



Form ADV Part 2A

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This Brochure provides information about the qualifications and business practices of Tennenbaum Capital Partners, LLC ("TCP"). If you have any questions about the contents of this Brochure, please contact our Chief Compliance Officer at the number set forth above. This Brochure has not been approved by the US Securities Exchange Commission ("SEC") or any state securities authority. Additional information about TCP is available on the SEC's website at www.adviserinfo.sec.gov.

Item 2: Summary of Material Changes

Our last annual updating amendment to Form ADV Part 2A was filed with the SEC in March 2017. There have been no material changes since we filed our last updating amendment to Form ADV Part 2A.

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Item 4: Advisory Business

Tennenbaum Capital Partners, LLC (“TCP”) is a Delaware limited liability company and is registered as an investment advisor under the Investment Advisers Act of 1940.¹ As of December 31, 2017, TCP had approximately \$9 billion in committed capital under management, and a team of approximately 80 people including investment professionals and other personnel that focus on operations, finance, legal, compliance, accounting and reporting, investor relations, information technology and administration. TCP was founded in 1999 and its predecessor entity, commenced operations in 1996. Mark K. Holdsworth and Howard M. Levkowitz, each Co-Founder, along with Lee R. Landrum, Michael E. Leitner, Philip M. Tseng, and Rajneesh Vig, constitute TCP’s partners (the “TCP Partners”). The TCP Partners have significant industry experience, including experience investing in middle-market companies. Together, the TCP Partners have invested approximately \$22 billion in over 560 companies since TCP’s inception, through multiple business and credit cycles, across all segments of the capital structure through our performing credit and special situations strategies. We believe the TCP Partners’ investment perspectives, complementary skills, and collective investment experience provide TCP with a strategic and competitive advantage in middle-market investing.

TCP is majority-owned by its employees and their affiliates. The primary owners are the TCP Partners and Bankers Life and Casualty Company, an indirect wholly-owned subsidiary of CNO Financial Group, Inc. (NYSE:CNO).

TCP is an alternative investment management firm focused primarily on credit opportunities. Each of our strategies is briefly described below. TCP’s clients include business development companies, unregistered pooled investment vehicles and separately managed accounts.

Direct Lending/Performing Credit

TCP provides debt financing to meet the distinct and underserved needs of middle-market companies in support of LBO activity, growth, corporate acquisitions and refinancings/recapitalizations, as well as expansion stage venture lending. Most of our transaction deal flow is either directly originated or sourced through trusted intermediaries in the primary market. We also selectively acquire performing debt in the secondary market. We finance both private equity sponsored companies as well as non-sponsored companies by providing 1st lien, 2nd lien and other debt instruments, with a preference for floating rate versus fixed rate debt.

Special Situations

TCP invests in companies undergoing operational, financial or industry change through private lending activities (often referred to as rescue financing), through structured equity or through secondary market purchases (which we refer to as deep-value investing and distressed-for-

¹ Registration as an investment adviser with the SEC (as defined on the cover page) does not imply a certain level of skill or training.

control investing). We provide rescue financing to companies that do not have easy access to conventional capital sources and generally need capital to avoid a restructuring or insolvency. In our deep-value and distressed-for-control investing, we purchase debt in the secondary market at a discount to what we believe is its intrinsic value. These investments include 1st lien and 2nd lien loans, bonds and other debt-like instruments that may ultimately provide equity in the form of warrants, preferred or common shares or other equity rights.

Item 5: Fees and Compensation

TCP generally deducts fees directly from client accounts. Fees are paid monthly in advance for the closed-end unregistered funds based on drawn equity capital or cost of portfolio investments. Fees are paid quarterly in arrears for the business development companies. Our fees are generally not negotiable. Fees charged are not refundable. Clients pay their own operating expenses including, but not limited, to brokerage commissions, custody fees and third-party administrator fees. TCP does not receive brokerage commissions.

TCP or its affiliates may also receive fees for providing consulting or other services to our clients' portfolio companies and TCP employees may receive directors' fees for serving on the boards of our clients' portfolio companies. For certain clients, these fees may be shared with the relevant client through reductions or off-sets against management fees that would otherwise be applicable. Such offsets or reductions, if any, are described in the offering materials, disclosure documents, investment management agreements and/or governing documents of the relevant client.

Item 6: Performance-Based Compensation and Side-by-Side Management

TCP and affiliated entities controlled by TCP may receive performance compensation from our clients. Each of our clients that is charged performance fees is a qualified client or business development company. Performance-based compensation may be subject to hurdles and/or other conditions, depending, among other things, on the strategy and structure of the client. Specific details regarding performance compensation, if any, are set out in the offering materials, disclosure documents, investment management agreements and/or governing documents of the relevant client. Because the amount and/or existence of performance fees may vary among TCP's clients, conflicts may arise regarding the allocation of investments or opportunities among TCP's clients. TCP intends to allocate investment opportunities in a manner that it believes in its judgment and based upon its fiduciary duties to be appropriate considering a variety of factors such as the investment objectives, size of transaction, investable assets, alternative investments potentially available, prior allocations, liquidity, maturity, expected holding period, diversification, lender covenants and other client-specific limitations. Investments that are suitable for one client may not be suitable for another client. In certain cases, investment opportunities may be made other than on a pro rata basis. For example, one client may desire to retain an asset at the same time that another client desires to sell it or one client may not have additional capital to invest at a time when another client does have available capital. To the extent that investment opportunities are suitable for more than one client, TCP allocates investment opportunities pro rata among its clients based on committed capital and taking into account factors such as those listed above. Investment opportunities in certain privately placed

securities will be subject to allocation pursuant to the terms of a co-investment exemptive order issued by the SEC under the Investment Company Act of 1940, as amended, applicable to funds and accounts managed by TCP and its affiliates.

There may be situations in which one or more of our clients might invest in different securities issued by the same company. It is possible that if the company's financial performance and condition deteriorates such that one or both investments are or could be impaired, we might face a conflict of interest given the difference in seniority of the respective investments. In such situations, we would review the conflict on a case-by-case basis and implement procedures consistent with our fiduciary duty to enable us to act fairly to each of our clients in the circumstances. Any procedures implemented by TCP will take into consideration the interests of the affected clients, the circumstances giving rise to the conflict, the procedural efficacy of various methods of addressing the conflict and applicable legal requirements.

Item 7: Types of Clients

TCP provides investment advice to business development companies, unregistered private investment vehicles and separately managed accounts. Account opening requirements and minimum account size are subject to TCP's discretion. Other than shares of TCP Capital Corp., which are offered for sale to retail investors, investment in our clients is generally only available to institutional investors and certain high net worth investors that are "accredited investors" and "qualified purchasers" or non-"U.S. persons" within the meaning of the Securities Act of 1933 and the Investment Company Act of 1940, as applicable. A \$100 million minimum investment is generally required to open a new client account. Minimum account size is described in the offering materials, disclosure documents, investment management agreements and/or governing documents of the relevant client.

Item 8: Methods of Analysis, Investment Strategies and Risk of Loss

TCP currently provides investment advice to clients following two strategies. Each of these strategies is briefly described in Item 4 above. Additional details regarding each investment strategy are available in the private placement memorandum, prospectus, organizational documents and/or management agreement for each client.

TCP employs an investment process that integrates intensive "bottom-up" company-level research and analysis with a proactive "top-down" view of macroeconomic and industry risks and opportunities. The heart of the process is a thorough analysis of the underlying issuer's business, end markets, competitors, suppliers, revenues, costs, financial statements, and the terms of the issuer's existing obligations, including contingent liabilities (if any). TCP's professionals supplement in-house expertise with industry experts, including TCP's board of advisors and senior executive advisors, as well as other CEO/CFO-level executives, with direct management experience in the industries under consideration. These company level analyses are undertaken in the context of and supplemented by TCP's views on and understanding of industry trends and broader economic conditions. These views are formulated and refined through TCP's systematic quarterly macroeconomic reviews and quarterly industry reviews, where long-term and immediate macroeconomic trends and their impact on industry risk/reward characteristics are

determined. These views flow through to TCP's proactive deployment of research and capital resources in the investment process. Quarterly portfolio reviews also help to inform TCP's macroeconomic and industry views as well as to inform reporting of deal teams' frequent monitoring of portfolio company progress, risk assessment, and refinement of exit plans.

