COTT CORP /CN/
Form 10-Q
November 04, 2011
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United States

Securities and Exchange Commission

Washington, D.C. 20549

FORM 10-Q

x **Quarterly Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934**
For the quarterly period ended: October 1, 2011

¨ **Transition Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934**
For the transition period from to

Commission File Number: 001-31410

COTT CORPORATION

(Exact name of registrant as specified in its charter)

CANADA	**98-0154711**
(State or Other Jurisdiction of Incorporation or Organization)	**(IRS Employer Identification No.)**
6525 VISCOUNT ROAD	
MISSISSAUGA, ONTARIO	
5519 WEST IDLEWILD AVE	**L4V 1H6**
TAMPA, FLORIDA	**33634**
(Address of principal executive offices)	**(Zip Code)**

Registrant s telephone number, including area code: (905) 672-1900 and (813) 313-1800

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

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

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of large accelerated filer, accelerated filer and smaller reporting company in Rule 12b-2 of the Exchange Act.

Large accelerated filer	¨	Accelerated filer	x
Non-accelerated filer	¨ (do not check if a smaller reporting company)	Smaller reporting company	¨

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes ¨ No x

Indicate the number of shares outstanding of each of the issuer s classes of common stock, as of the latest practicable date.

Class	Outstanding at November 1, 2011
Common Stock, no par value per share	95,101,230 shares

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PART I FINANCIAL INFORMATION

Item 1. Financial Statements
Cott Corporation

Consolidated Statements of Operations

(in millions of U.S. dollars, except share and per share amounts)

Unaudited

	For the Three Months Ended		For the Nine Months Ended	
	October 1, 2011	October 2, 2010	October 1, 2011	October 2, 2010
Revenue, net	**$ 611.3**	$ 486.9	**$ 1,785.4**	$ 1,274.5
Cost of sales	**543.7**	419.8	**1,560.2**	1,076.7
Gross profit	**67.6**	67.1	**225.2**	197.8
Selling, general and administrative expenses	**38.1**	47.3	**128.3**	114.2
Loss on disposal of property, plant & equipment	**0.5**	0.3	**0.5**	0.4
Restructuring				(0.5)
Operating income	**29.0**	19.5	**96.4**	83.7
Other expense, net	**1.3**	1.3	**2.1**	3.6
Interest expense, net	**14.4**	10.3	**43.4**	22.6
Income before income taxes	**13.3**	7.9	**50.9**	57.5
Income tax (benefit) expense	**(4.0)**	0.7	**(1.7)**	13.9
Net income	**$ 17.3**	$ 7.2	**$ 52.6**	$ 43.6
Less: Net income attributable to non-controlling interests	**1.1**	1.4	**3.1**	4.0
Net income attributed to Cott Corporation	**$ 16.2**	$ 5.8	**$ 49.5**	$ 39.6
Net income per common share attributed to Cott Corporation				
Basic	**$ 0.17**	$ 0.07	**$ 0.53**	$ 0.48
Diluted	**$ 0.17**	$ 0.07	**$ 0.52**	$ 0.47
Weighted average outstanding shares (thousands) attributed to Cott Corporation				
Basic	**94,325**	87,196	**94,179**	82,675
Diluted	**95,146**	88,956	**94,899**	83,514

The accompanying notes are an integral part of these consolidated financial statements.

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Cott Corporation

Consolidated Balance Sheets

(in millions of U.S. dollars, except share amounts)

Unaudited

	October 1, 2011	January 1, 2011
ASSETS		
Current assets		
Cash & cash equivalents	**$ 28.2**	$ 48.2
Accounts receivable, net of allowance of $11.1 ($8.3 as of January 1, 2011)	**247.7**	213.6
Income taxes recoverable	**12.6**	0.3
Inventories	**216.0**	215.5
Prepaid expenses and other assets	**30.3**	32.7
Total current assets	**534.8**	510.3
Property, plant & equipment	**483.3**	503.8
Goodwill	**129.1**	130.2
Intangibles and other assets	**348.8**	371.1
Deferred income taxes	**1.9**	2.5
Other tax receivable	**2.8**	11.3
Total assets	**$ 1,500.7**	$ 1,529.2
LIABILITIES AND EQUITY		
Current liabilities		
Short-term borrowings	**$**	$ 7.9
Current maturities of long-term debt	**4.3**	6.0
Contingent consideration earn-out	**8.5**	32.2
Accounts payable and accrued liabilities	**241.8**	276.6
Total current liabilities	**254.6**	322.7
Long-term debt	**602.5**	605.5
Deferred income taxes	**39.3**	43.6
Other long-term liabilities	**20.5**	22.2
Total liabilities	**916.9**	994.0
Equity		
Capital stock, no par - 95,101,230 (January 1, 2011 - 94,750,120) shares issued	**395.9**	395.6
Treasury stock	**(2.1)**	(3.2)
Additional paid-in-capital	**41.9**	40.8
Retained earnings	**156.0**	106.5
Accumulated other comprehensive loss	**(21.6)**	(17.5)
Total Cott Corporation equity	**570.1**	522.2
Non-controlling interests	**13.7**	13.0

Total equity		**583.8**		535.2
Total liabilities and equity	**$**	**1,500.7**	$	1,529.2

The accompanying notes are an integral part of these consolidated financial statements.

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Cott Corporation

Consolidated Statements of Cash Flows

(in millions of U.S. dollars)

Unaudited

	For the Three Months Ended		For the Nine Months Ended	
	October 1, 2011	October 2, 2010	October 1, 2011	October 2, 2010
Operating Activities				
Net income	**$ 17.3**	$ 7.2	**$ 52.6**	$ 43.6
Depreciation & amortization	**24.0**	19.1	**71.4**	49.9
Amortization of financing fees	**1.1**	0.6	**2.9**	1.6
Share-based compensation expense	**(1.6)**	1.1	**2.2**	2.8
(Decrease) increase in deferred income taxes	**(4.2)**	9.7	**(2.3)**	9.6
Write-off of financing fees		1.4		1.4
Loss on disposal of property, plant & equipment	**0.5**	0.3	**0.5**	0.4
Gain on buyback of Notes				0.1
Contract termination loss				(0.4)
Contract termination payments	**(3.1)**	(0.6)	**(3.1)**	(5.4)
Other non-cash items	**(0.1)**	0.1	**1.7**	4.3
Change in operating assets and liabilities:				
Accounts receivable	**29.5**	17.4	**(41.5)**	(28.9)
Inventories	**23.1**	(3.8)	**0.4**	(20.5)
Prepaid expenses and other assets	**2.1**	(0.5)	**0.9**	1.9
Other assets	**0.9**		**0.2**	(1.1)
Accounts payable and accrued liabilities	**(25.8)**	8.3	**(22.9)**	16.1
Income taxes recoverable	**0.2**	2.7	**(3.4)**	27.1
Net cash provided by operating activities	**63.9**	63.0	**59.6**	102.5
Investing Activities				
Acquisition	**(25.7)**	(507.7)	**(25.7)**	(507.7)
Additions to property, plant & equipment	**(8.1)**	(11.4)	**(31.4)**	(29.5)
Additions to intangibles and other assets	**(1.4)**	(0.2)	**(3.9)**	(3.6)
Proceeds from sale of property, plant & equipment	**0.1**	0.5	**0.1**	0.9
Other investing activities	**(0.1)**		**(1.8)**	
Net cash used in investing activities	**(35.2)**	(518.8)	**(62.7)**	(539.9)
Financing Activities				
Payments of long-term debt	**(1.8)**	(1.2)	**(5.2)**	(17.3)
Issuance of long-term debt		375.0		375.0
Borrowings under ABL	**80.7**	165.7	**224.1**	307.7
Payments under ABL	**(100.7)**	(126.2)	**(231.9)**	(277.8)
Distributions to non-controlling interests	**(1.7)**	(2.8)	**(4.2)**	(5.5)
Issuance of common shares, net of offering fees		71.1		71.1
Exercise of options	**0.2**		**0.3**	
Financing fees		(14.0)	**(0.1)**	(14.2)
Net cash (used in) provided by financing activities	**(23.3)**	467.6	**(17.0)**	439.0
Effect of exchange rate changes on cash	**(1.2)**	0.8	**0.1**	0.4

Net increase (decrease) in cash & cash equivalents		**4.2**		12.6		**(20.0)**		2.0
Cash & cash equivalents, beginning of period		**24.0**		20.3		**48.2**		30.9
Cash & cash equivalents, end of period	**$**	**28.2**	$	32.9	**$**	**28.2**	$	32.9
Supplemental Disclosures of Cash Flow information:								
Cash paid for interest	**$**	**16.2**	$	1.2	**$**	**44.1**	$	12.8
Cash paid (received) for income taxes, net	**$**	**0.2**	$	(10.0)	**$**	**4.4**	$	(21.8)

The accompanying notes are an integral part of these consolidated financial statements.

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Cott Corporation

Consolidated Statements of Equity

(in millions of U.S. dollars, except share amounts)

Unaudited

			Cott Corporation Equity						
	Number of Common Shares *(In thousands)*	**Number of Treasury Shares** *(In thousands)*	**Common Shares**	**Treasury Shares**	**Additional Paid-in-Capital**	**Retained Earnings**	**Accumulated Other Comprehensive Loss**	**Non-Controlling Interests**	**Total Equity**
Balance at January 2, 2010	**81,331**	**1,504**	**$ 322.5**	**$ (4.4)**	**$ 37.4**	**$ 51.8**	**$ (21.3)**	**$ 15.3**	**$ 401.3**
Common shares issued	13,340		71.1						71.1
Treasury shares issued - PSU Plan		(437)		1.2	(1.2)				
Tax impact of common shares issuance			2.0						2.0
Treasury shares issued - EISPP		(1)							
Common shares issued - Directors Share Award	79				0.7				0.7
Share-based compensation					2.2				2.2
Distributions to non-controlling interests								(5.5)	(5.5)
Comprehensive income									
Currency translation adjustment							3.9		3.9
Pension liabilities							0.3		0.3
Net income						39.6		4.0	43.6
Balance at October 2, 2010	**94,750**	**1,066**	**$ 395.6**	**$ (3.2)**	**$ 39.1**	**$ 91.4**	**$ (17.1)**	**$ 13.8**	**$ 519.6**
Balance at January 1, 2011	**94,750**	**1,051**	**$ 395.6**	**$ (3.2)**	**$ 40.8**	**$ 106.5**	**$ (17.5)**	**$ 13.0**	**$ 535.2**
Options exercised	275		0.3						0.3
Treasury shares issued - PSU Plan		(181)		0.5	(0.5)				
Treasury shares issued - EISPP		(196)		0.6	(0.6)				
Common shares issued - Directors Share Award	76				0.7				0.7
Share-based compensation					1.5				1.5
Contributions to non-controlling interests								1.8	1.8
Distributions to non-controlling interests								(4.2)	(4.2)
Comprehensive income									
Currency translation adjustment							(5.2)		(5.2)
Pension liabilities							0.5		0.5
							0.6		0.6

Unrealized gain on derivative instruments									
Net income						49.5		3.1	52.6
Balance at October 1, 2011	**95,101**	**674**	**$ 395.9**	**$ (2.1)**	**$ 41.9**	**$ 156.0**	**$ (21.6)**	**$ 13.7**	**$ 583.8**

The accompanying notes are an integral part of these consolidated financial statements.

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Cott Corporation

Condensed Consolidated Statements of Comprehensive Income

(in millions of U.S. dollars)

Unaudited

	For the Three Months Ended		For the Nine Months Ended	
	October 1, 2011	October 2, 2010	October 1, 2011	October 2, 2010
Net income	**$ 17.3**	$ 7.2	**$ 52.6**	$ 43.6
Other comprehensive (loss) income:				
Currency translation adjustment	**(15.8)**	10.5	**(5.2)**	3.9
Pension liabilities	**0.1**	0.1	**0.5**	0.3
Unrealized gain (loss) on derivative instruments	**0.6**	(0.1)	**0.6**	
Total other comprehensive (loss) income	**(15.1)**	10.5	**(4.1)**	4.2
Comprehensive income	**$ 2.2**	$ 17.7	**$ 48.5**	$ 47.8
Less: Net income attributable to non-controlling interests	**1.1**	1.4	**3.1**	4.0
Comprehensive income attributed to Cott Corporation	**$ 1.1**	$ 16.3	**$ 45.4**	$ 43.8

The accompanying notes are an integral part of these consolidated financial statements.

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Cott Corporation

Notes to the Consolidated Financial Statements

Unaudited

Note 1 Business and Recent Accounting Pronouncements

Description of Business

Cott Corporation, together with its consolidated subsidiaries (Cott, the Company, our Company, Cott Corporation, we, us, or our), is tl largest retailer brand beverage company. Our product lines include carbonated soft drinks (CSDs), clear, still and sparkling flavored waters, energy-related drinks, juice, juice-based products, bottled water and ready-to drink teas.

Basis of Presentation

The accompanying interim unaudited consolidated financial statements have been prepared in accordance with the instructions to Form 10-Q and Article 10 of Regulation S-X and in accordance with U.S. generally accepted accounting principles (GAAP) for interim financial reporting. Accordingly, they do not include all information and notes presented in the annual consolidated financial statements in conformity with U.S. GAAP. In the opinion of management, all adjustments (consisting of normal recurring accruals) considered necessary for a fair statement of our results of operations for the interim periods reported and of our financial condition as of the date of the interim balance sheet have been included. This Quarterly Report on Form 10-Q should be read in conjunction with the annual audited consolidated financial statements and accompanying notes in our Annual Report on Form 10-K for the year ended January 1, 2011. The accounting policies used in these interim consolidated financial statements are consistent with those used in the annual consolidated financial statements.

During the quarter ended January 1, 2011, we identified an error relating to pricing discounts of $3.7 million for one of our customers that occurred in our quarter ended October 2, 2010. The impact of this error was an overstatement of net revenue and operating results for the quarter and nine months ended October 2, 2010. We assessed the materiality of this error in accordance with guidance within ASC 250-10-S99 (SEC s Staff Accounting Bulletin 99) and concluded that the previously issued interim financial statements for the quarter and nine months ended October 2, 2010 are not materially misstated. In accordance with guidance within ASC 250-10-S99 (SEC s Staff Accounting Bulletin 108), we have corrected the immaterial error by revising the prior interim period financial statements for the quarter ended and nine months ended October 2, 2010.

The presentation of these interim consolidated financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the amounts reported in the consolidated financial statements and accompanying notes.

Recent Accounting Pronouncements

ASU 2010-13 Effect of Denominating the Exercise Price of a Share-Based Payment Award in the Currency of the Market in Which the Underlying Equity Security Trades

In April 2010, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2010-13, Effect of Denominating the Exercise Price of a Share-Based Payment Award in the Currency of the Market in Which the Underlying Equity Security Trades, to address the classification of an employee share-based payment award with an exercise price denominated in the currency of a market in which the underlying equity security trades. This update provides amendments to Topic 718 to clarify that an employee share-based payment award with an exercise price denominated in the currency of a market in which a substantial portion of the entity s equity securities trades should not be considered to contain a condition that is not a market, performance, or service condition. Therefore, an entity would not classify such an award as a liability if it otherwise qualifies as equity. We adopted the provisions of this standard during the first quarter of 2011. This standard does not have an impact on our consolidated financial statements.

ASU 2011-05 Comprehensive Income: Presentation of Comprehensive Income

In June 2011, the FASB amended its guidance on the presentation of comprehensive income in financial statements to improve the comparability, consistency and transparency of financial reporting and to increase the prominence of items that are recorded in other comprehensive income. The new accounting guidance requires entities to report components of comprehensive income in either (i) a continuous statement of comprehensive income or (ii) two separate but consecutive statements. The provisions of this new guidance are effective for fiscal years, and interim periods within those years, beginning after December 15, 2011. We are currently evaluating the impact on our consolidated financial statements of adopting this guidance.

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ASU 2011-08 Intangibles-Goodwill and Other: Testing Goodwill for Impairment

In September 2011, the FASB amended its guidance in regards to testing goodwill for impairment to address concern raised about the cost and complexity of performing the first step of the two-step goodwill impairment test required under Accounting Standards Codification (ASC) Topic 350 Intangibles-Goodwill and Other . The objective of this Update is to simplify how entities, both public and nonpublic, test goodwill for impairment. The amendments in the Update permit an entity to first assess qualitative factors to determine whether it is more likely than not that the fair value of a reporting unit is less than its carrying amount as a basis for determining whether it is necessary to perform the two-step goodwill impairment test described in Topic 350. The more-likely-than-not threshold is defined as having a likelihood of more than 50 percent. The amendments are effective for annual and interim goodwill impairment tests performed for fiscal years beginning after December 15, 2011. We are currently evaluating the impact on our consolidated financial statements of adopting this guidance.

