

Triangle Capital CORP  
Form 10-Q  
August 07, 2013  
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UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 20549

Form 10-Q

(Mark One)

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended June 30, 2013

OR

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 814-00733

Triangle Capital Corporation  
(Exact name of registrant as specified in its charter)

Maryland 06-1798488  
(State or other jurisdiction of (I.R.S. Employer  
incorporation or organization) Identification No.)

3700 Glenwood Avenue, Suite 530 27612  
Raleigh, North Carolina  
(Address of principal executive offices) (Zip Code)

Registrant's telephone number, including area code: (919) 719-4770

Former Name, Former Address and Former Fiscal Year, if Changed Since Last Report: N/A

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  No

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

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, 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. (Check one):

Large accelerated filer  Accelerated filer

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

The number of shares outstanding of the registrant's Common Stock on August 5, 2013 was 27,600,250.



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## PART I – FINANCIAL INFORMATION

## Item 1. Financial Statements.

## TRIANGLE CAPITAL CORPORATION

## Consolidated Balance Sheets

	June 30, 2013 (Unaudited)	December 31, 2012
Assets:		
Investments at fair value:		
Non-Control / Non-Affiliate investments (cost of \$519,536,914 and \$565,737,092 at June 30, 2013 and December 31, 2012, respectively)	\$ 537,770,803	\$ 579,078,939
Affiliate investments (cost of \$111,083,771 and \$123,019,204 at June 30, 2013 and December 31, 2012, respectively)	109,258,133	123,408,445
Control investments (cost of \$7,990,474 and \$11,474,208 at June 30, 2013 and December 31, 2012, respectively)	3,068,541	4,315,339
Total investments at fair value	650,097,477	706,802,723
Cash and cash equivalents	117,131,063	72,300,423
Interest and fees receivable	4,179,016	2,650,178
Prepaid expenses and other current assets	509,768	403,123
Deferred financing fees	11,828,830	12,323,430
Property and equipment, net	53,595	55,535
Total assets	\$ 783,799,749	\$ 794,535,412
Liabilities:		
Accounts payable and accrued liabilities	\$ 4,451,101	\$ 6,405,570
Interest payable	2,955,187	3,136,574
Taxes payable	234,796	3,210,989
Deferred income taxes	2,373,214	1,342,456
Notes	149,500,000	149,500,000
SBA-guaranteed debentures payable	193,193,422	213,604,579
Total liabilities	352,707,720	377,200,168
Net Assets:		
Common stock, \$0.001 par value per share (150,000,000 shares authorized, 27,600,250 and 27,284,798 shares issued and outstanding as of June 30, 2013 and December 31, 2012, respectively)	27,600	27,285
Additional paid in capital	406,567,839	403,322,097
Investment income in excess of distributions	8,098,018	6,783,161
Accumulated realized gains on investments	7,285,470	1,972,940
Net unrealized appreciation of investments	9,113,102	5,229,761
Total net assets	431,092,029	417,335,244
Total liabilities and net assets	\$ 783,799,749	\$ 794,535,412
Net asset value per share	\$ 15.62	\$ 15.30

See accompanying notes.



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TRIANGLE CAPITAL CORPORATION  
 Unaudited Consolidated Statements of Operations

	Three Months Ended June 30, 2013	Three Months Ended June 30, 2012	Six Months Ended June 30, 2013	Six Months Ended June 30, 2012
Investment income:				
Loan interest, fee and dividend income:				
Non-Control / Non-Affiliate investments	\$ 19,696,422	\$ 15,060,897	\$ 36,883,923	\$ 28,024,499
Affiliate investments	3,246,452	2,952,805	6,209,481	5,669,954
Control investments	46,194	52,218	95,565	111,991
Total loan interest, fee and dividend income	22,989,068	18,065,920	43,188,969	33,806,444
Payment-in-kind interest income:				
Non-Control / Non-Affiliate investments	3,234,925	2,850,412	6,485,473	5,437,679
Affiliate investments	981,731	870,085	1,940,110	1,524,318
Control investments	5,961	20,000	11,828	39,971
Total payment-in-kind interest income	4,222,617	3,740,497	8,437,411	7,001,968
Interest income from cash and cash equivalent investments	44,463	156,049	95,703	265,907
Total investment income	27,256,148	21,962,466	51,722,083	41,074,319
Expenses:				
Interest and other debt financing fees	4,989,523	4,144,623	10,101,035	7,455,360
General and administrative expenses	5,994,702	3,767,420	10,115,660	7,374,687
Total expenses	10,984,225	7,912,043	20,216,695	14,830,047
Net investment income	16,271,923	14,050,423	31,505,388	26,244,272
Net realized gains:				
Net realized gain on investments – Non-Control / Non-Affiliate	2,428,668	2,784,108	3,007,450	2,784,108
Net realized gain on investments – Affiliate	3,321,999	—	4,595,999	—
Net realized gain (loss) on investments – Control	(2,290,919 )	838,039	(2,290,919 )	838,039
Net unrealized appreciation (depreciation) of investments	2,116,796	(2,046,369 )	3,883,341	(1,424,898 )
Total net gain on investments	5,576,544	1,575,778	9,195,871	2,197,249
Loss on extinguishment of debt	—	—	(412,673 )	(205,043 )
Income tax benefit (provision)	—	—	(20,303 )	7,231
Net increase in net assets resulting from operations	\$ 21,848,467	\$ 15,626,201	\$ 40,268,283	\$ 28,243,709
Net investment income per share—basic and diluted	\$ 0.59	\$ 0.52	\$ 1.15	\$ 1.00
Net increase in net assets resulting from operations per share—basic and diluted	\$ 0.79	\$ 0.57	\$ 1.46	\$ 1.08
Dividends declared per common share	\$ 0.54	\$ 0.50	\$ 1.08	\$ 0.97
Weighted average number of shares outstanding—basic and diluted	27,569,524	27,262,646	27,501,407	26,168,973

See accompanying notes.

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## TRIANGLE CAPITAL CORPORATION

## Unaudited Consolidated Statements of Changes in Net Assets

	Common Stock			Investment Income in Excess of Distributions	Accumulated Realized Gains on Investments	Net Unrealized Appreciation of Investments	Total Net Assets
	Number of Shares	Par Value	Additional Paid In Capital				
Balance, December 31, 2011	22,774,726	\$22,775	\$318,297,269	\$6,847,486	\$1,011,649	\$8,107,776	\$334,286,955
Net investment income	—	—	—	26,244,272	—	—	26,244,272
Stock-based compensation	—	—	1,372,096	—	—	—	1,372,096
Net realized gain on investments	—	—	—	—	3,622,147	(3,062,895 )	559,252
Net unrealized appreciation of investments	—	—	—	—	—	1,637,997	1,637,997
Loss on extinguishment of debt	—	—	—	(205,043 )	—	—	(205,043 )
Income tax benefit	—	—	—	7,231	—	—	7,231
Dividends/distributions declared	81,861	81	1,664,085	(26,418,899)	—	—	(24,754,733 )
Public offering of common stock	4,255,000	4,255	77,118,719	—	—	—	77,122,974
Issuance of restricted stock	235,086	236	(236 )	—	—	—	—
Common stock withheld for payroll taxes upon vesting of restricted stock	(57,539 )	(58 )	(1,111,386 )	—	—	—	(1,111,444 )
Balance, June 30, 2012	27,289,134	\$27,289	\$397,340,547	\$6,475,047	\$4,633,796	\$6,682,878	\$415,159,557

