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**TCP CAPITAL CORP.**

**FORM 10-Q FOR THE SIX MONTHS ENDED JUNE 30, 2014**

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TCP Capital Corp.

## Consolidated Statements of Assets and Liabilities

	June 30, 2014 (unaudited)	December 31, 2013
<b>Assets</b>		
Investments, at fair value:		
Companies less than 5% owned (cost of \$825,953,904 and \$684,569,508, respectively)	\$ 827,560,564	\$ 678,326,915
Companies 5% to 25% owned (cost of \$54,237,483 and \$73,946,547, respectively)	50,409,131	69,068,808
Companies more than 25% owned (cost of \$41,400,990 and \$42,588,724 respectively)	16,699,429	18,867,236
Total investments (cost of \$921,592,377 and \$801,104,779, respectively)	894,669,124	766,262,959
Cash and cash equivalents	29,379,532	22,984,182
Receivable for investments sold	17,396,874	3,605,964
Accrued interest income:		
Companies less than 5% owned	8,213,741	6,282,353
Companies 5% to 25% owned	372,400	415,061
Companies more than 25% owned	35,257	41,691
Deferred debt issuance costs	7,351,121	2,969,085
Options (cost \$51,750)	1,855	14,139
Prepaid expenses and other assets	1,185,503	753,768
Total assets	958,605,407	803,329,202
<b>Liabilities</b>		
Debt		
Payable for investments purchased	250,500,788	95,000,000
Incentive allocation payable	8,561,631	14,706,942
Payable to the Investment Manager	3,613,830	3,318,900
Interest payable	1,750,735	1,121,108
Unrealized depreciation on swaps	882,820	430,969
Accrued expenses and other liabilities	208,862	331,183
Total liabilities	2,598,420	3,136,010
	268,117,086	118,045,112
<b>Commitments and contingencies (Note 5)</b>		
Preferred equity facility		
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	494,140	504,252

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Total preferred limited partner interests	134,494,140	134,504,252
Non-controlling interest		
General Partner interest in Special Value Continuation Partners, LP	1,602,199	1,168,583
Net assets applicable to common shareholders	\$554,391,982	\$ 549,611,255
Composition of net assets applicable to common shareholders		
Common stock, \$0.001 par value; 200,000,000 shares authorized, 36,200,130 and 36,199,916 shares issued and outstanding as of June 30, 2014 and December 31, 2013, respectively	36,200	36,200
Paid-in capital in excess of par	670,361,329	667,842,020
Accumulated net investment income	24,543,049	24,016,095
Accumulated net realized losses	(111,661,878)	(105,800,278 )
Accumulated net unrealized depreciation	(27,284,519 )	(35,314,199 )
Non-controlling interest	(1,602,199 )	(1,168,583 )
Net assets applicable to common shareholders	\$554,391,982	\$ 549,611,255
Net assets per share	\$15.31	\$ 15.18

*See accompanying notes.*

TCP Capital Corp.

Consolidated Statement of Investments (Unaudited)

June 30, 2014

Showing Percentage of Total Cash and Investments of the Company

Issuer	Instrument Ref	Ref	Spread	Floor	Maturity	Principal	Cost	Value	% of Portfolio	M
<b>Debt Investments</b> <sup>(A)</sup>										
Accounting, Tax Preparation, Bookkeeping, and Payroll Services										
Expert Global Solutions, LLC	First Lien Term Loan B	LIBOR (Q)	7.25%	1.25%	4/3/2018	\$689,015	\$697,904	\$688,154	0.07 %	
Expert Global Solutions, LLC	Second Lien Term Loan	LIBOR (Q)	11.00%	1.50%	10/3/2018	\$7,434,877	7,243,959	7,241,571	0.78 %	
							7,941,863	7,929,725	0.85 %	
Activities Related to Real Estate										
Greystone Select Holdings, LLC	First Lien Term Loan	LIBOR (Q)	8.00%	1.00%	3/26/2021	\$16,552,744	16,325,144	16,602,402	1.80 %	
Advertising, Public Relations, and Related Services										
Doubleplay III Limited (United Kingdom)	First Lien Facility A1 Term Loan	EURIBOR (Q)	6.25%	1.25%	3/18/2018	€3,165,705	16,565,886	17,575,821	1.90 %	D
Artificial Synthetic Fibers and Filaments Manufacturing										
AGY Holding Corp.	Sr Secured Term Loan	Fixed	12.00%	-	9/15/2016	\$2,056,927	2,056,927	2,056,927	0.22 %	E
		Fixed	11.00%	-	11/15/2016	\$9,268,000	7,586,317	8,767,528	0.95 %	E

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AGY Holding Corp.	Second Lien Notes						9,643,244	10,824,455	1.17 %	
Basic Chemical Manufacturing M&G Chemicals S.A. (Luxembourg)	Sr Secured Term Loan	LIBOR (Q)	7.50%	-	3/18/2016	\$15,632,077	15,632,077	15,632,077	1.69 %	I
PeroxyChem, LLC	First Lien Term Loan	LIBOR (Q)	6.50%	1.00%	2/28/2020	\$8,977,500	8,806,735	9,067,275	0.98 %	
							24,438,812	24,699,352	2.67 %	
Beverage Manufacturing Carolina Beverage Group, LLC	Secured Notes	Fixed	10.625%	-	8/1/2018	\$7,780,000	7,780,000	8,421,850	0.91 %	E
Business Support Services STG-Fairway Acquisitions, Inc.	Second Lien Term Loan	LIBOR (Q)	9.25%	1.25%	8/28/2019	\$14,643,455	13,988,543	14,833,820	1.61 %	
Chemical Manufacturing Archroma	Term Loan B	LIBOR (Q)	8.25%	1.25%	9/30/2018	\$19,996,931	19,662,046	20,321,881	2.20 %	
Communications Equipment Manufacturing Globecomm Systems, Inc.	First Lien Term Loan	LIBOR (Q)	7.625%	1.25%	12/11/2018	\$14,925,000	14,775,750	14,805,600	1.60 %	E
Computer Equipment Manufacturing ELO Touch Solutions, Inc.	Second Lien Term Loan	LIBOR (Q)	10.50%	1.50%	12/1/2018	\$10,000,000	9,691,295	9,100,000	0.99 %	
Computer Systems Design and Related Services Autoalert, LLC	First Lien Term Loan	LIBOR (Q)	4.75% Cash + 4% PIK	0.25%	3/31/2019	\$30,303,333	29,726,913	30,591,215	3.31 %	
Blue Coat Systems, Inc.	First Lien Revolver	LIBOR (Q)	3.50%	1.00%	5/31/2018	\$-	(834,605 )	(455,460 )	(0.05 %)	L
Blue Coat Systems, Inc.	Second Lien Term Loan	LIBOR (Q)	8.50%	1.00%	6/28/2020	\$15,000,000	14,878,125	15,275,025	1.65 %	
MSC Software Corporation	Second Lien Term Loan	LIBOR (M)	7.50%	1.00%	5/29/2021	\$11,993,035	11,873,105	12,112,966	1.31 %	
OnX Enterprise	First Lien Term	LIBOR (Q)	8.00%	-	9/3/2018	\$2,373,333	2,373,333	2,394,693	0.26 %	



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Solutions, Ltd.	Loan B									
OnX Enterprise Solutions, Ltd.	First Lien Term Loan	LIBOR (Q)	7.00%	-	9/3/2018	\$10,586,667	10,450,746	10,544,320	1.14 %	
OnX USA, LLC	First Lien Term Loan B	LIBOR (Q)	8.00%	-	9/3/2018	\$4,746,667	4,746,667	4,789,387	0.52 %	
OnX USA, LLC	First Lien Term Loan	LIBOR (Q)	7.00%	-	9/3/2018	\$5,293,333	5,229,107	5,272,160	0.57 %	
Vistronix, LLC	First Lien Revolver	LIBOR (Q)	7.50%	1.00%	12/4/2018	\$199,849	193,183	199,849	0.02 %	
Vistronix, LLC	First Lien Term Loan	LIBOR (M)	7.50%	1.00%	12/4/2018	\$6,680,650	6,602,060	6,650,587	0.72 %	
Websense, Inc.	Second Lien Term Loan	LIBOR (Q)	7.25%	1.00%	12/27/2020	\$7,200,000	7,164,000	7,263,000	0.78 %	
							92,402,634	94,637,742	10.23 %	
Cut and Sew Apparel Manufacturing										
Jones Apparel, LLC	First Lien FILO Term Loan	LIBOR (M)	9.60%	1.00%	4/8/2019	\$14,329,403	14,186,109	14,487,027	1.57 %	
Data Processing, Hosting, and Related Services										
The Telx Group, Inc.	Senior Notes	Fixed	13.5% PIK	-	7/9/2021	\$4,165,481	4,165,481	4,307,108	0.47 %	E
Electric Power Generation, Transmission and Distribution										
Panda Sherman Power, LLC	First Lien Term Loan	LIBOR (Q)	7.50%	1.50%	9/14/2018	\$11,070,172	10,944,276	11,367,683	1.23 %	
Electrical Equipment and Component Manufacturing										
Palladium Energy, Inc.	First Lien Term Loan	LIBOR (Q)	9.00%	1.00%	12/26/2017	\$16,153,317	15,912,128	16,395,617	1.77 %	
Electrical Equipment Manufacturing										
API Technologies Corp.	First Lien Term Loan	LIBOR (Q)	7.50%	1.50%	2/6/2018	\$6,860,745	6,792,137	6,857,314	0.74 %	
Fabricated Metal Product Manufacturing										
		Fixed	10.625%	-	2/1/2016	\$2,900,000	2,858,907	2,682,500	0.29 %	E

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Constellation Enterprises, LLC First Lien Notes

Financial Investment Activities

Institutional Shareholder Services, Inc. Marsico Capital Management	Second Lien Term Loan	LIBOR (Q)	7.50%	1.00%	4/30/2022	\$7,994,196	7,914,254	8,064,145	0.87 %
	First Lien Term Loan	LIBOR (M)	5.00%	-	12/31/2022	\$10,555,929	13,291,319	4,292,727	0.46 %
							21,205,573	12,356,872	1.33 %

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TCP Capital Corp.

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

June 30, 2014

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

Issuer	Instrument	Ref	Spread	Floor	Maturity	Principal	Cost	Value	% of PortfolioNotes
Debt									
Investments									
(continued)									
Freight Transportation									
Arrangement									
Livingston International, Inc. (Canada)	Second Lien Term Loan	LIBOR (Q)	7.75%	1.25%	4/18/2020	\$3,665,217	\$3,601,696	\$3,703,702	0.40 % I
Full-Service Restaurants									
RM Holdco, LLC	Subordinated Convertible Term Loan	Fixed	1.12% PIK	-	3/21/2018	\$5,164,796	5,164,796	1,007,135	0.11 % B
RM OpCo, LLC	Convertible First Lien Term Loan Tranche B-1	Fixed	12% Cash + 7% PIK	-	3/21/2016	\$1,491,872	1,467,184	1,491,872	0.16 % B
RM OpCo, LLC	First Lien Term Loan Tranche A	Fixed	11.00%	-	3/21/2016	\$3,751,177	3,751,177	3,751,177	0.41 % B
RM OpCo, LLC	First Lien Term Loan Tranche B	Fixed	12% Cash + 7% PIK	-	3/21/2016	\$7,433,488	7,433,488	7,433,488	0.80 % B
RM OpCo, LLC	First Lien Term Loan Tranche B-1	Fixed	12% Cash + 7% PIK	-	3/21/2016	\$2,341,059	2,307,647	2,341,059	0.25 % B

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							20,124,292	16,024,731	1.73 %
Gaming Industries									
AP Gaming I, LLC	First Lien Revolver	LIBOR (Q)	8.25%	1.00%	12/20/2018	\$2,500,000	2,827,878	3,000,000	0.32 %
AP Gaming I, LLC	First Lien Term Loan B	LIBOR (Q)	8.25%	1.00%	12/20/2020	\$14,925,000	14,498,873	15,186,188	1.64 %
							17,326,751	18,186,188	1.96 %
General Medical and Surgical Hospitals									
RegionalCare Hospital Partners, Inc.	Second Lien Term Loan	LIBOR (M)	9.50%	1.00%	10/23/2019	\$21,017,525	20,707,525	20,925,678	2.26 %
Grocery Stores									
Bashas, Inc.	First Lien FILO Term Loan	LIBOR (M)	9.35%	1.50%	12/28/2015	\$12,772,956	12,737,142	12,964,551	1.40 %
Insurance Carriers									
Acrisure, LLC	Second Lien Notes	LIBOR (Q)	10.50%	1.00%	3/7/2020	\$680,363	571,794	718,115	0.08 %
Acrisure, LLC	Second Lien Notes	LIBOR (Q)	10.50%	1.00%	3/7/2020	\$11,051,757	10,838,772	11,123,593	1.20 %
							11,410,566	11,841,708	1.28 %
Insurance Related Activities									
Confie Seguros Holding II Co.	Second Lien Term Loan	LIBOR (M)	9.00%	1.25%	5/8/2019	\$6,341,809	6,252,568	6,405,259	0.69 %
Lessors of Nonfinancial Intangible Assets									
ABG									
Intermediate Holdings 2, LLC	Second Lien Term Loan	LIBOR (S)	8.00%	1.00%	5/27/2022	\$15,990,714	15,830,807	16,010,702	1.73 %
Lessors of Real Estate									
Hunt Companies, Inc.	Senior Secured Notes	Fixed	9.625%	-	3/1/2021	\$13,084,000	12,926,643	13,738,200	1.49 % E/G
Merchant Wholesalers									
Envision Acquisition Company, LLC	Second Lien Term Loan	LIBOR (Q)	8.75%	1.00%	11/4/2021	\$9,079,011	8,897,430	9,215,196	1.00 %