Note 2 Acquisitions

On August 17, 2010, we completed the acquisition (the Cliffstar Acquisition) of substantially all of the assets and liabilities of Cliffstar Corporation (Cliffstar) and its affiliated companies for approximately $507.0 million payable in cash, $14.0 million in deferred consideration to be paid over three years and contingent consideration of up to $55.0 million. The first $15.0 million of the contingent consideration was based upon the achievement of milestones in certain expansion projects in 2010, which were achieved in 2010. The remainder of the contingent consideration was based on the achievement of certain performance measures during the fiscal year ending January 1, 2011. The estimated working capital amount was subject to final adjustment and on February 11, 2011, the parties agreed that the final working capital amount was $3.0 million as compared to the original estimate of $7.7 million.

We were notified on May 9, 2011 by the seller of Cliffstar of certain objections to the performance measures used to calculate the contingent consideration, and the seller asserted a claim for amounts in excess of the amounts accrued as contingent consideration at July 2, 2011. During the third and fourth quarters of 2011, Cott made interim payments to the seller equal to $21.0 million and $8.6 million, respectively. The payment of $21.0 million was net of a $4.7 million refund due to Cott as a result of the final determination of working capital, and the payment of $8.6 million included $0.9 million in settlement of certain of the seller s objections to the calculation of the contingent consideration. The seller s remaining objections to the calculation of the contingent consideration will be subject to a binding arbitration process under the terms of the asset purchase agreement. The final resolution of these matters may result in amounts payable to the seller that materially vary from our current estimated fair value; however, we are currently not able to estimate a range of such amounts. Changes in the fair value of contingent consideration will be recorded in our Consolidated Statement of Operations. Also, during the third quarter of 2011, Cott made a payment equal to $4.7 million to satisfy the first of three annual deferred consideration payments.

Supplemental Pro Forma Data

The following unaudited pro forma financial information for the three and nine months ended October 2, 2010, respectively, represent the combined results of our operations as if the Cliffstar Acquisition had occurred on January 3, 2010. The unaudited pro forma results reflect certain adjustments related to the Cliffstar Acquisition such as increased amortization expense on acquired intangible assets resulting from the preliminary fair valuation of assets acquired. The unaudited pro forma financial information does not necessarily reflect the results of operations that would have occurred had we operated as a single entity during such period.

(in millions of U.S. dollars, except share amounts)	**For the Three Months Ended October 2, 2010**	**For the Nine Months Ended October 2, 2010**
Revenue	$ 560.0	$ 1,677.7
Net income	14.9	56.3
Net income per common share, diluted	$ 0.16	$ 0.60

Other

During the second quarter of 2011, our majority owned subsidiary acquired a grocery retailer s private label beverage business, which required Cott to contribute $1.8 million to the subsidiary. The identified assets are recorded at their estimated fair values per preliminary valuations and may change based on the result of final valuations. The acquisition does not have a material impact on our financial statements.

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Note 3 Share-Based Compensation

The table below summarizes the share-based compensation expense for the three and nine months ended October 1, 2011 and October 2, 2010, respectively. This share-based compensation expense was recorded in selling, general, and administrative expenses in our Consolidated Statements of Operations. As used below: (i) PSUs mean performance share units granted under our Amended and Restated Performance Share Unit Plan (the PSU Plan), (ii) Performance-based RSUs mean restricted share units with performance-based vesting granted under the Company s 2010 Equity Incentive Plan (the 2010 Equity Incentive Plan); (iii) Time-based RSUs mean restricted share units with time-based vesting granted under the 2010 Equity Incentive Plan, (iv) EISPP means common share units granted under the Restated Executive Incentive Share Purchase Plan (the Restated EISPP); and (v) Director share units mean common shares granted to the non-management members of Cott s Board of Directors under the 2010 Equity Incentive Plan, which were issued in consideration of such directors annual board retainer fee.

(in millions of U.S. dollars)	For the Three Months Ended October 1, 2011	For the Three Months Ended October 2, 2010	For the Nine Months Ended October 1, 2011	For the Nine Months Ended October 2, 2010
Stock options	**$**	$ 0.2	**$**	$ 1.0
PSUs				0.2
Director share units		0.1	**0.7**	0.7
Performance-based RSUs	**(2.7)**	0.4	**(1.2)**	0.4
Time-based RSUs	**1.1**	0.5	**2.7**	0.5
Share appreciation rights				0.1
Total	**$ (1.6)**	**$ 1.2**	**$ 2.2**	**$ 2.9**

During the third quarter, we concluded that it was no longer probable that the targets established for the Performance-based RSUs would be met, and we no longer expect these awards to ultimately vest. Accordingly, we recorded an adjustment to reverse $3.3 million in compensation costs that had been recorded to date for the Performance-based RSUs.

As of October 1, 2011, the unrecognized share-based compensation expense and years we expect to recognize as future compensation expense were as follows:

(in millions of U.S. dollars)	Unrecognized share-based compensation expense as of October 1, 2011	Weighted average years expected to recognize compensation
Time-based RSUs	**$ 4.2**	**1.3**

Stock option activity for the nine months ended October 1, 2011 was as follows:

	Shares *(in thousands)*	Weighted average exercise price *(Canadian $)*
Balance at January 1, 2011	**704**	**$ 16.67**
Awarded		
Exercised	**(275)**	**1.32**
Forfeited or expired	**(121)**	**39.94**
Outstanding at October 1, 2011	**308**	**21.27**

Exercisable at October 1, 2011	**308**	**$**	**21.27**

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During the nine months ended October 1, 2011, EISPP, PSU, Performance-based RSU and Time-based RSU activity was as follows:

(in thousands)	EISPP	Number of PSUs	Number of Performance-based RSUs	Number of Time-based RSUs
Balance at January 1, 2011	189	188	1,727	1,397
Awarded			592	151
Issued	(189)	(188)		
Forfeited				
Outstanding at October 1, 2011			2,319	1,548

Subsequent to the adoption of the 2010 Equity Incentive Plan, the Human Resources and Compensation Committee of the Board of Directors (HRCC) determined that certain of Cott s long-term incentive plans were no longer needed and terminated the Restated EISPP, the PSU Plan, and the Amended and Restated Share Appreciation Rights Plan, effective February 23, 2011. The board terminated the Restated 1986 Common Share Option Plan, as amended, effective as of the same date. In connection with the termination of these plans, outstanding awards will continue in accordance with the terms of these plans until vested, paid out, forfeited or terminated, as applicable. No further awards will be granted under these plans.

Average Canadian to U.S. Dollar Exchange Rate for the Nine Months Ended October 1, 2011

The weighted average exercise prices for options in Note 3 are disclosed in Canadian dollars. The table below represents the average Canadian dollar to U.S. dollar exchange rate for the nine months ended October 1, 2011:

	For the Nine Months Ended October 1, 2011
Average exchange rate	$ 1.024

Note 4 Income Taxes

Income tax benefit was $1.7 million on pretax income of $50.9 million for the nine months ended October 1, 2011, as compared to an income tax expense of $13.9 million on pretax income of $57.5 million for the nine months ended October 2, 2010. The third quarter s benefit includes favorable adjustments related to audit settlements and a tax rate change. During the second quarter of 2011, we completed a reorganization of our legal entity structure and refinanced intercompany debt. As a result of these activities and lower taxable income in the United States and Canada, our annual effective tax rate is expected to be lower than our statutory rates. Also during the quarter, we made significant progress in settling intercompany transfer pricing issues between Canada and the United States and expect, as a result, to receive income tax refunds approximating $7.0 million within the next 12 months.

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Note 5 Net Income Per Common Share

Basic net income per common share is computed by dividing net income by the weighted average number of common shares outstanding during the period. Diluted net income per common share is calculated using the weighted average number of common shares outstanding adjusted to include the effect, if dilutive, of the exercise of in-the-money stock options, PSUs, Performance-based RSUs and Time-based RSUs.

A reconciliation of the denominators of the basic and diluted net income per common share computations is as follows:

	For the Three Months Ended		For the Nine Months Ended	
(in thousands)	**October 1, 2011**	**October 2, 2010**	**October 1, 2011**	**October 2, 2010**
Weighted average number of shares outstanding - basic	**94,325**	87,196	**94,179**	82,675
Dilutive effect of stock options	**34**	191	**34**	191
Dilutive effect of PSUs		189		189
Dilutive effect of Performance-based RSUs		1,100		366
Dilutive effect of Time-based RSUs	**787**	280	**686**	93
Adjusted weighted average number of shares outstanding - diluted	**95,146**	**88,956**	**94,899**	**83,514**

We excluded 233,500 (October 2, 2010 354,000) stock options from the computation of diluted net income per share because the options exercise price was greater than the average market price of the common shares. Shares purchased on the open market and held by independent trusts are categorized as treasury shares under applicable accounting rules. We excluded 674,397 (October 2, 2010 957,104) treasury shares held in various trusts in the calculation of basic and diluted earnings per share.

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Note 6 Segment Reporting

We produce, package and distribute private-label CSDs, clear, still and sparkling flavored waters, energy-related drinks, juice, juice-based products, bottled water and ready-to-drink teas to regional and national grocery, mass-merchandise and wholesale chains and customers in the dollar convenience and drug channels through five reportable segments North America (which includes our U.S. reporting unit and our Canada reporting unit), U.K. (which includes our United Kingdom reporting unit and our Continental European reporting unit), Mexico, Royal Crown International (RCI) and All Other.

	Operating Segments					
(in millions of U.S. dollars)	North America	United Kingdom	Mexico	RCI	All Other	Total
For the Three Months Ended October 1, 2011						
External revenue[1]	$ 468.1	$ 124.5	$ 12.7	$ 6.0	$	$ 611.3
Depreciation and amortization	20.1	3.5	0.4			24.0
Operating income (loss)	19.8	8.3	(0.9)	1.8		29.0
Additions to property, plant & equipment	6.8	1.2	0.1			8.1
For the Nine Months Ended October 1, 2011						
External revenue[1]	$ 1,388.2	$ 336.8	$ 40.3	$ 20.1	$	$ 1,785.4
Depreciation and amortization	59.7	10.2	1.5			71.4
Operating income (loss)	70.6	22.7	(3.0)	6.1		96.4
Additions to property, plant & equipment	23.2	8.1	0.1			31.4
As of October 1, 2011						
Property, plant & equipment	$ 382.3	$ 90.4	$ 10.6	$	$	$ 483.3
Goodwill	124.6			4.5		129.1
Intangibles and other assets	333.7	14.3	0.6		0.2	348.8
Total assets[2]	1,229.1	230.9	27.7	12.1	0.9	1,500.7

1 Intersegment revenue between North America and the other operating segments was $3.3 million and $11.5 million for the three and nine months ended October 1, 2011, respectively.

2 Excludes intersegment receivables, investments and notes receivable.

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(in millions of U.S. dollars)	Operating Segments North America	United Kingdom	Mexico	RCI	All Other	Total
For the Three Months Ended October 2, 2010						
External revenue[1]	$ 371.8	$ 96.6	$ 12.4	$ 6.1	$	$ 486.9
Depreciation and amortization	15.2	3.4	0.5			19.1
Operating income (loss)	12.6	7.3	(1.2)	0.8		19.5
Additions to property, plant & equipment	9.9	1.5				11.4
For the Nine Months Ended October 2, 2010						
External revenue[1]	$ 935.8	$ 277.5	$ 38.3	$ 22.9	$	$ 1,274.5
Depreciation and amortization	38.8	9.6	1.5			49.9
Operating income (loss)	63.7	19.0	(5.2)	6.2		83.7
Restructuring	(0.5)					(0.5)
Additions to property, plant & equipment	21.9	5.9	1.7			29.5
As of January 1, 2011						
Property, plant & equipment	$ 400.4	$ 90.2	$ 13.2	$	$	$ 503.8
Goodwill	125.7			4.5		130.2
Intangibles and other assets	354.7	15.7	0.7			371.1
Total assets[2]	1,275.9	207.4	31.5	13.7	0.7	1,529.2

1 Intersegment revenue between North America and the other operating segments was $10.2 million and $15.1 million for the three and nine months ended October 2, 2010, respectively.

2 Excludes intersegment receivables, investments and notes receivable.

For the nine months ended October 1, 2011, sales to Walmart accounted for 31.9% (October 2, 2010 30.6%) of our total revenues, 36.1% of our North America operating segment revenues (October 2, 2010 35.3%), 14.7% of our U.K. operating segment revenues (October 2, 2010 16.1%), and 46.5% of our Mexico operating segment revenues (October 2, 2010 38.7%).

Credit risk arises from the potential default of a customer in meeting its financial obligations to us. Concentrations of credit exposure may arise with a group of customers that have similar economic characteristics or that are located in the same geographic region. The ability of such customers to meet obligations would be similarly affected by changing economic, political or other conditions. We are not currently aware of any facts that would create a material credit risk.

Revenues are attributed to operating segment based on the location of the plant. Revenues by operating segment were as follows:

	For the Three Months Ended		For the Nine Months Ended	
(in millions of U.S. dollars)	October 1, 2011	October 2, 2010	October 1, 2011	October 2, 2010
United States	**$ 414.3**	$ 336.0	**$ 1,236.6**	$ 827.4
Canada	**66.0**	49.3	**189.8**	152.4
United Kingdom	**124.5**	96.6	**336.8**	277.5
Mexico	**12.7**	12.4	**40.3**	38.3
RCI	**6.0**	6.1	**20.1**	22.9
Elimination[1]	**(12.2)**	(13.5)	**(38.2)**	(44.0)
	$ 611.3	**$ 486.9**	**$ 1,785.4**	**$ 1,274.5**

1 Represents intersegment revenue among our reporting units, of which $3.3 million and $11.5 million represent intersegment revenue between North America and our other operating segments for the three and nine months ended October 1, 2011, respectively, and $10.2

million and $15.1 million represent intersegment revenue between North America and our other operating segments for the three and nine months ended October 2, 2010, respectively.

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Revenues by product were as follows:

For the Three Months Ended October 1, 2011					
(in millions of U.S. dollars)	**North America**	**United Kingdom**	**Mexico**	**RCI**	**Total**
Revenue					
Carbonated soft drinks	**$ 192.8**	**$ 47.5**	**$ 9.6**	**$**	**$ 249.9**
Juice	**144.1**	**3.4**	**0.7**		**148.2**
Concentrate	**2.5**	**0.7**		**6.0**	**9.2**
All other products	**128.7**	**72.9**	**2.4**		**204.0**
Total	**$ 468.1**	**$ 124.5**	**$ 12.7**	**$ 6.0**	**$ 611.3**

For the Nine Months Ended October 1, 2011					
(in millions of U.S. dollars)	**North America**	**United Kingdom**	**Mexico**	**RCI**	**Total**
Revenue					
Carbonated soft drinks	**$ 549.8**	**$ 134.4**	**$ 31.2**	**$**	**$ 715.4**
Juice	**456.3**	**9.6**	**2.4**		**468.3**
Concentrate	**6.8**	**2.4**		**20.1**	**29.3**
All other products	**375.3**	**190.4**	**6.7**		**572.4**
Total	**$ 1,388.2**	**$ 336.8**	**$ 40.3**	**$ 20.1**	**$ 1,785.4**

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For the Three Months Ended October 2, 2010

(in millions of U.S. dollars)	**North America**	**United Kingdom**	**Mexico**	**RCI**	**Total**
Revenue					
Carbonated soft drinks	$ 181.1	$ 37.1	$ 10.6	$	$ 228.8
Juice	75.8	3.1	0.1		79.0
Concentrate	1.8	1.0		6.1	8.9
All other products	113.1	55.4	1.7		170.2
Total	**$ 371.8**	**$ 96.6**	**$ 12.4**	**$ 6.1**	**$ 486.9**

For the Nine Months Ended October 2, 2010

(in millions of U.S. dollars)	**North America**	**United Kingdom**	**Mexico**	**RCI**	**Total**
Revenue					
Carbonated soft drinks	$ 531.5	$ 109.6	$ 33.1	$	$ 674.2
Juice	78.3	8.4	0.6		87.3
Concentrate	5.7	3.6		22.9	32.2
All other products	320.3	155.9	4.6		480.8
Total	**$ 935.8**	**$ 277.5**	**$ 38.3**	**$ 22.9**	**$ 1,274.5**

Property, plant and equipment by geographic area were as follows:

(in millions of U.S. dollars)	**October 1, 2011**	**January 1, 2011**
United States	**$ 336.2**	$ 350.4
Canada	**46.1**	50.0
United Kingdom	**90.4**	90.2
Mexico	**10.6**	13.2
	$ 483.3	**$ 503.8**

Note 7 Inventories

(in millions of U.S. dollars)	**October 1, 2011**	**January 1, 2011**
Raw materials	**$ 83.6**	$ 90.1
Finished goods	**112.7**	107.3
Other	**19.7**	18.1
	$ 216.0	**$ 215.5**

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Note 8 Intangibles and Other Assets including Goodwill

(in millions of U.S. dollars)	October 1, 2011 Cost	Accumulated Amortization	Net
Intangibles			
Not subject to amortization			
Rights	$ 45.4	$	$ 45.4
Subject to amortization			
Customer relationships	$ 369.4	$ 113.3	$ 256.1
Trademarks	27.5	21.0	6.5
Information technology	62.7	53.6	9.1
Other	11.4	5.1	6.3
	471.0	193.0	278.0
	516.4	193.0	323.4
Other Assets			
Financing costs	$ 23.2	$ 6.3	$ 16.9
Deposits	7.1		7.1
Other	1.5	0.1	1.4
	31.8	6.4	25.4
Total Intangibles & Other Assets	$ 548.2	$ 199.4	$ 348.8

Amortization expense of intangible and other assets was $9.4 million and $27.2 million for the three and nine months ended October 1, 2011, respectively, and $7.0 million and $16.9 million for the three and nine months ended October 2, 2010, respectively.