Investing in securities involves risk of loss which clients should be prepared to bear. Material risks associated with investment in each of TCP's clients are summarized below and, to the extent applicable, set forth in the private placement memorandum or prospectus for each client.

The following summary is not an enumeration of all risks involved in connection with the strategies followed by our clients. Each of our investment strategies entails a high degree of risk. There can be no assurance that our clients will be able to achieve their investment objectives or that holders of equity interests in our clients will recoup any or all of their investment in the client or receive a positive return on their capital. Furthermore, any returns generated by our clients may not adequately compensate investors for the business and financial risks assumed upon making an investment in our clients. An investment in the equity interests of our clients may not be appropriate for all prospective investors. A prospective investor should carefully review the risk factors described in each client's disclosure documents and consider his or her ability to assume these risks before making an investment in any TCP client.

Risk Factors

High Yield Securities. High yield securities are expected to be rated below investment-grade by one or more nationally recognized statistical rating organizations or will be unrated but of comparable credit quality to obligations rated below investment-grade, and have greater credit and liquidity risk than more highly rated obligations. High yield securities are often unsecured and may be subordinate to other obligations of the obligor. The lower rating of high yield securities reflects a greater possibility that adverse changes in the financial condition of the issuer or in general economic conditions (including, for example, a substantial period of rising interest rates or declining earnings) or both may impair the ability of the issuer to make payment of principal and interest. Many issuers of high yield securities are highly leveraged, and their relatively high debt-to-equity ratios create increased risks that their operations might not generate sufficient cash flow to service their obligations. Overall declines in the below investment-grade bond and other markets may adversely affect such issuers by inhibiting their ability to refinance their obligations at maturity.

High yield securities are often issued in connection with leveraged acquisitions or recapitalizations in which the issuers incur a substantially higher amount of indebtedness than the level at which they had previously operated. High yield securities that are debt instruments have historically experienced greater default rates than has been the case for investment-grade securities. Moreover, such obligations may not be protected by financial covenants or limitations upon additional indebtedness.

Bank Loans. Loans and loan participations originated by banks and other financial institutions are typically referred to as "bank loans." Such investments may include loans of a type generally incurred by borrowers in connection with highly leveraged transactions, often to finance internal

growth, acquisitions, mergers or stock purchases, or for other reasons. As a result of the additional debt incurred by the borrower in the course of the transaction, the borrower's creditworthiness is often judged by the rating agencies to be below investment-grade.

Bank loans are typically at the most senior level of the capital structure, and are often secured by specific collateral, including, but not limited to, trademarks, patents, accounts receivable, inventory, equipment, buildings, real estate, franchises and common and preferred stock of the obligor or its affiliates. Bank loans often contain restrictive covenants designed to limit the activities of the borrower in an effort to protect the right of lenders to receive timely payments of principal and interest. Bank loans usually have shorter terms than subordinated obligations and may require mandatory prepayments from excess cash flow, asset dispositions and offerings of debt and/or equity securities. Investments in bank loans and other debt obligations are likely to be below investment-grade and are treated as high yield securities.

Distressed Debt. Investments in the securities and other obligations of distressed and bankrupt issuers, including debt obligations that are in covenant or payment default, generally trade significantly below par and are considered speculative. The repayment of defaulted obligations is subject to significant uncertainties. Defaulted obligations might be repaid only after lengthy workout or bankruptcy proceedings, during which the issuer might not make any interest or other payments. Typically such workout or bankruptcy proceedings result in only partial recovery of cash payments or an exchange of the defaulted obligation for other debt or equity securities of the issuer or its affiliates, which may in turn be illiquid or speculative.

There are a number of significant risks inherent in the bankruptcy process. First, many events in a bankruptcy are the product of contested matters and adversary proceedings and are beyond the control of the creditors. While creditors are generally given an opportunity to object to significant actions, there can be no assurance that a bankruptcy court in the exercise of its broad powers would not approve actions that would be contrary to the interests of a client. Second, the effect of a bankruptcy filing on an issuer may adversely and permanently affect the issuer. The issuer may lose its market position and key employees and otherwise become incapable of restoring itself as a viable entity. If for this or any other reason the proceeding is converted to a liquidation, the value of the issuer may not equal the liquidation value that was believed to exist at the time of the investment. Third, the duration of a bankruptcy proceeding is difficult to predict. A creditor's return on investment can be adversely affected by delays while the plan of reorganization is being negotiated, approved by the creditors and confirmed by the bankruptcy court and until it ultimately becomes effective. Fourth, the administrative costs in connection with a bankruptcy proceeding are frequently high and would be paid out of the debtor's estate prior to any return to creditors. Fifth, bankruptcy law permits the classification of "substantially similar" claims in determining the classification of claims in a reorganization. Because the standard for classification is vague, there exists the risk that a client's influence with respect to the class of securities or other obligations it owns can be lost by increases in the number and amount of claims in that class or by different classification and treatment. Sixth, in the early stages of the bankruptcy process it is often difficult to estimate the extent of, or even to identify, any contingent claims that might be made. Seventh, especially in the case of investments made prior to the commencement of bankruptcy proceedings, creditors can lose their ranking and priority if they exercise "domination and control" over a debtor and other creditors can demonstrate that they have been harmed by such actions. Eighth, certain claims that have

priority by law (for example, claims for taxes) may be substantial and reduce the amount available to other creditors. Ninth, the bankruptcy process may increasingly be subject to political risk, especially in industries deemed to be of national importance. Tenth, bankruptcy court is a court of equity and the proceedings are therefore subject to substantial judicial discretion. Finally, inasmuch as each insolvency proceeding is unique, unknown and unforeseen events may affect the bankruptcy process and adversely affect the returns to creditors.

Mezzanine Investments. Mezzanine investments are primarily privately negotiated subordinated debt and equity securities issued in connection with leveraged transactions, such as management buyouts, acquisitions, refinancings, recapitalizations and later stage growth capital financings, and are generally rated below investment-grade. Mezzanine investments may also include investments with equity participation features such as warrants, convertible securities, senior equity investments and common stock. Mezzanine investments are subject to the same risks described above in the case of high yield securities, and also may be subject to risks associated with illiquid investments, since there will usually be relatively few holders of any particular mezzanine investment.

Borrower Fraud. Of paramount concern when investing in loans is the possibility of material misrepresentation or omission on the part of the borrower. Such inaccuracy or incompleteness may adversely affect, among other things, the valuation of the collateral underlying the loans. TCP will rely upon the accuracy and completeness of representations made by borrowers to the extent reasonable, but cannot guarantee such accuracy or completeness. While TCP will conduct due diligence with respect to the collateral before investing, including obtaining appraisals of inventory values from independent sources, and will seek to obtain appropriate monitoring rights, there can be no assurance that TCP will detect representational borrower fraud or inaccuracy or that any investment will not be adversely affected by such fraud or inaccuracy.

Payment-in-kind Interest Risk. Loans may contain a payment-in-kind, or PIK, interest provision. PIK investments carry additional risk as holders of these types of securities receive no cash until the cash payment date unless a portion of such securities is sold. If the issuer defaults a client may obtain no return on its investment. The PIK interest, computed at the contractual rate specified in each loan agreement, is added to the principal balance of the loan and recorded as interest income.

Prepayment Risk. Certain loans are prepayable at any time, some of them at no premium to par. TCP cannot predict when such loans may be prepaid. Whether a loan is prepaid will depend both on the continued positive performance of the portfolio company and the existence of favorable financing market conditions that permit such company to replace existing financing with less expensive capital. As market conditions change frequently, it is unknown when, and if, prepayment may be possible for each portfolio company. In the case of some of these loans, having the loan prepaid early may reduce the achievable yield for a client in the future below the current yield disclosed for a client's portfolio if the capital returned cannot be invested in transactions with equal or greater expected yields.