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Motion Picture and Video Industries

CORE Entertainment, Inc.	First Lien Term Loan	Fixed	9.00%	-	6/21/2017	\$9,462,231	9,391,249	8,516,008	0.92%
CORE Entertainment, Inc.	Second Lien Term Loan	Fixed	13.50%	-	6/21/2018	\$7,569,785	7,509,764	6,933,923	0.75%
							16,901,013	15,449,931	1.67%

Newspaper, Periodical, Book, and Directory Publishers

Hanley-Wood, LLC	First Lien FILO Term Loan	LIBOR (Q)	6.75%	1.25%	7/15/2018	\$16,561,400	16,561,400	16,519,997	1.79%
MediMedia USA, Inc.	First Lien Revolver	LIBOR (Q)	6.75%	-	5/20/2018	\$5,890,000	4,960,524	5,492,658	0.59%
MediMedia USA, Inc.	First Lien Term Loan	LIBOR (Q)	6.75%	1.25%	11/20/2018	\$9,591,911	9,349,033	9,400,073	1.02%
							30,870,957	31,412,728	3.40%

Nondepository Credit Intermediation

Caribbean Financial Group (Cayman Islands)	Sr Secured Notes	Fixed	11.50%	-	11/15/2019	\$10,000,000	9,834,804	10,950,000	1.19%	E/G/I
Trade Finance Funding I, Ltd. (Cayman Islands)	Secured Class B Notes	Fixed	10.75%	-	11/13/2018	\$15,084,000	15,084,000	15,084,000	1.63%	E/I
							24,918,804	26,034,000	2.82%	

Nonscheduled Air Transportation

One Sky Flight, LLC	Second Lien Term Loan	Fixed	12% Cash + 3% PIK	-	6/3/2019	\$18,379,293	17,130,833	18,379,293	1.99%
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Oil and Gas Extraction

Willbros Group, Inc.	First Lien Term Loan	LIBOR (Q)	9.75%	1.25%	8/7/2019	\$13,661,463	13,329,888	13,917,615	1.51%
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Other Information Services

TCH-2 Holdings, LLC	Second Lien Term Loan	LIBOR (M)	7.75%	1.00%	11/6/2021	\$19,988,392	19,688,567	19,788,509	2.14%
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Other Telecommunications

Securus Technologies, Inc.	Second Lien Term Loan	LIBOR (Q)	7.75%	1.25%	4/30/2021	\$14,000,000	13,860,000	14,230,440	1.54%
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Petroleum and Coal Products  
Manufacturing

Boomerang Tube, LLC	Second Lien Term Loan	LIBOR (Q)	9.50%	1.50%	10/11/2017	\$3,933,213	3,860,914	3,579,223	0.39%
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TCP Capital Corp.

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

June 30, 2014

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

Issuer	Instrument	Ref	Spread	Floor	Maturity	Principal	Cost	Value	% of Portfolio
Debt Investments (continued)									
Iracore International, Inc.	Plastics Products Manufacturing Sr Secured Notes	Fixed	9.50%	-	6/1/2018	\$13,600,000	\$13,600,000	\$14,348,000	1.55 %
Radio and Television Broadcasting									
SiTV, Inc.	First Lien Term Loan	LIBOR (M)	6% Cash + 4% PIK	2.00%	8/3/2016	\$7,032,138	6,709,167	7,418,905	0.80 %
SiTV, Inc.	Sr Secured Notes	Fixed	10.375%	-	7/1/2019	\$7,312,000	7,312,000	7,503,940	0.81 %
The Tennis Channel, Inc.	First Lien Term Loan	LIBOR (Q)	8.50%	-	5/29/2017	\$17,946,954	17,549,375	18,027,715	1.95 %
							31,570,542	32,950,560	3.56 %
Retail									
Kenneth Cole Productions, Inc.	First Lien FILO Term Loan	LIBOR (M)	10.40%	1.00%	9/25/2017	\$10,863,636	10,675,504	10,917,954	1.18 %
Shopzilla, Inc.	Second Lien Term Loan	LIBOR (Q)	12.50%	-	3/31/2016	\$6,710,057	6,615,475	6,699,991	0.73 %
Shop Holding, LLC	Convertible Promissory Note	Fixed	5.00%	-	8/5/2015	\$73,140	73,140	66,045	0.01 %
							17,364,119	17,683,990	1.92 %
Satellite Telecommunications									
Avanti Communications	Sr Secured Notes	Fixed	10.00%	-	10/1/2019	\$9,914,000	9,914,000	10,538,275	1.14 %

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Group, PLC  
(United  
Kingdom)

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

N913DL	Aircraft Secured Mortgage	Fixed	8.00%	-	3/15/2017	\$247,913	247,913	255,000	0.03 %
N918DL	Aircraft Secured Mortgage	Fixed	8.00%	-	8/15/2018	\$351,588	351,588	362,440	0.04 %
N954DL	Aircraft Secured Mortgage	Fixed	8.00%	-	3/20/2019	\$472,542	472,542	485,860	0.05 %
N955DL	Aircraft Secured Mortgage	Fixed	8.00%	-	6/20/2019	\$493,042	493,042	506,600	0.06 %
N956DL	Aircraft Secured Mortgage	Fixed	8.00%	-	5/20/2019	\$491,365	491,365	504,900	0.05 %
N957DL	Aircraft Secured Mortgage	Fixed	8.00%	-	6/20/2019	\$497,355	497,355	511,020	0.06 %
N959DL	Aircraft Secured Mortgage	Fixed	8.00%	-	7/20/2019	\$503,294	503,294	517,140	0.06 %
N960DL	Aircraft Secured Mortgage	Fixed	8.00%	-	10/20/2019	\$525,171	525,171	539,580	0.06 %
N961DL	Aircraft Secured Mortgage	Fixed	8.00%	-	8/20/2019	\$517,785	517,785	532,100	0.06 %
N976DL	Aircraft Secured Mortgage	Fixed	8.00%	-	2/15/2018	\$352,091	352,091	362,780	0.04 %

Aircraft Leased to United Airlines, Inc.

N510UA	Aircraft Secured Mortgage	Fixed	20.00%	-	10/26/2016	\$281,584	281,584	336,205	0.04 %
N512UA	Aircraft Secured Mortgage	Fixed	20.00%	-	10/26/2016	\$288,287	288,287	346,275	0.04 %
N545UA	Aircraft Secured Mortgage	Fixed	16.00%	-	8/29/2015	\$177,520	177,520	190,855	0.02 %
N659UA	Aircraft Secured Mortgage	Fixed	12.00%	-	2/28/2016	\$2,161,944	2,161,944	2,318,999	0.25 %
N661UA		Fixed	12.00%	-	5/4/2016	\$2,350,477	2,350,477	2,551,735	0.28 %



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Mesa Air Group, Inc.	Aircraft Secured Mortgage Acquisition Delayed Draw Loan	LIBOR (M)	7.25%	-	7/15/2022	\$-	(271,500 )	20,363	-
Mesa Air Group, Inc.	Acquisition Loan	LIBOR (M)	7.25%	-	7/15/2022	\$18,100,000	8,688,000	9,077,150	0.98 %
							18,128,458	19,419,002	2.12 %
Scientific Research and Development Services									
BPA Laboratories, Inc.	Senior Secured Notes	Fixed	12.25%	-	4/1/2017	\$17,200,000	16,536,295	18,748,000	2.03 %
Semiconductor and Other Electronic Component Manufacturing									
SunEdison, Inc.	Senior Secured Letters of Credit	LIBOR (Q)	3.75%	-	2/28/2017	\$9,379,246	(1,031,717 )	(937,925 )	(0.10 %)
Software Publishers									
Acronis International GmbH (Switzerland)	First Lien Revolver	LIBOR (Q)	9.50%	1.00%	2/21/2017	\$563,407	563,407	540,871	0.06 %
Acronis International GmbH (Switzerland)	First Lien Term Loan	LIBOR (Q)	9.50%	1.00%	2/21/2017	\$25,000,000	24,754,319	24,900,000	2.70 %
BlackLine Systems, Inc.	First Lien Term Loan	LIBOR (Q)	0.4% Cash + 7.6%	1.50%	9/25/2018	\$13,065,025	12,325,788	12,914,777	1.40 %
Coreone Technologies, LLC	First Lien Term Loan	LIBOR (Q)	3.75% Cash + 5% PIK	1.00%	9/4/2018	\$13,899,746	13,632,684	13,830,247	1.50 %
Deltek, Inc.	Second Lien Term Loan	LIBOR (Q)	8.75%	1.25%	10/10/2019	\$15,000,000	14,817,883	15,346,875	1.66 %
Edmentum, Inc.	Second Lien Term Loan	LIBOR (Q)	9.75%	1.50%	5/17/2019	\$21,500,000	21,342,939	21,715,000	2.35 %
							87,437,020	89,247,770	9.67 %
Specialty Hospitals									
UBC Healthcare Analytics, Inc.	First Lien Term Loan	LIBOR (Q)	9.00%	1.00%	7/1/2018	\$4,933,947	4,909,278	4,958,617	0.54 %
Structured Note Funds									

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Magnolia Finance V plc (Cayman Islands)	Asset-Backed Credit Linked Notes	Fixed	13.125%	-	8/2/2021	\$ 15,000,000	15,000,000	15,231,000	1.65 %
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TCP Capital Corp.

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

June 30, 2014

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

Issuer	Instrument	Ref	Spread	Floor	Maturity	Principal Amount or Shares	Cost	Value	% Portfolio
Debt Investments (continued)									
Textile Furnishings Mills									
Lexmark Carpet Mills, Inc.	First Lien Term Loan	LIBOR (Q)	10.00%	1.00%	9/30/2018	\$15,758,531	\$15,415,095	\$15,994,909	1.73
Wired Telecommunications Carriers									
Integra Telecom Holdings, Inc.	Second Lien Term Loan	LIBOR (Q)	8.50%	1.25%	2/22/2020	\$15,000,000	14,718,767	15,325,050	1.66
Wireless Telecommunications Carriers									
Alpheus Communications, LLC	First Lien FILO Term Loan	LIBOR (Q)	6.92%	1.00%	5/31/2018	\$-	(11,183 )	(28,122 )	0.00
Alpheus Communications, LLC	First Lien FILO Term Loan	LIBOR (Q)	6.92%	1.00%	5/31/2018	\$8,248,124	8,166,127	8,041,921	0.87
Globalive Wireless Management Corp. (Canada)	First Lien Term Loan	LIBOR (Q)	10.90%	-	4/30/2014	\$3,037,292	2,933,872	3,067,665	0.33
Gogo, LLC	First Lien Term Loan	LIBOR (Q)	9.75%	1.50%	6/21/2017	\$19,335,284	18,588,807	20,592,078	2.23
							29,677,623	31,673,542	3.43

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Total Debt			852,895,704	865,195,213	93.63
Investments					
Equity Securities					
Business Support Services					
Findly Talent, LLC	Membership Units	708,229	230,938	162,185	0.02
STG-Fairway Holdings, LLC	Class A Units	841,479	943,287	2,015,174	0.22
			1,174,225	2,177,359	0.24
Communications Equipment Manufacturing					
Wasserstein Cosmos Co-Invest, L.P.	Limited Partnership Units	5,000,000	5,000,000	4,500,000	0.49
Data Processing, Hosting, and Related Services					
Anacomp, Inc.	Class A Common Stock	1,255,527	26,711,048	929,090	0.10
Depository Credit Intermediation					
Doral Financial Corporation	Common Stock	53,890	11,699,417	232,804	0.03
Financial Investment Activities					
Marsico Holdings, LLC	Common Interest Units	168,698	172,694	4,234	-
Full-Service Restaurants					
RM Holdco, LLC	Membership Units	13,161,000	2,010,777	-	-
Machine Shops; Turned Product; and Screw, Nut, and Bolt Manufacturing					
Precision Holdings, LLC	Class C Membership Interest	33	-	5,723	-
Nonmetallic Mineral Mining and Quarrying					
EPMC HoldCo, LLC	Membership Units	1,312,720	-	1,063,303	0.12

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Nonscheduled Air Transportation					
Flight Options Holdings I, Inc.	Warrants to Purchase Common Stock	1,843	1,274,000	1,339,035	0.15
Radio and Television Broadcasting					
SiTV, Inc.	Warrants to Purchase Common Stock	233,470	300,322	177,624	0.02
Retail					
Shop Holding, LLC	Class A Units	507,167	480,049	373,326	0.04
Shop Holding, LLC	Warrants to Purchase Class A Units	326,691	-	-	-
			480,049	373,326	0.04
Scheduled Air Transportation					
Aircraft Leased to Delta Air Lines, Inc.					
N913DL	Trust Beneficial Interests	865	91,495	121,720	0.01
N918DL	Trust Beneficial Interests	724	101,682	139,414	0.02
N954DL	Trust Beneficial Interests	682	120,984	70,380	0.01
N955DL	Trust Beneficial Interests	661	120,890	112,200	0.01
N956DL	Trust Beneficial Interests	666	120,865	107,780	0.01
N957DL	Trust Beneficial Interests	661	121,648	108,800	0.01
N959DL	Trust Beneficial Interests	656	122,429	109,480	0.01
N960DL	Trust Beneficial Interests	643	125,518	108,800	0.01
N961DL	Trust Beneficial Interests	652	124,720	103,360	0.01

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N976DL	Trust Beneficial Interests Trust Beneficial Interests	766	104,403	102,691	0.01
Aircraft Leased to United Airlines, Inc.					
N510UA	Trust Beneficial Interests	60	226,717	460,974	0.05
N512UA	Trust Beneficial Interests	59	221,632	452,773	0.05
N536UA	Trust Beneficial Interests	-	-	-	0.00
N545UA	Trust Beneficial Interests	75	396,478	649,581	0.07
N585UA	Trust Beneficial Interests	-	-	-	0.00
United N659UA-767, LLC (N659UA)	Trust Beneficial Interests	467	2,306,488	2,609,590	0.28
United N661UA-767, LLC (N661UA)	Trust Beneficial Interests	453	2,264,254	2,627,969	0.28
			6,570,203	7,885,512	0.84

TCP Capital Corp.