The estimated amortization expense for intangibles over the next five years is:

(in millions of U.S. dollars)	
Remainder of 2011	$ 8.0
2012	31.0
2013	29.8
2014	27.7
2015	25.2
Thereafter	156.3
	$ 278.0

The Rights are not subject to amortization and any change in goodwill reflects fluctuations in foreign currency exchange rates.

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Note 9 Debt

Our total debt was as follows:

(in millions of U.S. dollars)	**October 1, 2011**	**January 1, 2011**
8.375% senior notes due in 2017[1]	**$ 215.0**	$ 215.0
8.125% senior notes due in 2018	**375.0**	375.0
ABL facility		7.9
GE obligation	**13.4**	16.5
Other capital leases	**4.3**	5.8
Other debt	**1.6**	2.0
Total debt	**609.3**	622.2
Less: Short-term borrowings and current debt:		
ABL facility		7.9
Total short-term borrowings		7.9
GE obligation - current maturities	**3.5**	4.1
Other capital leases - current maturities	**0.6**	1.4
Other debt - current maturities	**0.2**	0.5
Total current debt	**4.3**	13.9
Long-term debt before discount	**605.0**	608.3
Less discount on 8.375% notes	**(2.5)**	(2.8)
Total long-term debt	**$ 602.5**	**$ 605.5**

1 Our 8.375% senior notes were issued at a discount of 1.425% on November 13, 2009.

Debt

Asset Based Lending Facility

On March 31, 2008, we entered into a credit agreement with JPMorgan Chase Bank N.A. as Agent that created an asset-based lending credit facility (the ABL facility) to provide financing for our North America, United Kingdom and Mexico operating segments. In connection with the Cliffstar Acquisition, we refinanced the ABL facility on August 17, 2010 to, among other things, provide for the Cliffstar Acquisition, the issuance of $375.0 million of 8.125% senior notes that are due on September 1, 2018 (the 2018 Notes) and the application of net proceeds therefrom, the underwritten public offering of 13,340,000 common shares at a price of $5.67 per share and the application of net proceeds therefrom and to increase the amount available for borrowings to $275.0 million. We drew down a portion of the indebtedness under the ABL facility in order to fund the Cliffstar Acquisition. We incurred $5.4 million of financing fees in connection with the refinancing of the ABL facility. The financing fees are being amortized using the effective interest method over a four-year period, which represents the duration of the ABL facility.

As of October 1, 2011, we had no borrowings under the ABL facility outstanding. The commitment fee was 0.5% per annum of the unused commitment, which was $265.2 million as of October 1, 2011.

8.125% Senior Notes due in 2018

On August 17, 2010, we issued the 2018 Notes. The issuer of the 2018 Notes is our wholly-owned subsidiary Cott Beverages Inc., but we and most of our U.S., Canadian and United Kingdom subsidiaries guarantee the 2018 Notes. The interest on the 2018 Notes is payable semi-annually on March 1st and September 1st of each year.

We incurred $8.6 million of financing fees in connection with the 2018 Notes. The financing fees are being amortized using the effective interest method over an eight-year period, which represents the duration of the 2018 Notes.

8.375% Senior Notes due in 2017

On November 13, 2009, we issued $215.0 million of senior notes that are due on November 15, 2017 (the 2017 Notes). The 2017 Notes were issued at a $3.1 million discount. The issuer of the 2017 Notes is Cott Beverages Inc., but we and most of our U.S., Canadian and United Kingdom subsidiaries guarantee the 2017 Notes. The interest on the 2017 Notes is payable semi-annually on May 15th and November 15th of each year.

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We incurred $5.1 million of financing fees in connection with the 2017 Notes. The financing fees are being amortized using the effective interest method over an eight-year period, which represents the duration of the 2017 Notes.

8% Senior Subordinated Notes due in 2011

We repurchased the remaining outstanding 8% senior subordinated notes due December 15, 2011 (the 2011 Notes) for $11.1 million on February 1, 2010, and recorded a loss on buyback of $0.1 million. The 2011 Notes acquired by us have been retired, and we have discontinued the payment of interest.

Note 10 Commitments and Contingencies

We are subject to various claims and legal proceedings with respect to matters such as governmental regulations, and other actions arising out of the normal course of business. Management believes that the resolution of these matters will not have a material adverse effect on our financial position, results of operations, or cash flow.

We are currently involved in legal matters related to various contract disputes. The Company intends to vigorously defend against all claims in these lawsuits; however, we are presently unable to predict the ultimate outcome of these actions. As of October 1, 2011, our accrued liability for litigation contingencies with a probable likelihood of loss was $0.8 million, with an expected range of loss from $0.8 million to $1.2 million.

In addition, we are involved in legal matters where the likelihood of loss has been judged to be reasonably possible, but for which a range of the potential loss cannot be reasonably estimated. Also, refer to Note 2 regarding contingent consideration relating to the Cliffstar Acquisition.

We had $9.8 million in standby letters of credit outstanding as of October 1, 2011 (October 2, 2010 $10.6 million).

Note 11 Shares Held in Trust treated as Treasury Shares

In May 2008, an independent trustee acting under certain of our benefit plans purchased 2.3 million of our common shares to be used to satisfy future liabilities under the PSU Plan and the Restated EISPP. During the nine months ended October 1, 2011, we distributed 0.2 million shares from the trust to satisfy certain PSU obligations that had vested. During the nine months ended October 1, 2011, we distributed 0.2 million shares from the trust to satisfy certain Restated EISPP obligations that had vested. As of October 1, 2011, 0.7 million shares were held in trust, and accounted for as treasury shares under applicable accounting rules. Treasury shares are reported at cost.

Subsequent to the adoption of the 2010 Equity Incentive Plan on May 4, 2010, the HRCC determined that certain of Cott s long-term incentive plans were no longer needed and terminated the PSU Plan and the Restated EISPP effective February 23, 2011. No further awards will be granted under such plans, as future awards will be made under the Company s 2010 Equity Incentive Plan.

Note 12 Hedging Transactions and Derivative Financial Instruments

We are directly and indirectly affected by changes in foreign currency market conditions. These changes in market conditions may adversely impact our financial performance and are referred to as market risks. When deemed appropriate by management, we use derivatives as a risk management tool to mitigate the potential impact of foreign currency market risks.

We purchase forward contract derivative instruments. Forward contracts are agreements to buy or sell a quantity of a currency at a predetermined future date, and at a predetermined rate or price. We do not enter into derivative financial instruments for trading purposes.

All derivatives are carried at fair value in the Consolidated Balance Sheets in the line item accounts receivable. The carrying values of the derivatives reflect the impact of legally enforceable agreements with the same counterparties. These allow us to net settle positive and negative positions (assets and liabilities) arising from different transactions with the same counterparty.

The accounting for gains and losses that result from changes in the fair values of derivative instruments depends on whether the derivatives have been designated and qualify as hedging instruments and the type of hedging relationships. The changes in fair values of derivatives that have been designated and qualify as cash flow hedges are recorded in accumulated other comprehensive income (loss) (AOCI) and are reclassified into the line item in the Consolidated Statements of Operations in which the hedged items are recorded in the same period the hedged items affect earnings. Due to the high degree of effectiveness between the hedging instruments and the underlying exposures being hedged, fluctuations in the value of the derivative instruments are generally offset by changes in the fair values or cash flows of the underlying exposures being hedged.

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We formally designate and document, at inception, the financial instrument as a hedge of a specific underlying exposure, the risk management objective and the strategy for undertaking the hedge transaction. In addition, we formally assess both at the inception and at least quarterly thereafter, whether the financial instruments used in hedging transactions are effective at offsetting changes in either the fair values or cash flows of the related underlying exposures. Any ineffective portion of a financial instrument s change in fair value is immediately recognized into earnings.

We estimate the fair values of its derivatives based on quoted market prices or pricing models using current market rates (refer to Note 13). The notional amounts of the derivative financial instruments do not necessarily represent amounts exchanged by the parties and, therefore, are not a direct measure of our exposure to the financial risks described above. The amounts exchanged are calculated by reference to the notional amounts and by other terms of the derivatives, such as interest rates, foreign currency exchange rates or other financial indices. We do not view the fair values of our derivatives in isolation, but rather in relation to the fair values or cash flows of the underlying hedged transactions. All of our derivatives are straightforward over-the-counter instruments with liquid markets.

Credit Risk Associated with Derivatives

We have established strict counterparty credit guidelines and enter into transactions only with financial institutions of investment grade or better. We mitigate pre-settlement risk by being permitted to net settle for transactions with the same counterparty.

Cash Flow Hedging Strategy

We use cash flow hedges to minimize the variability in cash flows of assets or liabilities or forecasted transactions caused by fluctuations in foreign currency exchange rates. The changes in the fair values of derivatives designated as cash flow hedges are recorded in AOCI and are reclassified into the line item in the Consolidated Statements of Operations in which the hedged items are recorded in the same period the hedged items affect earnings. The changes in fair values of hedges that are determined to be ineffective are immediately reclassified from AOCI into earnings. We did not discontinue any cash flow hedging relationships during the nine months ended October 1, 2011. The maximum length of time over which we hedge our exposure to future cash flows is typically one year.

We maintain a foreign currency cash flow hedging program to reduce the risk that our procurement activities will be adversely affected by changes in foreign currency exchange rates. We enter into forward contracts to hedge certain portions of forecasted cash flows denominated in foreign currencies. When the U.S. dollar strengthens significantly against foreign currencies, the decline in the present value of future foreign currency cash flows is partially offset by gains in the fair value of the derivative instruments. Conversely, when the U.S. dollar weakens as compared to other currencies, the increase in the present value of future foreign currency cash flows is partially offset by losses in the fair value of the derivative instruments. The total notional value of derivatives that have been designated and qualify for our foreign currency cash flow hedging program as of October 1, 2011 was approximately $6.8 million.

The following table summarizes our derivative instruments as of October 1, 2011:

(in millions of U.S. dollars)	**Asset Derivatives**	
Derivatives designated as cash flow hedging instruments	**Balance Sheet location**	**Fair Value**
Foreign exchange contracts	Accounts receivable	$ 0.2

The settlement of our derivative instruments resulted in a charge to cost of sales of $0.3 million and $0.9 million for the three and nine months ended October 1, 2011, respectively, and less than $0.1 million and $0.1 million for the three and nine months ended October 2, 2010, respectively.

Note 13 Fair Value Measurements

ASC No. 820 defines fair value as the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants at the measurement date. Additionally, the inputs used to measure fair value are prioritized based on a three-level hierarchy. This hierarchy requires entities to maximize the use of observable inputs and minimize the use of unobservable inputs.

The three levels of inputs used to measure fair value are as follows:

Level 1 Quoted prices in active markets for identical assets or liabilities.

Level 2 Observable inputs other than quoted prices included in Level 1, such as quoted prices for similar assets and liabilities in active markets; quoted prices for identical or similar assets and liabilities in markets that are not active; or other inputs that are observable or can be corroborated by observable market data.

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Level 3 Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities. This includes certain pricing models, discounted cash flow methodologies and similar techniques that use significant unobservable inputs.

We have certain assets that are required to be recorded at fair value on a recurring basis in accordance with U.S. GAAP.

The following table summarizes those assets measured at fair value on a recurring basis as of October 1, 2011:

	October 1, 2011				
(in millions of U.S. dollars)	**Level 1**	**Level 2**	**Level 3**	**Netting Adjustment**	**Fair Value Measurements**
Assets					
Derivatives	**$**	**$ 0.2**	**$**	**$**	**$ 0.2**
Contingent Consideration	**$**	**$**	**$ 8.5**	**$**	**$ 8.5**
Total Assets	**$**	**$ 0.2**	**$ 8.5**	**$**	**$ 8.7**

Fair Value of Financial Instruments

The carrying amounts reflected in the Consolidated Balance Sheets for cash, receivables, payables, short-term borrowings and long-term debt approximate their respective fair values, except as otherwise indicated. The carrying values and estimated fair values of our significant outstanding debt as of October 1, 2011 and January 1, 2011 were as follows:

	October 1, 2011		**January 1, 2011**	
(in millions of U.S. dollars)	**Carrying Value**	**Fair Value**	**Carrying Value**	**Fair Value**
8.375% senior notes due in 2017[1]	**$ 215.0**	**$ 220.4**	$ 215.0	$ 232.7
8.125% senior notes due in 2018[1]	**375.0**	**388.9**	375.0	404.1
ABL facility			7.9	7.9
Total	**$ 590.0**	**$ 609.3**	**$ 597.9**	**$ 644.7**

1 The fair values are based on the trading levels and bid/offer prices observed by a market participant.

Fair value of contingent consideration

The fair value of the contingent consideration payable in the Cliffstar Acquisition was based on significant inputs not observed in the market and thus represented a Level 3 instrument. Level 3 instruments are valued based on unobservable inputs that are supported by little or no market activity and reflect our own assumptions in measuring fair value.

(in millions of U.S. dollars)	
Balance at January 1, 2011	**$ 32.2**
Accretion to fair value	**1.0**
Payment	**(25.6)**
Increase in fair value	**0.9**
Ending balance at October 1, 2011	**$ 8.5**

We were notified on May 9, 2011 by the seller of Cliffstar of certain objections to the performance measures used to calculate the contingent consideration, and the seller asserted a claim for amounts in excess of the amounts accrued as contingent consideration at July 2, 2011. During the third and fourth quarters of 2011, Cott made interim payments to the seller equal to $21.0 million and $8.6 million, respectively. The payment of $21.0 million was net of a $4.7 million refund due to Cott as a result of the final determination of working capital, and the payment of $8.6 million included $0.9 million in settlement of certain of the seller s objections to the calculation of the contingent consideration. The seller s remaining objections to the calculation of the contingent consideration will be subject to a binding arbitration process under the terms of the asset purchase agreement. The final resolution of these matters may result in amounts payable to the seller that materially vary from our current estimated fair value; however, we are currently not able to estimate a range of such amounts. Changes in the fair value of contingent consideration will be recorded in our Consolidated Statement of Operations.

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Note 14 Guarantor Subsidiaries

The 2017 Notes and 2018 Notes issued by our wholly owned subsidiary, Cott Beverages, Inc., are unconditionally guaranteed on a senior basis pursuant to guarantees by Cott Corporation and certain other wholly owned subsidiaries (the Guarantor Subsidiaries). The guarantees of the Guarantor Subsidiaries are subject to release in limited circumstances only upon the occurrence of certain customary conditions.

We have not presented separate financial statements and separate disclosures have not been provided concerning subsidiary guarantors because management has determined such information is not material to the holders of the above-mentioned notes.

The following supplemental financial information sets forth on an unconsolidated basis, our Balance Sheets, Statements of Operations and Cash Flows for Cott Corporation, Cott Beverages Inc., Guarantor Subsidiaries and our other subsidiaries (the Non-guarantor Subsidiaries). The supplemental financial information reflects our investments and those of Cott Beverages Inc. in their respective subsidiaries using the equity method of accounting.