	Common Stock			Investment Income in Excess of Distributions	Accumulated Realized Gains on Investments	Net Unrealized Appreciation of Investments	Total Net Assets
	Number of Shares	Par Value	Additional Paid In Capital				
Balance, December 31, 2012	27,284,798	\$27,285	\$403,322,097	\$6,783,161	\$1,972,940	\$5,229,761	\$417,335,244
Net investment income	—	—	—	31,505,388	—	—	31,505,388
Stock-based compensation	—	—	1,675,896	—	—	—	1,675,896
Net realized gain on investments	—	—	—	—	5,312,530	(3,863,315 )	1,449,215
Net unrealized appreciation of investments	—	—	—	—	—	7,746,656	7,746,656
	—	—	—	(412,673 )	—	—	(412,673 )

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Loss on extinguishment of debt							
Income tax provision	—	—	—	(20,303 )	—	—	(20,303 )
Dividends/distributions declared	57,042	57	1,570,104	(29,757,555)	—	—	(28,187,394 )
Issuance of restricted stock	258,410	258	(258 )	—	—	—	—
Balance, June 30, 2013	27,600,250	\$27,600	\$406,567,839	\$8,098,018	\$7,285,470	\$9,113,102	\$431,092,029

See accompanying notes.



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TRIANGLE CAPITAL CORPORATION  
 Unaudited Consolidated Statements of Cash Flows

	Six Months Ended June 30, 2013	Six Months Ended June 30, 2012
Cash flows from operating activities:		
Net increase in net assets resulting from operations	\$40,268,283	\$28,243,709
Adjustments to reconcile net increase in net assets resulting from operations to net cash used in operating activities:		
Purchases of portfolio investments	(37,112,821 )	(156,571,355 )
Repayments received/sales of portfolio investments	111,695,347	71,439,853
Loan origination and other fees received	621,440	2,309,229
Net realized gain on investments	(5,312,530 )	(3,622,147 )
Net unrealized (appreciation) depreciation of investments	(4,914,099 )	1,251,562
Deferred income taxes	1,030,758	173,337
Payment-in-kind interest accrued, net of payments received	(5,263,335 )	(3,765,725 )
Amortization of deferred financing fees	766,221	504,619
Loss on extinguishment of debt	412,673	205,043
Accretion of loan origination and other fees	(2,243,128 )	(1,554,726 )
Accretion of loan discounts	(765,628 )	(811,990 )
Accretion of discount on SBA-guaranteed debentures payable	88,843	87,256
Depreciation expense	19,085	15,811
Stock-based compensation	1,675,896	1,372,096
Changes in operating assets and liabilities:		
Interest and fees receivable	(1,528,838 )	(2,564,588 )
Prepaid expenses	(106,645 )	221,547
Accounts payable and accrued liabilities	(1,954,469 )	(1,397,172 )
Interest payable	(181,387 )	29,435
Taxes payable	(2,976,193 )	(1,198,973 )
Net cash provided by (used in) operating activities	94,219,473	(65,633,179 )
Cash flows from investing activities:		
Purchases of property and equipment	(17,145 )	(13,354 )
Net cash used in investing activities	(17,145 )	(13,354 )
Cash flows from financing activities:		
Repayments of SBA-guaranteed debentures payable	(20,500,000 )	(10,410,000 )
Repayments of credit facility	—	(15,000,000 )
Proceeds from notes	—	69,000,000
Financing fees paid	(684,294 )	(2,340,983 )
Proceeds from public stock offerings, net of expenses	—	77,122,974
Common stock withheld for payroll taxes upon vesting of restricted stock	—	(1,111,444 )
Cash dividends paid	(28,187,394 )	(24,754,733 )
Net cash provided by (used in) financing activities	(49,371,688 )	92,505,814
Net increase in cash and cash equivalents	44,830,640	26,859,281
Cash and cash equivalents, beginning of period	72,300,423	66,868,340
Cash and cash equivalents, end of period	\$117,131,063	\$93,727,621
Supplemental disclosure of cash flow information:		
Cash paid for interest	\$9,084,547	\$6,671,706
Summary of non-cash financing transactions:		

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Dividends paid through DRIP share issuances	\$1,570,161	\$1,664,166
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See accompanying notes.

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## TRIANGLE CAPITAL CORPORATION

## Unaudited Consolidated Schedule of Investments

June 30, 2013

Portfolio Company	Industry	Type of Investment <sup>(1)(2)</sup>	Principal Amount	Cost	Fair Value <sup>(3)</sup>
Non-Control / Non-Affiliate Investments:					
Agilex Flavors & Fragrances, Inc. (3%)*	Custom Fragrance Producers	Subordinated Note (12% Cash, 1.5% PIK, Due 06/19)	\$ 12,601,270	\$ 12,364,434	\$ 12,364,434
		Common Units (1,250 units)		1,250,000	1,264,000
			12,601,270	13,614,434	13,628,434
Ambient Air Corporation (0%)*	Specialty Trade Contractors	Subordinated Note (0% Cash, 8% PIK, Due 06/20)	454,628	66,993	372,000
			454,628	66,993	372,000
Assurance Operations Corporation (0%)*	Metal Fabrication	Common Stock (517 shares)		516,867	935,000
				516,867	935,000
Audio and Video Labs Holdings, Inc. (3%)*	Manufacturer and Distributor for Independent Artists and Authors	Subordinated Note (12% Cash, 2% PIK, Due 06/18)	13,134,189	12,891,473	12,891,473
		Common Units (134 units)		1,300,000	1,150,000
			13,134,189	14,191,473	14,041,473
Botanical Laboratories, Inc. (0%)*	Nutritional Supplement Manufacturing and Distribution	Common Unit Warrants (998,680 units)		237,301	580,603
				237,301	580,603
Capital Contractors, Inc. (2%)*	Janitorial and Facilities Maintenance Services	Subordinated Notes (12% Cash, 2% PIK, Due 12/15)	9,468,396	9,083,092	9,083,092
		Common Stock Warrants (20 shares)		492,000	345,000
			9,468,396	9,575,092	9,428,092
Carolina Beverage Group, LLC (1%)*	Beverage Manufacturing and Packaging	Class A Units (11,974 units)		1,077,615	1,449,000
		Class B Units (11,974 units)		119,735	1,823,000
				1,197,350	3,272,000
Charter Facilities Services, Inc. (2%)*	Retail, Restaurant, and Commercial Facilities Maintenance	Subordinated Note (10% Cash, 3% PIK, Due 07/18)	8,210,044	8,083,515	8,083,515
		Convertible Preferred Units (2,500 units)		250,000	424,000
			8,210,044	8,333,515	8,507,515
		16,632,900	16,364,505	16,364,505	