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

June 30, 2014

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

Issuer	Instrument	Ref	Spread Floor	Maturity	Shares	Cost	Value	% of Portfolio	Notes
Equity Securities (continued)									
Resin, Synthetic Rubber, and Artificial Synthetic Fibers and Filaments Manufacturing									
KAGY Holding Company, Inc.	Series A Preferred Stock				9,778	\$1,091,200	\$754,378	0.08	% B/C/E
Semiconductor and Other Electronic Component Manufacturing									
AIP/IS Holdings, LLC	Membership Units				352	-	229,504	0.02	% C/E
Software Publishers									
SLS Breeze Intermediate Holdings, Inc.	Warrants to Purchase Common Stock				1,232,731	522,678	653,841	0.07	% C/E
Wired Telecommunications Carriers									
Integra Telecom, Inc.	Common Stock				1,274,522	8,433,884	5,206,677	0.56	% C/E
Integra Telecom, Inc.	Warrants				346,939	19,920	199,386	0.02	% C/E
V Telecom Investment S.C.A.	Common Shares				1,393	3,236,256	3,742,115	0.41	% C/D/E/I

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(Luxembourg)			11,690,060	9,148,178	0.99	%
Total Equity Securities			68,696,673	29,473,911	3.19	%
Total Investments			921,592,377	894,669,124	96.82	%
Cash and Cash Equivalents						
Wells Fargo & Company	Overnight Repurchase Agreement Collateralized by Freddie Mac Note	Fixed 0.05% - 7/1/2014		8,548,755	0.93	%
Union Bank of California	Commercial Paper	Fixed 0.10% - 7/1/2014		16,000,000	1.73	%
Cash Denominated in Foreign Currencies				258,660	0.03	%
Cash Held on Account at Various Institutions				4,572,117	0.49	%
Cash and Cash Equivalents				29,379,532	3.18	%
Total Cash and Investments				\$924,048,656	100.00%	H

*Notes to Statement of Investments:*

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

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

(C) Non-income producing security.



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

(E) Restricted security. (See Note 2)

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

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

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

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

Exempt from the definition of investment company under Section 3(c) of the Investment Company Act and as a (J) result is not a qualifying asset under Section 55(a) of the Investment Company Act. Under the Investment Company Act, the Company may not acquire any non-qualifying asset unless, at the time such acquisition is made, qualifying assets represent at least 70% of the Company's total assets.

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

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

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

Aggregate acquisitions and aggregate dispositions of investments, other than government securities, totaled \$278,982,081, and \$155,421,221 respectively for the six months ended June 30, 2014. Aggregate acquisitions includes investment assets received as payment in kind. Aggregate dispositions includes principal paydowns on and maturities of debt investments. The total value of restricted securities and bank debt as of June 30, 2014 was \$894,436,320, or 96.8% of total cash and investments of the Company.

Options and Swaps at June 30, 2014 were as follows:

Investment	Notional Amount	Fair Value
Interest Rate Cap, 4%, expires 5/15/2016	\$25,000,000	\$1,855
Euro/US Dollar Cross-Currency Basis Swap, Pay Euros/Receive USD, Expires 3/31/17	\$4,289,019	\$(208,862)

*See accompanying notes.*

TCP Capital Corp.

## Consolidated Statement of Investments

December 31, 2013

Showing Percentage of Total Cash and Investments of the Company

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

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AGY Holding Corporation	Second Lien Term Loan						9,643,244	11,324,927	1.43 %
Beverage Manufacturing Carolina Beverage Group, LLC	Secured Notes	Fixed	10.625%	-	8/1/2018	\$7,780,000	7,780,000	8,207,900	1.04 %
Business Support Services STG-Fairway Acquisitions, Inc.	Second Lien Term Loan	LIBOR (Q)	9.25%	1.25%	8/28/2019	\$14,643,455	13,944,123	14,929,002	1.89 %
Chemical Manufacturing Archroma	Term Loan B	LIBOR (Q)	8.25%	1.25%	9/30/2018	\$17,456,250	17,107,125	17,401,699	2.20 %
Communications Equipment Manufacturing Globecomm Systems Inc.	First Lien Term Loan	LIBOR (Q)	7.625%	1.25%	12/11/2018	\$15,000,000	14,850,000	15,097,500	1.91 %
Computer Equipment Manufacturing ELO Touch Solutions, Inc.	Second Lien Term Loan	LIBOR (Q)	10.50%	1.50%	12/1/2018	\$10,000,000	9,666,672	9,100,000	1.15 %
Converted Paper Products Manufacturing Ranpak Corp.	Second Lien Term Loan	LIBOR (Q)	7.25%	1.25%	4/23/2020	\$3,469,573	3,434,877	3,573,660	0.45 %
Computer Systems Design and Related Services Blue Coat Systems	First Lien Revolver	LIBOR (Q)	3.50%	1.00%	5/31/2018	\$4,500,000	3,540,000	4,060,800	0.51 %
Blue Coat Systems	Second Lien Term Loan	LIBOR (Q)	8.50%	1.00%	6/28/2020	\$15,000,000	14,878,125	15,300,000	1.94 %
OnX Enterprise Solutions, Ltd.	First Lien Term Loan	LIBOR (Q)	7.00%	-	9/3/2018	\$10,640,000	10,483,300	10,709,160	1.36 %
OnX USA, LLC	First Lien Term Loan	LIBOR (Q)	7.00%	-	9/3/2018	\$5,320,000	5,244,790	5,354,580	0.68 %
Websense, Inc.	Second Lien Term Loan	LIBOR (Q)	7.25%	1.00%	12/27/2020	\$7,200,000	7,164,000	7,218,000	0.91 %
							41,310,215	42,642,540	5.40 %

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Data Processing, Hosting, and Related Services

The Telx Group, Inc.	Senior Unsecured Notes	Fixed	10% Cash + 2% PIK	-	9/26/2019	\$7,098,916	6,960,435	7,631,335	0.97%
Panda Sherman Power, LLC	First Lien Term Loan	LIBOR (Q)	7.50%	1.50%	9/14/2018	\$11,070,172	10,932,474	11,402,277	1.44%
Panda Temple Power II, LLC	First Lien Term Loan	LIBOR (Q)	6.00%	1.25%	4/3/2019	\$5,892,970	5,834,041	6,069,759	0.77%
							16,766,515	17,472,036	2.21%
Electrical Equipment and Component Manufacturing Palladium Energy, Inc.	First Lien Term Loan	LIBOR (Q)	9.00%	1.00%	12/26/2027	\$16,500,317	16,225,541	16,426,066	2.08%
Fabricated Metal Product Manufacturing Constellation Enterprises, LLC	First Lien Notes	Fixed	10.625%	-	2/1/2016	\$12,500,000	12,322,875	10,875,000	1.38%
Financial Investment Activities Marsico Capital Management	First Lien Term Loan	LIBOR (M)	5.00%	-	12/31/2022	\$10,637,623	13,394,183	3,882,732	0.49%
Freight Transportation Arrangement Livingston International, Inc. (Canada)	Second Lien Term Loan	LIBOR (Q)	7.75%	1.25%	4/18/2020	\$3,665,217	3,597,620	3,756,848	0.48%
Full-Service Restaurants RM Holdco, LLC	Subordinated Convertible Term Loan	Fixed	1.12% PIK	-	3/21/2018	\$5,164,796	5,164,796	2,197,621	0.28%
RM OpCo, LLC	First Lien Convertible Term Loan Tranche B-1	Fixed	12% Cash + 7% PIK	-	3/21/2016	\$1,370,199	1,339,883	1,370,199	0.17%
RM OpCo, LLC	First Lien Term Loan Tranche A	Fixed	11.00%	-	3/21/2016	\$3,626,947	3,626,947	3,626,947	0.46%
RM OpCo, LLC	First Lien Term Loan Tranche B	Fixed	12% Cash + 7% PIK	-	3/21/2016	\$6,825,328	6,825,328	6,825,328	0.86%
		Fixed		-	3/21/2016	\$2,150,088	2,109,019	2,150,088	0.27%

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RM OpCo, LLC	First Lien Term Loan Tranche B-1	12% Cash + 7% PIK	19,065,973	16,170,183	2.04%
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TCP Capital Corp.

Consolidated Statement of Investments (Continued)

December 31, 2013

Showing Percentage of Total Cash and Investments of the Company

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

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Loan									
Metal Ore Mining									
St Barbara Ltd. (Australia)	First Priority Senior Secured Notes	Fixed	8.875%	-	4/15/2018	\$7,359,000	7,326,651	6,144,765	0.78 % E
Motion Picture and Video Industries									
CORE Entertainment, Inc.	First Lien Term Loan	Fixed	9.00%	-	6/21/2017	\$9,462,231	9,381,116	8,610,631	1.09 %
CORE Entertainment, Inc.	Second Lien Term Loan	Fixed	13.50%	-	6/21/2018	\$7,569,785	7,502,054	6,858,225	0.88 %
							16,883,170	15,468,856	1.97 %
Newspaper, Periodical, Book, and Directory Publishers									
Hanley-Wood, LLC	First Lien FILO Term Loan	LIBOR (Q)	6.75%	1.25%	7/15/2018	\$16,707,600	16,707,600	16,699,246	2.13 %
MediMedia USA, Inc.	First Lien Revolver	LIBOR (M)	6.75%	-	5/20/2018	\$4,960,000	3,797,500	4,523,908	0.57 %
MediMedia USA, Inc.	First Lien Term Loan	LIBOR (M)	6.75%	1.25%	11/20/2018	\$9,701,250	9,433,029	9,458,719	1.20 %
							29,938,129	30,681,873	3.90 %
Nondepository Credit Intermediation									
Caribbean Financial Group (Cayman Islands)	Senior Secured Notes	Fixed	11.50%	-	11/15/2019	\$10,000,000	9,824,072	10,700,000	1.35 % E
Trade Finance Funding I, Ltd. (Cayman Islands)	Secured Class B Notes	Fixed	10.75%	-	11/13/2018	\$15,000,000	15,000,000	14,962,500	1.90 % E
							24,824,072	25,662,500	3.25 %
Nonresidential Building Construction									
NCM Group Holdings, LLC	First Lien Term Loan	LIBOR (Q)	11.50%	1.00%	8/29/2018	\$10,000,000	9,620,619	9,875,000	1.25 %
Nonscheduled Air Transportation									
One Sky Flight, LLC	Second Lien Term Loan	Fixed	12% Cash + 3% PIK	-	5/4/2019	\$18,200,000	16,929,086	17,708,600	2.24 %



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Oil and Gas  
Extraction

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

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

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

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

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

Promoters of Performing Arts,  
Sports, and Similar Events

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

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

Retail

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Kenneth Cole Productions, Inc.	First Lien FILO Term Loan	LIBOR (M)	10.40%	1.00%	9/25/2017	\$11,272,727	11,051,496	11,329,090	1.44%
Shopzilla, Inc.	Second Lien Term Loan	LIBOR (Q)	9.50%	-	3/31/2016	\$6,710,057	6,525,027	6,683,216	0.85%
Satellite Telecommunications Avanti Communications Group, PLC (United Kingdom)	Senior Secured Notes	Fixed	10.00%	-	10/1/2019	\$9,914,000	9,914,000	10,335,345	1.31%
							17,576,523	18,012,306	2.29%

TCP Capital Corp.

## Consolidated Statement of Investments (Continued)

December 31, 2013

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

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

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

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	Second Lien Term Loan	LIBOR (Q)					54,608,316
Specialty Hospitals							
UBC Healthcare Analytics, Inc.	First Lien Term Loan	LIBOR (Q)	9.00%	1.00%	7/1/2018	\$5,526,021	5,498,391
Vantage Oncology, LLC	Senior Secured Notes	Fixed	9.50%	-	6/15/2017	\$5,000,000	5,000,000
Structured Note Funds							
Magnolia Finance V plc (Cayman Islands)	Asset-Backed Credit Linked Notes	Fixed	13.125%	-	8/2/2021	\$15,000,000	15,000,000
Textile Furnishings Mills							
Lexmark Carpet Mills, Inc.	First Lien Term Loan	LIBOR (Q)	10.00%	1.00%	9/30/2018	\$16,351,467	15,942,680
Wired Telecommunications Carriers							
Integra Telecom Holdings, Inc.	Second Lien Term Loan	LIBOR (Q)	8.50%	1.25%	2/22/2020	\$15,000,000	14,701,027
Wireless Telecommunications Carriers							
Alpheus Communications, LLC	First Lien Delayed FILO Term Loan	LIBOR (Q)	6.92%	1.00%	5/31/2018	\$-	(11,183)
Alpheus Communications, LLC	First Lien FILO Term Loan	LIBOR (Q)	6.92%	1.00%	5/31/2018	\$8,248,124	8,166,127
Globalive Wireless Management Corp. (Canada)	First Lien Term Loan	LIBOR (Q)	10.90%	-	4/30/2014	\$3,037,292	2,933,872
Gogo, LLC	First Lien Term Loan	LIBOR (Q)	9.75%	1.50%	6/21/2017	\$19,587,428	18,707,700
							29,796,516
Total Debt Investments							720,651,321

TCP Capital Corp.