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Condensed Consolidating Statements of Operations

(in millions of U.S. dollars)

Unaudited

	For the Three Months Ended October 1, 2011					
	Cott Corporation	Cott Beverages Inc.	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Elimination Entries	Consolidated
Revenue, net	$ 55.7	$ 241.7	$ 277.7	$ 45.5	$ (9.3)	$ 611.3
Cost of sales	43.9	217.0	251.3	40.8	(9.3)	543.7
Gross profit	11.8	24.7	26.4	4.7		67.6
Selling, general and administrative expenses	7.0	15.3	12.7	3.1		38.1
Loss on disposal of property, plant & equipment		0.4	0.1			0.5
Operating income	4.8	9.0	13.6	1.6		29.0
Other expense (income), net	1.2	(1.0)	0.5	0.6		1.3
Intercompany interest (income) expense, net		(2.1)	2.1			
Interest expense, net	0.1	13.7	0.5	0.1		14.4
Income (loss) before income tax expense (benefit) and equity income (loss)	3.5	(1.6)	10.5	0.9		13.3
Income tax expense (benefit)	1.0	(2.2)	(2.8)			(4.0)
Equity income	13.7	1.2	1.9		(16.8)	
Net income	$ 16.2	$ 1.8	$ 15.2	$ 0.9	$ (16.8)	$ 17.3
Less: Net income attributable to non-controlling interests				1.1		1.1
Net income (loss) attributed to Cott Corporation	$ 16.2	$ 1.8	$ 15.2	$ (0.2)	$ (16.8)	$ 16.2

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Condensed Consolidating Statements of Operations

(in millions of U.S. dollars)

Unaudited

	For the Three Months Ended October 2, 2010					
	Cott Corporation	Cott Beverages Inc.	Guarantor Subsidiaries	Non-guarantor Subsidiaries	Elimination Entries	Consolidated
Revenue	$ 49.3	$ 235.7	$ 177.1	$ 35.1	$ (10.3)	$ 486.9
Cost of sales	39.0	204.8	156.1	30.2	(10.3)	419.8
Gross profit	10.3	30.9	21.0	4.9		67.1
Selling, general and administrative expenses	8.0	23.7	12.7	2.9		47.3
Loss on disposal of property, plant & equipment		0.1		0.2		0.3
Operating income	2.3	7.1	8.3	1.8		19.5
Other expense (income), net	0.6	0.9		(0.2)		1.3
Intercompany interest (income) expense, net	(1.8)	1.8				
Interest expense , net		10.2	0.1			10.3
Income (loss) before income tax expense (benefit) and equity income (loss)	3.5	(5.8)	8.2	2.0		7.9
Income tax expense (benefit)	2.1	(1.8)	0.3	0.1		0.7
Equity income (loss)	6.9	1.4	(0.1)		(8.2)	
Net income (loss)	$ 8.3	$ (2.6)	$ 7.8	$ 1.9	$ (8.2)	$ 7.2
Less: Net income attributable to non-controlling interests				1.4		1.4
Net income (loss) attributed to Cott Corporation	$ 8.3	$ (2.6)	$ 7.8	$ 0.5	$ (8.2)	$ 5.8

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Condensed Consolidating Statements of Operations

(in millions of U.S. dollars)

Unaudited

	For the Nine Months Ended October 1, 2011					
	Cott Corporation	Cott Beverages Inc.	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Elimination Entries	Consolidated
Revenue, net	$ 158.4	$ 711.0	$ 818.6	$ 125.9	$ (28.5)	$ 1,785.4
Cost of sales	126.4	625.8	724.7	111.8	(28.5)	1,560.2
Gross profit	32.0	85.2	93.9	14.1		

Artificial Synthetic Fibers and Filaments Manufacturing (1.72%)				
AGY Holding Corporation, Senior Secured 2nd Lien Notes, 11%, due 11/15/14	$18,536,000	15,172,634	9,221,660	1.72 %
Data Processing, Hosting, and Related Services (1.34%)				
The Telx Group, Inc., Senior Unsecured Notes, 10% Cash + 2% PIK, due 9/26/19 (5)	$6,958,697	6,820,215	7,167,458	1.34 %
Metal and Mineral (except Petroleum) Merchant Wholesalers (2.48%)				
Constellation Enterprises, LLC, Senior Secured 1st Lien Notes, 10.625%, due 2/1/16 (5)	$12,500,000	12,322,875	13,296,875	2.48 %
Nondepository Credit Intermediation (1.87%)				
Caribbean Financial Group, Senior Secured Notes, 11.5%, due 11/15/19 (5)	$10,000,000	9,803,494	10,037,500	1.87 %
Nonferrous Metal Production and Processing (2.88%)				

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

Anacomp, Inc., Class A
Common Stock (3), (5), (6)

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TCP Capital Corp.

Consolidated Statement of Investments (Continued)

December 31, 2012

Showing Percentage of Total Cash and Investments of the Company

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

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

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TCP Capital Corp.

Consolidated Statement of Investments (Continued)

December 31, 2012

Showing Percentage of Total Cash and Investments of the Company

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

Notes to Statement of Investments:

(1) 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.

(2) Non-controlled affiliate – as defined under the Investment Company Act of 1940 (ownership of between 5% and 25% of the outstanding voting securities of this issuer).

(3) Non-income producing security.

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

(5) Restricted security. (See Note 2)

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

(7) Includes investments with an aggregate market value of $1,382,875 that have been segregated to collateralize certain unfunded commitments.

Aggregate acquisitions and aggregate dispositions of investments, other than government securities, totaled $359,020,926 and $211,216,033, respectively for the year ended December 31, 2012. Aggregate acquisitions includes investment assets received as payment in kind. Aggregate dispositions includes principal paydowns on and maturities of debt investments. The total value of restricted securities and bank debt as of December 31, 2012 was $507,680,996, or 94.8% of total cash and investments of the Company.

Swaps at December 31, 2012 were as follows:

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

See accompanying notes.

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TCP Capital Corp.

Consolidated Statement of Investments

December 31, 2011

Showing Percentage of Total Cash and Investments of the Company

Investment	Principal Amount	Fair Value	Percent of Cash and Investments	
Debt Investments (78.77%)				
Bank Debt (47.16%) [1]				
Accounting, Tax Preparation, Bookkeeping, and Payroll Services (0.18%)				
NCO Group, Inc., Senior Secured 1st Lien Term Loan, LIBOR + 5.5%, 2.5% LIBOR Floor, due 11/15/13	$705,163	$695,761	0.18	%
Business Support Services (4.91%)				
STG-Fairway Acquisitions, Inc., Senior Secured 2nd Lien Term Loan, 12.5%, due 12/29/15	$18,820,923	19,169,110	4.92	%
Commercial and Industrial Machinery and Equipment Rental and Leasing (2.67%)				
AerCap Holdings N.V., Secured 1st Lien Term Loan, 10.25%, due 12/3/15 - (Netherlands)	$10,411,593	10,411,591	2.67	%
Communications Equipment Manufacturing (2.37%)				
Mitel US Holdings, Inc., 2nd Lien Term Loan, LIBOR + 7%, due 8/16/15	$9,951,762	9,230,260	2.37	%
Data Processing, Hosting, and Related Services (1.92%)				
The Telx Group, Inc., Senior Secured 1st Lien Term Loan, LIBOR + 6.5%, 1.25% LIBOR Floor, due 9/22/17	$7,481,250	7,481,250	1.92	%
Electric Power Generation, Transmission and Distribution (0.01%)				
La Paloma Generating Company, Residual Bank Debt Claim [3]	$1,830,453	51,436	0.01	%
Electronic Shopping and Mail-Order Houses (3.59%)				

Shopzilla, Inc., Senior Secured 2nd Lien Term Loan, 13%, due 6/1/14	$13,723,983	14,002,946	3.59	%
Grocery Stores (3.92%)				
Bashas, Inc., Senior Secured 1st Lien FILO Term Loan, LIBOR + 7.5%, 1.5% LIBOR Floor, due 10/1/13	$15,000,000	15,262,500	3.92	%
Machine Shops; Turned Product; and Screw, Nut, and Bolt Manufacturing (1.23%)				
Precision Partners Holdings, 1st Lien Delayed Draw Term Loan, Prime + 6.5%, 4.5% Prime Floor, due 10/1/13	$289,734	283,940	0.07	%
Precision Partners Holdings, 1st Lien Term Loan, Prime + 6.5%, 4.5% Prime Floor, due 10/1/13	$4,600,740	4,508,724	1.16	%
Total Machine Shops; Turned Product; and Screw, Nut, and Bolt Manufacturing		4,792,664		
Motion Picture and Video Industries (4.26%)				
CKX Entertainment, Inc., Senior Secured 1st Lien Term Loan, 9%, due 6/21/17	$9,462,231	9,239,869	2.37	%
CKX Entertainment, Inc., Senior Secured 2nd Lien Term Loan, 13.5%, due 6/21/18	$7,569,785	7,384,325	1.89	%
Total Motion Picture and Video Industries		16,624,194		
Motor Vehicle Parts Manufacturing (2.82%)				
Diversified Machine, Inc., Senior Secured 1st Lien Term Loan, LIBOR + 7.75%, 1.5% LIBOR Floor, due 12/1/16	$11,000,000	11,000,000	2.82	%

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TCP Capital Corp.

Consolidated Statement of Investments (Continued)

December 31, 2011

Showing Percentage of Total Cash and Investments of the Company

Investment	Principal Amount	Fair Value	Percent of Cash and Investments	
Debt Investments (continued)				
Other Financial Investment Activities (1.60%)				
Marsico Capital Management, Senior Secured 1st Lien Term Loan, LIBOR + 5%, due 12/14/14	$19,338,970	$6,252,927	1.60	%
Radio and Television Broadcasting (5.09%)				
Encompass Digital Media, Inc., 1st Lien Term Loan, LIBOR + 6%, 1.75% LIBOR Floor, due 2/28/16	$2,713,867	2,648,734	0.68	%
Encompass Digital Media, Inc., 2nd Lien Term Loan, 16.5%, due 8/28/16	$16,453,486	16,700,288	4.28	%
Hubbard Radio, LLC, Senior Secured 2nd Lien Term Loan, LIBOR + 7.25%, 1.5% LIBOR Floor, due 4/11/18	$500,000	497,500	0.13	%
Total Radio and Television Broadcasting		19,846,522		
Resin, Synthetic Rubber, and Artificial Synthetic Fibers and Filaments Manufacturing (3.86%)				
Gundle/SLT Environmental, Inc., Senior Secured 2nd Lien Term Loan, LIBOR + 9.5% Cash + 2% PIK, 1.5% LIBOR Floor, due 11/27/16	$15,110,056	15,034,505	3.86	%
Scheduled Air Transportation (3.38%)				
United Air Lines, Inc., Aircraft Secured Mortgage (N510UA), 20%, due 9/26/16 (2)	$477,297	624,066	0.16	%
United Air Lines, Inc., Aircraft Secured Mortgage (N512UA), 20%, due 10/26/16 (2)	$479,793	630,208	0.16	%
United Air Lines, Inc., Aircraft Secured Mortgage (N536UA), 16%, due 8/21/14 (2)	$374,009	414,963	0.11	%
United Air Lines, Inc., Aircraft Secured Mortgage (N545UA), 16%, due 7/17/15 (2)	$487,311	563,575	0.14	%
	$563,348	739,958	0.19	%

United Air Lines, Inc., Aircraft Secured Mortgage (N585UA), 20%, due 10/25/16 (2)				
United Air Lines, Inc., Aircraft Secured Mortgage (N659UA), 12%, due 3/28/16 (2)	$4,594,240	5,014,613	1.29	%
United Air Lines, Inc., Aircraft Secured Mortgage (N661UA), 12%, due 5/4/16 (2)	$4,709,310	5,192,014	1.33	%
Total Scheduled Air Transportation		13,179,397		
Software Publishers (2.44%)				
Blackboard, Inc., Senior Secured 1st Lien Term Loan, LIBOR + 6%, 1.5% LIBOR Floor, due 9/23/18	$10,000,000	9,525,000	2.44	%
Support Activities for Mining (0.06%)				
Trico Shipping AS, 1st Lien Term Loan A, LIBOR + 8.5%, 1.5% LIBOR Floor, due 5/13/14 - (Norway)	$228,803	228,803	0.06	%
Trico Shipping AS, 1st Lien Term Loan B, LIBOR + 8.5%, 1.5% LIBOR Floor, due 5/13/14 - (Norway)	$402,714	-	-	
Total Support Activities for Mining		228,803		

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TCP Capital Corp.

Consolidated Statement of Investments (Continued)

December 31, 2011

Showing Percentage of Total Cash and Investments of the Company

Investment	Principal Amount	Fair Value	Percent of Cash and Investments	
Debt Investments (continued)				
Wired Telecommunications Carriers (2.84%)				
Bulgaria Telecom Company AD, 1st Lien Tranche B Term Loan, EURIBOR + 2.75%, due 8/9/15 - (Bulgaria) (4)	€2,084,507	$1,864,193	0.48	%
Integra Telecom Holdings, Inc., 1st Lien Term Loan, LIBOR + 7.25%, 2% LIBOR Floor, due 4/15/15	$1,564,438	1,332,380	0.34	%
NEF Telecom Company BV, 1st Lien Tranche C Term Loan, EURIBOR + 3.5%, due 8/9/16 - (Netherlands) (4)	€4,927,730	4,167,407	1.07	%
NEF Telecom Company BV, 2nd Lien Tranche D Term Loan, EURIBOR + 5.5%, due 2/16/17 - (Netherlands) (3), (4)	€4,736,002	3,686,069	0.95	%
Total Wired Telecommunications Carriers		11,050,049		
Total Bank Debt (Cost $185,948,729)		183,838,915		
Other Corporate Debt Securities (31.61%)				
Accounting, Tax Preparation, Bookkeeping, and Payroll Services (4.25%)				
NCO Group, Inc., Senior Subordinated Notes, 11.875%, due 11/15/14	$9,655,000	9,172,250	2.35	%
NCO Group, Inc., Senior Unsecured Floating Rate Notes, LIBOR + 4.875%, due 11/15/13	$7,824,000	7,394,932	1.90	%
Total Accounting, Tax Preparation, Bookkeeping, and Payroll Services		16,567,182		
Aerospace Product and Parts Manufacturing (0.36%)				
Hawker Beechcraft, Inc., Senior Unsecured Notes, 8.5%, due 4/1/15	$7,448,000	1,402,706	0.36	%
Architectural, Engineering, and Related Services (2.69%)				
Alion Science & Technology Corporation, Senior Secured Notes, 10% Cash + 2% PIK, due 11/1/14	$4,687,736	4,267,762	1.09	%

ESP Holdings, Inc., Junior Unsecured Subordinated Promissory Notes, 18% PIK, due 3/31/15 (2), (5)	$6,209,347	6,240,393	1.60	%
Total Architectural, Engineering, and Related Services		10,508,155		
Data Processing, Hosting, and Related Services (2.19%)				
GXS Worldwide, Inc., Fixed Notes, 9.75%, due 6/15/15	$1,170,000	1,094,874	0.28	%
The Telx Group, Inc., Senior Unsecured Notes, 10% Cash + 2% PIK, due 9/26/19 (5)	$7,539,583	7,464,188	1.91	%
Total Data Processing, Hosting, and Related Services		8,559,062		
Full-Service Restaurants (3.18%)				
Real Mex Restaurants, Inc., Senior Secured Notes, 14%, due 1/1/13 (3)	$13,161,000	12,410,823	3.18	%
Gambling Industries (1.44%)				
Harrah's Operating Company, Inc., 2nd Priority Secured Notes, 10%, due 12/15/18	$8,169,000	5,595,765	1.44	%
Metal and Mineral (except Petroleum) Merchant Wholesalers (6.02%)				
Constellation Enterprises, LLC, Senior Secured 1st Lien Notes, 10.625%, due 2/1/16 (5)	$12,500,000	11,823,750	3.03	%
Edgen Murray Corporation, Senior Secured Notes, 12.25%, due 1/15/15	$13,076,000	11,637,640	2.99	%
Total Metal and Mineral (except Petroleum) Merchant Wholesalers		23,461,390		

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TCP Capital Corp.

Consolidated Statement of Investments (Continued)

December 31, 2011

Showing Percentage of Total Cash and Investments of the Company

Investment	Principal Amount or Shares	Fair Value	Percent of Cash and Investments	
Debt Investments (continued)				
Nonferrous Metal (except Aluminum) Production and Processing (4.66%)				
International Wire Group Holdings, Inc., Senior Notes, 11.5% Cash or 12.25% PIK, due 4/15/15 (2), (5)	$18,000,000	$18,180,000	4.66	%
Oil and Gas Extraction (1.27%)				
Geokinetics Holdings, Inc., Senior Secured Notes, 9.75%, due 12/15/14	$1,342,000	853,848	0.22	%
Saratoga Resources, Inc., Senior Secured Notes, 12.5%, due 7/1/16	$4,000,000	4,080,000	1.05	%
Total Oil and Gas Extraction		4,933,848		
Resin, Synthetic Rubber, and Artificial Synthetic Fibers and Filaments Manufacturing (2.86%)				
AGY Holding Corporation, Senior Secured 2nd Lien Notes, 11%, due 11/15/14	$18,536,000	11,134,946	2.86	%
Wired Telecommunications Carriers (2.69%)				
ITC^DeltaCom, Inc., Senior Secured Notes, 10.5%, due 4/1/16 (5)	$8,945,000	9,168,625	2.35	%
NEF Telecom Company BV, Mezzanine Term Loan, EURIBOR + 4.5% Cash + 7.5% PIK, due 8/16/17 - (Netherlands) (3), (4), (5)	€20,523,306	1,330,013	0.34	%
Total Wired Telecommunications Carriers		10,498,638		
Total Other Corporate Debt Securities (Cost $155,179,568)		123,252,515		
Total Debt Investments (Cost $341,128,297)		307,091,430		
Equity Securities (18.45%)				

Architectural, Engineering, and Related Services (2.80%)				
Alion Science & Technology Corporation, Warrants [3]	3,625	147,574	0.04	%
ESP Holdings, Inc., 15% PIK, Preferred Stock [2], [5], [6]	20,297	3,287,872	0.84	%
ESP Holdings, Inc., Common Stock [2], [3], [5], [6]	88,670	7,473,887	1.92	%
Total Architectural, Engineering, and Related Services		10,909,333		
Business Support Services (0.43%)				
STG-Fairway Holdings, LLC, Class A Units [3], [5]	80,396	1,669,278	0.43	%
Data Processing, Hosting, and Related Services (0.19%)				
Anacomp, Inc., Class A Common Stock [2], [3], [5], [7]	1,255,527	740,761	0.19	%
Depository Credit Intermediation (0.26%)				
Doral Financial Corporation, Common Stock [3]	1,077,795	1,030,372	0.26	%
Electronic Shopping and Mail-Order Houses (0.31%)				
Shop Holding, LLC, Class A Units [3], [5]	490,037	922,471	0.24	%
Shop Holding, LLC, Warrants to Purchase Class A Units [3], [5]	326,691	288,328	0.07	%
Total Electronic Shopping and Mail-Order Houses		1,210,799		
Industrial Machinery Manufacturing (0.38%)				
GSI Group, Inc., Common Stock [3], [5]	143,869	1,471,780	0.38	%

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TCP Capital Corp.