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Chromaflo Technologies, LLC (4%)*	Colorant Manufacturer and Distributor	Subordinated Note (12% Cash, 2% PIK, Due 10/17) Preferred A Units (22,561 units)		2,256,098	2,847,000
			16,632,900	18,620,603	19,211,505
Comverge, Inc. (4%)*	Provider of Intelligent Energy Management Solutions	Senior Note (12% Cash, 3% PIK, Due 05/18)	15,270,247	14,998,819	14,998,819
		Preferred Units (900 units)		900,000	942,000
		Common Units (1,000,000 units)		100,000	115,000
			15,270,247	15,998,819	16,055,819
Continental Anesthesia Management, LLC (2%)*	Physicians Management Services	Subordinated Note (14.0% Cash, Due 11/14)	9,825,000	9,666,763	8,849,000
		Warrant (263 shares)		276,100	—
			9,825,000	9,942,863	8,849,000
CRS Reprocessing, LLC (6%)*	Fluid Reprocessing Services	Subordinated Note (12% Cash, 2% PIK, Due 11/15)	11,887,166	11,704,712	11,704,712
		Subordinated Note (12% Cash, 2% PIK, Due 11/15)	13,109,315	12,055,213	12,055,213
		Series C Preferred Units (30 units)		288,342	427,000
		Common Unit Warrant (664 units)		1,759,556	2,626,000
		Series D Preferred Units (16 units)		107,074	168,000
			24,996,481	25,914,897	26,980,925
DataSource Incorporated (2%)*	Print Supply Chain Management Services	Subordinated Note (12% Cash, 2% PIK, Due 01/18)	8,670,799	8,524,089	8,524,089
		Common Units (47 units)		1,000,000	1,114,000
			8,670,799	9,524,089	9,638,089
DCWV Acquisition Corporation (1%)*	Arts & Crafts and Home Decor Products	Subordinated Note (12% Cash, 3% PIK, Due 09/17)	6,146,584	6,040,388	4,862,000
	Designer and Supplier		6,146,584	6,040,388	4,862,000
DLR Restaurants, LLC (0%)*	Restaurant	Royalty Rights		—	—
				—	—
Dyno Acquiror, Inc. (2%)*	Sewing Products and Seasonal Decorative Products Supplier	Subordinated Note (12% Cash, 2% PIK, Due 11/18)	7,022,574	6,882,574	6,882,574
		Preferred Series A Units (600,000 units)		600,000	600,000
			7,022,574	7,482,574	7,482,574

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TRIANGLE CAPITAL CORPORATION  
Unaudited Consolidated Schedule of Investments  
June 30, 2013

Portfolio Company	Industry	Type of Investment <sup>(1)(2)</sup>	Principal Amount	Cost	Fair Value <sup>(3)</sup>
Eckler's Holdings, Inc. (2%)*	Restoration Parts and Accessories for Classic Cars and Trucks	Subordinated Note (11% Cash, 4% PIK, Due 07/18)	\$6,940,632	\$6,792,567	\$6,792,567
		Common Stock (18,029 shares)		183,562	111,000
		Preferred Stock A (1,596 shares)		1,596,126	1,724,000
			6,940,632	8,572,255	8,627,567
Electronic Systems Protection, Inc. (1%)*	Power Protection Systems Manufacturing	Subordinated Note (12% Cash, 2% PIK, Due 12/15)	4,289,253	4,265,863	4,265,863
		Common Stock (570 shares)		285,000	307,000
			4,289,253	4,550,863	4,572,863
Foodstate, Inc. (1%)*	Nutritional Supplement Manufacturing and Distribution	Subordinated Note (12% Cash, 3.8% PIK, Due 10/16)	5,584,163	5,510,802	5,510,802
			5,584,163	5,510,802	5,510,802
Frozen Specialties, Inc. (2%)*	Frozen Foods Manufacturer	Subordinated Note (13% Cash, 5% PIK, Due 05/16)	10,674,242	10,636,122	10,636,122
			10,674,242	10,636,122	10,636,122
Garden Fresh Restaurant Corp. (0%)*	Restaurant	Membership Units (5,000 units)		500,000	113,000
				500,000	113,000
Glencoe Business Services Holdings (5%)*	Business Process Outsourcing Provider	Subordinated Note (12% Cash, 2.5% PIK, Due 06/18)	20,254,112	19,880,702	19,880,702
			20,254,112	19,880,702	19,880,702
Grindmaster-Cecilware Corp. (1%)*	Food Services Equipment Manufacturer	Subordinated Note (12% Cash, 6% PIK, Due 04/16)	6,871,666	6,827,412	6,002,000
			6,871,666	6,827,412	6,002,000
Hatch Chile Co., LLC (1%)*	Food Products Distributor	Senior Note (19% Cash, Due 07/15)	3,346,363	3,288,667	3,288,667
		Subordinated Note (14% Cash, Due 07/15)	743,637	659,094	659,094
		Unit Purchase Warrant (5,265 units)		149,800	291,000
			4,090,000	4,097,561	4,238,761
Home Physicians, LLC ("HP") and Home Physicians Holdings, LP ("HPH") (3%)*	In-home Primary Care Physician Services	Subordinated Note-HP (12% Cash, 5% PIK, Due 03/16)	11,493,212	10,793,434	10,625,000
		Subordinated Note-HPH (4% Cash, 6% PIK, Due 03/16)	1,406,009	1,303,361	292,000

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		Senior Subordinated Note-HP (14% Cash, 2% PIK, Due 03/16)	1,374,824	1,353,013	1,353,013
		Preferred Units (0%)		1,100,000	1,980,000
		Preferred Unit Purchase Warrants (25%)		—	—
		Royalty Rights		—	—
			14,274,045	14,549,808	14,250,013
Infrastructure Corporation of America, Inc. (3%)*	Roadway Maintenance, Repair and Engineering Services	Subordinated Note (12% Cash, 2% PIK, Due 09/18) Common Stock Purchase Warrant (417,593 shares)	11,078,757  11,078,757	9,481,668  2,411,000 11,892,668	9,481,668  2,370,000 11,851,668
Inland Pipe Rehabilitation Holding Company LLC (5%)*	Cleaning and Repair Services	Subordinated Note (13% Cash, 2% PIK, Due 12/16) Membership Interest Purchase Warrant (3.0%)	21,007,449  21,007,449	20,793,115  853,500 21,646,615	20,793,115  2,174,000 22,967,115
IOS Acquisitions, Inc. (4%)*	Provider of Oil Country Tubular Goods Inspections and Repair Services	Subordinated Note (12% Cash, 2% PIK, Due 06/18) Common Units (7,314 Class A Units)	17,176,425  17,176,425	16,859,027  1,699,847 18,558,874	16,859,027  1,357,000 18,216,027
Library Systems & Services, LLC (0%)*	Municipal Business Services	Common Stock Warrants (112 shares)		58,995 58,995	1,638,000 1,638,000
Magpul Industries Corp. (5%)*	Firearm Accessories Manufacturer and Distributor	Subordinated Note (12% Cash, 3% PIK, Due 03/17) Preferred Units (1,470 units) Common Units (30,000 units)	13,300,000  13,300,000	13,100,747  1,470,000 30,000 14,600,747	13,100,747  1,874,000 5,532,000 20,506,747
Marine Acquisition Corp. (3%)*	Boat Steering System and Driver Control Provider	Subordinated Note (11.50% Cash, 2% PIK, Due 05/17)	12,000,000  12,000,000	11,763,585  11,763,585	11,763,585  11,763,585
Media Storm, LLC (2%)*	Marketing Services	Subordinated Note (12% Cash, 2% PIK, Due 10/17) Membership Units (1,216,204 units)	8,137,431  8,137,431	8,071,349  1,176,957 9,248,306	8,071,349  1,501,000 9,572,349

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## TRIANGLE CAPITAL CORPORATION