## Consolidated Statement of Investments (Continued)

December 31, 2013

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

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

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Financial Investment Activities						
Marsico Holdings, LLC	Common Interest Units	168,698	172,694	4,302	-	C/E/K
Full-Service Restaurants						
RM Holdco, LLC	Membership Units	13,161,000	2,010,777	-	-	B/C/E
Machine Shops; Turned Product; and Screw, Nut, and Bolt Manufacturing						
Precision Holdings, LLC	Class C Membership Interests	33	-	41,645	0.01%	C/E
Nonmetallic Mineral Mining and Quarrying						
EPMC HoldCo, LLC	Membership Units	1,312,720	-	1,562,137	0.20%	B/E
Nonscheduled Air Transportation						
Flight Options Holdings I, Inc.	Warrants to Purchase Common Stock	1,843	1,274,000	1,268,904	0.16%	C/E
Radio and Television Broadcasting						
SiTV, Inc.	Warrants to Purchase Common Stock	233,470	300,322	354,874	0.04%	C/E
Retail						
Shop Holding, LLC	Class A Unit Warrants to Purchase Class A Unit	490,037	462,576	532,919	0.07%	C/E
Shop Holding, LLC	Purchase Class A Unit	326,691	-	38,258	-	C/E
			462,576	571,177	0.07%	
Scheduled Air Transportation						
Aircraft Leased to Delta Air Lines, Inc.						
N913DL	Trust Beneficial Interests	727	97,376	125,970	0.02%	E/F
N918DL	Trust Beneficial	623	109,938	142,970	0.02%	E/F

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

Resin, Synthetic Rubber, and Artificial  
Synthetic Fibers and Filaments Manufacturing



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KAGY Holding Company, Inc.	Series A Preferred Stock	9,778	1,091,200	662,134	0.08% B/C/E
Semiconductor and Other Electronic Component Manufacturing					
AIP/IS Holdings, LLC	Membership Units	352	-	229,504	0.03% C/E
Software Publishers					
SLS Breeze Intermediate Holdings, Inc.	Warrants to Purchase Common Stock	1,232,731	522,678	561,632	0.07% C/E
Wired Telecommunications Carriers					
Integra Telecom, Inc.	Common Stock	1,274,522	8,433,884	5,583,686	0.72% C/E
Integra Telecom, Inc. V Telecom	Warrants	346,939	19,920	194,050	0.02% C/E
Investment S.C.A (Luxembourg)	Common Shares	1,393	3,236,256	3,756,053	0.48% C/D/E/J
			11,690,060	9,533,789	1.22%
Total Equity Securities			80,453,458	39,748,366	5.04%
Total Investments			801,104,779	766,262,959	

TCP Capital Corp.

## Consolidated Statement of Investments (Continued)

December 31, 2013

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

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

*Notes to Consolidated Statement of Investments:*

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

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

Affiliates.

(C) Non-income producing security.

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

(E) Restricted security. (See Note 2)

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

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

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

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

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

(K) Excepted from the definition of investment company under Section 3(c) of the Investment Company Act and as a result is not qualifying under Section 55(a) of the Investment Company Act. Under the Investment Company Act, the Company may not acquire any non-qualifying asset unless, at the time such acquisition is made, qualifying assets represent at least 70% of the Company's total assets.

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

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

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

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

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

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

*See accompanying notes.*

TCP Capital Corp.

## Consolidated Statements of Operations (Unaudited)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2014	2013	2014	2013
Investment income				
Interest income:				
Companies less than 5% owned	\$ 22,333,382	\$ 12,247,602	\$ 40,474,125	\$ 27,487,968
Companies 5% to 25% owned	1,357,315	1,202,653	2,694,179	2,096,165
Companies more than 25% owned	234,835	312,268	492,462	642,585
Dividend income:				
Companies 5% to 25% owned	-	-	1,968,748	-
Other income:				
Companies less than 5% owned	319,582	419,415	954,316	576,948
Companies 5% to 25% owned	87,504	118,653	208,543	219,756
Companies more than 25% owned	254,682	168,604	463,572	311,515
Total investment income	24,587,300	14,469,195	47,255,945	31,334,937
Operating expenses				
Management and advisory fees	3,104,872	1,940,295	5,991,080	3,905,033
Interest expense	1,019,751	186,702	1,476,612	323,109
Amortization of deferred debt issuance costs	429,394	142,914	802,148	251,478
Administrative expenses	379,469	167,808	636,275	335,616
Legal fees, professional fees and due diligence expenses	355,237	162,152	559,393	301,204
Commitment fees	215,864	38,506	407,062	61,094
Director fees	81,670	72,000	167,382	143,809
Insurance expense	64,928	42,522	118,828	78,795
Custody fees	60,849	30,232	111,656	59,651
Other operating expenses	449,058	224,535	768,644	417,506
Total operating expenses	6,161,092	3,007,666	11,039,080	5,877,295
Net investment income	18,426,208	11,461,529	36,216,865	25,457,642
Net realized and unrealized gain (loss) on investments and foreign currency				
Net realized gain (loss):				
Investments in companies less than 5% owned	125,710	(4,095,160 )	(6,670,011 )	(3,577,502 )
Investments in companies 5% to 25% owned	808,036	-	808,411	-
Net realized gain (loss)	933,746	(4,095,160 )	(5,861,600 )	(3,577,502 )
Net change in net unrealized appreciation/depreciation	(3,945,684 )	4,753,522	8,029,680	6,591,253
Net realized and unrealized gain (loss)	(3,011,938 )	658,362	2,168,080	3,013,751

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Dividends on Series A preferred equity facility	(356,677 )	(392,669 )	(725,812 )	(786,082 )
Net change in accumulated dividends on Series A preferred equity facility	(383 )	19,111	10,112	35,122
Distributions of incentive allocation to the General Partner from:				
Net investment income	(3,613,830 )	(2,217,594 )	(7,100,233 )	(4,941,336 )
Net realized gains	-	(258,441 )	-	(258,441 )
Net change in reserve for incentive allocation	602,388	126,768	(433,616 )	(344,310 )
Net increase in net assets applicable to common shareholders resulting from operations	\$ 12,045,768	\$ 9,397,066	\$ 30,135,396	\$ 22,176,346
Basic and diluted earnings per common share	\$ 0.33	\$ 0.40	\$ 0.83	\$ 0.98
Basic and diluted weighted average common shares outstanding	36,200,021	23,639,742	36,199,969	22,564,670

*See accompanying notes.*

TCP Capital Corp.

## Consolidated Statements of Changes in Net Assets

	Common Stock Shares	Par Amount	Paid in Capital in Excess of Par	Accumulated Net Investment Income	Accumulated Net Realized Gains and Losses
Balance at December 31, 2012	21,477,628	\$21,478	\$444,234,060	\$22,526,179	\$(59,020,000)
Issuance of common stock in public offering	14,720,000	14,720	224,548,170	-	-
Issuance of common stock from dividend reinvestment plan	2,288	2	37,414	-	-
Net investment income	-	-	-	54,330,262	-
Realized and unrealized gains (losses)	-	-	-	-	(47,380,000)
Dividends on Series A preferred equity facility	-	-	-	(1,494,552)	-
General Partner incentive allocation	-	-	-	(10,567,142)	(645,600)
Dividends paid to common shareholders	-	-	-	(40,502,256)	-
Tax reclassification of stockholders' equity in accordance with generally accepted accounting principles	-	-	(977,624)	(276,396)	1,254,000
Balance at December 31, 2013	\$36,199,916	\$36,200	\$667,842,020	\$24,016,095	\$(105,800,000)
Issuance of common stock from dividend reinvestment plan	214	-	3,715	-	-
Issuance of convertible debt	-	-	2,515,594	-	-
Net investment income	-	-	-	36,216,865	-
Realized and unrealized gains (losses)	-	-	-	-	(5,860,000)
Dividends on Series A preferred equity facility	-	-	-	(715,700)	-
General Partner incentive allocation	-	-	-	(7,100,233)	-
Dividends paid to common shareholders	-	-	-	(27,873,978)	-
Balance at June 30, 2014	\$36,200,130	\$36,200	\$670,361,329	\$24,543,049	\$(111,600,000)

*See accompanying notes.*

TCP Capital Corp.

## Consolidated Statements of Cash Flows (Unaudited)

	Six Months Ended June 30,	
	2014	2013
<b>Operating activities</b>		
Net increase in net assets applicable to common shareholders resulting from operations	\$30,135,396	\$22,176,346
Adjustments to reconcile net increase in net assets applicable to common shareholders resulting from operations to net cash provided by (used in) operating activities:		
Net realized loss	5,861,600	3,577,502
Net change in unrealized appreciation/depreciation of investments	(8,028,604 )	(6,611,142 )
Dividends paid on Series A preferred equity facility	725,812	786,082
Net change in accumulated dividends on Series A preferred equity facility	(10,112 )	(35,122 )
Net change in reserve for incentive allocation	433,616	344,310
Accretion of original issue discount on investments	(1,851,211 )	(1,324,008 )
Net accretion of market discount/premium	(937,125 )	(81 )
Accretion of original issue discount on convertible debt	16,382	-
Interest and dividend income paid in kind	(2,711,682 )	(546,987 )
Amortization of deferred debt issuance costs	802,148	251,478
Changes in assets and liabilities:		
Purchases of investment securities	(276,270,400)	(170,316,516)
Proceeds from sales, maturities and paydowns of investments	155,421,221	121,049,823
Increase in accrued interest income - companies less than 5% owned	(1,931,388 )	(1,444,027 )
Decrease (increase) in accrued interest income - companies 5% to 25% owned	42,661	(324,728 )
Decrease in accrued interest income - companies more than 25% owned	6,434	5,751
Decrease (increase) in receivable for investments sold	(13,790,910 )	5,032,415
Increase in prepaid expenses and other assets	(431,735 )	(696,123 )
Increase (decrease) in payable for investments purchased	(6,145,311 )	28,364,525
Increase in payable to the Investment Manager	629,627	515,806
Increase in management and advisory fees payable	-	1,940,295
Increase in interest payable	451,851	106,748
Increase in incentive allocation payable	294,930	2,476,035
Decrease in accrued expenses and other liabilities	(537,590 )	(746,408 )
Net cash provided by (used in) operating activities	(117,824,390)	4,581,974
<b>Financing activities</b>		
Borrowings	344,000,000	52,000,000
Repayments of debt	(186,000,000)	(93,000,000 )
Payments of debt issuance costs	(5,184,185 )	(789,675 )
Dividends paid on Series A preferred equity facility	(725,812 )	(786,082 )
Dividends paid to common shareholders	(27,873,978 )	(18,186,395 )



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Proceeds from shares issued in connection with dividend reinvestment plan	3,715	33,867
Proceeds from common shares sold, net of underwriting and offering costs	-	78,176,790
Net cash provided by financing activities	124,219,740	17,448,505
Net increase in cash and cash equivalents	6,395,350	22,030,479
Cash and cash equivalents at beginning of period	22,984,182	18,035,189
Cash and cash equivalents at end of period	\$29,379,532	\$40,065,668
Supplemental cash flow information		
Interest payments	\$1,008,379	\$216,361
Excise tax payments	-	969,946

*See accompanying notes.*

TCP Capital Corp.

Notes to Consolidated Financial Statements (Unaudited)

June 30, 2014

## 1. Organization and Nature of Operations

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

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

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

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

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

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

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

TCP Capital Corp.

Notes to Consolidated Financial Statements (Unaudited) (Continued)

June 30, 2014

## **2. Summary of Significant Accounting Policies**

### ***Basis of Presentation***

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

### ***Use of Estimates***

The preparation of the financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, as well as the reported amounts of revenues and expenses during the reporting period. Although management believes these estimates and assumptions to be reasonable, actual results could differ from those estimates and differences could be material.

### ***Investment Valuation***

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

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

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

TCP Capital Corp.

Notes to Consolidated Financial Statements (Unaudited) (Continued)

June 30, 2014

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

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

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

Asset Type	Fair Value	Valuation Technique	Unobservable Input	Range (Weighted Avg.)
Bank Debt	\$354,091,533	Market rate approach	Market yields	3.7% - 18.3% (10.9%)
	208,202,341	Market quotations	Indicative bid/ask quotes	1 - 5 (2)
	16,024,731	Market comparable companies	Revenue multiples	0.4x (0.4x)
	2,056,927	Market comparable companies	EBITDA multiples	7.8x (7.8x)
Other Corporate Debt	4,373,153	Market rate approach	Market yields	12.5% - 15.8% (12.5%)
	41,265,000	Market quotations	Indicative bid/ask quotes	1 (1)

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	8,767,527	Market comparable companies	EBITDA multiples	7.8x (7.8x)
Equity	7,885,513	Market rate approach	Market yields	13.0% - 18.0% (13.6%)
	3,045,069	Market quotations	Indicative bid/ask quotes	1 - 2 (1)
	929,090	Market comparable companies	Revenue multiples	0.4x - 1.1x (1.1x)
	17,381,435	Market comparable companies	EBITDA multiples	4.0x - 6.6x (5.8x)

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

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.

TCP Capital Corp.

Notes to Consolidated Financial Statements (Unaudited) (Continued)

June 30, 2014

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

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

Level	Basis for Determining Fair Value	Bank Debt	Other Corporate Debt	Equity Securities
1	Quoted prices in active markets for identical assets	\$-	\$-	\$232,804
2	Other observable market inputs *	154,433,236	75,980,765	-
3	Independent third-party pricing sources that employ significant unobservable inputs	580,830,991	50,098,573	26,851,302
3	Investment Manager valuations with significant unobservable inputs	(455,459 ) <sup>†</sup>	4,307,107	2,389,805
	Total	\$734,808,768	\$130,386,445	\$29,473,911

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

<sup>†</sup>Negative balance relates to an unfunded commitment that was acquired and valued at a discount.