Consolidated Statement of Investments (Continued)

December 31, 2011

Showing Percentage of Total Cash and Investments of the Company

Investment	Shares	Fair Value	Percent of Cash and Investments	
Equity Securities (continued)				
Machine Shops; Turned Product; and Screw, Nut, and Bolt Manufacturing (0.00%)				
Precision Holdings, LLC, Class C Membership Interests [3], [5]	33	$15,704	-	
Nonferrous Metal (except Aluminum) Production and Processing (7.72%)				
International Wire Group Holdings, Inc., Common Stock [2], [5], [6]	1,979,441	30,077,606	7.72	%
Nonmetallic Mineral Mining and Quarrying (1.35%)				
EPMC HoldCo, LLC, Membership Units [2], [5], [6]	1,312,720	5,264,007	1.35	%
Other Amusement and Recreation Industries (0.03%)				
Bally Total Fitness Holding Corporation, Common Stock [3], [5]	6,058	66,032	0.02	%
Bally Total Fitness Holding Corporation, Warrants [3], [5]	10,924	52,435	0.01	%
Total Other Amusement and Recreation Industries		118,467		
Radio and Television Broadcasting (0.88%)				
Encompass Digital Media Group, Inc., Common Stock [3], [5]	183,824	3,437,509	0.88	%
Scheduled Air Transportation (1.86%)				
United Air Lines, Inc., Equipment Trust Beneficial Interests (N510UA) [2], [5], [6]	35	467,137	0.12	%
United Air Lines, Inc., Equipment Trust Beneficial Interests (N512UA) [2], [5], [6]	35	458,665	0.12	%
United Air Lines, Inc., Equipment Trust Beneficial Interests (N536UA) [2], [5], [6]	46	686,303	0.18	%
United Air Lines, Inc., Equipment Trust Beneficial Interests (N545UA) [2], [5], [6]	40	612,589	0.16	%
	35	498,602	0.13	%

United Air Lines, Inc., Equipment Trust Beneficial Interests (N585UA) (2), (5), (6)				
United N659UA-767, LLC (N659UA) (2), (5), (6)	224	2,274,815	0.58	%
United N661UA-767, LLC (N661UA) (2), (5), (6)	217	2,205,523	0.57	%
Total Scheduled Air Transportation		7,203,634		
Semiconductor and Other Electronic Component Manufacturing (0.06%)				
AIP/IS Holdings, LLC, Membership Units (3), (5)	352	229,684	0.06	%
Support Activities for Mining (0.79%)				
DeepOcean Group Holding AS, Common Stock - (Norway) (3), (5)	145,824	3,093,638	0.79	%
Wired Telecommunications Carriers (1.39%)				
Integra Telecom, Inc., Common Stock (3), (5)	1,274,522	5,364,708	1.38	%
Integra Telecom, Inc., Warrants (3), (5)	346,939	-	-	
NEF Kamchia Co-Investment Fund, LP Interest - (Cayman Islands) (3), (4), (5)	2,455,500	31,826	0.01	%
Total Wired Telecommunications Carriers		5,396,534		
Total Equity Securities (Cost $132,663,069)		71,869,106		
Total Investments (Cost $473,791,366) (8)		378,960,536		

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TCP Capital Corp.

Consolidated Statement of Investments (Continued)

December 31, 2011

Showing Percentage of Total Cash and Investments of the Company

Investment	Principal Amount		Fair Value	Percent of Cash and Investments	
Cash and Cash Equivalents (2.78%)					
Wells Fargo & Company, Overnight Repurchase Agreement, 0.02%, Collateralized by Freddie Mac UNNT	$	3,343,399	$3,343,399	0.86	%
Cash Denominated in Foreign Currencies	CAD	15,078	14,764	-	
Cash Denominated in Foreign Currencies	€	3,357,119	4,351,161	1.12	%
Cash Denominated in Foreign Currencies	£	35,597	55,329	0.01	%
Cash Held on Account at Various Institutions	$	3,067,025	3,067,025	0.79	%
Total Cash and Cash Equivalents			10,831,678		
Total Cash and Investments			$389,792,214	100.00	%

Notes to Statement of Investments:

(1) 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.

(2) Affiliated issuer - as defined under the Investment Company Act of 1940 (ownership of 5% or more of the outstanding voting securities of this issuer).

(3) Non-income producing security.

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

(5) Restricted security.

(6) Investment is not a controlling position.

(7) Issuer is a controlled company.

(8) Includes investments with an aggregate market value of $1,178,213 that have been segregated to collateralize certain unfunded commitments.

Aggregate purchases and aggregate sales of investments, other than government securities, totaled $177,185,947 and $216,916,444, respectively.

Aggregate purchases includes investment assets received as payment in kind. Aggregate sales includes principal paydowns on debt investments.
The total value of restricted securities and bank debt as of December 31, 2011 was $308,737,044, or 79.21% of total cash and investments of the Company.

Swaps at December 31, 2011 were as follows:

Investment	Notional Amount	Fair Value
Euro/US Dollar Cross-Currency Basis Swap, Pay Euros/Receive USD, Expires 5/16/14	$6,040,944	$ 172,424

See accompanying notes.

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TCP Capital Corp.

Consolidated Statements of Operations

	Year Ended December 31,		
	2012	2011 [1]	2010 [1]
Investment income			
Interest income:			
Unaffiliated issuers	$42,139,023	$38,290,363	$29,158,784
Controlled companies	1,253,915	-	1,051,064
Other affiliates	5,850,394	3,822,995	2,200,971
Dividend income:			
Unaffiliated issuers	-	-	280,139
Other affiliates	1,811,189	10,610,159	13,267,785
Other income:			
Unaffiliated issuers	289,073	1,068,872	1,809,024
Controlled companies	490,066	-	-
Other affiliates	359,099	1,065,287	33,445
Total investment income	52,192,759	54,857,676	47,801,212
Operating expenses			
Management and advisory fees	6,908,942	6,787,188	6,787,188
Professional fees relating to the Conversion	411,523	-	-
Amortization of deferred debt issuance costs	441,495	440,289	440,289
Legal fees, professional fees and due diligence expenses	1,165,318	331,589	480,026
Commitment fees	225,560	180,467	218,935
Director fees	199,333	180,960	181,695
Interest expense	190,702	321,532	234,582
Insurance expense	130,140	114,446	136,366
Custody fees	99,947	91,886	85,386
Other operating expenses	619,461	801,593	330,212
Total operating expenses	10,392,421	9,249,950	8,894,679
Net investment income before income taxes	41,800,338	45,607,726	38,906,533
Excise tax expense	1,479,978	-	-
Net investment income	40,320,360	45,607,726	38,906,533
Net realized and unrealized gain (loss) on investments and foreign currency			
Net realized gain (loss):			
Investments in unaffiliated issuers	(29,574,293)	17,818,481	8,147,980
Investments in non-controlled affiliates	13,584,105	261,308	10,527,629
Net realized gain (loss)	(15,990,188)	18,079,789	18,675,609

Net change in net unrealized appreciation/depreciation	3,205,937	(56,958,670)	12,945,410
Net realized and unrealized gain (loss)	(12,784,251)	(38,878,881)	31,621,019
Dividends paid on Series A preferred equity facility	(1,542,932)	(1,456,281)	(1,508,341)
Net change in accumulated dividends on Series A preferred equity facility	(59,867)	(88,549)	(9,532)
Dividends paid to Series Z preferred shareholders	-	(752)	(3,750)
Net change in reserve for dividends to Series Z preferred shareholders	-	27	1,864
Net increase in net assets applicable to common shareholders resulting from operations	$25,933,310	$5,183,290	$69,007,793
Basic and diluted earnings per common share	$1.21	N/A	N/A
Basic and diluted weighted average common shares outstanding	21,475,847	N/A	N/A

See accompanying notes.

(1) 2011 and 2010 Consolidated Statements of Operations reflect portfolios that were prior to the Conversion and had different objectives.

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TCP Capital Corp.

Consolidated Statements of Changes in Net Assets

	Common Stock		Paid in Capital	Accumulated Net Investment	Accumulated Net Realized	Accumulated Net Unrealized	Total Net
	Shares	Par Amount	in Excess of Par	Income	Losses	Depreciation	Assets
Balance at December 31, 2009	418,956	$419	$364,764,708	$1,156,140	$(82,078,493)	$(50,962,983)	$232,879,791
Net increase in net assets applicable to common shareholders resulting from operations	-	-	-	37,386,774	18,675,609	12,945,410	69,007,793
Dividends paid to common shareholders	-	-	-	(37,700,000)	-	-	(37,700,000)
Tax reclassification of stockholders' equity in accordance with generally accepted accounting principles	-	-	(21,751)	(535,675)	557,426	-	-
Balance at December 31, 2010	418,956	$419	$364,742,957	$307,239	$(62,845,458)	$(38,017,573)	$264,187,584
Net increase in net assets applicable to common shareholders resulting from operations	-	-	-	44,062,171	18,079,789	(56,958,670)	5,183,290

Dividends paid to common shareholders	-	-	-	(31,500,000)	-	-	(31,500,000)
Tax reclassification of stockholders' equity in accordance with generally accepted accounting principles	-	-	-	645,829	(645,829)	-	-
Balance at December 31, 2011	418,956	$419	$364,742,957	$13,515,239	$(45,411,498)	$(94,976,243)	$237,870,874
Retirement of old common stock in the Conversion	(418,956)	(419)	419	-	-	-	-
Issuance of common stock in the Conversion	15,725,635	15,726	(15,726)	-	-	-	-
Issuance of common stock in public offering	5,750,000	5,750	80,956,005	-	-	-	80,961,755
Issuance of common stock from dividend reinvestment plan	1,993	2	30,383	-	-	-	30,385
Net increase in net assets applicable to common shareholders resulting from operations	-	-	-	38,717,561	(15,990,188)	3,205,937	25,933,310
Dividends paid to common shareholders	-	-	-	(28,808,774)	-	-	(28,808,774)
Tax reclassification of stockholders' equity in accordance with generally accepted accounting			(1,479,978)	(897,847)	2,377,825		

principles							
Balance at December 31, 2012	21,477,628	$21,478	$444,234,060	$22,526,179	$(59,023,861)	$(91,770,306)	$315,987,550

See accompanying notes.

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TCP Capital Corp.

Consolidated Statements of Cash Flows

	Year ended December 31,		
	2012	2011	2010
Operating activities			
Net increase in net assets applicable to common shareholders resulting from operations	$25,933,310	$5,183,290	$69,007,793
Adjustments to reconcile net increase in net assets applicable to common shareholders resulting from operations to net cash provided by operating activities:			
Net realized loss (gain)	15,990,188	(18,079,789)	(18,675,609)
Net change in unrealized appreciation/depreciation of investments	(3,450,486)	56,547,320	(12,887,856)
Dividends paid on Series A preferred equity facility	1,542,932	1,456,281	1,508,341
Dividends paid to Series Z preferred shareholders	-	752	3,750
Net change in accumulated dividends on Series A preferred equity facility	59,867	88,549	9,532
Net change in reserve for dividends to Series Z preferred shareholders	-	(27)	(1,864)
Accretion of original issue discount	(1,176,644)	(934,936)	(488,138)
Net accretion of market discount/premium	(2,287,656)	(3,129,283)	(1,096,529)
Interest and dividend income paid in kind	(2,769,478)	(5,343,284)	(7,012,011)
Amortization of deferred debt issuance costs	441,495	440,289	440,289
Changes in assets and liabilities:			
Purchases of investment securities	(356,251,448)	(171,842,663)	(262,837,727)
Proceeds from sales, maturities and paydowns of investments	211,216,033	216,916,444	192,414,667
Decrease (increase) in accrued interest income - unaffiliated issuers	1,466,278	(321,870)	(1,269,287)
Increase in accrued interest income - controlled companies	(53,524)	-	4,181
Decrease (increase) in accrued interest income – other affiliates	300,741	(570,662)	141,080
Decrease (increase) in receivable for investments sold	(3,430,145)	963,954	(3,449,805)
Decrease (increase) in prepaid expenses and other assets	1,419,558	(1,569,836)	(107,146)
Increase (decrease) in payable for investments purchased	21,546,908	(3,670,205)	(8,811,316)
Increase (decrease) in payable to the Investment Manager	(116,900)	133,275	92,825
Decrease in management and advisory fees payable	(565,599)	-	-
Increase (decrease) in interest payable	43,565	(3,934)	33,547
Increase in accrued expenses and other liabilities	1,704,082	498,803	(14,339)
Net cash (used in) provided by operating activities	(88,436,923)	76,762,468	(52,990,622)
Financing activities			
Proceeds from draws on credit facility	184,000,000	101,000,000	192,000,000
Principal repayments on credit facility	(139,000,000)	(122,000,000)	(217,000,000)

Dividends paid on Series A preferred equity facility	(1,542,932)	(1,456,281)	(1,508,341)
Dividends paid to common shareholders	(28,808,774)	(51,200,000)	(24,200,000)
Proceeds from shares issued in connection with dividend reinvestment plan	30,385	-	-
Proceeds from common shares sold, net of underwriting and offering costs	80,961,755	-	-
Final redemption of Series Z preferred equity	-	(23,500)	-
Dividends paid to Series Z preferred shareholders	-	(752)	(3,750)
Net cash provided by (used in) financing activities	95,640,434	(73,680,533)	(50,712,091)
Net increase in cash and cash equivalents	7,203,511	3,081,935	(103,702,713)
Cash and cash equivalents at beginning of period	10,831,678	7,749,743	111,452,456
Cash and cash equivalents at end of period	$18,035,189	$10,831,678	$7,749,743
Non-cash financing activities			
Conversion of 418,955.777 common interests with a market value of $235,884,525 into 15,725,635 shares of common stock converted at $15 per share.	$235,884,525	$–	$-
Supplemental cash flow information			
Interest payments	147,137	325,466	201,035
Tax payments	502,978	–	21,751

See accompanying notes.

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TCP Capital Corp.

Notes to Consolidated Financial Statements

December 31, 2012

1. Organization and Nature of Operations

TCP Capital Corp. (the "Company") is a Delaware corporation formed on April 2, 2012 as an externally managed, closed-end, non-diversified management investment company. The Company elected to be treated as a business development company ("BDC") under the Investment Company Act of 1940, as amended (the "1940 Act"). The Company's investment objective is to achieve high total returns through current income and capital appreciation, with an emphasis on principal protection. The Company invests primarily in the debt of middle-market companies, including senior secured loans, junior loans, mezzanine debt and bonds. Such investments may include an equity component, and, to a lesser extent, the Company may make equity investments directly. Investment operations are conducted in Special Value Continuation Partners, LP, a Delaware limited partnership (the "Partnership"), of which the Company owns 100% of the common limited partner interests. The Partnership has also elected to be treated as a BDC under the 1940 Act. These consolidated financial statements include the accounts of the Company and the Partnership. All significant intercompany transactions and balances have been eliminated in the consolidation.

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

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

The Company has elected to be treated as a regulated investment company ("RIC") for U.S. federal income tax purposes. As a RIC, the Company will not be taxed on its income to the extent that it distributes such income each year and satisfies other applicable income tax requirements. The Partnership has elected to be treated as a partnership for U.S. federal income tax purposes. The General Partner of the Partnership is SVOF/MM, LLC (“SVOF/MM”), which also serves as the administrator of the Company and the Partnership. The managing member of SVOF/MM is Tennenbaum Capital Partners, LLC (“TCP”), which serves as the Investment Manager to both the Company and the Partnership. Most of the equity interests in the General Partner are owned directly or indirectly by the Advisor and its employees.