General Credit Risks of Debt Obligations. Debt portfolios are subject to credit and interest rate risks. "Credit risk" refers to the likelihood that an issuer will default in the payment of principal and/or interest on an instrument. Financial strength and solvency of an issuer are the primary

factors influencing credit risk. In addition, lack or inadequacy of collateral or credit enhancement for a debt instrument may affect its credit risk. Credit risk may change over the life of an instrument, and debt obligations which are rated by rating agencies are often reviewed by such agencies and may be subject to downgrade. "Interest rate risk" refers to the risks associated with market changes in interest rates. Interest rate changes may affect the value of a debt instrument indirectly (especially in the case of fixed rate securities) and directly (especially in the case of instruments whose rates are adjustable). In general, rising interest rates will negatively impact the price of a fixed rate debt instrument and falling interest rates will have a positive effect on price. Adjustable rate instruments also react to interest rate changes in a similar manner although generally to a lesser degree (depending, however, on the characteristics of the reset terms, including the index chosen, frequency of reset and reset caps or floors, among other factors). Interest rate sensitivity is generally more pronounced and less predictable in instruments with uncertain payment or prepayment schedules.

Risk of Increased Volatility and Decreased Liquidity. In October 2014, the Federal Reserve announced that it was concluding its bond-buying program, or quantitative easing, which was designed to stimulate the economy and expand the Federal Reserve's holdings of long-term securities, suggesting that key economic indicators, such as the unemployment rate, had showed signs of improvement since the inception of the program. In December 2016, the Federal Reserve raised the target range for the federal funds rate, which was only the second such interest rate hike in nearly a decade. To the extent the Federal Reserve continues to raise rates, and without quantitative easing by the Federal Reserve, there is a risk that the debt markets may experience increased volatility and that the liquidity of certain of our investments may be reduced. These developments, along with the corresponding potential rise in interest rates and borrowing costs, the United States government's credit and deficit concerns and the European sovereign debt crisis, may negatively impact our ability to access the debt markets on favorable terms.

Regulatory Changes and Uncertainty. In November 2016, the U.S. held its federal election and elected Donald Trump as president. While campaigning, Mr. Trump made statements suggesting he may seek to adopt legislation that could significantly affect the regulation of United States financial markets. Areas subject to potential change, amendment or repeal include the Dodd-Frank Act, including the Volcker Rule and various swaps and derivatives regulations, the authority of the Federal Reserve and the Financial Stability Oversight Council, and renewed proposals to separate banks' commercial and investment banking activities. Mr. Trump also suggested he may seek to adopt new tax legislation which may include limits on interest deductibility and other changes that may impact corporate credit demand or the profitability and cash flow of certain businesses. Mr. Trump also stated he would cause the United States to withdraw from or renegotiate various trade agreements and take other actions that would change current trade policies of the United States. We cannot predict which, if any, of these actions will be taken or, if taken, their effect on the financial stability of the United States. Such actions could have a significant adverse effect on our business, financial condition and results of operations.

Interest Rate and Investment Risk Management. The use of various investment strategies to hedge interest rate risks are generally accepted as portfolio management techniques and are regularly used by many investment funds and other institutional investors. Techniques and instruments may change over time as new instruments and strategies are developed or regulatory changes occur. TCP may use any or all such types of interest rate hedging transactions at any time (or may elect to use no such strategy at any particular time) and no particular strategy will dictate the use of one transaction rather than another. The choice of any particular interest rate hedging transactions will be a function of numerous variables, including market conditions. However, TCP has historically emphasized acquiring floating-rate assets based on the same index as its floating-rate liabilities.

Although TCP may engage in interest rate hedging transactions only for hedging and risk management purposes and not for speculation, use of interest rate hedging transactions involves certain risks. These risks include (i) the possibility that the market will move in a manner or direction that would have resulted in gain for a client had interest rate hedging transactions not been utilized, in which case it would have been better had such client not engaged in the interest rate hedging transactions, (ii) the risk of imperfect correlation between the risk sought to be hedged and the interest rate hedging transactions utilized and (iii) potential illiquidity for the hedging instrument utilized, which may make it difficult for a client to close out or unwind one or more interest rate hedging transactions.

Lender Liability Considerations and Equitable Subordination. In recent years, a number of judicial decisions in the United States have upheld the right of borrowers to sue lending institutions on the basis of various evolving legal theories (collectively termed "lender liability"). Generally, lender liability is founded upon the premise that an institutional lender has violated a duty (whether implied or contractual) of good faith and fair dealing owed to the borrower or has assumed a degree of control over the borrower resulting in the creation of a fiduciary duty owed to the borrower or its other creditors or shareholders. Because of the nature of certain of investments made for TCP's clients, clients could be subject to allegations of lender liability.

In addition, under common law principles that in some cases form the basis for lender liability claims, if a lending institution (i) intentionally takes an action that results in the under capitalization of a borrower to the detriment of other creditors of such borrower, (ii) engages in other inequitable conduct to the detriment of such other creditors, (iii) engages in fraud with respect to, or makes misrepresentations to, such other creditors or (iv) uses its influence to dominate or control a borrower to the detriment of the other creditors of such borrower, a court may elect to subordinate the claim of the offending lending institution to the claims of the disadvantaged creditor or creditors, a remedy called "equitable subordination." Because of the nature of certain client investments and investments in an obligor by affiliates of a client, clients could be subject to claims from creditors of an obligor that such client investments issued by such obligor that are held by such client should be equitably subordinated. A significant number of client investments are expected to involve investments in which clients would not be the lead creditor. It is, accordingly, possible that lender liability or equitable subordination claims affecting client investments could arise without the direct involvement of such client.

Equity Securities. Equity securities generally involve a high degree of risk and will be subordinate to the debt securities and other indebtedness of the issuers of such equity securities.

Prices of equity securities generally fluctuate more than prices of debt securities and are more likely to be effected by poor economic or market conditions. In some cases, the issuers of such equity securities may be highly leveraged or subject to other risks such as limited product lines, markets or financial resources. In addition, some of these equity securities may be illiquid. Because of perceived or actual illiquidity or investor concerns regarding leveraged capitalization, these securities often trade at significant discounts to otherwise comparable investments or are not readily tradable. These securities generally do not produce current income for a client and may also be speculative. Clients may experience a substantial or complete loss on individual equity securities.

Derivatives Risk. Investments in derivatives, such as futures, options, swaps or tender-option bonds, which can be used to hedge a portfolio's investments or to seek to enhance returns, entail specific risks relating to liquidity, leverage and credit that may reduce returns and/or increase volatility. Leverage may involve the use of various financial instruments or borrowed capital in an attempt to increase the return of an investment. The use of leverage involves risk, including the potential for higher volatility and greater declines of a portfolio's value, and fluctuations of dividend and other distribution payments.

Valuation Risk. Debt and equity investments for which market quotations are not readily available, which is the case for many of our clients' investments, or for which market quotations are deemed not to represent fair value, are valued at fair value as determined in good faith by TCP using a consistently applied valuation process in accordance with our documented valuation policy. For our registered and business development company clients, our policies are reviewed and approved by the client's board of directors which also approves in good faith the valuation of investments as the end of each quarter. Due to the inherent uncertainty and subjectivity of determining the fair value of investments that do not have a readily available market value, the fair value of our clients' investments may differ significantly from the values that would have been used had a readily available market value existed for such investments and may differ materially from the values that TCP may ultimately realize. In addition, changes in the market environment and other events may have differing impacts on the market quotations used to value some of our clients' investments than on the fair values of our clients' investments for which market quotations are not readily available. Market quotations may be deemed not to represent fair value in certain circumstances where TCP believes that facts and circumstances applicable to an issuer, a seller or purchaser, or the market for a particular security cause current market quotations to not reflect the fair value of the security. Examples of these events could include cases where a security trades infrequently causing a quoted purchase or sale price to become stale, where there is a "forced" sale by a distressed seller, where market quotations vary substantially among market makers, or where there is a wide bid-ask spread or significant increase in the bid-ask spread.

Liquidity Risk. Investments generally are made and will continue to be made in private companies. Substantially all of these securities will be subject to legal and other restrictions on resale or will be otherwise less liquid than publicly traded securities. The illiquidity of such investments may make it difficult to sell such investments if the need arises. In addition, if all or a portion of a client's portfolio is required to be liquidated quickly, such client may realize significantly less than the value at which it had previously recorded its investments. Further, other restrictions on a client's ability to liquidate an investment in a portfolio company may be

present to the extent that such client or an affiliated manager has material non-public information regarding such portfolio company.