Changes in investments categorized as Level 3 during the six months ended June 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)	2,964,824	506,298	(3,124,422 )
Acquisitions	223,669,965	13,086,400	1,836,050
Dispositions	(83,626,914 )	(14,077,239 )	(7,927,072 )



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Transfers out of Level 3 ‡	(78,130,527 )	(24,476,520 )	-
Transfers into Level 3 §	-	21,725,000	-
Ending balance	\$580,830,991	\$ 50,098,573	\$26,851,302

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)	\$3,581,470	\$ (144,520 )	\$(1,367,777 )
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‡ Comprised of eight 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.

	Investment Manager Valuation		Equity
	Bank Debt	Other Corporate Debt	Securities
Beginning balance	\$4,060,800	\$ 7,631,335	\$2,837,707
Net realized and unrealized losses	(141,655 )	(529,274 )	(64,313 )
Acquisitions	125,396	4,303,962	230,939
Dispositions	(4,500,000)	(7,098,916 )	(614,528 )
Ending balance	\$(455,459 )**	\$ 4,307,107	\$2,389,805

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)	\$(141,655 )	\$ 141,626	\$(678,840 )
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\*\* Negative balance relates to an unfunded commitment that was acquired and valued at a discount.

TCP Capital Corp.

Notes to Consolidated Financial Statements (Unaudited) (Continued)

June 30, 2014

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

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

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

Level	Basis for Determining Fair Value	Bank Debt	Other Corporate Debt	Equity Securities
1	Quoted prices in active markets for identical assets	\$-	\$ -	\$894,571
2	Other observable market inputs *	101,706,681	49,326,054	-
3	Independent third-party pricing sources that employ significant unobservable inputs	348,965,723	26,638,820	35,306,315
3	Investment Manager valuations with significant unobservable inputs	-	7,590,732	1,333,148
	Total	\$450,672,404	\$ 83,555,606	\$37,534,034

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

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

	Independent Third-Party Valuation		
	Bank Debt	Other Corporate Debt	Equity Securities
Beginning balance	\$359,343,326	\$ 17,171,637	\$32,675,370
Net realized and unrealized gains (losses)	(1,850,044 )	7,821,477	(4,860,276 )

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Acquisitions	106,094,345	7,596,680	9,675,533
Dispositions	(55,970,621 )	(15,172,634 )	(2,184,312 )
Transfers out of Level 3 †	(58,651,283 )	-	-
Transfers into Level 3 ‡	-	9,221,660	-
Ending balance	\$348,965,723	\$26,638,820	\$35,306,315

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) \$(412,366 ) \$1,870,504 \$2,101,209

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

‡Comprised of one investment that transferred from Level 2 due to reduced trading volumes.

	Bank Debt	Investment Manager Valuation Other Corporate Debt	Equity Securities
Beginning balance	\$-	\$7,167,458	\$1,424,764
Net realized and unrealized gains (losses)	-	353,516	(91,616 )
Acquisitions	-	69,758	-
Ending balance	\$-	\$7,590,732	\$1,333,148
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)	\$-	\$353,516	\$(91,615 )

TCP Capital Corp.

Notes to Consolidated Financial Statements (Unaudited) (Continued)

June 30, 2014

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

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

### ***Investment Transactions***

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

### ***Cash and Cash Equivalents***

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

### ***Repurchase Agreements***

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

realization of the collateral may be delayed or limited.

### ***Restricted Investments***

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

### ***Foreign Investments***

The Company may invest in instruments traded in foreign countries and denominated in foreign currencies. Foreign currency denominated investments comprised approximately 2.4% and 2.7% of total investments at June 30, 2014 and December 31, 2013, respectively. Such positions were converted at the respective closing rate in effect at June 30, 2014 and December 31, 2013 and reported in U.S. dollars. Purchases and sales of investments and income and expense items denominated in foreign currencies, when they occur, are translated into U.S. dollars on the respective dates of such transactions. The portion of gains and losses on foreign investments resulting from fluctuations in foreign currencies is included in net realized and unrealized gain or loss from investments.

TCP Capital Corp.

Notes to Consolidated Financial Statements (Unaudited) (Continued)

June 30, 2014

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

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

Instrument	Realized Gains (Losses)	Unrealized Gains (Losses)
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Cross currency basis swaps	\$	-	\$ (12,284	)
Interest rate cap		-	(122,321	)

The Partnership did not enter into any new derivative transactions during the six months ended June 30, 2013. At June 30, 2013, the Partnership held a cross currency basis swap with a notional amount of \$6,040,944. Gains and losses from derivatives during the six months ended June 30, 2013 were included in net realized and unrealized loss on investments in the Consolidated Statement of Operations as follows:

Instrument	Realized Gains		Unrealized Gains	
	(Losses)		(Losses)	
Cross currency basis swaps	\$	-	\$	92,452

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

TCP Capital Corp.

Notes to Consolidated Financial Statements (Unaudited) (Continued)

June 30, 2014

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

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

Costs of approximately \$3.5 million and \$1.5 million were incurred during 2006 and 2013 in connection with placing and extending the Partnership's revolving credit facility (see Note 4), respectively. Costs of approximately \$1.6 million and \$1.0 million were incurred during 2013 and 2014 in connection with placing and extending TCPC Funding's revolving credit facility (see Note 4), respectively. Costs of approximately \$3.4 million were incurred in June 2014 in connection with placing the Company's unsecured convertible notes (see Note 4). These costs were deferred and are being amortized on a straight-line basis over the estimated life of the respective instruments. The impact of utilizing the straight-line amortization method versus the effective-interest method is not material to the operations of the Company or the Partnership.

### ***Revenue Recognition***

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

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



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

### ***Income Taxes***

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

TCP Capital Corp.

Notes to Consolidated Financial Statements (Unaudited) (Continued)

June 30, 2014

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

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

Unrealized appreciation	\$32,885,769
Unrealized depreciation	(60,067,779 )
Net unrealized depreciation	(27,182,010 )
Cost	\$921,644,127

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

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

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

statements of the Company.

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

TCP Capital Corp.

Notes to Consolidated Financial Statements (Unaudited) (Continued)

June 30, 2014

**4. Leverage**

At June 30, 2014 and December 31, 2013, leverage was comprised of convertible senior unsecured notes issued by the Company (the “Notes”), amounts outstanding under senior secured revolving credit facilities issued by the Partnership (the “Partnership Facility”) and TCPC Funding (the “TCPC Funding Facility,” and, together with the Partnership Facility, the “Revolving Facilities”) as well as amounts outstanding under a preferred leverage facility issued by the Partnership (the “Preferred Interests”), as follows:

	June 30, 2014	December 31, 2013
Convertible Notes	\$ 105,500,788	\$ -
Partnership Facility	45,000,000	45,000,000
TCPC Funding Facility	100,000,000	50,000,000
Total Debt	\$ 250,500,788	\$ 95,000,000
Preferred Interests	134,000,000	134,000,000
Total Leverage	\$ 384,500,788	\$ 229,000,000

The combined weighted-average interest and dividend rates on total leverage outstanding at June 30, 2014 and December 31, 2013 were 2.63% and 1.38%, respectively.

Amounts outstanding under the Convertible Notes and the Revolving Facilities are carried at amortized cost in the Statement of Assets and Liabilities. As of June 30, 2014, the estimated fair value of the TCPC Funding Facility approximated its carrying value, and the Partnership Facility and Convertible Notes had estimated fair values of \$44,155,425 and \$108,000,000, respectively. The estimated fair values of the Revolving Facilities and Convertible Notes are determined by discounting projected remaining payments using market interest rates for our borrowings and entities with similar credit risks at the measurement date. At June 30, 2014, the Revolving Facilities and Convertible Notes would be 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 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 June 30, 2014, the principal amount of the Convertible Notes exceeded the value of the conversion rate multiplied by the per share closing price of the Company's common stock. The Convertible Notes are general unsecured obligations of the Company, and rank structurally junior to the Revolving Facilities and Preferred Interests.

TCP Capital Corp.

Notes to Consolidated Financial Statements (Unaudited) (Continued)

June 30, 2014

**4. Leverage (continued)**

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

The Convertible Notes are accounted for in accordance with ASC Topic 470-20 – *Debt with Conversion and Other Options*. Upon conversion of any Convertible Note, the Company intends to pay the outstanding principal amount in cash and to the extent that the conversion value exceeds the principal amount, we have the option to pay in cash or shares of our common stock (or a combination of cash and shares) in respect of the excess amount, subject to the requirements of the Indenture. 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. In accounting for the Convertible Notes, we estimated at the time of issuance that the values of the debt and equity components of the Convertible Notes were approximately 97.7% and 2.3%, respectively. The original issue discount equal to the equity component of the Convertible Notes was recorded in “paid-in-capital in excess of par” in the accompanying Consolidated Statement of Assets and Liabilities. As a result, the Company will record interest expense comprised of both stated interest and accretion of the original issue discount. At the time of issuance, the equity component was \$2,515,594. As of June 30, 2014, the components of the carrying value of the Convertible Notes were as follows:

Principal amount of debt	\$ 108,000,000
Original issue discount, net of accretion	(2,499,212 )
Carrying value of debt	\$ 105,500,788

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

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Stated interest expense	\$251,319
Accretion of original issue discount	16,382
Total interest expense	\$267,701

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 six months ended June 30, 2014.

TCP Capital Corp.

Notes to Consolidated Financial Statements (Unaudited) (Continued)

June 30, 2014

#### **4. Leverage (continued)**

##### ***Partnership Facility***

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

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

##### ***TCPC Funding Facility***

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



As of June 30, 2014, borrowings under the TCPC Funding Facility bore interest at a rate of LIBOR plus 2.50% per annum. In connection with the extension and expansion of the facility on February 21, 2014, the interest rate was reduced to a rate of LIBOR plus 2.50% effective March 15, 2014. In addition to amounts due on outstanding debt, the facility accrues commitment fees of 0.75% per annum on the unused portion of the facility, or 1.00% per annum when the unused portion is greater than 33% of the total facility. The facility may be terminated, and any outstanding amounts thereunder may become due and payable, should TCPC Funding fail to satisfy certain financial or other covenants. As of June 30, 2014, TCPC Funding was in full compliance with such covenants.

TCP Capital Corp.

Notes to Consolidated Financial Statements (Unaudited) (Continued)

June 30, 2014

#### **4. Leverage (continued)**

##### *Preferred Interests*

At June 30, 2014, the Preferred Interests were comprised of 6,700 Series A preferred limited partner interests issued and outstanding with a liquidation preference of \$20,000 per interest. The Preferred Interests accrue dividends at an annual rate equal to 0.85% plus either LIBOR or the interestholder's cost of funds (subject to a cap of LIBOR plus 20 basis points). The Preferred Interests are redeemable at the option of the Partnership, subject to certain conditions. Additionally, under certain conditions, the Partnership may be required to either redeem certain of the Preferred Interests or repay indebtedness, at the Partnership's option. Such conditions would include a failure by the Partnership to maintain adequate collateral as required by its credit facility agreement or by the Statement of Preferences of the Preferred Interests or a failure by the Partnership to maintain sufficient asset coverage as required by the 1940 Act. As of June 30, 2014, the Partnership was in full compliance with such requirements.

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

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

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

legal actions. The maximum exposure under these arrangements and activities is unknown. However, management expects the risk of material loss to be remote.

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

Revolving Loan Facilities	\$23,051,808
Delayed Draw Loans and Notes	19,827,496
Letters of Credit	9,379,246
Total Unfunded Commitments	\$52,258,550

TCP Capital Corp.

Notes to Consolidated Financial Statements (Unaudited) (Continued)

June 30, 2014

## 6. Related Parties

The Company, the Partnership, TCPC Funding, the SBIC, the Investment Manager, the General Partner and their members and affiliates may be considered related parties. From time to time, the Partnership advances payments to third parties on behalf of the Company which are reimbursable through deductions from distributions to the Company. At June 30, 2014, no such amounts were outstanding. From time to time, the Investment Manager advances payments to third parties on behalf of the Company and the Partnership and receives reimbursement from the Company and the Partnership. At June 30, 2014, amounts reimbursable to the Investment Manager totaled \$1,750,735, 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 six months ended June 30, 2014, expenses allocated pursuant to the Administration Agreements totaled \$629,612. 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 in connection with the Company’s dividend reinvestment plan for the six months ended June 30, 2014.

	Shares Issued	Price Per Share	Net Proceeds
Shares issued from dividend reinvestment plan	214	\$ 17.38	\$ 3,715

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

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

TCP Capital Corp.

Notes to Consolidated Financial Statements (Unaudited) (Continued)

June 30, 2014

### 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 six months ended June 30, 2014:

Date Declared	Record Date	Payment Date	Amount Per Share	Total Amount
March 6, 2014	March 17, 2014	March 31, 2014	\$ 0.36	\$ 13,031,970
May 7, 2014	June 18, 2014	June 30, 2014	\$ 0.41	* \$ 14,842,008
				\$ 27,873,978

\* Includes a special dividend of \$0.05.