## Unaudited Consolidated Schedule of Investments

June 30, 2013

Portfolio Company	Industry	Type of Investment <sup>(1)(2)</sup>	Principal Amount	Cost	Fair Value <sup>(3)</sup>
Media Temple, Inc. (3%)*	Web Hosting Services	Convertible Note (8% Cash, 6% PIK, Due 04/15)	\$4,000,001	\$4,594,351	\$8,117,000
		Common Stock Purchase Warrant (28,000 shares)		1,251,000	3,551,000
			4,000,001	5,845,351	11,668,000
Micross Solutions LLC (3%)*	Provider of Semiconductor Products and Services	Subordinated Note (12% Cash, 2% PIK, Due 06/18)	10,722,502	10,574,072	10,574,072
		Class A-2 Common Units (1,500,000 units)		1,500,000	1,024,000
			10,722,502	12,074,072	11,598,072
Minco Technology Labs, LLC (0%)*	Semiconductor Distribution	Subordinated Note (6.5% Cash, 3.5% PIK, Due 12/16)	5,635,155	5,462,938	2,164,000
		Class A Units (5,000 HoldCo. units)		500,000	—
		Class A Units (3,907 OpCo. units)		3,907	—
			5,635,155	5,966,845	2,164,000
My Alarm Center, LLC (3%)*	Security Company	Subordinated Note (12% Cash, 2.5% PIK, Due 09/17)	10,198,879	10,111,405	10,111,405
		Preferred Units (2,000,000 units)		2,000,000	2,023,000
			10,198,879	12,111,405	12,134,405
Novolyte Technologies, Inc. (0%)*	Specialty Manufacturing	Common Units (24,522 units)		43,905	178,801
				43,905	178,801
Performance Health & Wellness Holdings, Inc. (3%)*	Designer and Manufacturer of Rehabilitation and Wellness Products	Subordinated Note (12% Cash, 1% PIK, Due 04/19)	13,094,852	12,915,486	12,915,486
		Class A Limited Partnership Units (15,000 units)		1,500,000	1,446,000
			13,094,852	14,415,486	14,361,486
PowerDirect Marketing, LLC (2%)*	Marketing Services	Subordinated Note (12% Cash, 2% PIK, Due 05/16)	7,236,063	6,713,962	6,713,962
		Common Unit Purchase Warrants		590,200	1,562,000
			7,236,063	7,304,162	8,275,962
ROM Acquisition Corporation (3%)*	Military and Industrial Vehicle Equipment Manufacturing	Subordinated Note (12% Cash, 3% PIK, Due 03/17)	13,357,469	13,248,838	13,248,838
			13,357,469	13,248,838	13,248,838

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Sheplers, Inc. (3%)*	Western Apparel Retailer	Subordinated Note (13.2% Cash, Due 12/16)	8,750,000	8,582,808	8,582,808
		Subordinated Note (10% Cash, 7% PIK, Due 12/17)	4,169,023	4,112,778	4,112,778
			12,919,023	12,695,586	12,695,586
Snacks Holding Corporation (2%)*	Trail Mixes and Nut Manufacturer and Marketer	Subordinated Note (12% Cash, 1% PIK, Due 5/20)	5,005,278	4,967,778	4,967,778
		Preferred A Units (22,368 units)		1,053,897	2,254,000
		Preferred B Units (10,380 units)		25,337	123,000
		Common Units (190,935 units)		150,000	903,000
		Common Stock Warrants (14,558 shares)		14,558	98,000
		5,005,278	6,211,570	8,345,778	
SRC, Inc. (1%)*	Specialty Chemical Manufacturer	Subordinated Notes (12% Cash, 2% PIK, Due 09/14)	6,084,208	5,957,071	5,670,000
		Common Stock Purchase Warrants		123,800	—
			6,084,208	6,080,871	5,670,000
Stella Environmental Services, LLC (0%)*	Waste Transfer Stations	Common Stock Purchase Warrants		20,000	394,000
				20,000	394,000
Syrgis Holdings, Inc. (0%)*	Specialty Chemical Manufacturer	Class C Units (2,114 units)		111,037	201,281
				111,037	201,281
The Krystal Company (1%)*	Quick Service Restaurant	Class A Units of Limited Partnership (2,000 units)		2,000,000	3,455,000
				2,000,000	3,455,000
TMR Automotive Service Supply, LLC (1%)*	Automotive Supplies	Subordinated Note (12% Cash, 1% PIK, Due 03/16)	4,500,000	4,316,532	4,316,532
		Unit Purchase Warrant (316,858 units)		195,000	377,000
			4,500,000	4,511,532	4,693,532
Tomich Brothers, LLC (3%)*	Squid and Wetfish Processor and Distributor	Subordinated Note (12% Cash, 3% PIK, Due 04/16)	12,128,369	11,912,539	11,912,539
			12,128,369	11,912,539	11,912,539



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## TRIANGLE CAPITAL CORPORATION

## Unaudited Consolidated Schedule of Investments

June 30, 2013

Portfolio Company	Industry	Type of Investment <sup>(1)(2)</sup>	Principal Amount	Cost	Fair Value <sup>(3)</sup>
Top Knobs USA, Inc. (0%)*	Hardware Designer and Distributor	Common Stock (26,593 shares)		\$ 750,000	\$ 1,149,000
				750,000	1,149,000
Trinity Consultants Holdings, Inc. (2%)*	Air Quality Consulting Services	Subordinated Note (12% Cash, 2.0% PIK, Due 11/17)	\$8,242,454	8,111,078	8,111,078
		Series A Preferred Stock (10,000 units)		785,775	883,000
		Common Stock (50,000 units)		50,000	658,000
			8,242,454	8,946,853	9,652,078
TrustHouse Services Group, Inc. (0%)*	Food Management Services	Class A Units (1,557 units)		69,302	242,996
		Class B Units (82 units)		3,647	8,794
		Class E Units (838 units)		101,532	139,628
				174,481	391,418
Tulsa Inspection Resources, Inc. (2%)*	Pipeline Inspection Services	Subordinated Note (14%-17.5% Cash, Due 03/14)	5,810,588	5,723,472	5,723,472
		Common Units (2 units)		337,925	810,000
		Common Stock Warrants (8 shares)		321,000	3,109,000
			5,810,588	6,382,397	9,642,472
United Biologics, LLC (2%)*	Allergy Immunotherapy	Subordinated Note (12% Cash, 2% PIK, Due 03/17)	10,020,470	9,187,466	9,187,466
		Class A Common Stock (177,935 shares)		1,999,989	648,000
		Class A-1 Common Stock (18,818 shares)		137,324	137,324
		Class A-1 Common Kicker Stock (14,114 shares)		—	—
		Class A & Class B Unit Purchase Warrants		838,117	165,000
		10,020,470	12,162,896	10,137,790	
United Retirement Plan Consultants, Inc. (3%)*	Retirement Plan Administrator	Subordinated Note (12% Cash, 4% PIK, Due 09/16)	12,589,260	12,403,285	12,403,285
		Preferred A Units (90,000 units)		900,000	926,000
		Common Units (10,000 units)		100,000	—
		12,589,260	13,403,285	13,329,285	
Wholesale Floors, Inc. (1%)*	Commercial Services	Subordinated Note (12.5% Cash, 3.5% PIK, Due 06/14)	3,887,615	3,850,397	3,850,397
		Membership Interest Purchase Warrant (4.0%)		132,800	192,000