Foreign Currency Risk. Although it is anticipated that most client investments will be denominated in U.S. dollars, investments that are denominated in a foreign currency will be subject to the risk that the value of a particular currency may change in relation to the U.S. dollar. Among the factors that may affect currency values are trade balances, the level of short-term interest rates, differences in relative values of similar assets in different currencies, long-term opportunities for investment and capital appreciation and political developments. Hedging techniques may be employed to minimize these risks, but it can offer no assurance that it will, in fact, hedge currency risk or, that it does, that such strategies will be effective. As a result, a change in currency exchange rates may adversely affect profitability.

Although TCP may engage in currency hedging transactions only for hedging and risk management purposes and not for speculation, use of currency hedging transactions involves certain risks. These risks include (i) the possibility that the market will move in a manner or direction that would have resulted in gain for a client had currency hedging transactions not been utilized, in which case it would have been better had such client not engaged in the currency hedging transactions, (ii) the risk of imperfect correlation between the risk sought to be hedged and the currency hedging transactions utilized and (iii) potential illiquidity for the hedging instrument utilized, which may make it difficult for a client to close out or unwind one or more currency hedging transactions.

Risk of Negative Impacts from the United Kingdom Referendum Regarding Departure from the European Union. As a consequence of the United Kingdom's vote to withdraw from the European Union, the government of the United Kingdom may give notice of its withdrawal from the European Union. There is still considerable uncertainty relating to the potential consequences and precise timeframe for the exit, how the negotiations for the terms of withdrawal and new trade agreements will be conducted, and whether the United Kingdom's exit will increase the likelihood of other countries also departing the European Union. During this period of uncertainty, the negative impact on not only the United Kingdom and European economies, but the broader global economy, could be significant, potentially resulting in increased volatility and illiquidity and lower economic growth for companies that rely significantly on Europe for their business activities and revenues. Any further exits from the European Union, or the possibility of such exits, would likely cause additional market disruption globally and introduce new legal and regulatory uncertainties.

Natural Disasters, Terrorist Acts, Geopolitical Risks and Similar Dislocations. Upon the occurrence of a natural disaster such as flood, hurricane, or earthquake, or upon an incident of war, riot or civil unrest, the impacted country may not efficiently and quickly recover from such event, which can have a materially adverse effect on portfolio companies and other developing economic enterprises in such country. Wars in and U.S. occupation of Iraq and Afghanistan, recent internal, popular challenges to governments of certain countries in the Middle East, the Crimean conflict, Syrian civil war, terrorism and related geopolitical risks have led, and may in the future lead to, increased short-term market volatility and may have adverse long-term effects on U.S. and world economies and markets generally. The effects of future terrorist acts (or threats thereof), military action or similar events on the economies and securities markets of

countries cannot be predicted. Such disruptions of the world financial markets could affect interest rates, ratings, credit risk, inflation and other factors relating to investments.

Specific Additional Risks for Energy Sector and Commodities Investments

Investments in the Energy Sector Generally. The operations of energy companies are subject to many risks inherent in the transporting, processing, storing, distributing, mining or marketing of natural gas, natural gas liquids, crude oil, coal, refined petroleum products or other hydrocarbons, or in the exploring, managing or producing of such commodities, including, without limitation: damage to pipelines, storage tanks or related equipment and surrounding properties caused by hurricanes, tornadoes, floods, fires and other natural disasters or by acts of terrorism, inadvertent damage from construction and farm equipment, leaks of natural gas, natural gas liquids, crude oil, refined petroleum products or other hydrocarbons, and fires and explosions. These risks could result in substantial losses due to personal injury or loss of life, severe damage to and destruction of property and equipment and pollution or other environmental damage, and may result in the curtailment or suspension of their related operations, any and all of which could result in lower than expected returns. In addition, the energy sector has experienced significant volatility at times, which may occur in the future, and which could negatively affect the returns on any investment made in this sector.

Operating Risk. Investments in operating facilities involve certain operational risks, which include, without limitation: the possibility of performing below expected levels of output, availability or efficiency; interruptions in fuel or other necessary supplies; increases in the cost of fuel or other necessary supplies; pipeline disruptions; disruptions in the offtake of steam or electrical energy; power shutdowns; breakdown or failure of equipment or processes; accidental discharges of hazardous materials; labor disputes; changes in law; failure to obtain or maintain necessary governmental permits; or catastrophic events such as fires, earthquakes, lightning, explosions, hurricanes, tornados, floods or similar occurrences affecting facilities or their power purchasers, steam purchasers, fuel suppliers or fuel transporters.

Development Risk. Investments in projects and facilities at an early stage of development may involve risks of failure to obtain or substantial delays in obtaining: (i) regulatory, environmental or other approvals or permits; (ii) financing; and/or (iii) suitable equipment supply, operating and offtake contracts. These projects involve additional uncertainties, including the possibility that the projects may not be completed, operating licenses may not be obtained, and permanent financing may be unavailable. Further, there is no assurance that these projects will be profitable or generate cash flow sufficient to service their debt or provide a return on or recovery of amounts invested therein.

Construction Risk. Investments in the energy sector may involve significant construction risk, including the risk of substantial delay or increase in cost due to a number of unforeseen factors, including, without limitation: political opposition; regulatory and permitting delays; delays in procuring real property rights; equipment; transmission grid interconnection delays; labor disputes; lawsuits and other disputes; environmental issues; force majeure; or failure by one or more of the infrastructure investment participants to perform in a timely manner (or at all) its or their contractual, financial or other commitments. New facilities have no operating history and may employ recently developed or technologically complex equipment that may take time to

operate at peak levels of output and efficiency. A material delay or increase in cost not absorbed by other participants in the transaction could significantly impair the financial viability of an infrastructure investment project and result in a material adverse effect on the investment therein.

Changes in the Utilities Industry. A number of countries, including, without limitation, the United States, are considering or implementing methods to introduce and promote competition with respect to both supply and demand. To the extent competitive pressures increase and the pricing and sale of electricity assume more characteristics of a commodity business, the economics of independent power generation projects (and other energy projects) may come under increasing pressure. If restructuring of the energy industry and the electricity sector is reversed, discontinued, delayed or modified, this could have an adverse effect on such projects.

There can be no assurance that (i) existing regulations applicable to electric utility portfolio companies will not be revised or reinterpreted; (ii) new laws and regulations will not be adopted or become applicable to electric utility companies; (iii) the technology and equipment selected by such companies to comply with current and future regulatory requirements will meet such requirements; (iv) such companies' business and financial conditions will not be materially and adversely affected by such future changes in, or reinterpretation of, laws and regulations (including the possible loss of exemptions from laws and regulations) or any failure to comply with such current and future laws and regulations; or (v) regulatory agencies or other third parties will not bring enforcement actions in which they disagree with regulatory decisions made by other regulatory agencies.

Renewable Energy. The market for renewable energy is emerging and rapidly evolving, and its future success is uncertain. If renewable energy technology proves unsuitable for widespread commercial deployment or if the demand for renewable energy products fails to develop sufficiently (including, without limitation, as a result of changes in market conditions, such as a decrease in the price of fossil fuels), investments in renewable energy projects may be adversely affected. While renewable energy projects currently enjoy wide support from United States federal, state and local governments and regulatory agencies, there is no assurance that such support will continue in the future and any reduction or elimination of governmental support may have an adverse effect on investments in renewable energy projects. For example, it may not be economically feasible for some renewable energy projects to be developed without government incentives. These incentives include, without limitation, the Production Tax Credit and the Investment Tax Credit for qualifying renewable energy projects that begin construction on or before January 1, 2014, the United States business energy investment tax credit, which is currently limited to qualifying projects placed in service before January 1, 2017, and the United States Treasury grant program, which has expired for projects that did not begin construction before January 1, 2012. In addition to incentives that support the development and construction of facilities, renewable energy projects rely on incentives that support the sale of energy generated from renewable sources, such as state-adopted Renewable Portfolio Standard programs, which vary among states but generally require power suppliers to provide a minimum percentage or base amount of electricity from specified renewable energy sources for a given period of time.