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

Date Declared	Record Date	Payment Date	Amount Per Share	Total Amount
March 7, 2013	March 18, 2013	March 29, 2013	\$ 0.40	* \$ 8,591,051
May 8, 2013	June 7, 2013	June 28, 2013	\$ 0.36	\$ 9,595,344
				\$ 18,186,395

\* 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 six months ended June 30, 2014 and June 30, 2013:

	Six Months Ended June 30, 2014	Six Months Ended June 30, 2013
Net increase in net assets applicable to common shareholders resulting from operations	\$ 30,135,396	\$ 22,176,346
Weighted average shares outstanding	36,199,969	22,564,670
Earnings per share	\$ 0.83	\$ 0.98

## 9. Subsequent Events

On August 7, 2014, the Company's board of directors declared a third quarter cash dividend of \$0.36 per share payable on September 30, 2014 to stockholders of record as of the close of business on September 16, 2014.

On August 1, 2014, the Holding Company closed a public offering of 5.4 million shares of its common stock at \$17.33 per share for gross proceeds of approximately \$93.6 million and net proceeds of \$90.4 million, net of underwriter discounts and approximately \$0.4 million of expenses related to the offering.

TCP Capital Corp.

Notes to Consolidated Financial Statements (Unaudited) (Continued)

June 30, 2014

**10. Financial Highlights**

	Six Months Ended June 30,			
	2014		2013	
Per Common Share				
Per share NAV at beginning of period <sup>(1)</sup>	\$ 15.18		\$ 14.71	
Investment operations:				
Net investment income	1.00		1.13	
Net realized and unrealized gain	0.06		0.13	
Dividends on Series A preferred equity facility	(0.02)	)	(0.03)	)
Incentive allocation reserve and distributions	(0.21)	)	(0.25)	)
Total from investment operations	0.83		0.98	
Issuance of common stock	-		0.01	
Issuance of convertible debt	0.07		-	
Distributions to common shareholders from:				
Net investment income	(0.77)	)	(0.76)	)
Per share NAV at end of period	\$ 15.31		\$ 14.94	
Per share market price at end of period	\$ 18.21		\$ 16.77	
Total return based on market value <sup>(1), (2)</sup>	13.1	%	18.9	%
Total return based on net asset value <sup>(1), (3)</sup>	5.9	%	6.7	%
Shares outstanding at end of period	36,200,130		26,654,701	

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TCP Capital Corp.

Notes to Consolidated Financial Statements (Unaudited) (Continued)

June 30, 2014

**10. Financial Highlights (continued)**

	<i>Six Months Ended June 30,</i>			
	<i>2014</i>		<i>2013</i>	
Ratios to average common equity: <sup>(4), (5)</sup>				
Net investment income <sup>(6)</sup>	11.8	%	13.5	%
Expenses	4.0	%	3.4	%
Expenses and incentive allocation <sup>(7)</sup>	5.3	%	4.8	%
Ending common shareholder equity	\$554,391,982		\$398,188,158	
Portfolio turnover rate <sup>(1)</sup>	19.1	%	22.6	%
Weighted-average debt outstanding	\$136,015,368		\$68,712,707	
Weighted-average interest rate on debt	2.2	%	0.9	%
Weighted-average number of common shares	36,199,969		22,564,670	
Average debt per share	\$3.76		\$3.05	

(1) Not annualized.

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

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

(4) Annualized, except for incentive allocation.

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

(6) Net of incentive allocation.

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



TCP Capital Corp.

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

Six Months Ended June 30, 2014

Security	Acquisitions	Dispositions <sup>(2)</sup>	Dividends or Interest <sup>(3)</sup>
AGY Holding Corp., Senior Secured Term Loan, 12%, due 9/15/16	\$ -	\$ -	\$ 378,971
AGY Holding Corporation, Senior Secured 2nd Lien Notes, 11%, due 11/15/16	-	-	509,740
Anacomp, Inc., Class A Common Stock	-	-	-
EPMC HoldCo, LLC, Membership Units	-	(587,048 )	-
ESP Holdings, Inc., Cumulative Preferred 15%	-	(2,489,100 )	1,968,748
ESP Holdings, Inc., Common Stock	-	(2,955,297 )	289,315
ESP Holdings, Inc., Junior Unsecured Subordinated Promissory Notes, 6% Cash + 10% PIK, due 12/31/19	-	(7,959,369 )	205,175
Globecomm Systems Inc., Senior Secured 1st Lien Term Loan, LIBOR + 7.625%, 1.25% LIBOR Floor, due 12/11/18	-	(75,000 )	668,556
KAGY Holding Company, Inc., Series A Preferred Stock	-	-	-
N510UA Aircraft Secured Mortgage, 20%, due 10/26/16	-	(47,264 )	30,823
N512UA Aircraft Secured Mortgage, 20%, due 10/26/16	-	(46,248 )	31,435
N536UA Aircraft Secured Mortgage, 16%, due 9/29/14	-	(108,844 )	4,678
N545UA Aircraft Secured Mortgage, 16%, due 8/29/15	-	(72,175 )	17,094
N585UA Aircraft Secured Mortgage, 20%, due 10/25/16	-	(392,795 )	27,571
N659UA Aircraft Secured Mortgage, 12%, due 2/28/16	-	(546,206 )	148,446
N661UA Aircraft Secured Mortgage, 12%, due 5/4/16	-	(529,708 )	154,955
N510UA Equipment Trust Beneficial Interests	47,264	(17,956 )	42,916
N512UA Equipment Trust Beneficial Interests	46,248	(17,662 )	42,592
N536UA Equipment Trust Beneficial Interests	80,397	(467,756 )	40,259
N545UA Equipment Trust Beneficial Interests	72,175	(23,768 )	54,258
N585UA Equipment Trust Beneficial Interests	92,583	(536,863 )	31,098
N913DL Aircraft Secured Mortgage, 8%, due 3/15/17	-	(41,134 )	10,735
N918DL Aircraft Secured Mortgage, 8%, due 8/15/18	-	(36,413 )	14,788
N954DL Aircraft Secured Mortgage, 8%, due 3/20/19	-	(41,833 )	19,780
N955DL Aircraft Secured Mortgage, 8%, due 6/20/19	-	(40,241 )	20,568
N956DL Aircraft Secured Mortgage, 8%, due 5/20/19	-	(40,910 )	20,515
N957DL Aircraft Secured Mortgage, 8%, due 6/20/19	-	(40,592 )	20,747
N959DL Aircraft Secured Mortgage, 8%, due 7/20/19	-	(40,278 )	20,978
N960DL Aircraft Secured Mortgage, 8%, due 10/20/19	-	(39,684 )	21,841
N961DL Aircraft Secured Mortgage, 8%, due 8/20/19	-	(40,643 )	21,566
N976DL Aircraft Secured Mortgage, 8%, due 2/15/18	-	(42,269 )	14,925

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N913DL Equipment Trust Beneficial Interests	41,134	(47,016	)	8,402
N918DL Equipment Trust Beneficial Interests	36,413	(44,668	)	6,713
N954DL Equipment Trust Beneficial Interests	41,833	(53,876	)	6,209
N955DL Equipment Trust Beneficial Interests	40,241	(53,218	)	5,775
N956DL Equipment Trust Beneficial Interests	40,910	(53,952	)	5,790
N957DL Equipment Trust Beneficial Interests	40,592	(53,728	)	5,673
N959DL Equipment Trust Beneficial Interests	40,278	(53,508	)	5,559
N960DL Equipment Trust Beneficial Interests	39,684	(53,338	)	5,127
N961DL Equipment Trust Beneficial Interests	40,643	(54,274	)	5,254
N976DL Equipment Trust Beneficial Interests	42,269	(51,280	)	5,973
RM Holdco, LLC, Membership Units	-	-	-	-
RM Holdco, LLC, Subordinated Convertible Term Loan, 1.12% PIK, due 3/21/18	-	-	-	29,083
RM OpCo, LLC, Senior Secured 1st Lien Term Loan Tranche A, 11%, due 3/19/16	171,723	(47,493	)	204,293
RM OpCo, LLC, Senior Secured 1st Lien Term Loan Tranche B, 12% Cash + 7% PIK, due 3/19/16	608,160	-	-	683,624
RM OpCo, LLC, Senior Secured 1st Lien Term Loan Tranche B-1, 12% Cash + 7% PIK, due 3/19/16	198,627	-	-	222,963
RM OpCo, LLC, Convertible 1st Lien Term Loan Tranche B-1, 12% Cash + 7% PIK, due 3/21/16	127,300	-	-	142,835
United N659UA-767, LLC (N659UA)	546,206	(337,356	)	201,124
United N661UA-767, LLC (N661UA)	529,708	(331,516	)	201,973
Wasserstein Cosmos Co-Invest, L.P., Limited Partnership Units	-	-	-	-

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

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

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

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

TCP Capital Corp.

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

Year Ended December 31, 2013

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

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N959DL Aircraft Secured Mortgage, 8%, due 7/20/19	-	(75,896	)	46,629
N960DL Aircraft Secured Mortgage, 8%, due 10/20/19	-	(74,776	)	48,285
N961DL Aircraft Secured Mortgage, 8%, due 8/20/19	-	(76,582	)	47,846
N976DL Aircraft Secured Mortgage, 8%, due 2/15/18	-	(79,647	)	34,759
N913DL Equipment Trust Beneficial Interests	77,509	(94,032	)	12,045
N918DL Equipment Trust Beneficial Interests	68,612	(89,338	)	9,213
N954DL Equipment Trust Beneficial Interests	78,825	(107,751	)	7,578
N955DL Equipment Trust Beneficial Interests	75,824	(106,437	)	6,891
N956DL Equipment Trust Beneficial Interests	77,085	(107,904	)	6,845
N957DL Equipment Trust Beneficial Interests	76,487	(107,457	)	6,648
N959DL Equipment Trust Beneficial Interests	75,896	(107,015	)	6,456
N960DL Equipment Trust Beneficial Interests	74,776	(106,678	)	5,662
N961DL Equipment Trust Beneficial Interests	76,582	(108,546	)	5,805
N967DL Equipment Trust Beneficial Interests	79,647	(102,560	)	7,056
RM Holdco, LLC, Membership Units	-	-		-
RM Holdco, LLC, Subordinated Convertible Term Loan, 1.12% PIK, due 3/21/18	57,991	-		57,992
RM OpCo, LLC, Senior Secured 1st Lien Term Loan Tranche A, 11%, due 3/19/16	16,974	(149,183	)	413,430
RM OpCo, LLC, Senior Secured 1st Lien Term Loan Tranche B, 12% Cash + 7% PIK, due 3/19/16	567,205	-		1,258,016
RM OpCo, LLC, Senior Secured 1st Lien Term Loan Tranche B-1, 12% Cash + 7% PIK, due 3/19/16	186,901	-		410,004
RM OpCo, LLC, Convertible 1st Lien Term Loan Tranche B-1, 12% Cash + 7% PIK, due 3/21/16	1,339,883	-		182,711
United N659UA-767, LLC (N659UA)	999,280	(674,714	)	316,842
United N661UA-767, LLC (N661UA)	969,098	(663,034	)	313,627
Wasserstein Cosmos Co-Invest, L.P., Limited Partnership Units	5,000,000	-		-

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

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

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

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

TCP Capital Corp.

## Consolidated Schedule of Restricted Securities of Unaffiliated Issuers (Unaudited)

June 30, 2014

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

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TCP Capital Corp.

## Consolidated Schedule of Restricted Securities of Unaffiliated Issuers

December 31, 2013

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



## TCP Capital Corp

## Consolidating Statement of Assets and Liabilities (Unaudited)

June 30, 2014

	TCP Capital Corp. Standalone	Special Value Continuation Partners, LP Consolidated	Eliminations	TCP Capital Corp. Consolidated
<b>Assets</b>				
<b>Investments:</b>				
Companies less than 5% owned	\$-	\$827,560,564	\$-	\$827,560,564
Companies 5% to 25% owned	-	50,409,131	-	50,409,131
Companies more than 25% owned	-	16,699,429	-	16,699,429
Investment in subsidiary	657,998,651	-	(657,998,651)	-
Total investments	657,998,651	894,669,124	(657,998,651)	894,669,124
Cash and cash equivalents	-	29,379,532	-	29,379,532
Accrued interest income	-	8,621,398	-	8,621,398
Receivable for investment securities sold	-	17,396,874	-	17,396,874
Deferred debt issuance costs	3,344,134	4,006,987	-	7,351,121
Receivable for investments sold	-	17,396,874	-	17,396,874
Interest rate cap option	-	1,855	-	1,855
Receivable from subsidiary	400,000	-	(400,000 )	-
Prepaid expenses and other assets	101,156	1,084,347	-	1,185,503
Total assets	661,843,941	955,160,117	(658,398,651)	958,605,407
<b>Liabilities</b>				
Debt	105,500,788	145,000,000	-	250,500,788
Payable for investment securities purchased	-	8,561,631	-	8,561,631
Incentive allocation payable	-	3,613,830	-	3,613,830
Payable to the Investment Manager	1,241,631	509,104	-	1,750,735
Interest payable	246,604	636,216	-	882,820
Unrealized depreciation on swaps	-	208,862	-	208,862
Payable to Parent	-	400,000	(400,000 )	-
Accrued expenses and other liabilities	462,936	2,135,484	-	2,598,420
Total liabilities	107,451,959	161,065,127	(400,000 )	268,117,086
<b>Preferred equity facility</b>				
Series A preferred limited partner interests	-	134,000,000	-	134,000,000
	-	494,140	-	494,140

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Accumulated dividends on Series A preferred equity facility				
Total preferred limited partner interests	-	134,494,140	-	134,494,140
Non-controlling interest				
General Partner interest in Special Value Continuation Partners, LP	-	-	1,602,199	1,602,199
Net assets	\$554,391,982	\$659,600,850	\$(659,600,850)	\$554,391,982
Composition of net assets				
Common stock	\$36,200	\$-	\$-	\$36,200
Additional paid-in capital	670,361,329	771,171,985	(771,171,985)	670,361,329
Accumulated deficit	(116,005,547)	(111,571,135)	113,173,334	(114,403,348)
Non-controlling interest	-	-	(1,602,199 )	(1,602,199 )
Net assets	\$554,391,982	\$659,600,850	\$(659,600,850)	\$554,391,982

## TCP Capital Corp

## Consolidating Statement of Assets and Liabilities

December 31, 2013

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

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

TCP Capital Corp.