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			3,887,615	3,983,197	4,042,397
		Subordinated Note (11% Cash, 5% PIK, Due 11/16)	8,000,000	7,134,199	7,134,199
Workforce Software, LLC (3%)*	Software Provider	Class B Preferred Units (1,020,000 units)		1,020,000	1,188,000
		Class C Preferred Units (624,253 units)		1,250,000	1,875,000
		Common Unit Purchase Warrants (2,434,749 units)		952,300	4,706,000
			8,000,000	10,356,499	14,903,199
WSO Holdings, LP (5%)*	Organic/Fair Trade Sugar, Syrup, Nectar and Honey Producer	Subordinated Note (12% Cash, 2% PIK, Due 10/17)	20,300,379	20,052,537	20,052,537
		Common Points (3,000 points)		3,000,000	2,816,000
			20,300,379	23,052,537	22,868,537
Xchange Technology Group, LLC (0%)*	Used and Refurbished IT Asset Supplier	Subordinated Note (8% Cash, Due 06/15)	6,266,299	5,904,000	750,000
		Royalty Rights		—	—
			6,266,299	5,904,000	750,000
Yellowstone Landscape Group, Inc. (4%)*	Landscaping Services	Subordinated Note (8% Cash, 8% PIK, Due 04/14)	15,786,071	15,714,997	15,714,997
			15,786,071	15,714,997	15,714,997
Subtotal Non-Control / Non-Affiliate Investments			483,896,222	519,536,914	537,770,803
Affiliate Investments:					
All Aboard America! Holdings Inc. (2%)*	Motor Coach Operator	Subordinated Note (12% Cash, 3% PIK, Due 10/17)	8,762,177	8,616,978	8,616,978
		Convertible Preferred Interest in LLC		1,500,000	1,843,000
			8,762,177	10,116,978	10,459,978
American De-Rosa Lamparts, LLC and Hallmark Lighting (1%)*	Lighting Wholesale and Distribution	Subordinated Note (12% Cash, 6% PIK, Due 6/16)	6,633,396	5,879,747	5,879,747
		Membership Units (6,516 units)		620,653	—
			6,633,396	6,500,400	5,879,747

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TRIANGLE CAPITAL CORPORATION  
 Unaudited Consolidated Schedule of Investments  
 June 30, 2013

Portfolio Company	Industry	Type of Investment <sup>(1)(2)</sup>	Principal Amount	Cost	Fair Value <sup>(3)</sup>
AP Services, Inc. (0%)*	Fluid Sealing Supplies and Services	Class A Units (933 units)		\$ 302,886	\$ 556,618
		Class B Units (496 units)		—	295,642
				302,886	852,260
		Senior Note (12% Cash, 5% PIK, Due 03/14)	\$6,466,015	6,466,013	6,466,013
		Subordinated Note (12% Cash, 2% PIK, Due 07/15)	636,612	636,612	590,000
Asset Point, LLC (2%)*	Asset Management Software Provider	Subordinated Note (7% Cash, Due 03/14)	941,798	941,798	731,000
		Membership Units (1,000,000 units)		8,203	869,000
		Options to Purchase Membership Units (342,407 units)		500,000	205,000
		Membership Unit Warrants (356,506 units)		—	—
			8,044,425	8,552,626	8,861,013
Captek Softgel International, Inc. (2%)*	Nutraceutical Manufacturer	Subordinated Note (12% Cash, 4% PIK, Due 08/16)	8,794,882	8,688,111	8,688,111
		Class A Units (80,000 units)		800,000	481,000
			8,794,882	9,488,111	9,169,111
CIS Secure Computing Inc. (3%)*	Secure Communications and Computing Solutions Provider	Subordinated Note (12% Cash, 3% PIK, Due 06/17)	10,298,747	10,143,734	10,143,734
		Common Stock (84 shares)		502,320	1,009,000
			10,298,747	10,646,054	11,152,734
Dyson Corporation (1%)*	Custom Forging and Fastener Supplies	Class A Units (1,000,000 units)		1,000,000	2,626,000
				1,000,000	2,626,000
Main Street Gourmet, LLC (1%)*	Baked Goods Provider	Subordinated Note (12% Cash, 4.5% PIK, Due 10/16)	4,426,445	4,373,060	4,373,060
		Jr. Subordinated Note (8% Cash, 2% PIK, Due 04/17)	1,046,200	1,032,613	1,032,613
		Preferred Units (233 units)		211,867	289,000
		Common B Units (3,000 units)		23,140	66,000
		Common A Units (1,652 units)		14,993	36,000
			5,472,645	5,655,673	5,796,673
PartsNow!, LLC (3%)*	Printer Parts Distributor	Subordinated Note (12% Cash, 3% PIK, Due 08/17)	11,281,864	11,093,960	11,093,960
		Member Units (1,000,000 units)		1,000,000	1,367,000

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		Royalty Rights	11,281,864	—	76,000	12,093,960	12,536,960
Pine Street Holdings, LLC (0%)*	Oil and Gas Services	Preferred Units (200 units)		200,000	—		
		Common Unit Warrants (2,220 units)		—	—		
				200,000	—		
Plantation Products, LLC (6%)*	Seed Manufacturing	Subordinated Notes (10.5% Cash, 7% PIK, Due 11/17)	19,997,715	19,813,531	19,813,531		
		Preferred Units (4,312 units)		4,312,000	4,841,000		
		Common Units (352,000 units)		88,000	1,944,000		
			19,997,715	24,213,531	26,598,531		
QC Holdings, Inc. (0%)*	Lab Testing Services	Common Stock (5,594 shares)		563,602	401,000		
				563,602	401,000		
Technology Crops International (2%)*	Supply Chain Management Services	Subordinated Note (12% Cash, 5% PIK, Due 03/15)	6,052,221	6,013,126	6,013,126		
		Common Units (50 units)		500,000	560,000		
			6,052,221	6,513,126	6,573,126		
Venture Technology Groups, Inc. (0%)*	Fluid and Gas Handling Products Distributor	Subordinated Note (12.5% Cash, 4% PIK, Due 09/16)	6,472,724	5,703,715	744,000		
		Class A Units (1,000,000 units)		1,000,000	—		
			6,472,724	6,703,715	744,000		
		Class A Preferred Units (280 units)		2,251,100	—		
		Class B Preferred Units (985,372 units)		3,304,218	1,551,000		
Waste Recyclers Holdings, LLC (1%)*	Environmental and Facilities Services	Class C Preferred Units (1,444,475 units)		246,598	713,000		
		Common Unit Purchase Warrant (1,170,083 units)		748,900	—		
		Common Units (153,219 units)		180,783	—		
				6,731,599	2,264,000		

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## TRIANGLE CAPITAL CORPORATION