Adequacy and Availability of Insurance; Catastrophic Events. Using insurance and other risk management products (to the extent available on commercially reasonable terms) when making

infrastructure investments in order to mitigate the potential loss resulting from catastrophic events and other risks customarily covered by insurance may not always be practicable or feasible. Moreover, it will not be possible to insure against all such risks, and such insurance proceeds as may be derived may be inadequate to completely or even partially cover a loss of revenues, an increase in operating and maintenance expenses and/or a replacement or rehabilitation of assets. In addition, certain losses of a catastrophic nature, such as those caused by wars, earthquakes, hurricanes, tornados, floods, terrorist attacks or other similar events, may be either uninsurable or insurable at such high rates as to adversely impact profitability. In general, losses related to terrorism are becoming harder and more expensive to insure against, and most insurers are excluding terrorism coverage from their all-risk policies. As a result, it is unlikely that any investments will be insured against damages attributable to acts of terrorism (or certain other losses of a catastrophic nature). If a major uninsured loss were to occur with respect to an investment, both capital invested in and anticipated profits related to such investment could be lost.

Commodity Risk; Price Volatility. Investments may be subject to commodity price risk, including, without limitation, the price of electricity and the price of fuel. Historically, the markets for oil, gas, coal and power have been volatile, and such markets are likely to continue to be volatile in the future. The operation and cash flows investments will depend, in substantial part, upon prevailing market prices for energy commodities. These market prices may fluctuate materially depending upon a wide variety of factors that are beyond the control of TCP, including, without limitation, seasonality and weather conditions, market supply and demand, technological changes, force majeure (including earthquakes, hurricanes, tornados and floods), changes in law, the refining capacity of crude oil purchasers, domestic and foreign governmental regulations, the price and availability of alternative fuels and energy sources, the availability of fuel transportation and electric transmission facilities, political conditions in the United States and Middle East and other oil and natural gas producing regions, terrorist acts or threats thereof, actions of the Organization of Petroleum Exporting Countries (and other oil and natural gas producing nations), changes in the amount of exports of United States natural gas supplies to foreign countries as authorized by law, the foreign supply of (and demand for) oil and natural gas, the price of foreign imports, coal supplies and rail capacity, and overall economic and market conditions.

Regulatory Approvals; Permits. Portfolio companies and investment projects are expected to be required to comply with numerous United States federal, state and local statutory and regulatory standards, including, without limitation, those related to air emissions, water discharge, waste disposal, the environment and safety and health, and the maintenance of numerous permits and approvals required for their operation. Compliance with these various regulations may cause portfolio companies and projects to incur significant costs and may impact almost every aspect of the business of the portfolio companies. In addition, TCP may be required to obtain the consent or approval of applicable regulatory authorities in order to acquire or hold investments in particular portfolio companies or projects. For example, certain investments may be subject to Federal Energy Regulatory Commission approval under the United States Federal Power Act or the United States Natural Gas Act. In addition, certain investments may be subject to the approval of state-level utility commissions in those instances where such bodies have jurisdiction. If it is not possible to obtain required consent or approval, TCP may be unable to enter into transactions or to structure transactions in ways that are optimal.

It is expected that investments in portfolio companies will only be made in companies that have obtained all material energy-related United States federal, state, local or non-United States approvals and permits required, as of the date of any such investment, to acquire and operate their respective facilities. However, such approvals and permits may be subject to conditions and there is no assurance that portfolio companies and projects will be successful in meeting such conditions. A failure to satisfy such conditions could prevent the operation of certain facilities or result in additional costs to the portfolio companies or projects, which may adversely affect investment results. There can be no assurance that a portfolio company will be able: (i) to obtain all required regulatory approvals and permits; (ii) to obtain any necessary modifications to existing regulatory approvals and permits; or (iii) to renew and otherwise maintain required regulatory approvals and permits. Delays in obtaining or any failure to obtain and maintain in full force and effect any regulatory approvals and permits (or amendments thereto), or any delay or failure to satisfy any regulatory conditions or other applicable requirements (which may change over time), could prevent operation of a facility or sales of such facility to third parties, or could result in additional costs to a portfolio company and adversely affect investment results.

Regulatory Changes. A portfolio company or project could be materially and adversely affected as a result of statutory or regulatory changes or changes in judicial or administrative interpretations of existing laws and regulations that impose more comprehensive or stringent requirements on such company or project, the markets in which such company or project operates or such company's or project's industry generally. For example, environmental laws regulating infrastructure projects could become more restrictive, as governments aim to limit the impact of infrastructure on local wildlife and natural resources and reduce the emissions of greenhouse gases. Such changes could adversely affect the performance of one or more investments. Moreover, additional regulatory approvals, including without limitation, renewals, extensions, transfers, assignments, reissuances or similar actions, may become applicable in the future due to a change in laws and regulations, a change in the companies' customer(s), or for other reasons. Changes in laws and regulations could result in increased compliance costs, additional capital expenditures or additional potential liabilities. A portfolio company or project also could be materially and adversely affected by regulations that have been vacated by court decisions. Several United States federal environmental programs, including the Clean Water Act rules regarding cooling water intake structures, the Clean Air Mercury rule, and the Clean Air Interstate rule, have been fully or partially vacated by the courts. Several United States federal environmental programs, including the Clean Water Act rules regarding cooling water intake structures, the Clean Air Mercury Rule, and the Clean Air Interstate Rule, have been fully or partially vacated by the courts. The United States Environmental Protection Agency issued its Cross-State Air Pollution Rule replacing the Clean Air Interstate Rule on July 7, 2011. There is considerable uncertainty as to how these and other federal environmental programs will be modified and/or ultimately implemented. Any such modifications could alter the competitive landscape and/or the nature of the markets in which the portfolio company operates in a material and adverse manner to such portfolio company.

Environmental Impact Risks. Large-scale infrastructure projects may have a significant impact on their local environments, or be particularly susceptible to events or changes in those environments or to requirements of political or administrative authorities in respect of their environmental impact. In addition, an owner of an infrastructure asset may be liable for past and future damages caused by environmental emissions or releases located on or emitted from or

otherwise attributable to the asset, as well as for the costs of remediation and, in some circumstances, fines, penalties or other sanctions. Such liabilities could exceed the value of the infrastructure asset at issue and could result in claims against the owner that would result in the loss of other assets of the owner. Environmental liabilities may arise as a result of factors, including, without limitation, changes in laws or regulations and the existence of conditions that were unknown at the time of acquisition or operation or are beyond the control of TCP.

Regulation of Greenhouse Gases. There is a growing consensus in the United States and globally that emissions of greenhouse gases (“GHGs”) are linked to global climate change and this consensus may lead to more stringent regulation of GHGs in the future. Increased public concern and mounting political pressure may result in more international, United States federal or United States regional requirements to reduce or mitigate the effects of GHGs. For example, certain states in the Northeast United States participate in the Regional Greenhouse Gas Initiative (“RGGI”), which is intended to stabilize and reduce emissions of GHGs. RGGI allows each participating state flexibility in the distribution of its carbon dioxide allocations. There also are several legislative proposals in the United States Congress to regulate GHGs. In addition, the United States Supreme Court in *Massachusetts v. Environmental Protection Agency* ruled that the United States Clean Air Act authorizes regulation of GHGs. While TCP will endeavor to take into account existing and anticipated future applicable GHG regulation in its investment decisions, changes in the regulation of GHGs could impact a portfolio investment or make certain future investments undesirable.

Governmental Contract Risk. To the extent that investments in infrastructure assets that are governed by concession agreements with national, provincial or local authorities, there is a risk that these authorities may not be able to honor their obligations under the agreement, especially over the long term. The leases or concessions may also contain clauses more favorable to the governmental counterparty than a typical commercial contract and may restrict the ability to operate the investment in a way that maximizes cash flows and profitability. Governments typically have considerable discretion in implementing regulations that could impact these businesses, may be influenced by political (rather than just economic) considerations and may make decisions that adversely affect investments.