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TCP Capital Corp.

Notes to Consolidated Financial Statements (Continued)

December 31, 2012

1. Organization and Nature of Operations (continued)

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 four persons, three of whom are independent. If the Company or the Partnership has preferred equity interests outstanding, as the Partnership currently does, the holders of the preferred interests voting separately as a class are entitled to elect two of the Directors. The remaining directors will be subject to election by holders of the common shares and preferred interests voting together as a single class.

Preferred Equity

At December 31, 2012, the Partnership had 6,700 Series A preferred limited partner interests (the "Preferred Interests") issued and outstanding with a liquidation preference of $20,000 per preferred limited interest. The Preferred Interests are redeemable at the option of the Partnership, subject to certain conditions. Additionally, under certain conditions, the Partnership may be required to either redeem certain of the Preferred Interests or repay indebtedness, at the Partnership's option. Such conditions would include a failure by the Partnership to maintain adequate collateral as required by its credit facility agreement or by the Statement of Preferences of the Preferred Interests or a failure by the Partnership to maintain sufficient asset coverage as required by the 1940 Act. As of December 31, 2012, the Partnership was in full compliance with such requirements.

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

2. Summary of Significant Accounting Policies

Basis of Presentation

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

Use of Estimates

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

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TCP Capital Corp.

Notes to Consolidated Financial Statements (Continued)

December 31, 2012

2. Summary of Significant Accounting Policies (continued)

Investment Valuation

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

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

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

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TCP Capital Corp.

Notes to Consolidated Financial Statements (Continued)

December 31, 2012

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 the Company's Level 3 investments as of December 31, 2012 included the following:

Asset Type	Fair Value	Valuation Techniques	Unobservable Input	Range (Weighted Average)
Bank Debt	$359,343,326	Market rate approach	Market yields	5.4% - 16.6% (11.3%)
		Market quotations	Indicative bid/ask quotes	1 – 4 (2)
		Market comparable companies	Revenue multiples	0.4x – 0.4x (0.4x)
		Market comparable companies	EBITDA multiples	6.5x – 8.4x (7.1x)
Corporate Debt	$24,339,095	Market rate approach	Market yields	14.0% - 14.0% (14.0%)
		Market comparable companies	EBITDA multiples	10.0x - 10.0x (10.0x)
Equity	$34,100,134	Market rate approach	Market yields	7.0% - 26.0% (13.1%)
		Market quotations	Indicative bid/ask quotes	1 – 1 (1)
		Market comparable companies	Revenue multiples	0.3x – 1.1x (0.8x)
		Market comparable companies	EBITDA multiples	3.4x – 8.4x (5.4x)

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

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TCP Capital Corp.

Notes to Consolidated Financial Statements (Continued)

December 31, 2012

2. Summary of Significant Accounting Policies (continued)

At December 31, 2012, the investments of the Partnership were categorized as follows:

Level	Basis for Determining Fair Value	Bank Debt	Other Corporate Debt	Equity Securities
1	Quoted prices in active markets for identical assets	$-	$ -	$780,431
2	Other observable market inputs*	45,667,016	53,453,085	-
3	Independent third-party pricing sources that employ significant unobservable inputs	359,343,326	17,171,637	32,675,370
3	Investment Manager valuations with significant unobservable inputs	-	7,167,458	1,424,764
Total		$405,010,342	$ 77,792,180	$34,880,565

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

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

	Independent Third-Party Valuation		
	Bank Debt	Other Corporate Debt	Equity Securities
Beginning balance	$159,949,811	$ 24,061,229	$68,114,764
Net realized and unrealized losses	(8,709,385)	(6,540,882)	(7,100,618)
Acquisitions	288,929,785	3,731,290	9,584,408
Dispositions	(84,994,292)	-	(37,923,184)
Transfers out of Level 3†	-	(4,080,000)	-
Transfers into Level 3††	4,167,407	-	-

Ending balance	$359,343,326	$ 17,171,637	$32,675,370
Net change in unrealized appreciation/ depreciation during the period on investments still held at period end (included in net realized and unrealized losses, above)	$(5,856,277)	$ 127,255	$(9,797,319)

†Comprised of one investment that transferred to Level 2 due to increased trading volumes.

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

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TCP Capital Corp.

Notes to Consolidated Financial Statements (Continued)

December 31, 2012

2. Summary of Significant Accounting Policies (continued)

	Investment Manager Valuation		
	Bank Debt	Other Corporate Debt	Equity Securities
Beginning balance	$51,436	$ 7,464,188	$1,252,190
Net realized and unrealized gains (losses)	-	284,156	274,554
Acquisitions	-	148,281	-
Dispositions	-	(729,167)	(5,842)
Transfers out of Level 3#	-	-	(147,574)
Reclassifications within Level 3##	(51,436)	-	51,436
Ending balance	$-	$ 7,167,458	$1,424,764
Net change in unrealized appreciation/ depreciation during the period on investments still held at period end (included in net realized and unrealized gains/losses, above)	$-	$ 272,637	$274,555

Comprised of one investment that transferred to Level 2 due to increased trading volumes.

Comprised of claims in the liquidation of a portfolio company that were reclassified as equity.

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

At December 31, 2011, the investments of the Partnership were categorized as follows:

Level	Basis for Determining Fair Value	Bank Debt	Other Corporate Debt	Equity Securities

1	Quoted prices in active markets for identical assets	$-	$ 5,595,765	$2,502,152
2	Other observable market inputs*	23,837,668	86,131,333	-
3	Independent third-party pricing sources that employ significant unobservable inputs	159,949,811	24,061,229	68,114,764
3	Investment Manager valuations with significant unobservable inputs	51,436	7,464,188	1,252,190
Total		$183,838,915	$ 123,252,515	$71,869,106

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

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TCP Capital Corp.

Notes to Consolidated Financial Statements (Continued)

December 31, 2012

2. Summary of Significant Accounting Policies (continued)

Changes in investments categorized as Level 3 during the year ended December 31, 2011 were as follows:

	Independent Third-Party Valuation		
	Bank Debt	Other Corporate Debt	Equity Securities
Beginning balance	$113,346,599	$ 49,978,032	$117,368,154
Net realized and unrealized gains (losses)	1,827,187	(11,291,435)	(4,047,653)
Acquisitions	133,199,048	7,637,829	8,717,193
Dispositions	(86,909,992)	(23,566,434)	(52,836,899)
Transfers into Level 3**	-	13,168,606	-
Transfers out of Level 3†	(13,378,400)	-	-
Reclassifications within Level 3‡	11,865,369	(11,865,369)	(1,086,031)
Ending balance	$159,949,811	$ 24,061,229	$68,114,764
Net change in unrealized appreciation/ depreciation during the period on investments still held at period end (included in net realized and unrealized gains/losses, above)	$2,661,964	$ (10,393,953)	$(5,609,802)

** Comprised of one investment that transferred from Level 2 due to decreased trading volumes.

†Comprised of one investment that transferred to Level 2 due to increased trading volumes.

‡Comprised of one investment with a beginning-of-period fair value of $11,865,369 that was reclassified as bank debt and one investment with a beginning-of-period fair value of $1,086,031 that transferred to Investment Manager Valuation.

	Investment Manager Valuation		
	Bank Debt	Other Corporate Debt	Equity Securities
Beginning balance	$63,163	$ -	$4,314,940
Net realized and unrealized gains (losses)	4,096	74,605	(1,351,030)

Acquisitions	-	7,389,583	747
Dispositions	(15,823)	-	(2,798,498)
Reclassifications within Level 3[#]	-	-	1,086,031
Ending balance	$51,436	$ 7,464,188	$1,252,190
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)	$4,096	$ -	$(3,392,686)

[#] Comprised of one investment that transferred from Independent Third Party Valuation.

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TCP Capital Corp.

Notes to Consolidated Financial Statements (Continued)

December 31, 2012

2. Summary of Significant Accounting Policies (continued)

During the year ended December 31, 2011, one investment with a beginning-of-period fair value of $3,477,314 transferred from Level 2 to Level 1 following commencement of active trading on a national exchange.

Investment Transactions

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

Cash and Cash Equivalents

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

Repurchase Agreements

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

Restricted Investments

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

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TCP Capital Corp.

Notes to Consolidated Financial Statements (Continued)

December 31, 2012

2. Summary of Significant Accounting Policies (continued)

Foreign Investments

The Partnership may invest in instruments traded in foreign countries and denominated in foreign currencies. At December 31, 2012, the Partnership held foreign currency denominated investments comprising approximately 1.6% of the Partnership's total investments. Such positions were converted at the closing rate in effect at December 31, 2012 and reported in U.S. dollars. Purchases and sales of investments and income and expense items denominated in foreign currencies, when they occur, are translated into U.S. dollars on the respective dates of such transactions. The portion of gains and losses on foreign investments resulting from fluctuations in foreign currencies is included in net realized and unrealized gain or loss from investments.

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

Derivatives

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

The Partnership did not enter into any new derivative transactions during the year ended December 31, 2012. As of December 31, 2012, the Partnership holds a cross currency basis swap with a notional amount of $6,040,944. Gains and losses from derivatives during the year ended December 31, 2012 were included in net realized and unrealized loss on investments in the Statement of Operations as follows:

Instrument	Realized	Unrealized
Cross currency basis swaps	$ -	$ 6,940

Valuations of swaps held at December 31, 2012 were determined using observable market inputs other than quoted prices in active markets for identical assets and, accordingly, are classified as Level 2 in the GAAP valuation hierarchy.

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TCP Capital Corp.

Notes to Consolidated Financial Statements (Continued)

December 31, 2012

2. Summary of Significant Accounting Policies (continued)

Debt Issuance Costs

Costs of approximately $3.5 million were incurred during 2006 in connection with placing the Partnership's Senior Facility. These costs were deferred and are being amortized on a straight-line basis over eight years, the estimated life of the Senior Facility. The impact of utilizing the straight-line amortization method versus the effective-interest method is not material to the operations of the Company or the Partnership.

Revenue Recognition

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

Certain of the Partnership's debt investments are purchased at a considerable discount to par as a result of the underlying credit risks and financial results of the issuer, as well as general market factors that influence the financial markets as a whole. GAAP generally requires that discounts on the acquisition of corporate bonds, municipal bonds and treasury bonds be amortized using the effective-interest or constant-yield method. GAAP also requires the Partnership to consider the collectability of interest when making accruals. Accordingly, when accounting for purchase discounts, the Partnership recognizes discount accretion income when it is probable that such amounts will be collected, generally at disposition. When the Partnership receives principal payments on a loan in an amount in excess of the loan's amortized cost, it records the excess principal payments as interest income.

Income Taxes

The Company intends to comply with the applicable provisions of the Internal Revenue Code of 1986, as amended, pertaining to regulated investment companies and to make distributions of taxable income sufficient to relieve it from substantially all federal income taxes. Accordingly, no provision for income taxes is required in the consolidated financial statements. The Partnership's income or loss is reported in the partners' income tax returns. In accordance with ASC Topic 740 – *Income Taxes*, the Company recognizes in its consolidated financial statements the effect of a tax position when it is determined that such position is more likely than not, based on the technical merits, to be sustained upon examination. As of December 31, 2012, all tax years of the Company and the Partnership since January 1, 2009 remain subject to examination by federal tax authorities. No such examinations are currently pending.

During the year ended December 31, 2012, the Company paid $502,978 in excise taxes related to income earned in 2011. As of December 31, 2012, the Company also accrued $977,000 in excise taxes related to income earned in 2012.

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TCP Capital Corp.

Notes to Consolidated Financial Statements (Continued)

December 31, 2012

2. Summary of Significant Accounting Policies (continued)

Income and capital gain distributions are determined in accordance with income tax regulations, which may differ from GAAP. Capital accounts within the financial statements are adjusted at year end for permanent book and tax differences. At December 31, 2012, the Company reclassified $2,377,825 in foreign currency losses from accumulated net realized losses to accumulated net investment income and $1,479,978 in excise tax expenses from accumulated net investment income to paid-in capital. Temporary differences are primarily attributable to differing book and tax treatments for the timing of the recognition of gains and losses on certain investment transactions and the timing of the deductibility of certain expenses, and will reverse in subsequent periods.

As of December 31, 2012, the tax-basis components of distributable earnings (accumulated deficit) applicable to the common shareholders of the Company and unrealized appreciation (depreciation) and cost of investments (including derivatives) were as follows:

Undistributed ordinary income	$25,065,740
Capital loss carryforwards	(37,747,057)
Post-October capital loss deferrals	(20,957,203)
Post-October currency loss deferrals	(2,548,930)
Unrealized appreciation	$27,845,827
Unrealized depreciation	(119,053,743)
Net unrealized depreciation	(91,207,916)
Cost	$609,070,367

The Company’s capital loss carryforwards will be used to offset capital gains in succeeding taxable years. Of the carryforwards, $2,987,224 and $34,759,833 will expire after 2017 and 2018, respectively. Distributions to holders of the Series A Preferred are treated, on an accrual basis, as distributions of ordinary income for federal tax purposes.

New Accounting Guidance

In May 2011, the Financial Accounting Standards Board (the "FASB") issued *Accounting Standards Update 2011-04, Fair Value Measurement (Topic 820): Amendments to Achieve Common Fair Value Measurement and Disclosure Requirements in U.S. GAAP and IFRSs* ("ASU 2011-04"). ASU 2011-04 was issued to converge guidance from the FASB and the International Accounting Standards Board on measuring fair value and for disclosing information about fair value measurements. The changes include a consistent definition of the term "fair value" and enhanced disclosure requirements for investments that do not have readily determinable fair values, such as additional quantitative information about significant unobservable inputs and a qualitative discussion about the sensitivity of the fair value measurement to changes in the unobservable inputs. The provisions of ASU 2011-04 were effective for the Company on January 1, 2012. The Company's adoption of ASU 2011-04 resulted in increased disclosures around fair value but did not impact the measurement of fair value of the Company's investments.

TCP Capital Corp.

Notes to Consolidated Financial Statements (Continued)

December 31, 2012

3. Management and Advisory Fees and Other Expenses

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

The Company will not incur any incentive compensation until after January 1, 2013. Thereafter, the incentive compensation will equal 20% of net investment income (reduced by preferred dividends) and realized gains (net of any realized and unrealized losses). However, incentive compensation will only be paid to the extent the total performance of the Company exceeds a cumulative 8% annual return since January 1, 2013. The incentive compensation will be payable to the General Partner quarterly in arrears and will be calculated as the difference between cumulative incentive compensation earned since January 1, 2013 and cumulative incentive compensation paid since January 1, 2013.

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

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

4. Senior Secured Revolving Credit Facility

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

TCP Capital Corp.

Notes to Consolidated Financial Statements (Continued)

December 31, 2012

4. Senior Secured Revolving Credit Facility (continued)

Advances under the Senior Facility bear interest at LIBOR plus 0.44% per annum, except in the case of loans from CP Conduits, which bear interest at the higher of LIBOR plus 0.44% or the CP Conduit's cost of funds plus 0.44%, subject to certain limitations. The weighted-average interest rate on outstanding borrowings at December 31, 2012 was 0.65%. In addition to amounts due on outstanding debt, the Senior Facility accrues commitment fees of 0.20% per annum on the unused portion of the Senior Facility, or 0.25% per annum when less than $46.4 million in borrowings are outstanding. The Senior Facility may be terminated, and any outstanding amounts thereunder may become due and payable, should the Partnership fail to satisfy certain financial or other covenants. As of December 31, 2012, the Partnership was in full compliance with such covenants.

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

The Partnership conducts business with brokers and dealers that are primarily headquartered in New York and Los Angeles and are members of the major securities exchanges. Banking activities are conducted with a firm headquartered in the New York area.

In the normal course of business, the Partnership's investment activities involve executions, settlement and financing of various transactions resulting in receivables from, and payables to, brokers, dealers and the Partnership's custodian. These activities may expose the Company and the Partnership to risk in the event that such parties are unable to fulfill contractual obligations. Management does not anticipate any material losses from counterparties with whom it conducts business. Consistent with standard business practice, the Company and the Partnership enter into contracts that contain a variety of indemnifications, and are engaged from time to time in various legal actions. The maximum exposure of the Company and the Partnership under these arrangements and activities is unknown. However, the Company and the Partnership expect the risk of material loss to be remote.

The Consolidated Statement of Investments includes certain revolving loan facilities held by the Partnership with aggregate unfunded balances of $1,187,555 at December 31, 2012.

6. Related Parties

The Company, the Partnership, the Investment Manager, the General Partner and their members and affiliates may be considered related parties. From time to time, the Partnership advances payments to third parties on behalf of the Company which are reimbursable through deductions from distributions to the Company. At December 31, 2012, 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 December 31, 2012, amounts reimbursable to the Investment Manager totaled $109,200, as reflected in the Consolidated Statement of Assets and Liabilities.

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TCP Capital Corp.