## Consolidating Statement of Operations (Unaudited)

Six Months Ended June 30, 2014

	TCP Capital Corp. Standalone	Special Value Continuation Partners, LP Consolidated	Eliminations	TCP Capital Corp. Consolidated
Investment income				
Interest income:				
Companies less than 5% owned	\$-	\$40,474,125	\$-	\$40,474,125
Companies 5% to 25% owned	-	2,694,179	-	2,694,179
Companies more than 25% owned	-	492,462	-	492,462
Dividend income:				
Companies 5% to 25% owned	-	1,968,748	-	1,968,748
Other income:				
Companies less than 5% owned	-	954,316	-	954,316
Companies 5% to 25% owned	-	208,543	-	208,543
Companies more than 25% owned	-	463,572	-	463,572
Total interest and related investment income	-	47,255,945	-	47,255,945
Operating expenses				
Management and advisory fees	-	5,991,080	-	5,991,080
Interest expense	251,319	1,225,293	-	1,476,612
Amortization of deferred debt issuance costs	25,866	776,282	-	802,148
Administration expenses	-	636,275	-	636,275
Legal fees, professional fees and due diligence expenses	184,807	374,586	-	559,393
Commitment fees	-	407,062	-	407,062
Director fees	55,023	112,359	-	167,382
Insurance expense	39,552	79,276	-	118,828
Custody fees	1,750	109,906	-	111,656
Other operating expenses	576,081	192,563	-	768,644
Total expenses	1,134,398	9,904,682	-	11,039,080
Net investment income (loss)	(1,134,398 )	37,351,263	-	36,216,865
Net realized and unrealized gain (loss) on investments and foreign currency				
Net realized gain (loss):				
Investments in companies less than 5% owned	-	(6,670,011 )	-	(6,670,011 )

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Investments in companies 5% to 25% owned	-	808,411	-	808,411
Net realized loss	-	(5,861,600 )	-	(5,861,600 )
Net change in unrealized appreciation/depreciation	-	8,029,680	-	8,029,680
Net realized and unrealized gain	-	2,168,080	-	2,168,080
Interest in earnings of subsidiary	31,269,794	-	(31,269,794)	-
Dividends paid on Series A preferred equity facility	-	(725,812 )	-	(725,812 )
Net change in accumulated dividends on Series A preferred equity facility	-	10,112	-	10,112
Distributions of incentive allocation to the General Partner from net investment income	-	-	(7,100,233 )	(7,100,233 )
Net change in reserve for incentive allocation	-	-	(433,616 )	(433,616 )
Net increase in net assets resulting from operations	\$ 30,135,396	\$ 38,803,643	\$(38,803,643)	\$ 30,135,396

TCP Capital Corp.

## Consolidating Statement of Operations (Unaudited)

Six Months Ended June 30, 2013

	TCP Capital Corp. Standalone	Special Value Continuation Partners, LP Standalone	Eliminations	TCP Capital Corp. Consolidated
Investment income				
Interest income:				
Unaffiliated issuers	\$-	\$27,487,968	\$-	\$27,487,968
Controlled companies	-	642,585	-	642,585
Affiliates	-	2,096,165	-	2,096,165
Other income:				
Unaffiliated issuers	-	576,948	-	576,948
Controlled companies	-	311,515	-	311,515
Other Affiliates	-	219,756	-	219,756
Total interest and related investment income	-	31,334,937	-	31,334,937
Operating expenses				
Management and advisory fees	-	3,905,033	-	3,905,033
Administration expenses	-	335,616	-	335,616
Amortization of deferred debt issuance costs	-	251,478	-	251,478
Legal fees, professional fees and due diligence expenses	220,446	80,758	-	301,204
Interest expense	-	323,109	-	323,109
Commitment fees	-	61,094	-	61,094
Director fees	47,751	96,058	-	143,809
Insurance expense	26,228	52,567	-	78,795
Custody fees	1,750	57,901	-	59,651
Other operating expenses	274,629	142,877	-	417,506
Total expenses	570,804	5,306,491	-	5,877,295
Net investment income	(570,804 )	26,028,446	-	25,457,642
Net realized and unrealized gain (loss) on investments and foreign currency				
Net realized gain (loss):				
Investments in unaffiliated issuers	-	(3,577,502 )	-	(2,034,839 )
Net realized loss	-	(3,577,502 )	-	(2,034,839 )

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Net change in unrealized appreciation/depreciation	22,747,150	6,591,253	(22,747,150)	5,048,590
Net realized and unrealized gain (loss)	22,747,150	3,013,751	(22,747,150)	3,013,751
Dividends paid on Series A preferred equity facility	-	(786,082 )	-	(786,082 )
Net change in accumulated dividends on Series A preferred equity facility	-	35,122	-	35,122
Distributions of incentive allocation to the General Partner from net investment income	-	-	(4,941,336 )	(4,941,336 )
Distributions of incentive allocation to the General Partner from net realized gains	-	-	(258,441 )	(258,441 )
Net change in reserve for incentive allocation	-	-	(344,310 )	(344,310 )
Net increase in net assets resulting from operations	\$ 22,176,346	\$ 28,291,237	\$(28,291,237)	\$ 22,176,346



**Item 2. Management’s Discussion and Analysis of Financial Condition and Results of Operations**

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

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

the timing of cash flows, if any, from the operations of our portfolio companies;

the timing, form and amount of any dividend distributions; and

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

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

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

## Overview

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

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

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

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

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

### *Investments*

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

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

companies that were eligible portfolio companies at the time of initial investment but that no longer meet the definition. As of June 30, 2014, 86.9% of our total assets were invested in qualifying assets.

### ***Revenues***

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

*Expenses*

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

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

taxes;

director fees and expenses;

costs of preparing and filing reports or other documents with the SEC;

costs of any reports, proxy statements or other notices to our stockholders, including printing costs;

our fidelity bond;

directors and officers/errors and omissions liability insurance, and any other insurance premiums;

indemnification payments;

direct costs and expenses of administration, including audit and legal costs; and

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

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

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

### **Critical accounting policies**

Our discussion and analysis of our financial condition and results of operations are based upon our financial statements, which have been prepared in accordance with GAAP. The preparation of these financial statements requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenues and expenses. Changes in the economic environment, financial markets and any other parameters used in determining such estimates could cause actual results to differ. Management considers the following critical accounting policies important to understanding the financial statements. In addition to the discussion below, our critical accounting policies are further described in the notes to our financial statements.

### ***Valuation of portfolio investments***

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

Investments for which market quotations are readily available are valued at such market quotations unless the quotations are deemed not to represent fair value. We generally obtain market quotations from recognized exchanges, market quotation systems, independent pricing services or one or more broker-dealers or market makers. However, short term debt investments with remaining maturities within 90 days are generally valued at amortized cost, which approximates fair value. Debt and equity securities for which market quotations are not readily available, which is the case for many of our investments, or for which market quotations are deemed not to represent fair value, are valued at

fair value using a consistently applied valuation process in accordance with our documented valuation policy that has been reviewed and approved by our board of directors, who also approve in good faith the valuation of such securities as of the end of each quarter. Due to the inherent uncertainty and subjectivity of determining the fair value of investments that do not have a readily available market value, the fair value of our investments may differ significantly from the values that would have been used had a readily available market value existed for such investments and may differ materially from the values that we may ultimately realize. In addition, changes in the market environment and other events may have differing impacts on the market quotations used to value some of our investments than on the fair values of our investments for which market quotations are not readily available. Market quotations may be deemed not to represent fair value in certain circumstances where we believe that facts and circumstances applicable to an issuer, a seller or purchaser, or the market for a particular security cause current market quotations to not reflect the fair value of the security. Examples of these events could include cases where a security trades infrequently causing a quoted purchase or sale price to become stale, where there is a “forced” sale by a distressed seller, where market quotations vary substantially among market makers, or where there is a wide bid-ask spread or significant increase in the bid-ask spread.

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

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

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



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

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

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

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

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

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

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

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

As of June 30, 2014, 0.1% of our investments were categorized as Level 1, 25.8% were categorized as Level 2, 73.4% were Level 3 investments valued based on valuations by independent third party sources, and 0.7% 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 June 30, 2014, we invested approximately \$168.6 million across 9 new and 5 existing portfolio companies. Of these investments, 100% were in senior secured debt comprised of senior loans (\$157.1 million, or 93% of the total) and senior secured notes (\$11.5 million, or 7% of the total). Additionally, we received approximately \$87.9 million in proceeds from sales or repayments of investments during the three months ended June 30, 2014.

During the six months ended June 30, 2014, we invested approximately \$279.0 million across 17 new and 8 existing portfolio companies. Of these investments, 99.9% were in senior secured debt comprised of senior loans (\$242.8 million, or 87.0% of the total) and senior secured notes (\$36.0 million, or 12.9% of the total). The remaining \$0.2 million (0.1% of the total) were comprised of two equity investments and PIK payments received on investments in unsecured debt. Additionally, we received approximately \$155.4 million in proceeds from sales or repayments of investments during the six months ended June 30, 2014.

At June 30, 2014, our investment portfolio of \$894.7 million (at fair value) consisted of 74 portfolio companies and was invested 97% in debt investments, of which 99.9% was in senior secured debt and 0.1% in subordinated debt. In aggregate, our investment portfolio was invested 81% in senior secured loans, 16% in senior secured notes, less than 1% in subordinated debt, and 3% in equity investments. Our average portfolio company investment at fair value was approximately \$12.1 million. Our largest portfolio company investment by value was approximately \$30.6 million and our five largest portfolio company investments by value comprised approximately 13% of our portfolio at June 30, 2014. At December 31, 2013, our investment portfolio of \$766.3 million (at fair value) consisted of 67 portfolio companies and was invested 95% in debt investments, of which 98% was in senior secured debt and 2% in unsecured or subordinated debt. In aggregate, our investment portfolio was invested 76% in senior secured loans, 17% in senior secured notes, 2% in unsecured or subordinated debt, and 5% in equity investments. Our average portfolio company investment at fair value was approximately \$11.4 million. Our largest portfolio company investment by value was approximately \$21.3 million and our five largest portfolio company investments by value comprised approximately 13% of our portfolio at December 31, 2013.



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

<b>Industry</b>	<b>Percent of Total Investments</b>	
Computer Systems Design and Related Services	10.6	%
Software Publishers	10.0	%
Radio and Television Broadcasting	3.7	%
Wireless Telecommunications	3.5	%
Newspaper, Periodical, Book, and Directory Publishers	3.5	%
Scheduled Air Transportation	3.1	%
Nondepository Credit Intermediation	2.9	%
Basic Chemical Manufacturing	2.8	%
Wired Telecommunications Carriers	2.7	%
General Medical and Surgical Hospitals	2.3	%
Chemical Manufacturing	2.3	%
Other Information Services	2.2	%
Nonscheduled Air Transportation	2.2	%
Communications Equipment Manufacturing	2.2	%
Scientific Research and Development Services	2.1	%
Gaming Industries	2.0	%
Retail	2.0	%
Advertising, Public Relations, and Related Services	2.0	%
Business Support Services	1.9	%
Activities Related to Real Estate	1.9	%
Electrical Equipment and Component Manufacturing	1.8	%
Full-Service Restaurants	1.8	%
Lessors of Nonfinancial Intangible Assets	1.8	%
Textile Furnishings Mills	1.8	%
Motion Picture and Video Industries	1.7	%
Structured Note Funds	1.7	%
Cut and Sew Apparel Manufacturing	1.6	%
Plastics Products Manufacturing	1.6	%
Other Telecommunications	1.6	%
Oil and Gas Extraction	1.6	%
Lessors of Real Estate	1.5	%
Grocery Stores	1.4	%
Financial Investment Activities	1.4	%
Insurance Carriers	1.3	%
Electric Power Generation, Transmission and Distribution	1.3	%
Artificial Synthetic Fibers and Filaments Manufacturing	1.2	%
Satellite Telecommunications	1.2	%
Merchant Wholesalers	1.0	%
Computer Equipment Manufacturing	1.0	%
Other	5.8	%
<b>Total</b>	<b>100.0</b>	<b>%</b>

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The weighted average effective yield of the debt securities in our portfolio was 10.7% at June 30, 2014 and 10.9% at December 31, 2013. The weighted average effective yields on our senior debt and other debt investments were 10.7% and 5.7%, respectively, at June 30, 2014, versus 10.9% and 13.1% at December 31, 2013.

At June 30, 2014, 77.0% of our debt investments bore interest based on floating rates, such as LIBOR, EURIBOR, the Federal Funds Rate or the Prime Rate, and 23.0% bore interest at fixed rates. The percentage of our floating rate debt investments that bore interest based on an interest rate floor was 89.0% at June 30, 2014. At December 31, 2013, 71.2% of our debt investments bore interest based on floating rates, and 28.8% bore interest at fixed rates. The percentage of our floating rate debt investments that bore interest based on an interest rate floor was 92.1% at December 31, 2013.