Use of Derivatives and Other Specialized Techniques. Companies in the energy and power industry engage in derivative transactions and other hedging techniques to insulate against a number of risks, including, without limitation, commodity price risk, exchange rate risk and interest rate risk. Derivative or similar transactions may involve the purchase and sale of commodities or commodity futures, the use of forward contracts, swap agreements, put and call options, floors, collars or other arrangements. Such instruments may be difficult to value, may be illiquid and may be subject to wide swings in valuation caused by changes in the price of commodities or other underlying assets or market conditions. The Dodd-Frank Wall Street Reform and Consumer Protection Act (“Dodd-Frank”), enacted in July 2010, could create additional uncertainty and costs for these projects’ hedging activities. Because many of the agency rules implementing Dodd-Frank have not been finalized or implemented, it is difficult to quantify any additional costs or collateral requirements that may be imposed on these projects. Derivative instruments may trade principally on markets organized outside the United States and markets for derivative instruments may be illiquid, highly volatile and subject to interruption. Suitable hedging instruments may not continue to be available at reasonable cost. The investment

techniques related to derivative instruments are highly specialized and may be considered speculative. Such techniques often involve forecasts and complex judgments regarding relative price movements and other economic developments. The success or failure of these investment techniques may turn on small changes in exogenous factors not within the control of portfolio companies or TCP. For all the foregoing reasons, the use of derivatives and related techniques involve significant risk of loss.

Drilling, Exploration and Development Risks. Investments in businesses that engage in oil and gas exploration and development involve a high degree of risk and the use of new technologies. Oil and gas drilling and fracturing may involve unprofitable efforts, not only from dry holes, but from wells that are productive but do not produce sufficient net revenues to return a profit after drilling, operating and other costs. Acquiring, developing and exploring for oil and natural gas involves many risks. These risks include encountering unexpected formations or pressures, premature declines of reservoirs, blow-outs, equipment failures and other accidents in completing wells and otherwise, cratering, sour gas releases, uncontrollable flows of oil, natural gas or well fluids, adverse weather conditions, pollution, fires, spills and other environmental risks. In addition, in making such investments, estimates of oil and gas reserves must be relied on. The process of estimating oil and gas reserves is complex, requiring significant decisions and assumptions in the evaluation of available geological, geophysical, engineering and economic data for each reservoir. As a result, such estimates are inherently imprecise.

Independent Contractors. Independent contractors are typically used in operations in the energy industry to perform various operational tasks, including carrying out drilling activities and delivering raw commodities to processing or beneficiation plants. In periods of high commodity prices, demand for such contractors may exceed supply resulting in increased costs or lack of availability of key contractors. Disruptions of operations or increased costs also can occur as a result of disputes with contractors or a shortage of contractors with particular capabilities. Additionally, since a business in which investments are made may not have the same control over independent contractors as they may have over their own employees, there is a risk that such contractors will not operate in accordance with its own safety standards or other policies. Any of the foregoing circumstances could have a material adverse effect on the business in which investments are made and ultimately operating results and cash flows.

Environmental Matters. Environmental laws, regulations and regulatory initiatives play a significant role in the energy and power industry and can have a substantial impact on investments in this industry. For example, global initiatives to minimize pollution have played a major role in the increase in demand for natural gas and alternative energy sources, creating numerous new investment opportunities. Conversely, required expenditures for environmental compliance have adversely impacted investment returns in a number of segments of the industry. The energy and power industry will continue to face considerable oversight from environmental regulatory authorities. Investments in portfolio companies are subject to changing and increasingly stringent environmental and health and safety laws, regulations and permit requirements.

There can be no guarantee that all costs and risks regarding compliance with environmental laws and regulations can be identified. New and more stringent environmental and health and safety laws, regulations and permit requirements or stricter interpretations of current laws or regulations

could impose substantial additional costs on portfolio companies or potential investments. Compliance with such current or future environmental requirements does not ensure that the operations of the portfolio companies will not cause injury to the environment or to people under all circumstances or that the portfolio companies will not be required to incur additional unforeseen environmental expenditures. Moreover, failure to comply with any such requirements could have a material adverse effect on a portfolio company, and there can be no assurance that portfolio companies will at all times comply with all applicable environmental laws, regulations and permit requirements. Past practices or future operations of portfolio companies could also result in material personal injury or property damage claims.

Federal Power Act; Natural Gas Act; State Regulations. Companies owning or operating electric generation and transmission assets may separately be subject to regulatory requirements under the Federal Power Act, as amended (the "FPA"), state laws and, perhaps, local public utility laws. The FPA grants the Federal Energy Regulatory Commission ("FERC") jurisdiction over the transmission of electricity in interstate commerce, the sale of electricity at wholesale in interstate commerce, and all facilities for such transmission or sale; provided that jurisdiction over retail sales is left to the states. The FPA prohibits "public utilities" (entities that own or operate facilities subject to FERC jurisdiction) from selling, leasing, merging or consolidating jurisdictional facilities, and from buying or acquiring securities of other public utilities, without first obtaining FERC approval. The Energy Policy Act of 2005 also provided the FERC with expanded jurisdiction over the acquisition of generating assets by public utilities and required prior approval by the FERC of certain mergers, consolidations or the acquisition of securities with a value of \$10 million or more by any holding company in a holding company system that includes a transmitting utility or an electric utility company. Rates, charges and other terms for transmission services and for wholesale sales by public utilities are subject to the FERC's supervision. Certain wholesale generating companies may obtain market-based rate authority, enabling companies to price based upon market conditions. In determining whether a wholesale generating company will be granted market-based rate authority, the FERC has established market power tests that review the holdings of the generating company and its affiliates; the need to maintain market-based rate authority may, from time to time, constrain investment opportunities available. The FERC also is responsible for licensing and inspecting private, municipal and state-owned hydroelectric projects. Since portfolio companies may own electric facilities, they may be deemed to be public utilities, subject to these regulations, unless otherwise exempted.

Companies owning or operating natural gas transportation or storage facilities may be subject to regulatory requirements under the Natural Gas Act, as amended (the "NGA"). The NGA grants the FERC jurisdiction over the transportation of natural gas in interstate commerce, among other things. While the FERC has jurisdiction over the rates charged for interstate transportation and storage services, in most cases, owners of certain natural gas storage facilities may obtain market-based rate authority, enabling companies to price based upon market conditions. As with wholesale generation, the FERC has adopted market power tests that review the holdings of storage providers prior to granting market-based rates. The FERC also has authority over facility construction, and no such construction can occur without FERC authorization under the NGA. The FERC does not have jurisdiction to review mergers of natural gas companies, but operating and construction certificates may not be transferred without prior FERC approval.

On the state level, most state laws require approval from the state commission before an electric utility operating in the state may divest or transfer electric generation or distribution facilities. These laws also grant authority to the state commissions to regulate the financial activities of electric utilities selling electricity to consumers in their states. Certain states also regulate the transfer of other electric facilities and financing activities by the owners of such facilities.

Political, Legal and Commercial Instability. Investments in businesses that have operations in regions with varying degrees of political, legal and commercial stability including but not limited to, the Commonwealth of Independent States, the Middle East, Africa, Asia and Latin America involve political, civil and social pressures that may result in administrative change, policy reform and/or changes in law or government regulations, which in turn can result in expropriation or nationalization of investments and/or adversely affect the value or liquidity of such investments or an underlying business's or the ability to obtain leverage. Renegotiation or nullification of pre-existing agreements, concessions, leases and permits held by underlying investment entity or businesses, changes in fiscal policies (including increased tax or royalty rates) or currency restrictions are all possibilities. Commercial instability caused by bribery and corruption and more generally underdeveloped corporate governance policies in their various guises can lead to similar consequences, any of which could have a material adverse effect on a portfolio company's profitability, ability to finance itself, or, in extreme cases, its viability which could, in turn, have a material adverse effect on the financial condition of investments.

In addition, fiscal constraints or political pressure may also lead governments to impose increased taxation or other charges on operations in the resources sector or to nationalize operations within a given jurisdiction. Such taxes, royalties or expropriation of investments could be imposed by any jurisdiction in which a portfolio company operates. If operations are delayed or shut down as a result of political, legal or commercial instability, or if the operations of a portfolio company are subjected to increased taxation, royalties or expropriation, it could have a material adverse effect on the underlying results of operations or financial condition of that portfolio company, which could, in turn, have a material adverse effect on the financial condition of investments.