Notes to Consolidated Financial Statements (Continued)

December 31, 2012

7. Stockholders' Equity and Dividends

The following table summarizes the total shares issued and proceeds received in the public offering of the Company's common stock net of underwriting discounts and offering costs as well as shares issued in connection with the Company's dividend reinvestment plan for the year ended December 31, 2012.

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

The Company used the net proceeds from the above share issuances to repay outstanding indebtedness and for other general corporate purposes, including funding investments.

The Company's dividends are recorded on the record date. The following table summarizes the Company's dividends declared for the year ended December 31, 2012:

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

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

** Includes a special dividend of $0.05.

TCP Capital Corp.

Notes to Consolidated Financial Statements (Continued)

December 31, 2012

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 year ended December 31, 2012:

	Year Ended December 31, 2012
Net increase in net assets applicable to common shareholders resulting from operations	$ 25,933,310
Weighted average shares outstanding†	21,475,847
Earnings per share	$ 1.21

†The weighted average number of shares are based on the assumption that the number of common shares issued in the Conversion on April 2, 2012 and those sold in the initial public offering on April 3, 2012 had been issued as of the beginning of the year.

9. Subsequent Events

On March 7, 2013, the Board of Directors of the Company declared a first quarter cash dividend of $0.35 per share and a special dividend of $0.05 per share, both payable on March 29, 2013 to stockholders of record as of the close of business on March 18, 2013.

TCP Capital Corp.

Notes to Consolidated Financial Statements (Continued)

December 31, 2012

10. Financial Highlights

The financial highlights below show the Company's results of operations for the year ended December 31, 2012. Per share amounts are calculated assuming the common shares issued in the Conversion on April 2, 2012 and those sold in the initial public offering on April 3, 2012 had been issued as of the beginning of the year.

	Year Ended December 31, 2012	
Per Common Share		
Per share NAV post IPO on April 3, 2012	$ 14.76	
Per share NAV at beginning of year [1]	$ 14.84	
Investment operations:		
Net investment income before income taxes	1.95	
Excise taxes	(0.07	)
Net investment income	1.88	
Net realized and unrealized gain (loss)	(0.60	)
Dividends on Series A preferred equity facility	(0.07	)
Net change in accumulated dividends on Series A preferred equity facility	-	
Total from investment operations	1.21	
Distributions to common shareholders from:		
Net investment income	(1.34	)
Total distributions to common shareholders	(1.34	)
Per share NAV at end of year	$ 14.71	
Per share market price at end of year	$ 14.74	
Total return based on market value [1], [2]	9.0	%
Total return based on net asset value [1]	8.2	%
Shares outstanding at end of year	21,477,628	

TCP Capital Corp.

Notes to Consolidated Financial Statements (Continued)

December 31, 2012

10. Financial Highlights (continued)

	Year Ended December 31, 2012		Year Ended December 31, 2011	
Ratios to average common equity: [3]				
Net investment income	13.6	%	17.6	%
Expenses [4]	3.5	%	3.6	%
Ending common shareholder equity	$315,987,550		$237,870,874	
Portfolio turnover rate	48.3	%	42.8	%
Weighted-average debt outstanding	$25,374,317		$42,038,356	
Weighted-average interest rate on debt	0.7	%	0.8	%
Weighted-average number of common shares [1]	21,475,847		N/A	
Average debt per share [1]	$1.18		N/A	

(1) Calculated assuming the Conversion and the offering occurred on January 1, 2012.
(2) Total return based on an offering price of $14.75.
(3) These ratios include interest expense but do not reflect the effect of dividends on the preferred equity facility.
(4) Excludes excise taxes.

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TCP Capital Corp.

Notes to Consolidated Financial Statements (Continued)

December 31, 2012

11. Select Quarterly Data (Unaudited)

	2012 Q4	Q3	Q2	***Q1*** [(1)]
Total investment income	$17,181,003	$12,110,973	$11,086,458	$11,814,325
Net investment income before income taxes	14,037,545	9,603,653	8,921,038	9,238,102
Excise taxes	(977,000)	-	-	(502,978)
Net investment income	13,060,545	9,603,653	8,921,038	8,735,124
Net realized and unrealized gain (loss)	(5,743,587)	344,397	(2,497,360)	(4,887,701)
Preferred dividends	(391,402)	(399,121)	(397,477)	(414,799)
Net increase in net assets resulting from operations	$6,925,556	$9,548,929	$6,026,201	$3,432,624
Basic and diluted earnings per common share	$0.32	$0.44	$0.28	N/A

	2011 [(1)] Q4	Q3	Q2	Q1
Total investment income	$9,103,299	$10,509,783	$17,257,216	$17,987,378
Net investment income before income taxes	6,295,451	8,318,985	15,235,777	15,757,513
Excise taxes	-	-	-	-
Net investment income	6,295,451	8,318,985	15,235,777	15,757,513
Net realized and unrealized loss	(2,980,033)	(20,014,551)	(9,556,909)	(6,327,388)
Preferred dividends	(389,857)	(389,747)	(392,339)	(373,612)
Net increase in net assets resulting from operations	$2,925,561	$(12,085,313)	$5,286,529	$9,056,513
Basic and diluted earnings per common share	N/A	N/A	N/A	N/A

[(1)] Periods prior to the Conversion reflect portfolios that had different investment objectives.

TCP Capital Corp.

Consolidated Schedule of Changes in Investments in Affiliates [1]

Year Ended December 31, 2012

Security	Value, Beginning of Period	Acquisitions	Dispositions [2]	Value, End of Period
Anacomp, Inc., Class A Common Stock	$740,761	$-	$-	$1,255,527
Delta Air Lines, Inc., Aircraft Secured Mortgage (N913DL), 8%, due 7/15/18	-	403,947	(37,389)	367,370
Delta Air Lines, Inc., Aircraft Secured Mortgage (N918DL), 8%, due 7/15/18	-	490,003	(33,390)	454,580
Delta Air Lines, Inc., Aircraft Secured Mortgage (N954DL), 8%, due 9/20/19	-	631,014	(37,814)	597,720
Delta Air Lines, Inc., Aircraft Secured Mortgage (N955DL), 8%, due 9/20/19	-	645,523	(36,417)	612,000
Delta Air Lines, Inc., Aircraft Secured Mortgage (N956DL), 8%, due 9/20/19	-	646,372	(37,011)	612,850
Delta Air Lines, Inc., Aircraft Secured Mortgage (N957DL), 8%, due 9/20/19	-	651,170	(36,735)	617,440
Delta Air Lines, Inc., Aircraft Secured Mortgage (N959DL), 8%, due 9/20/19	-	655,930	(36,462)	622,030
Delta Air Lines, Inc., Aircraft Secured Mortgage (N960DL), 8%, due 9/20/19	-	675,587	(35,956)	640,730
Delta Air Lines, Inc., Aircraft Secured Mortgage (N961DL), 8%, due 9/20/19	-	671,812	(36,803)	636,990
Delta Air Lines, Inc., Aircraft Secured Mortgage (N976DL), 8%, due 7/15/18	-	512,643	(38,636)	473,280
Delta Air Lines, Inc., Equipment Trust Beneficial Interests (N913DL)	-	145,176	(31,277)	111,520
Delta Air Lines, Inc., Equipment Trust Beneficial Interests (N918DL)	-	162,691	(32,027)	120,530
Delta Air Lines, Inc., Equipment Trust Beneficial Interests (N954DL)	-	202,368	(40,415)	113,390
Delta Air Lines, Inc., Equipment Trust Beneficial Interests (N955DL)	-	204,598	(40,116)	160,650
Delta Air Lines, Inc., Equipment Trust Beneficial Interests (N956DL)	-	205,404	(40,679)	163,200
Delta Air Lines, Inc., Equipment Trust Beneficial Interests (N957DL)	-	206,328	(40,572)	163,880

Delta Air Lines, Inc., Equipment Trust Beneficial Interests (N959DL)	-	207,244	(40,467)	164,390
Delta Air Lines, Inc., Equipment Trust Beneficial Interests (N960DL)	-	211,653	(40,578)	169,660
Delta Air Lines, Inc., Equipment Trust Beneficial Interests (N961DL)	-	211,555	(41,241)	171,360
Delta Air Lines, Inc., Equipment Trust Beneficial Interests (N976DL)	-	173,597	(37,271)	83,300
EPMC HoldCo, LLC, Membership Units	5,264,007	-	(1,276,226)	2,730,458
ESP Holdings, Inc., Cumulative Preferred 15%	3,287,872	-	-	3,643,088
ESP Holdings, Inc., Common Stock	7,473,887	-	-	2,263,124
ESP Holdings, Inc., Junior Unsecured Subordinated Promissory Notes, 6% Cash + 10% PIK, due 12/31/19	6,240,393	1,000,494	-	7,134,137
International Wire Group Holdings, Inc., Common Stock	30,077,606	-	(31,940,733)	-
International Wire Group Holdings, Inc., Senior Notes, 11.5% Cash or 12.25% PIK, due 4/15/15	18,180,000	-	(18,000,000)	-
International Wire Group Holdings, Inc., Senior Secured Notes, 8.5%, due 10/15/17	-	15,000,000	-	15,450,000
Real Mex Restaurants, Inc. Senior Secured Notes, 14%, due 1/1/13	12,410,823	-	(6,627,711)	-
RM Holdco, LLC, Membership Units	-	2,010,777	-	849,478
RM Holdco, LLC, Subordinated Convertible Term Loan, 1.12% PIK, due 3/21/18	-	5,106,805	-	5,106,805
RM OpCo, LLC, Senior Secured 1st Lien Term Loan Tranche A, 11%, due 3/19/16	-	3,759,156	-	3,759,156
RM OpCo, LLC, Senior Secured 1st Lien Term Loan Tranche B, 12% Cash + 7% PIK, due 3/19/16	-	6,258,122	-	6,258,122
RM OpCo, LLC, Senior Secured 1st Lien Term Loan Tranche B-1, 12% Cash + 7% PIK, due 3/19/16		1,922,118	-	1,976,470
United Air Lines, Inc., Aircraft Secured Mortgage (N510UA), 20%, due 9/26/16	624,066	-	(66,886)	548,340
United Air Lines, Inc., Aircraft Secured Mortgage (N512UA), 20%, due 10/26/16	630,208	-	(65,449)	556,225
United Air Lines, Inc., Aircraft Secured Mortgage (N536UA), 16%, due 8/21/14	414,963	-	(122,068)	277,780
United Air Lines, Inc., Aircraft Secured Mortgage (N545UA), 16%, due 7/17/15	563,575	-	(109,385)	436,810
United Air Lines, Inc., Aircraft Secured Mortgage (N585UA), 20%, due 10/25/16	739,958	-	(76,848)	653,220
United Air Lines, Inc., Aircraft Secured Mortgage (N659UA), 12%, due 3/28/16	5,014,613	-	(886,810)	4,264,148
United Air Lines, Inc., Aircraft Secured Mortgage (N661UA), 12%, due 5/4/16	5,192,014	-	(860,025)	4,351,424
United Air Lines, Inc., Equipment Trust Beneficial Interests (N510UA)	467,137	66,886	(35,913)	479,682
	458,665	65,449	(35,325)	473,761

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

Note to Consolidated 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.

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TCP Capital Corp.

Consolidated Schedule of Changes in Investments in Affiliates [1]

Year Ended December 31, 2011

Security	Value, Beginning of Period	Acquisitions	Dispositions [2]	Value, End of Period
Anacomp, Inc., Class A Common Stock	$1,086,031	$-	$-	$740,761
EPMC HoldCo, LLC, Membership Units	40,727,138	-	(24,308,286)	5,264,007
ESP Holdings, Inc., 15% PIK, Preferred Stock	3,005,832	-	-	3,287,872
ESP Holdings, Inc., Common Stock	7,565,535	-	-	7,473,887
ESP Holdings, Inc., Junior Unsecured Subordinated Promissory Notes, 18% PIK, due 3/31/15	5,321,627	887,719	-	6,240,393
International Wire Group, Inc., Senior Secured Notes, 9.75%, due 4/15/15	4,040,000	-	(4,200,000)	-
International Wire Group Holdings, Inc., Common Stock	43,468,524	-	(14,111,830)	30,077,606
International Wire Group Holdings, Inc., Senior Notes, 11.5% Cash or 12.25% PIK, due 4/15/15	-	20,000,000	(2,000,000)	18,180,000
United Air Lines, Inc., Aircraft Secured Mortgage (N510UA), 20%, due 9/26/16	719,200	-	(54,853)	624,066
United Air Lines, Inc., Aircraft Secured Mortgage (N512UA), 20%, due 10/26/16	723,647	-	(53,676)	630,208
United Air Lines, Inc., Aircraft Secured Mortgage (N536UA), 16%, due 8/21/14	558,944	-	(104,129)	414,963
United Air Lines, Inc., Aircraft Secured Mortgage (N545UA), 16%, due 7/17/15	695,004	-	(93,311)	563,575
United Air Lines, Inc., Aircraft Secured Mortgage (N585UA), 20%, due 10/25/16	849,983	-	(63,020)	739,958
United Air Lines, Inc., Aircraft Secured Mortgage (N659UA), 12%, due 3/28/16	-	5,329,739	(735,499)	5,014,613
United Air Lines, Inc., Aircraft Secured Mortgage (N661UA), 12%, due 5/4/16	-	5,351,577	(642,268)	5,192,014
United Air Lines, Inc., Equipment Trust Beneficial Interests (N510UA)	311,102	54,853	(59,882)	467,137
United Air Lines, Inc., Equipment Trust Beneficial Interests (N512UA)	307,754	53,676	(59,735)	458,665
United Air Lines, Inc., Equipment Trust Beneficial Interests (N536UA)	375,796	104,129	(60,360)	686,303

United Air Lines, Inc., Equipment Trust Beneficial Interests (N545UA)	357,648	93,311	(68,854)	612,589
United Air Lines, Inc., Equipment Trust Beneficial Interests (N585UA)	338,830	63,020	(71,463)	498,602
United N659UA-767, LLC (N659UA)	-	2,235,686	(674,712)	2,274,815
United N661UA-767, LLC (N661UA)	-	2,170,785	(607,783)	2,205,523

Notes to Consolidated 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.

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TCP Capital Corp.

Consolidated Schedule of Restricted Securities of Unaffiliated Issuers

December 31, 2012

Investment	Acquisition Date	Cost
AIP/IS Holdings, LLC, Membership Units	Var. 2009 & 2010	$-
Bally Total Fitness Holding Corporation, Common Stock	4/30/10	45,186,963
Bally Total Fitness Holding Corporation, Warrants	4/30/10	-
BPA Laboratories, Inc., Senior Secured Notes, 12.25%, due 4/1/17	3/5/12	16,446,295
Caribbean Financial Group, Senior Secured Notes, 11.5%, due 11/15/19	10/19/12	9,803,494
Constellation Enterprises, LLC, Senior Secured 1st Lien Notes, 10.625%, due 2/1/16	1/20/11	12,322,875
DeepOcean Group Holding AS, Common Stock	5/13/11	3,477,627
Integra Telecom, Inc., Common Stock	11/19/09	8,433,884
Integra Telecom, Inc., Warrants	11/19/09	19,920
La Paloma Generating Company, Residual Claim	2/2/05	1,574,284
Marsico Holdings, LLC Common Interest Units	9/10/12	172,694
Precision Holdings, LLC, Class C Membership Interests	Var. 2010 & 2011	1,396
Shop Holding, LLC, Class A Units	6/2/11	462,576
Shop Holding, LLC, Warrants to Purchase Class A Units	6/2/11	-
SiTV, Inc., Warrants to Purchase Common Stock	8/3/12	300,322
STG-Fairway Holdings, LLC, Class A Units	12/30/10	1,100,348
The Telx Group, Inc., Senior Unsecured Notes, 10% Cash + 2% PIK, due 9/26/19	9/26/11	6,820,215

December 31, 2011

Investment	Acquisition Date	Cost
AIP/IS Holdings, LLC, Membership Units	Var. 2009 & 2010	$-
Bally Total Fitness Holding Corporation, Common Stock	4/30/10	45,186,963
Bally Total Fitness Holding Corporation, Warrants	4/30/10	-
Constellation Enterprises, LLC, Senior Secured 1st Lien Notes, 10.625%, due 2/1/16	1/20/2011	12,322,875
DeepOcean Group Holding AS, Common Stock	5/13/2011	3,477,627

Encompass Digital Media Group, Inc., Common Stock	1/15/2010	883,196
GSI Group, Inc., Common Stock	8/20/2008	753,225
Integra Telecom, Inc., Common Stock	11/19/2009	8,433,884
Integra Telecom, Inc., Warrants	11/19/2009	19,920
ITC^DeltaCom, Inc., Senior Secured Notes, 10.5%, due 4/1/16	4/9/2010	8,753,309
NEF Kamchia Co-Investment Fund, LP Interest	7/31/2007	3,367,227
NEF Telecom Company BV, Mezzanine Term Loan, EURIBOR + 4.5% Cash + 7.5% PIK, due 8/16/17	8/29/2007	26,162,416
Precision Holdings, LLC, Class C Membership Interests	Var. 2010 & 2011	1,396
Shop Holding, LLC, Class A Units	6/2/2011	462,576
Shop Holdings, LLC, Warrants to Purchase Class A Units	6/2/2011	-
STG-Fairway Holdings, LLC, Class A Units	12/30/2010	1,100,348
The Telx Group, Inc., Senior Unsecured Notes, 10% Cash + 2% PIK, due 9/26/19	9/26/2011	7,389,583

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TCP Capital Corp.