## Unaudited Consolidated Schedule of Investments

June 30, 2013

Portfolio Company	Industry	Type of Investment <sup>(1)(2)</sup>	Principal Amount	Cost	Fair Value <sup>(3)</sup>
Wythe Will Tzetzto, LLC (1%)*	Confectionary Goods Distributor	Series A Preferred Units (74,764 units) Common Unit Purchase Warrants (25,065 units)		\$ 1,500,000 301,510 1,801,510	\$ 4,190,000 1,153,000 5,343,000
Subtotal Affiliate Investments			91,810,796	111,083,771	109,258,133
Control Investments:					
FCL Graphics, Inc. ("FCL") and FCL Holding SPV, LLC ("SPV") (1%)*	Commercial Printing Services	Senior Note-FCL (4.8% Cash, Due 09/16) Senior Note-FCL (8.1% Cash, 2% PIK, Due 09/16) Senior Note-SPV (2.1% Cash, 5.5% PIK, Due 09/16) Members Interests-SPV (299,875 units)	\$ 1,308,541 1,183,223 1,035,433	1,308,541 1,183,221 1,007,272 —	1,308,541 1,032,000 — —
			3,527,197	3,499,034	2,340,541
			411,558	375,000	375,000
			3,634,243	3,000,000	353,000
Gerli & Company (0%)*	Specialty Woven Fabrics Manufacturer	Class A Preferred Shares (1,211 shares) Class C Preferred Shares (744 shares) Class E Preferred Shares (400 shares) Common Stock (300 shares)		855,000 — 161,440 100,000	— — — —
			4,045,801	4,491,440	728,000
Subtotal Control Investments			7,572,998	7,990,474	3,068,541
Total Investments, June 30, 2013 (151%)*			\$ 583,280,016	\$ 638,611,159	\$ 650,097,477

\* Value as a percent of net assets

(1) All debt investments are income producing. Equity and equity-linked investments are non-income producing.

(2) Disclosures of interest rates on notes include cash interest rates and payment-in-kind ("PIK") interest rates.

(3) All investments are restricted as to resale and were valued at fair value as determined in good faith by the Board of Directors.

See accompanying notes.

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## TRIANGLE CAPITAL CORPORATION

## Consolidated Schedule of Investments

December 31, 2012

Portfolio Company	Industry	Type of Investment <sup>(1)(2)</sup>	Principal Amount	Cost	Fair Value <sup>(3)</sup>
Non-Control / Non-Affiliate Investments:					
Agilex Flavors & Fragrances, Inc. (3%)*	Custom Fragrance Producers	Subordinated Note (12% Cash, 1.5% PIK, Due 06/19)	\$ 12,506,771	\$ 12,256,771	\$ 12,256,771
		Common Units (1,250 units)		1,250,000	1,250,000
			12,506,771	13,506,771	13,506,771
Ambient Air Corporation ("AA") and Peaden-Hobbs Mechanical, LLC ("PHM") (1%)*	Specialty Trade Contractors	Subordinated Note-AA (15% Cash, 3% PIK, Due 06/13)	4,047,120	4,038,351	4,038,351
		Subordinated Note-PHM (12% Cash, Due 09/12)	12,857	12,857	12,857
		Common Stock-PHM (128,571 shares)		128,571	128,571
		Common Stock Warrants-AA (455 shares)		142,361	242,000
			4,059,977	4,322,140	4,421,779
AramSCO, Inc. (0%)*	Environmental Emergency Products Distributor	Subordinated Note (12% Cash, 2% PIK, Due 03/14)	1,231,819	1,156,696	1,156,696
			1,231,819	1,156,696	1,156,696
Assurance Operations Corporation (0%)*	Metal Fabrication	Common Stock (517 shares)		516,867	905,000
				516,867	905,000
Audio and Video Labs Holdings, Inc. (3%)*	Manufacturer and Distributor for Independent Artists and Authors	Subordinated Note (12% Cash, 2% PIK, Due 06/18)	13,002,889	12,742,889	12,742,889
		Common Units (134 units)		1,300,000	1,300,000
			13,002,889	14,042,889	14,042,889
Botanical Laboratories, Inc. (0%)*	Nutritional Supplement Manufacturing and Distribution	Common Unit Warrants (998,680 units)		474,600	1,031,000
				474,600	1,031,000
Capital Contractors, Inc. (2%)*	Janitorial and Facilities Maintenance Services	Subordinated Notes (12% Cash, 2% PIK, Due 12/15)	9,373,742	8,924,127	8,924,127
		Common Stock Warrants (20 shares)		492,000	339,000
			9,373,742	9,416,127	9,263,127
		Class A Units (11,974 units)		1,077,615	1,367,000

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Carolina Beverage Group, LLC (1%)*	Beverage Manufacturing and Packaging	Class B Units (11,974 units)	119,735	963,000	
			1,197,350	2,330,000	
Chromaflo Technologies, LLC (5%)*	Colorant Manufacturer and Distributor	Subordinated Note (12% Cash, 2% PIK, Due 10/17) Preferred A Units (22,561 units)	16,466,899	16,174,905	16,174,905
				2,256,098	2,878,098
			16,466,899	18,431,003	19,053,003
Comverge, Inc. (4%)*	Provider of Intelligent Energy Management Solutions	Subordinated Note (12% Cash, 3% PIK, Due 05/18) Preferred Units (900 units) Common Units (1,000,000 units)	15,042,500	14,751,744	14,751,744
				900,000	900,000
				100,000	100,000
		15,042,500	15,751,744	15,751,744	
Continental Anesthesia Management, LLC (2%)*	Physicians Management Services	Senior Note (14% Cash, Due 11/14) Warrant (263 shares)	9,950,000	9,739,469	9,739,469
				276,100	—
			9,950,000	10,015,569	9,739,469
CRS Reprocessing, LLC (7%)*	Fluid Reprocessing Services	Subordinated Note (10% Cash, 4% PIK, Due 11/15) Subordinated Note (10% Cash, 4% PIK, Due 11/15) Series C Preferred Units (30 units) Common Unit Warrant (664 units) Series D Preferred Units (16 units)	11,768,332	11,531,905	11,531,905
			12,978,264	11,746,721	11,746,721
				288,342	454,000
				1,759,556	3,653,000
				107,074	184,000
		24,746,596	25,433,598	27,569,626	
DataSource Incorporated (2%)*	Print Supply Chain Management Services	Subordinated Note (12% Cash, 2% PIK, Due 01/18) Common Units (47 units)	8,584,263	8,425,564	8,425,564
				1,000,000	1,000,000
			8,584,263	9,425,564	9,425,564
DCWV Acquisition Corporation (1%)*	Arts & Crafts and Home Decor Products Designer and Supplier	Subordinated Note (12% Cash, 3% PIK, Due 09/17)	6,054,683	5,939,149	5,939,149
			6,054,683	5,939,149	5,939,149
DLR Restaurants, LLC (3%)*	Restaurant	Subordinated Note (12% Cash, 2% PIK, Due 03/16) Subordinated Note (12% Cash, 4% PIK, Due 03/16) Royalty Rights	10,934,260	10,764,337	10,764,337
			783,243	768,243	768,243
			11,717,503	11,532,580	11,664,580





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## TRIANGLE CAPITAL CORPORATION