Further, government consents or notification may be required for investments or divestments which may make it challenging and costly to make new investments or realize existing investments on a timely basis or at all which could, in turn, have a material adverse effect on the financial condition of investments.

Supply and Demand Risk. Investments in the energy sector may be impacted by the levels of supply and demand for energy commodities. The volume of production of energy commodities and the volume of energy commodities available for transportation, storage, processing or distribution could be affected by a variety of factors, including depletion of resources, depressed commodity prices, catastrophic events, labor relations, increased environmental or other governmental regulation, equipment malfunctions and maintenance difficulties, import volumes, international politics, policies of OPEC, and increased competition from alternative energy sources, among others. Alternatively, a decline in demand for energy commodities could result from factors such as adverse economic conditions (especially in key energy-consuming countries); increased taxation; increased environmental or other governmental regulation; increased fuel economy; increased energy conservation or use of alternative energy sources,

legislation intended to promote the use of alternative energy sources; and increased commodity prices, among others.

Depletion Risk. Investments in entities and other energy companies engaged in the exploration, development, management or production of energy commodities face the risk that commodity reserves are depleted over time. Such companies seek to increase their reserves through expansion of their current businesses, acquisitions, further development of their existing sources of energy commodities, exploration of new sources of energy commodities or by entering into long-term contracts for additional reserves; however, there are risks associated with each of these potential strategies. If such companies fail to acquire additional reserves in a cost-effective manner and at a rate at least equal to the rate at which their existing reserves decline, their financial performance may suffer. Additionally, failure to replenish reserves could reduce the amount and affect the tax characterization of the distributions paid by such companies.

Weather Risk. Weather may play a role in the seasonality of some portfolio companies' cash flows. Portfolio companies in the propane industry, for example, may rely on the winter season to generate almost all of their earnings. In an unusually warm winter season, propane entities experience decreased demand for their product. Although most entities can reasonably predict seasonal weather demand based on normal weather patterns, extreme weather conditions, such as the hurricanes that severely damaged cities along the U.S. Gulf Coast in recent years, demonstrate that no amount of preparation can protect an entity from the unpredictability of the weather or possible climate change. The damage done by extreme weather also may serve to increase many entities' insurance premiums and could adversely affect such companies' financial condition.

Cyclical Industry Risk. The energy industry is cyclical and from time to time may experience a shortage of drilling rigs, equipment, supplies, or qualified personnel, or due to significant demand, such services may not be available on commercially reasonable terms. A portfolio company's ability to successfully and timely complete capital improvements to existing or other capital projects is contingent upon many variables. Should any such efforts be unsuccessful, a portfolio company could be subject to additional costs and/or the write-off of its investment in the project or improvement. The marketability of oil and gas production depends in large part on the availability, proximity and capacity of pipeline systems owned by third parties. Oil and gas properties are subject to royalty interests, liens and other burdens, encumbrances, easements or restrictions, all of which could impact the production of a particular portfolio company. Oil and gas entities operate in a highly competitive and cyclical industry, with intense price competition. A significant portion of their revenues may depend on a relatively small number of customers, including governmental entities and utilities.

Pipelines. Pipeline companies are subject to the demand for natural gas, natural gas liquids, crude oil or refined products in the markets they serve, changes in the availability of products for gathering, transportation, processing or sale due to natural declines in reserves and production in the supply areas serviced by the companies' facilities, sharp decreases in crude oil or natural gas prices that cause producers to curtail production or reduce capital spending for exploration activities, and environmental regulation. Demand for gasoline, which accounts for a substantial portion of refined product transportation, depends on price, prevailing economic conditions in the markets served, and demographic and seasonal factors. Companies that own interstate

pipelines that transport natural gas, natural gas liquids, crude oil or refined petroleum products are subject to regulation by the FERC with respect to the tariff rates they may charge for transportation services. An adverse determination by FERC with respect to the tariff rates of such a company could have a material adverse effect on its business, financial condition, results of operations and cash flows of those companies and their ability to pay cash distributions or dividends. In addition, the FERC has a tax allowance policy, which permits such companies to include in their cost of service an income tax allowance to the extent that their owners have an actual or potential tax liability on the income generated by them. If the FERC's income tax allowance policy were to change in the future to disallow a material portion of the income tax allowance taken by such interstate pipeline companies, it would adversely impact the maximum tariff rates that such companies are permitted to charge for their transportation services, which would in turn adversely affect the results of operations and cash flows.

Gathering and Processing. Gathering and processing companies are subject to natural declines in the production of oil and natural gas fields, which utilize their gathering and processing facilities as a way to market their production, prolonged declines in the price of natural gas or crude oil, which curtails drilling activity and therefore production, and declines in the prices of natural gas liquids and refined petroleum products, which cause lower processing margins. In addition, some gathering and processing contracts subject the gathering or processing company to direct commodities price risk.

Oil and Gas Production. In addition to other risks described herein, companies involved in the transportation, gathering, processing, exploration, development or production of crude oil, natural gas and/or refined petroleum products are subject to supply and demand fluctuations in the markets they serve which will be impacted by a wide range of factors including fluctuating commodity prices, weather, increased conservation or use of alternative fuel sources, increased governmental or environmental regulation, depletion, rising interest rates, declines in domestic or foreign production, accidents or catastrophic events and economic conditions, among others. In addition, the oil and gas industries may be adversely affected by increased regulations, increased operating costs and reductions in the supply of and/or demand for crude oil, natural gas and refined petroleum products as a result of accidents or catastrophic events and the reactions thereto, among others.

Propane. Investments in propane companies are subject to earnings variability based upon weather conditions in the markets they serve, fluctuating commodity prices, increased use of alternative fuels, increased governmental or environmental regulation, and accidents or catastrophic events, among others.

Coal. Investments in energy companies with coal assets are subject to supply and demand fluctuations in the markets they serve which may be impacted by a wide range of factors including fluctuating commodity prices, the level of their customers' coal stockpiles, weather, increased conservation or use of alternative fuel sources, increased governmental or environmental regulation, depletion, rising interest rates, declines in domestic or foreign production, mining accidents or catastrophic events and health claims and economic conditions, among others. They are also subject to supply variability based on geological conditions that reduce the productivity of mining operations, the availability of regulatory permits for mining activities and the availability of coal that meets the standards of the Clean Air Act.

Marine Transportation. Marine transportation companies are exposed to the highly cyclical nature of the tanker industry and may be subject to volatile changes in charter rates and vessel values, which may adversely affect the earnings of tanker companies. Fluctuations in charter rates and vessel values result from changes in the supply and demand for tanker capacity and changes in the supply and demand for oil and oil products. Historically, the tanker markets have been volatile due to the many conditions and factors that may affect the supply and demand for tanker capacity. Changes in demand for transportation of oil over longer distances and the supply of tankers to carry that oil may materially affect the revenues, profitability and cash flows of tanker companies. The successful operation of vessels in the charter market depends upon, among other things, obtaining profitable spot charters and minimizing time spent waiting for charters and traveling unladen to pick up cargo. The value of tanker vessels may fluctuate and could adversely affect the value of tanker company securities. Declining tanker values could affect the ability of tanker companies to raise cash by limiting their ability to refinance their vessels, thereby adversely impacting tanker company liquidity. Tanker company vessels are at risk of damage or loss because of events such as mechanical failure, collision, human error, war, terrorism, piracy, cargo loss and bad weather. In addition, changing economic, regulatory and political conditions in some countries, including political and military conflicts, have from time to time resulted in attacks on vessels, mining of waterways, piracy, terrorism, labor strikes, boycotts and government requisitioning of vessels. These sorts of events could interfere with shipping lanes and result in market disruptions and a significant loss of tanker company earnings.

Item 9: Disciplinary Information

None.