Consolidating Statement of Assets and Liabilities

December 31, 2012

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

Composition of net assets

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

TCP Capital Corp.

Consolidating Statement of Assets and Liabilities

December 31, 2011

	Special Value Continuation Fund, LLC Standalone	Special Value Continuation Partners, LP	Eliminations	Special Value Continuation Fund, LLC Consolidated
Assets				
Investments:				
Unaffiliated issuers	$-	$287,312,979	$-	$287,312,979
Investment in subsidiary	237,606,302	-	(237,606,302)	-
Controlled companies	-	740,761	-	740,761
Other affiliates	-	90,906,796	-	90,906,796
Total investments	237,606,302	378,960,536	(237,606,302)	378,960,536
Cash and cash equivalents	-	10,831,678	-	10,831,678
Accrued interest income	-	6,288,802	-	6,288,802
Receivable for investment securities sold	-	4,297,270	-	4,297,270
Deferred debt issuance costs	-	1,137,513	-	1,137,513
Unrealized appreciation on swaps	-	172,424	-	172,424
Prepaid expenses and other assets	400,322	1,364,958	-	1,765,280
Total assets	238,006,624	403,053,181	(237,606,302)	403,453,503
Liabilities				
Credit facility payable	-	29,000,000	-	29,000,000
Management and advisory fees payable	-	565,599	-	565,599
Payable for investment securities purchased	-	267,911	-	267,911
Payable to the Investment Manager	50,171	175,929	-	226,100
Interest payable	-	75,668	-	75,668
Accrued expenses and other liabilities	85,579	895,354	-	980,933
Total liabilities	135,750	30,980,461	-	31,116,211
Preferred equity facility				
Series A preferred limited partner interests	-	134,000,000	-	134,000,000
Accumulated dividends on Series A preferred equity facility	-	466,418	-	466,418
Total preferred limited partner interests	-	134,466,418	-	134,466,418
Net assets	$237,870,874	$237,606,302	$(237,606,302)	$237,870,874

Composition of net assets				
Common stock	$419	$-	$-	$419
Additional paid-in capital	364,742,957	358,636,781	(358,636,781)	364,742,957
Accumulated deficit	(126,872,502)	(121,030,479)	121,030,479	(126,872,502)
Net assets	$237,870,874	$237,606,302	$(237,606,302)	$237,870,874

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TCP Capital Corp.

Consolidating Statement of Operations

Year Ended December 31, 2012

	TCP Capital Corp. Standalone	Special Value Continuation Partners, LP	Eliminations	TCP Capital Corp. Consolidated
Investment income				
Interest income:				
Unaffiliated issuers	-	$42,139,023	-	$42,139,023
Controlled companies	-	1,253,915	-	1,253,915
Other affiliates	-	5,850,394	-	5,850,394
Dividend income:				
Affiliates	-	1,811,189	-	1,811,189
Other income:				
Unaffiliated issuers	-	289,073	-	289,073
Controlled companies	-	490,066	-	490,066
Other affiliates	-	359,099	-	359,099
Total interest and related investment income	-	52,192,759	-	52,192,759
Operating expenses				
Management and advisory fees	1,292	6,907,650	-	6,908,942
Professional fees relating to the Conversion	-	411,523	-	411,523
Amortization of deferred debt issuance costs	-	441,495	-	441,495
Legal fees, professional fees and due diligence expenses	376,309	789,009	-	1,165,318
Commitment fees	-	225,560	-	225,560
Director fees	66,444	132,889	-	199,333
Interest expense	-	190,702	-	190,702
Insurance expense	43,279	86,861	-	130,140
Custody fees	3,500	96,447	-	99,947
Other operating expenses	181,971	437,490	-	619,461
Total operating expenses	672,795	9,719,626	-	10,392,421
Net investment income (loss) before income taxes	(672,795)	42,473,133	-	41,800,338
Excise tax expense	1,479,978	-	-	1,479,978

Net investment income (loss)	(2,152,772)	42,473,133	-	40,320,360
Net realized and unrealized gain (loss) on investments and foreign currency				
Net realized gain (loss):				
Investments in unaffiliated issuers	-	(29,574,293)	-	(29,574,293)
Investments in affiliates	-	13,584,105	-	13,584,105
Net realized loss	-	(15,990,188)	-	(15,990,188)
Net change in unrealized appreciation/depreciation	28,086,083	3,205,937	(28,086,083)	3,205,937
Net realized and unrealized gain (loss)	28,086,083	(12,784,251)	(28,086,083)	(12,784,251)
Dividends paid on Series A preferred equity facility	-	(1,542,932)	-	(1,542,932)
Net change in accumulated dividends on Series A preferred equity facility	-	(59,867)	-	(59,867)
Net increase in net assets resulting from operations	$25,933,310	$28,086,083	$(28,086,083)	$25,933,310

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TCP Capital Corp.

Consolidating Statement of Operations

Year Ended December 31, 2011

	Special Value Continuation Fund, LLC Standalone	Special Value Continuation Partners, LP	Eliminations	Special Value Continuation Fund, LLC Consolidated
Investment income				
Interest income:				
Unaffiliated issuers	$ -	$ 38,290,363	$ -	$ 38,290,363
Other affiliates	-	3,822,995	-	3,822,995
Dividend income:				
Other affiliates	-	10,610,159	-	10,610,159
Other income:				
Unaffiliated issuers	-	1,068,872	-	1,068,872
Other affiliates	-	1,065,287	-	1,065,287
Total interest and related investment income	-	54,857,676	-	54,857,676
Operating expenses				
Management and advisory fees	-	6,787,188	-	6,787,188
Amortization of deferred debt issuance costs	-	440,289	-	440,289
Legal fees, professional fees and due diligence expenses	97,661	233,928	-	331,589
Interest expense	-	321,532	-	321,532
Director fees	60,320	120,640	-	180,960
Commitment fees	-	180,467	-	180,467
Insurance expense	36,289	78,157	-	114,446
Custody fees	3,500	88,386	-	91,886
Other operating expenses	29,839	771,754	-	801,593
Total operating expenses	227,609	9,022,341	-	9,249,950
Net investment income	(227,609)	45,835,335	-	45,607,726
Net realized and unrealized gain (loss) on investments and foreign currency				
Net realized gain:				
Investments in unaffiliated issuers	-	17,818,481	-	17,818,481
Investments in affiliates	-	261,308	-	261,308
Net realized gain	-	18,079,789	-	18,079,789

Net change in unrealized appreciation/depreciation	5,411,624	(56,958,670)	(5,411,624)	(56,958,670)
Net realized and unrealized gain (loss)	5,411,624	(38,878,881)	(5,411,624)	(38,878,881)
Dividends paid on Series A preferred equity facility	-	(1,456,281)	-	(1,456,281)
Net change in accumulated dividends on Series A preferred equity facility	-	(88,549)	-	(88,549)
Dividends paid to Series Z preferred shareholders	(752)	-	-	(752)
Net change in reserve for dividends to Series Z preferred shareholders	27	-	-	27
Net increase in net assets resulting from operations	$ 5,183,290	$ 5,411,624	$ (5,411,624)	$ 5,183,290

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TCP Capital Corp.

Consolidating Statement of Operations

Year Ended December 31, 2010

	Special Value Continuation Fund, LLC Standalone	Special Value Continuation Partners, LP	Eliminations	Special Value Continuation Fund, LLC Consolidated
Investment income				
Interest income:				
Unaffiliated issuers	$ -	$ 29,158,784	$ -	$ 29,158,784
Controlled companies	-	1,051,064	-	1,051,064
Other affiliates	-	2,200,971	-	2,200,971
Dividend income:				
Unaffiliated issuers	-	280,139	-	280,139
Other affiliates	-	13,267,785	-	13,267,785
Other income:				
Unaffiliated issuers	-	1,809,024	-	1,809,024
Other affiliates	-	33,445	-	33,445
Total interest and related investment income	-	47,801,212	-	47,801,212
Operating expenses				
Management and advisory fees	-	6,787,188	-	6,787,188
Legal fees, professional fees and due diligence expenses	102,140	377,886	-	480,026
Amortization of deferred debt issuance costs	-	440,289	-	440,289
Interest expense	-	234,582	-	234,582
Commitment fees	-	218,935	-	218,935
Director fees	66,644	115,051	-	181,695
Insurance expense	45,377	90,989	-	136,366
Custody fees	3,500	81,886	-	85,386
Other operating expenses	43,785	286,427	-	330,212
Total operating expenses	261,446	8,633,233	-	8,894,679
Net investment income	(261,446)	39,167,979	-	38,906,533
Net realized and unrealized gain on investments and foreign currency				
Net realized gain:				
Investments in affiliates	-	10,527,629	-	10,527,629

Investments in unaffiliated issuers	-	8,147,980	-	8,147,980
Net realized gain	-	18,675,609	-	18,675,609
Net change in unrealized appreciation/depreciation	69,271,125	12,945,410	(69,271,125)	12,945,410
Net realized and unrealized gain	69,271,125	31,621,019	(69,271,125)	31,621,019
Net change in undistributed earnings of minority interestholder	-	-	-	-
Dividends paid on Series A preferred equity facility	-	(1,508,341)	-	(1,508,341)
Net change in accumulated dividends on Series A preferred equity facility	-	(9,532)	-	(9,532)
Dividends paid to Series Z preferred shareholders	(3,750)	-	-	(3,750)
Net change in reserve for dividends to Series Z preferred shareholders	1,864	-	-	1,864
Net increase in net assets resulting from operations	$69,007,793	$69,271,125	$(69,271,125)	$69,007,793

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Item 9. Changes in Disagreements with Accountants on Accounting and Financial Disclosure

None

Item 9A. Controls and Procedures

(a) Evaluation of Disclosure Controls and Procedures

As of December 31, 2012 (the end 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) of the 1934 Act). Based on that evaluation, our management, including the Chief Executive Officer and Chief Financial Officer, concluded that our disclosure controls and procedures were effective and provided reasonable assurance that information required to be disclosed in our periodic SEC filings is recorded, processed, summarized and reported within the time periods specified in the SEC's rules and forms, and that such information is accumulated and communicated to our management, including our Chief Executive Officer and Chief Financial Officer, as appropriate, to allow timely decisions regarding required disclosure. However, in evaluating the disclosure controls and procedures, management recognized that any controls and procedures, no matter how well designed and operated 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 such possible controls and procedures.

(b) Management's Report on Internal Control Over Financial Reporting

Management is responsible for establishing and maintaining adequate internal control over financial reporting, and for performing an assessment of the effectiveness of internal control over financial reporting as of December 31, 2012. Internal control over financial reporting is a process designed by, or under the supervision of, our principal executive and principal financial officers, or persons performing similar functions, and effected by our Board of Directors, management and other personnel, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. Our internal control over financial reporting includes those policies and procedures that (i) pertain to the maintenance of records that in reasonable detail accurately and fairly reflect the transactions and dispositions of assets of the company; (ii) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures are being made only in accordance with authorizations; and (iii) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of our assets that could have a material effect on the financial statements. Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Therefore, even those systems determined to be effective can provide only reasonable assurance with respect to financial statement preparation and presentation. Management performed an assessment of the effectiveness of our internal control over financial reporting as of December 31, 2012 based upon the criteria set forth in Internal Control—Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway

Commission (“COSO”). Based on our assessment, management determined that our internal control over financial reporting was effective as of December 31, 2012.

(c) Changes in Internal Control Over Financial Reporting

There have been no changes in our internal control over financial reporting (as defined in Rules 13a-15(f) and 15d-15(f) of the Exchange Act) during our most recently completed fiscal quarter, that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

Item 9B. Other Information

None

PART III

Item 10. Directors, Executive Officers and Corporate Governance

The information required by this item is contained in the Registrant's definitive Proxy Statement for its 2013 Annual Stockholders Meeting to be filed with the Securities and Exchange Commission within 120 days after December 31, 2012 and is incorporated herein by reference.

Item 11. Executive Compensation

The information required by this item is contained in the Registrant's definitive Proxy Statement for its 2013 Annual Stockholders Meeting to be filed with the Securities and Exchange Commission within 120 days after December 31, 2012 and is incorporated herein by reference.

Item 12. Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters

The information required by this item is contained in the Registrant's definitive Proxy Statement for its 2013 Annual Stockholders Meeting to be filed with the Securities and Exchange Commission within 120 days after December 31, 2012 and is incorporated herein by reference.

Item 13. Certain Relationships and Related Transactions, and Director Independence

The information required by this item is contained in the Registrant's definitive Proxy Statement for its 2013 Annual Stockholders Meeting to be filed with the Securities and Exchange Commission within 120 days after December 31, 2013 and is incorporated herein by reference.

Item 14. Principal Accountant Fees and Services

The information required by this item is contained in the Registrant’s definitive Proxy Statement for its 2013 Annual Stockholders Meeting to be filed with the Securities and Exchange Commission within 120 days after December 31, 2012 and is incorporated herein by reference.

PART IV

Item 15. Exhibits and Consolidated Financial Statement Schedules

a. Documents Filed as Part of this Report

The following reports and consolidated financial statements are set forth in Item 8:

b. Exhibits

The following exhibits are filed as part of this report or hereby incorporated by reference to exhibits previously filed with the SEC:

Number	**Description**
3.1	Articles of Incorporation of the Registrant (1)
3.2	Bylaws of the Registrant (2)
10.1	Form of Investment Management Agreement By and Between Registrant and Tennenbaum Capital Partners, LLC (3)
10.2	Form of Administration Agreement of the Registrant (4)
10.3	Custodial Agreement dated as of July 31, 2006 (5)
10.4	Form of Transfer Agency and Registrar Services Agreement (6)
10.5	Form of License Agreement (7)
10.6	Credit Agreement dated July 31, 2006 (8)
10.7	First Amendment to Credit Agreement dated February 28, 2011 (9)

10.8	Form of Amended and Restated Partnership Agreement of Special Value Continuation Partners, LP (10)
10.9	Form of Administration Agreement of Special Value Continuation Partners, LP (11)
14.1	Consolidated Code of Ethics of the Registrant and the Advisor (12)
21.1	Subsidiaries of the Registrant*
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 the 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 the 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 (g) 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.

(4) Incorporated by reference to Exhibit (k)(1) 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.

(5) Incorporated by reference to Exhibit 10.2 to Form 10-12G of Special Value Continuation Partners, LP (File No. 000-54393), filed May 6, 2011.

(6) Incorporated by reference to Exhibit (k)(2) to the Registrant's Registration Statement under the Securities Act of 1933 (File No. 333-172669), on Form N-2, filed on March 5, 2012.

(7) Incorporated by reference to Exhibit (k)(3) to the Registrant's Registration Statement under the Securities Act of 1933 (File No. 333-172669), on Form N-2, filed on March 5, 2012.

(8) Incorporated by reference to Exhibit 10.5 to Form 10-12G of Special Value Continuation Partners, LP (File No. 000-54393), filed May 6, 2011.

(9) Incorporated by reference to Exhibit 10.6 to Form 10-12G of Special Value Continuation Partners, LP (File No. 000-54393), filed May 6, 2011.

(10) Incorporated by reference to Exhibit (k)(8) 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.

(11) Incorporated by reference to Exhibit (k)(9) 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.

(12) Incorporated by reference to Exhibit (r)(1) to the Registrant's Registration Statement under the Securities Act of 1933 (File No. 333-172669), on Form N-2, filed on March 5, 2012.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) 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.

By:
/s/ Howard M. Levkowitz
Howard M. Levkowitz

Chief Executive Officer

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the registrant and in the capacity and on the dates indicated.

Date	**Signature**	**Title**
March 7, 2013	/s/ Howard M. Levkowitz **Howard M. Levkowitz**	Chief Executive Officer, Chairman of the Board and Director (Principal Executive Officer)
March 7, 2013	/s/ Eric J. Draut **Eric J. Draut**	Director
March 7, 2013	/s/ Franklin R. Johnson **Franklin R. Johnson**	Director

	/s/ Peter E. Schwab	
March 7, 2013	**Peter E. Schwab**	Director
	/s/ Rajneesh Vig	
March 7, 2013	**Rajneesh Vig**	President
	/s/ Paul L. Davis	
March 7, 2013	**Paul L. Davis**	Chief Financial Officer (Principal Financial Officer)

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