## Consolidated Schedule of Investments

December 31, 2012

Portfolio Company	Industry	Type of Investment <sup>(1)(2)</sup>	Principal Amount	Cost	Fair Value <sup>(3)</sup>
Eckler's Holdings, Inc. (2%)*	Restoration Parts and Accessories for Classic Cars and Trucks	Subordinated Note (11% Cash, 4% PIK, Due 07/18)	\$6,804,178	\$6,645,927	\$6,645,927
		Common Stock (18,029 shares)		183,562	183,562
		Preferred Stock A (1,596.13 shares)		1,596,126	1,596,126
			6,804,178	8,425,615	8,425,615
Electronic Systems Protection, Inc. (1%)*	Power Protection Systems Manufacturing	Subordinated Note (12% Cash, 2% PIK, Due 12/15)	4,246,680	4,219,387	4,219,387
		Common Stock (570 shares)		285,000	301,000
			4,246,680	4,504,387	4,520,387
Empire Facilities Management Group, Inc. (1%)*	Retail, Restaurant, and Commercial Facilities Maintenance	Subordinated Note (9% Cash, 4% PIK, Due 07/18)	5,101,061	5,019,203	5,019,203
		Convertible Preferred Units (2,500 units)		250,000	250,000
			5,101,061	5,269,203	5,269,203
Foodstate, Inc. (1%)*	Nutritional Supplement Manufacturing and Distribution	Subordinated Note (12% Cash, 3.8% PIK, Due 10/16)	5,480,349	5,398,773	5,398,773
			5,480,349	5,398,773	5,398,773
Frozen Specialties, Inc. (1%)*	Frozen Foods Manufacturer	Subordinated Note (13% Cash, 5% PIK, Due 05/16)	6,245,877	6,190,449	6,190,449
			6,245,877	6,190,449	6,190,449
Garden Fresh Restaurant Corp. (0%)*	Restaurant	Membership Units (5,000 units)		500,000	295,000
				500,000	295,000
Glencoe Business Services Holdings (5%)*	Business Process Outsourcing Provider	Subordinated Note (12% Cash, 2.5% PIK, Due 06/18)	20,001,388	19,601,388	19,601,388
			20,001,388	19,601,388	19,601,388
Grindmaster-Cecilware Corp. (1%)*	Food Services Equipment Manufacturer	Subordinated Note (12% Cash, 6% PIK, Due 04/16)	6,667,971	6,612,541	5,894,000
			6,667,971	6,612,541	5,894,000
Hatch Chile Co., LLC (1%)*	Food Products Distributor	Senior Note (19% Cash, Due 07/15)	3,600,000	3,530,928	3,530,928
			800,000	697,713	697,713

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		Subordinated Note (14% Cash, Due 07/15)			
		Unit Purchase Warrant (5,265 units)		149,800	229,000
			4,400,000	4,378,441	4,457,641
		Subordinated Note-HP (12% Cash, 5% PIK, Due 03/16)	11,208,476	10,628,482	6,219,000
Home Physicians, LLC (“HP”) and Home Physicians Holdings, LP (“HPH”) (2%)*	In-home Primary Care Physician Services	Subordinated Note-HPH (4% Cash, 6% PIK, Due 03/16)	1,364,331	1,303,361	—
		Senior Subordinated Note-HP (14% Cash, 2% PIK, Due 03/16)	612,245	602,472	602,472
		Royalty Rights		—	—
			13,185,052	12,534,315	6,821,472
Infrastructure Corporation of America, Inc. (3%)*	Roadway Maintenance, Repair and Engineering Services	Subordinated Note (12% Cash, 1% PIK, Due 10/15)	10,989,934	10,213,309	10,213,309
		Common Stock Purchase Warrant (199,526 shares)		980,000	1,164,000
			10,989,934	11,193,309	11,377,309
Inland Pipe Rehabilitation Holding Company LLC (6%)*	Cleaning and Repair Services	Subordinated Note (13% Cash, 2.5% PIK, Due 12/16)	20,797,791	20,559,945	20,559,945
		Membership Interest Purchase Warrant (3.0%)		853,500	2,726,000
			20,797,791	21,413,445	23,285,945
IOS Acquisitions, Inc. (4%)*	Provider of Oil Country Tubular Goods Inspections and Repair Services	Subordinated Note (12% Cash, 2% PIK, Due 06/18)	17,004,723	16,664,723	16,664,723
		Common Units (7,314 Class A Units)		1,699,847	1,699,847
			17,004,723	18,364,570	18,364,570
Library Systems & Services, LLC (2%)*	Municipal Business Services	Subordinated Note (12.5% Cash, 4.5% PIK, Due 06/15)	5,250,002	5,159,230	5,159,230
		Common Stock Warrants (112 shares)		58,995	1,486,000
			5,250,002	5,218,225	6,645,230
Magpul Industries Corp. (4%)*	Firearm Accessories Manufacturer and Distributor	Subordinated Note (12% Cash, 3% PIK, Due 03/17)	13,300,000	13,080,247	13,080,247
		Preferred Units (1,470 units)		1,470,000	1,694,000
		Common Units (30,000 units)		30,000	3,100,000
			13,300,000	14,580,247	17,874,247
Marine Acquisition Corp. (3%)*	Boat Steering System and Driver Control Provider	Subordinated Note (11.50% Cash, 2% PIK, Due 05/17)	12,000,000	11,740,879	11,740,879
			12,000,000	11,740,879	11,740,879



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## TRIANGLE CAPITAL CORPORATION

## Consolidated Schedule of Investments

December 31, 2012

Portfolio Company	Industry	Type of Investment <sup>(1)(2)</sup>	Principal Amount	Cost	Fair Value <sup>(3)</sup>
Media Storm, LLC (2%)*	Marketing Services	Subordinated Note (12% Cash, 2% PIK, Due 10/17)	\$8,056,663	\$7,984,771	\$7,984,771
		Membership Units (1,216,204 units)		1,176,957	1,307,000
			8,056,663	9,161,728	9,291,771
Media Temple, Inc. (4%)*	Web Hosting Services	Subordinated Note (12% Cash, 3% PIK, Due 04/15)	8,800,000	8,696,378	8,696,378
		Convertible Note (8% Cash, 6% PIK, Due 04/15)	3,200,000	2,896,501	6,377,000
		Common Stock Purchase Warrant (28,000 shares)		536,000	2,790,000
			12,000,000	12,128,879	17,863,378
Micros Solutions LLC (3%)*	Provider of Semiconductor Products and Services	Subordinated Note (12% Cash, 2% PIK, Due 06/18)	10,615,311	10,456,311	10,456,311
		Class A-2 Common Units (1,500,000 units)		1,500,000	1,500,000
			10,615,311	11,956,311	11,956,311
Minco Technology Labs, LLC (1%)*	Semiconductor Distribution	Subordinated Note (6.5% Cash, 3.5% PIK, Due 05/16)	5,537,286	5,453,091	3,619,000
		Class A Units (5,000 HoldCo. units)		500,000	—
		Class A Units (3,907 OpCo. units)		3,907	—
			5,537,286	5,956,998	3,619,000
My Alarm Center, LLC (2%)*	Security Company	Subordinated Note (12% Cash, 2.5% PIK, Due 09/17)	8,084,991	8,010,654	8,010,654
		Preferred Units (2,000,000 units)		2,000,000	2,000,000
			8,084,991	10,010,654	10,010,654
National Investment Managers Inc. (3%)*	Retirement Plan Administrator	Subordinated Note (12% Cash, 5% PIK, Due 09/16)	12,309,375	12,100,174	12,100,174
		Preferred A Units (90,000 units)		900,000	658,000
		Common Units (10,000 units)		100,000	—
			12,309,375	13,100,174	12,758,174
Novolyte Technologies, Inc. (0%)*	Specialty Manufacturing	Common Units (24,522 units)		43,905	178,801
				43,905	178,801
			13,029,262	12,839,320	12,839,320