## Results of operations

### *Investment income*

Investment income totaled \$24.6 million and \$14.5 million, respectively, for the three months ended June 30, 2014 and 2013, of which \$23.9 million and \$13.8 million were attributable to interest and fees on our debt investments and \$0.7 million and \$0.7 million to other income, respectively. The increase in investment income in the three months ended June 30, 2014 compared to the three months ended June 30, 2013 reflects an increase in interest income due to the larger investment portfolio and a higher percentage of the portfolio in income-producing assets in the three months ended June 30, 2014 compared to the three months ended June 30, 2013.

Investment income totaled \$47.3 million and \$31.3 million, respectively, for the six months ended June 30, 2014 and 2013, of which \$43.7 million and \$30.2 million were attributable to interest and fees on our debt investments, \$2.0 million and \$0.0 million to dividends from equity securities, and \$1.6 million and \$1.1 million to other income, respectively. The increase in investment income in the six months ended June 30, 2014 compared to the six months ended June 30, 2013 reflects an increase in interest income due to the larger investment portfolio and a higher percentage of the portfolio in income-producing assets in the six months ended June 30, 2014 compared to the six months ended June 30, 2013 and an increase in dividend income and other income.

### *Expenses*

Total operating expenses for the three months ended June 30, 2014 and 2013 were \$6.2 million and \$3.0 million, respectively, comprised of \$3.1 million and \$1.9 million in base management fees, \$0.4 million and \$0.2 million in legal and professional fees, \$1.3 million and \$0.2 million in interest expense and fees related to the Notes and the Revolving Facilities, \$0.4 million and \$0.1 million in amortization of debt issuance costs, and \$1.0 million and \$0.6 million in other expenses, respectively. The increase in expenses in the three months ended June 30, 2014 compared to the three months ended June 30, 2013 primarily reflects the increase in management fees due to the larger portfolio and the increase in interest expense and other costs related to the increase in available and outstanding debt and the higher average interest rate following the issuance of the Notes.

Total operating expenses for the six months ended June 30, 2014 and 2013 were \$11.0 million and \$5.9 million, respectively, comprised of \$6.0 million and \$3.9 million in base management fees, \$0.6 million and \$0.3 million in legal and professional fees, \$1.9 million and \$0.4 million in interest expense and fees related to the Notes and the Revolving Facilities, \$0.8 million and \$0.3 million in amortization of debt issuance costs, and \$1.8 million and \$1.0 million in other expenses, respectively. The increase in expenses in the six months ended June 30, 2014 compared to the six months ended June 30, 2013 primarily reflects the increase in management fees due to the larger portfolio and

the increase in interest expense and other costs related to the increase in available and outstanding debt and the higher average interest rate following the issuance of the Notes.

*Net investment income*

Net investment income was \$18.4 million and \$11.5 million, respectively, for the three months ended June 30, 2014 and 2013. The increase in net investment income in the three months ended June 30, 2014 compared to the three months ended June 30, 2013 primarily reflects the increased interest income in the three months ended June 30, 2014, partially offset by the increase in expenses.

Net investment income was \$36.2 million and \$25.5 million, respectively, for the six months ended June 30, 2014 and 2013. The increase in net investment income in the six months ended June 30, 2014 compared to the six months ended June 30, 2013 primarily reflects the increased interest and dividend income in the six months ended June 30, 2014, partially offset by the increase in expenses.

*Net realized and unrealized gain or loss*

Net realized gains (losses) for the three months ended June 30, 2014 and 2013 were \$0.9 million and \$(4.1) million, respectively. The net realized loss during the three months ended June 30, 2013 was primarily due to a charge on the recapitalization of AGY, a transaction in which we received both new debt and preferred equity in a deleveraged company. The initial AGY investment was part of our legacy distressed debt strategy and has generated substantial cash interest income. For the three months ended June 30, 2014 and 2013, the change in net unrealized depreciation was \$(3.9) million and \$4.8 million, respectively. The change in net unrealized depreciation for the three months ended June 30, 2014 was primarily due to an investment made prior to our initial public offering as part of our legacy distressed strategy and which has yielded significant income for many years. The Company also had an unrealized mark to market adjustment on certain of our United Airlines aircraft. The change in net unrealized depreciation for the three months ended June 30, 2013 was primarily due to the reversal of unrealized depreciation from the recapitalization of AGY.



Net realized gains (losses) for the six months ended June 30, 2014 and 2013 were \$(5.9) million and \$(3.6) million, respectively. The net realized loss during the six months ended June 30, 2014 was due primarily to the disposition of our investment in ESP Holdings, Inc., an investment made prior to our initial public offering as part of our legacy distressed strategy and which has generated substantial cash interest income. For the six months ended June 30, 2014 and 2013, the change in net unrealized appreciation was \$8.0 million and \$6.6 million, respectively. The change in net unrealized depreciation for the six months ended June 30, 2014 and June 30, 2014 were primarily due to reversals of prior period unrealized depreciation.

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

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

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

***Dividends to preferred equity holders***

Dividends on the Preferred Interests for the three months ended June 30, 2014 and 2013 were \$0.4 million and \$0.4 million, respectively, as average LIBOR rates for the two periods were similar. Dividends on the Preferred Interests for the six months ended June 30, 2014 and 2013 were \$0.7 million and \$0.8 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 June 30, 2014 and 2013 was \$3.6 million and \$2.5 million, respectively. Incentive compensation distributable to the General Partner for the six months ended June 30, 2014 and 2013 was \$7.1 million and \$5.2 million, respectively. Incentive compensation for the

three and six months ended June 30, 2014 and 2013 was distributable due to our performance exceeding the total return threshold. The reserve for incentive compensation to the General Partner decreased during the three months ended June 30, 2014 and 2013 by \$0.6 million and \$0.1 million, respectively. The reserve for incentive compensation to the General Partner increased during the six months ended June 30, 2014 and 2013 by \$0.4 million and \$0.3 million, respectively. The change in reserve for incentive compensation for the three and six months ended June 30, 2014 reflects the change in the amount in excess of distributable incentive compensation which would have been earned by the General Partner had we liquidated at net asset value at June 30, 2014 and June 30, 2013, respectively.

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

The net increase in net assets resulting from operations was \$12.0 million and \$9.4 million for the three months ended June 30, 2014 and 2013, respectively. The higher net increase in net assets resulting from operations during the three months ended June 30, 2014 is primarily due to the increase in net investment income, partially offset by the net realized and unrealized loss during the three months ended June 30, 2014 compared to the net realized and unrealized gain during the three months ended June 30, 2013. The net increase in net assets resulting from operations was \$30.1 million and \$22.2 million for the six months ended June 30, 2014 and 2013, respectively. The higher net increase in net assets resulting from operations during the six months ended June 30, 2014 is primarily due to the increase in net investment income.

**Liquidity and capital resources**

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

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

	Rate	Carrying Value **	Available	Total Capacity
Operating Company Facility	L+44*	\$ 45,000,000	\$71,000,000	\$ 116,000,000
TCPC Funding Facility	L+250*	100,000,000	100,000,000	200,000,000
Notes (\$108 million par)	5.25%	105,500,788	-	105,500,788
SBA Program	TBD	-	75,000,000	75,000,000
Preferred Interests	L+85*	134,000,000	-	134,000,000
Total Leverage Program		\$ 384,500,788	\$246,000,000	\$ 630,500,788

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

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

Net cash used in operating activities during the six months ended June 30, 2014 was \$117.8 million. Our primary use of cash in operating activities during this period consisted of the settlement of acquisitions of investments (net of dispositions) of \$140.8 million, partially offset by net investment income less preferred dividends and incentive allocation (net of non-cash income and expenses) of approximately \$23.0 million.

Net cash provided by financing activities was \$124.2 million during the six months ended June 30, 2014, consisting primarily of \$158.0 million of net borrowings, reduced by \$27.9 million in dividends on common equity, \$0.7 million in dividends on the Preferred Interests, and payment of \$5.2 million in debt issuance costs.

At June 30, 2014, we had \$29.4 million in cash and cash equivalents.

The Revolving Facilities are secured by substantially all of the assets in our portfolio, including cash and cash equivalents, and are subject to compliance with customary affirmative and negative covenants, including the maintenance of a minimum shareholders' equity, the maintenance of a ratio of not less than 200% of total assets (less total liabilities other than indebtedness) to the sum of total preferred equity and indebtedness, and restrictions on certain payments and issuance of debt. Unfavorable economic conditions may result in a decrease in the value of our investments, which would affect both the asset coverage ratios and the value of the collateral securing the Revolving Facilities, and may therefore impact our ability to borrow under the Revolving Facilities. In addition to regulatory restrictions that restrict our ability to raise capital, the Leverage Program contains various covenants which, if not complied with, could accelerate repayment of debt or require redemption of the Preferred Interests, thereby materially and adversely affecting our liquidity, financial condition and results of operations. At June 30, 2014, we were in compliance with all financial and operational covenants required by the Leverage Program.

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

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

## Contractual obligations

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

## Distributions

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

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

Date Declared	Record Date	Payment Date	Amount Per Share	Total Amount
March 6, 2014	March 17, 2014	March 31, 2014	\$ 0.36	\$13,031,970
May 7, 2014	June 18, 2014	June 30, 2014	0.41	* 14,842,008
Total for six months ended June 30, 2014			\$ 0.77	\$27,873,978
March 7, 2013	March 18, 2013	March 29, 2013	\$ 0.40	* \$8,591,051

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May 8, 2013	June 7, 2013	June 28, 2013	0.36	9,595,344
Total for six months ended June 30, 2013			\$ 0.76	\$18,186,395

\* Includes a special dividend of \$0.05.

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

	2014	2013
Shares Issued	214	1,104
Average Price Per Share	\$17.36	\$15.96
Proceeds	\$3,715	\$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, the Operating Company, TCPC Funding, and the SBIC has entered into an investment management agreement with the Advisor.

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

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

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

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



## Recent Developments

From July 1, 2014 through August 5, 2014, the Operating Company has invested approximately \$99.2 million in seven senior secured loans with a combined effective yield of approximately 11.3%.

On August 1, 2014, the Company closed a public offering of 5.4 million shares of its common stock at \$17.33 per share for gross proceeds of approximately \$93.6 million and net proceeds of \$90.4 million, net of underwriter discounts and approximately \$0.4 million of expenses related to the offering.

On August 7, 2014, the Company's board of directors declared a third quarter cash dividend of \$0.36 per share payable on September 30, 2014 to stockholders of record as of the close of business on September 16, 2014.

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

We are subject to financial market risks, including changes in interest rates. At June 30, 2014, 77.0% 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 June 30, 2014, the percentage of our floating rate debt investments that bore interest based on an interest rate floor was 89.0%. Floating rate investments subject to a floor generally reset by reference to the current market index after one to six months only if the index exceeds the floor.

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

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

Basis Point Change	Interest income	Interest Expense	Net Income
Up 300 basis points	\$ 14,881,166	\$ (8,370,000 )	\$6,511,166
Up 200 basis points	8,158,593	(5,580,000 )	2,578,593
Up 100 basis points	1,802,700	(2,790,000 )	(987,300 )
Down 100 basis points	(253,060 )	644,211	391,151
Down 200 basis points	(253,060 )	644,211	391,151
Down 300 basis points	(253,060 )	644,211	391,151

#### **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 June 30, 2014, we are currently not a party to any pending material legal proceedings.

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

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

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

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

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

On April 22, 2014, the Operating Company's wholly-owned subsidiary, the SBIC received an SBIC license from the SBA. The SBIC license allows the SBIC to obtain leverage by issuing SBA-guaranteed debentures, subject to the issuance of a capital commitment by the SBA and other customary procedures. SBA-guaranteed debentures are non-recourse, interest only debentures with interest payable semi-annually and have a ten year maturity. The principal amount of SBA-guaranteed debentures is not required to be paid prior to maturity but may be prepaid at any time without penalty. The interest rate of SBA-guaranteed debentures is fixed on a semi-annual basis at a market-driven

spread over U.S. Treasury Notes with 10-year maturities. The SBA, as a creditor, will have a superior claim to the SBIC's assets over our stockholders in the event we liquidate the SBIC or the SBA exercises its remedies under the SBA-guaranteed debentures issued by the SBIC upon an event of default.

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

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

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

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

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

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

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

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

None.

**Item 3. Defaults Upon Senior Securities.**

None.

**Item 4: Mine Safety Disclosures.**

None.

**Item 5: Other Information.**

None.

**Item 6: Exhibits**

**Number Description**

- 3.1 Articles of Incorporation of the Registrant (1)
- 3.2 Bylaws of the Registrant (2)
- 4.1 Indenture, dated as of June 17, 2014, by and between the Registrant and U.S. Bank National Association, as the Trustee(3)
- 4.2 Form of Global Note of 5.25% Convertible Senior Notes Due 2019 (included as part of Exhibit (4.1))(3)
- 10.1 Form of Amendment No. 4 to Loan Financing and Servicing Agreement, dated as of June 9, 2014, by and among TCPC Funding I, LLC, as borrower, each lender and agent from time to time party thereto, Deutsche Bank AG, New York Branch, as administrative agent, and Wells Fargo Bank, National Association, as collateral agent and collateral custodian(4)
- 31.1 Certification of Chief Executive Officer Pursuant to Rule 13a-14(a) under the Securities Exchange Act of 1934\*
- 31.2 Certification of Chief Financial Officer Pursuant to Rule 13a-14(a) under the Securities Exchange Act of 1934\*
- 32.1 Certification of Chief Executive Officer and Chief Financial Officer Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 (18 U. S. C. 1350)\*

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\* Filed herewith.

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

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

(3) Incorporated by reference to Exhibit 4.1 of the Registrant's Form 8-K filed on June 17, 2014.

(4) Incorporated by reference to Exhibit 10.01 of the Registrant's Form 8-K filed on June 9, 2014.

**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: August 7, 2014

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

Date: August 7, 2014

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