Item 10: Other Financial Industry Activities and Affiliations

Certain classes and series of SVOF/MM, LLC serve as general partner or managing member to seven TCP clients. Each of Tennenbaum Waterman GP, LLC, Tennenbaum Senior Loan II GP, LLC, Tennenbaum Senior Loan GP III, LLC, Tennenbaum Senior Loan GP IV-A, LLC and Tennenbaum Senior Loan GP IV-B, LLC, Tennenbaum Senior Loan MM V, LLC, Tennenbaum Special Situations MM IX, LLC, Tennenbaum Heartland GP, LLC, Tennenbaum Enhanced Yield MM I, LLC, Tennenbaum Energy Opportunities GP, LLC, Tennenbaum Special Situations IX-S GP, LLC, TCP Direct Lending VIII MM, LLC, TCP Direct Lending VIII-A MM, LLC, TCP Direct Lending VIII-N MM, LLC, TCP Direct Lending MM VIII-S, LLC, and TCP Direct Lending MM VIII-T, LLC is a general partner or managing member of one client of TCP. Each of the above-listed managing members and general partners is controlled by TCP. SVOF/MM, LLC is a registered investment adviser.

Item 11: Code of Ethics, Participation, or Interest in Client Transactions and Personal Trading

TCP has adopted a consolidated code of ethics, which includes our policy regarding insider trading. Our Code of Ethics also lays out general principles of fiduciary duty to which all of our

employees must adhere and also sets out various reporting requirements and securities trading restrictions applicable to TCP employees and, indirectly, members of their immediate family.

In rare circumstances, TCP may recommend to clients that they buy or sell investments of an issuer in which a related person of TCP has some financial interest. Any related person with such a financial interest is required by the policies of TCP to (1) disclose such interest to the investment committee and investment staff as applicable, and (2) be recused from TCP's process of determining of whether to make such a recommendation to a client, prior to such a recommendation being made by TCP.

In rare circumstances, TCP or a related person may acquire or sell investments that it recommends to, or acquires or sells on behalf of, a client at or about the same time. This would only typically occur either: (1) as part of a joint purchase (with all terms of TCP's financial interest disclosed) and (2) with full disclosure of TCP's previous purchases, if any, and intended disposition strategy.

Related persons of TCP may also acquire or sell for their own account investments that TCP also recommends to clients but only in situations in which such purchases or sales are not likely to have any economic impact on a client or on its ability to acquire or sell investments of the same class or other investments in the same issuer. Such purchases and sales are restricted by TCP's Code of Ethics, which prohibits access persons from acquiring or selling investments in an issuer in which any client is invested, or investments in any issuer in which TCP is recommending or considering recommending a client invest, except under certain circumstances which include prior approval by TCP's Chief Compliance Officer.

Clients may obtain TCP's Code of Ethics by requesting a copy from TCP's Chief Compliance Officer.

Item 12: Brokerage Practices

In executing transactions for clients and selecting brokers or dealers, TCP will seek to obtain best execution, including best price, and taking into account such factors as price of the security, TCP's knowledge of negotiated commission rates and spreads currently available, the reasonableness of the commission or its equivalent for the specific transaction, the size of the order, the desired timing of the transaction, the nature and character of the security or instrument being traded and the markets on which it is purchased or sold, the activity existing and expected in the market for the particular security or instrument, the full range of brokerage services provided, the difficulty of execution and the operational facilities of the broker or dealer, the quality of the research or other products or services provided, and the broker or dealer's skill in positioning a block of securities. Brokerage services include the ability to most effectively execute large orders without adversely impacting markets and positioning securities in order to enable TCP to effect orderly transactions for clients. Research or other products or services received from brokers or dealers may be used to service any of TCP's clients.

Because commissions are only one of the factors to be considered when selecting best execution, transactions will not always be executed at the lowest available commission, and TCP may effect

transactions in which the commission is in excess of a commission which another broker might have charged.

As a general matter, TCP believes that aggregation of orders for multiple clients is consistent with its duty to seek best execution. Aggregation of orders facilitates more efficient and less costly execution by enabling a broker to work a large order throughout the day, rather than dealing with multiple small orders and avoids competition in the marketplace among what otherwise would be smaller, separate orders of clients. In any case in which TCP believes that aggregation would result in higher total transaction costs to clients, it will not effect the transaction on an aggregated basis. In certain circumstances, an order clerk may determine to place orders for the same security with more than one broker-dealer in order to obtain best execution. For example, if any single market maker has insufficient access to satisfy an aggregated purchase order, it may be necessary to use multiple market makers to complete the order.

Before aggregating orders from particular clients, TCP will determine that the practice is consistent with the terms of the investment advisory agreement with, and other directions from, such clients. A list of clients that have directed brokerage to a particular broker and may therefore not be able to participate in aggregated orders will be prepared and updated periodically by the order desk.

Item 13: Review of Accounts

For all clients, an investment committee meets weekly to review the accounts and discuss portfolio investments. The voting members of the committee vary by client but are officers of TCP. All portfolios are reviewed at least quarterly with detailed written reports. More frequent reviews occur upon a material change in circumstances and/or pricing of an investment or market conditions.

Quarterly financial statements are prepared for all clients.

Item 14: Client Referrals and other Compensation

None.

Item 15: Custody

TCP maintains custody of client funds and securities for certain clients. All clients receive account statements from the independent custodian and the account statements are reconciled on a regular basis with TCP's records. The reconciliation is performed by accounting staff members who do not take part in the trading, settlements or portfolio management functions for the clients.

Item 16: Investment Discretion

TCP generally has discretionary investment authority over client accounts, subject to the investment strategy, objectives and restrictions applicable to each client as described in each

client's private placement memorandum, prospectus, organizational documents and/or investment management agreement.

Item 17: Voting Client Securities

TCP has accepted authority to vote proxies on behalf of its clients. TCP has adopted a Proxy Voting Policy that sets forth TCP's position on various routine proxy proposals, as well as guidelines for voting on non-routine issues and dealing with conflicts of interest arising in the proxy-voting process. TCP's clients do not have the ability to direct proxy voting.

It is unlikely that conflicts of interest will arise in the context of TCP's proxy voting, because TCP does not engage in investment banking, the advising of public companies or, except in cases where it exercises control, the managing of public companies.

In addition, insofar as TCP refers discretionary votes to its portfolio managers, portfolio managers are required to disclose any personal or business relationship that they or their immediate family members may have with an issuer soliciting proxies from TCP's clients. If a portfolio manager conflict is identified with respect to a given proxy vote, the Investment Committee will remove such vote from the conflicted portfolio manager and will instead consider and cast the vote, refer the vote to an independent third party or abstain from voting.

In the event a privately-placed security as to which TCP or its affiliated adviser entities negotiated more than price related terms is held by a fund regulated as a business development company under the Investment Company Act of 1940 ("BDC Fund") and is the subject of a proxy solicitation or other voting or consent solicitation, and any unregistered fund or separate account managed by TCP or its affiliated adviser entities also owns securities of the same class as the security held by the BDC Fund that is the subject of the proxy, vote or consent, then TCP will vote such security in the same manner and at the same time for each client, and in amounts proportionate to each client's investment in such security; provided that if TCP or its affiliated adviser entities believes that the foregoing policy is not in the best interests of a particular client in a particular situation, TCP or its affiliated adviser entities shall be permitted to deviate from the foregoing policy only if it has (i) submitted a proposal to the board of directors of the BDC Fund explaining the basis for such deviation and (ii) received the approval of a majority of the directors of the BDC Fund who (a) during the previous two years have had no material business or professional relationship with the BDC Fund or any other entity or separate account managed by TCP or its affiliated adviser entities (other than as a director of the BDC Fund) and (b) have no direct or indirect financial interest in the proxy solicitation, vote or consent other than through an investment in the BDC Fund or any other entity or separate account managed by TCP or its affiliated adviser entities.

In the event that a potential material conflict of interest does arise and is not addressed by the foregoing procedures, the primary means by which TCP avoids a material conflict of interest in the voting of proxies for its clients is by casting such votes solely in the interests of its clients and in the interests of maximizing the value of their portfolio holdings.

Clients may obtain information on how TCP has voted proxies and may obtain a copy of TCP's Proxy Voting Policy by requesting such information from the Chief Compliance Officer.

Item 18: Financial Information

There are no financial conditions that are reasonably likely to impair TCP's ability to meet contractual commitments to its clients.