383	$4,012,167
Amortization of deferred debt issuance costs	1,623,333	1,347,442
Commitment fees	919,649	650,209
Total	$13,031,365	$6,009,818

Amounts outstanding under the Partnership Facility, the TCPC Funding Facility, the Convertible Notes and the SBA Debentures are carried at amortized cost in the Consolidated Statements of Assets and Liabilities. As of September 30, 2015, the estimated fair values of the Partnership Facility and the SBA Debentures approximated their carrying values, and the TCPC Funding Facility and Convertible Notes had estimated fair values of $223.1 million and $107.5 million, respectively. The estimated fair values of the Partnership Facility, the TCPC Funding Facility, the Convertible Notes and the SBA Debentures are determined by discounting projected remaining payments using market interest rates for borrowings of the Company and entities with similar credit risks at the measurement date. At September 30, 2015, the fair values of the Partnership Facility, the TCPC Funding Facility, the Convertible Notes and the SBA Debentures as prepared for disclosure purposes were deemed to be Level 3 in the GAAP valuation hierarchy.

Convertible Notes

On June 11, 2014, the Company issued $108 million of convertible senior unsecured notes that mature on December 15, 2019, unless previously converted or repurchased in accordance with their terms. The Convertible Notes are general unsecured obligations of the Company, and rank structurally junior to the Partnership Facility and the TCPC Funding Facility. The Company does not have the right to redeem the Convertible Notes prior to maturity. The Convertible Notes bear interest at an annual rate of 5.25%, payable semi-annually. In certain circumstances, the Convertible Notes will be convertible into cash, shares of the Company’s common stock or a combination of cash and shares of common stock (such combination to be at the Company’s election), at an initial conversion rate of 50.9100 shares of common stock per one thousand dollar principal amount of the Convertible Notes, which is equivalent to an initial conversion price of approximately $19.64 per share of common stock, subject to customary anti-dilution adjustments. The initial conversion price was approximately 12.5% above the $17.46 per share closing price of the Company’s common stock on June 11, 2014. At September 30, 2015, the principal amount of the Convertible Notes exceeded the value of the conversion rate multiplied by the per share closing price of the Company’s common stock. Therefore, no additional shares have been added to the calculation of diluted earnings per common share and weighted average common shares outstanding.

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

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TCP Capital Corp.

Notes to Consolidated Financial Statements (Unaudited) (Continued)

September 30, 2015

4. Leverage (continued)

The Convertible Notes are accounted for in accordance with ASC Topic 470-20 – Debt with Conversion and Other Options. Upon conversion of any Convertible Note, the Company intends to pay the outstanding principal amount in cash and to the extent that the conversion value exceeds the principal amount, has the option to pay the excess amount in cash or shares of common stock (or a combination of cash and shares), subject to the requirements of the Indenture. The Company has determined that the embedded conversion option in the Convertible Notes is not required to be separately accounted for as a derivative under GAAP. At the time of issuance the estimated values of the debt and equity components of the Convertible Notes were approximately 97.7% and 2.3%, respectively.

The original issue discount equal to the equity component of the Convertible Notes was recorded in “paid-in capital in excess of par” in the accompanying Consolidated Statements of Assets and Liabilities. As a result, the Company will record interest expense comprised of both stated interest and accretion of the original issue discount. At the time of issuance, the equity component was $2,515,594. As of September 30, 2015, the components of the carrying value of the Convertible Notes were as follows:

Principal amount of debt	$108,000,000
Original issue discount, net of accretion	(1,994,767)
Carrying value of debt	$106,005,233

For the nine months ended September 30, 2015, the components of interest expense for the Convertible Notes were as follows:

Stated interest expense	$4,252,500
Accretion of original issue discount	308,402
Total interest expense	$4,560,902

The estimated effective interest rate of the debt component of the Convertible Notes, equal to the stated interest of 5.25% plus the accretion of the original issue discount, was approximately 5.75% for the nine months ended September 30, 2015.

Partnership Facility

The Partnership Facility consists of a $100.5 million fully-drawn senior secured term loan and a senior secured revolving credit facility which provides for amounts to be drawn up to $116 million, subject to certain collateral and other restrictions. The Partnership Facility matures on July 31, 2018. Most of the cash and investments held directly by the Partnership, as well as the net assets of TCPC Funding and the SBIC, are included in the collateral for the facility.

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TCP Capital Corp.

Notes to Consolidated Financial Statements (Unaudited) (Continued)

September 30, 2015

4. Leverage (continued)

Advances under the Partnership Facility through July 31, 2014 bore interest at an annual rate equal to 0.44% plus either LIBOR or the lender's cost of funds (subject to a cap of LIBOR plus 20 basis points). Advances under the Partnership Facility for periods from July 31, 2014 through September 3, 2015 bore interest at an annual rate equal to 2.5% plus either LIBOR or the lender's cost of funds (subject to a cap of LIBOR plus 20 basis points). Advances under the Partnership Facility from September 3, 2015 through July 31, 2016 bear interest at an annual rate equal to 1.75% plus either LIBOR or the lender's cost of funds (subject to a cap of LIBOR plus 20 basis points). Advances under the Partnership facility from July 31, 2016 through the maturity date of the facility will bear interest at an annual rate of 2.5% plus either LIBOR or the lender's cost of funds (subject to a cap of LIBOR plus 20 basis points). In addition to amounts due on outstanding debt, the Revolving Credit Facility accrues commitment fees of 0.20% per annum on the unused portion of the facility, or 0.25% per annum when less than $46.4 million in borrowings are outstanding. The facility may be terminated, and any outstanding amounts thereunder may become due and payable, should the Partnership fail to satisfy certain financial or other covenants. As of September 30, 2015, the Partnership was in full compliance with such covenants.

SBA Debentures

As of September 30, 2015, the SBIC is able to issue up to $75 million in SBA Debentures, subject to funded regulatory capital and other customary regulatory requirements. As of September 30 2015, the Partnership had committed $75 million of regulatory capital to the SBIC, $58.0 million of which had been funded. SBA Debentures are non-recourse and may be prepaid at any time without penalty. Once drawn, the SBIC debentures bear an interim interest rate of LIBOR plus 30 basis points. The rate then becomes fixed at the time of SBA pooling, which occurs twice each year, and is set to the then-current 10-year treasury rate plus a spread and an annual SBA charge.

SBA Debentures outstanding as of September 30, 2015 were as follows:

Issuance Date	Maturity	Debenture Amount	Fixed Interest Rate	SBA Annual Charge
September 24, 2014	September 1, 2024	$18,500,000	3.02 %	