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Performance Health & Wellness Holdings, Inc. (3%)*	Designer and Manufacturer of Rehabilitation and Wellness Products	Subordinated Note (12% Cash, 1% PIK, Due 04/19) Class A Limited Partnership Units (15,000 units)	1,500,000	1,500,000	
			13,029,262	14,339,320	14,339,320
PowerDirect Marketing, LLC (2%)*	Marketing Services	Subordinated Note (12% Cash, 2% PIK, Due 05/16) Common Unit Purchase Warrants	7,660,631	7,069,381	7,069,381
			7,660,631	590,200	1,820,000
				7,659,581	8,889,381
ROM Acquisition Corporation (3%)*	Military and Industrial Vehicle Equipment Manufacturing	Subordinated Note (12% Cash, 3% PIK, Due 03/17)	13,157,755	13,037,948	13,037,948
			13,157,755	13,037,948	13,037,948
Sheplers, Inc. (3%)*	Western Apparel Retailer	Subordinated Note (13.15% Cash, Due 12/16) Subordinated Note (10% Cash, 7% PIK, Due 12/17)	8,750,000	8,564,503	8,564,503
			4,027,230	3,964,422	3,964,422
			12,777,230	12,528,925	12,528,925
Snacks Holding Corporation (3%)*	Trail Mixes and Nut Manufacturer and Marketer	Subordinated Note (12% Cash, 1% PIK, Due 11/17) Preferred A Units (22,368 units) Preferred B Units (10,380 units) Common Units (190,935 units) Common Stock Warrants (14,558 shares)	7,152,710	6,835,477	6,835,477
				2,124,957	3,016,000
				986,059	1,430,000
				150,000	415,000
				14,558	40,000
			7,152,710	10,111,051	11,736,477
SRC, Inc. (1%)*	Specialty Chemical Manufacturer	Subordinated Notes (12% Cash, 2% PIK, Due 12/14) Common Stock Purchase Warrants	6,023,719	5,856,719	5,643,000
			6,023,719	123,800	—
				5,980,519	5,643,000
Stella Environmental Services, LLC (1%)*	Waste Transfer Stations	Subordinated Note (12% Cash, 3% PIK, Due 02/17) Common Stock Purchase Warrants	5,916,326	5,788,004	5,788,004
			5,916,326	20,000	259,000
				5,808,004	6,047,004
Syrgis Holdings, Inc. (0%)*	Specialty Chemical Manufacturer	Class C Units (2,114 units)		111,037	201,281
				111,037	201,281

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## TRIANGLE CAPITAL CORPORATION

## Consolidated Schedule of Investments

December 31, 2012

Portfolio Company	Industry	Type of Investment <sup>(1)(2)</sup>	Principal Amount	Cost	Fair Value <sup>(3)</sup>
The Krystal Company (4%)*	Quick Service Restaurant	Subordinated Note (12% Cash, 3% PIK, Due 06/17)	\$12,514,671	\$12,296,595	\$12,296,595
		Class A Units of Limited Partnership (2,000 units)		2,000,000	3,051,000
			12,514,671	14,296,595	15,347,595
TMR Automotive Service Supply, LLC (1%)*	Automotive Supplies	Subordinated Note (12% Cash, 1% PIK, Due 03/16)	4,750,000	4,539,123	4,539,123
		Unit Purchase Warrant (316,858 units)		195,000	384,000
			4,750,000	4,734,123	4,923,123
Tomich Brothers, LLC (2%)*	Squid and Wetfish Processor and Distributor	Subordinated Note (12% Cash, 3% PIK, Due 04/16)	7,146,576	7,028,045	7,028,045
		Royalty Rights		—	—
			7,146,576	7,028,045	7,028,045
Top Knobs USA, Inc. (3%)*	Hardware Designer and Distributor	Common Stock (26,593 shares)		750,000	1,071,000
				750,000	1,071,000
Trinity Consultants Holdings, Inc. (2%)*	Air Quality Consulting Services	Subordinated Note (12% Cash, 2.5% PIK, Due 11/17)	7,402,071	7,275,570	7,275,570
		Series A Preferred Stock (10,000 units)		950,000	1,143,000
		Common Stock (50,000 units)		50,000	478,000
			7,402,071	8,275,570	8,896,570
TrustHouse Services Group, Inc. (7%)*	Food Management Services	Subordinated Note (12% Cash, 2.25% PIK, Due 06/19)	25,334,160	25,050,372	25,050,372
		Class A Units (1,557 units)		512,124	1,699,000
		Class B Units (82 units)		26,954	70,000
		Class E Units (838 units)		750,406	976,000
			25,334,160	26,339,856	27,795,372
Tulsa Inspection Resources, Inc. (2%)*	Pipeline Inspection Services	Subordinated Note (14%-17.5% Cash, Due 03/14)	5,810,588	5,670,249	5,670,249
		Common Units (2 units)		337,925	569,000
		Common Stock Warrants (8 shares)		321,000	2,188,000
			5,810,588	6,329,174	8,427,249
			10,169,051	9,250,348	9,250,348

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United Biologics, LLC (3%)*	Allergy Immunotherapy	Subordinated Note (12% Cash, 2% PIK, Due 03/17)			
		Class A Common Stock (177,935 shares)		1,999,989	2,029,000
		Class A & Class B Unit Purchase Warrants		838,117	349,000
			10,169,051	12,088,454	11,628,348
Wholesale Floors, Inc. (1%)*	Commercial Services	Subordinated Note (12.5% Cash, 3.5% PIK, Due 06/14)	3,820,271	3,766,095	3,766,095
		Membership Interest Purchase Warrant (4.0%)		132,800	—
			3,820,271	3,898,895	3,766,095
Workforce Software, LLC (2%)*	Software Provider	Subordinated Note (11% Cash, 5% PIK, Due 11/16)	8,000,000	7,035,228	7,035,228
		Class B Preferred Units (1,020,000 units)		1,020,000	1,133,000
		Common Unit Purchase Warrants (2,434,749 units)		952,300	2,218,000
			8,000,000	9,007,528	10,386,228
WSO Holdings, LP (6%)*	Organic/Fair Trade Sugar, Syrup, Nectar and Honey Producer	Subordinated Note (12% Cash, 2% PIK, Due 10/17)	20,198,267	19,928,633	19,928,633
		Common Points (3,000 points)		3,000,000	3,172,000
			20,198,267	22,928,633	23,100,633
Xchange Technology Group, LLC (0%)*	Used and Refurbished IT Asset Supplier	Subordinated Note (8% Cash, Due 06/15)	6,024,000	5,904,000	1,512,000
		Royalty Rights		—	—
			6,024,000	5,904,000	1,512,000
Yellowstone Landscape Group, Inc. (4%)*	Landscaping Services	Subordinated Note (10% Cash, 6% PIK, Due 04/14)	15,247,823	15,132,751	15,132,751
			15,247,823	15,132,751	15,132,751
Subtotal Non–Control / Non–Affiliate Investments			532,951,385	565,737,092	579,078,939



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## TRIANGLE CAPITAL CORPORATION

## Consolidated Schedule of Investments

December 31, 2012

Portfolio Company	Industry	Type of Investment <sup>(1)(2)</sup>	Principal Amount	Cost	Fair Value <sup>(3)</sup>
Affiliate Investments:					
All Aboard America! Holdings Inc. (2%)*	Motor Coach Operator	Subordinated Note (12% Cash, 3% PIK, Due 10/17)	\$8,631,169	\$8,473,203	\$8,473,203
		Convertible Preferred Interest in LLC		1,500,000	1,500,000
			8,631,169	9,973,203	9,973,203
American De-Rosa Lamparts, LLC and Hallmark Lighting (1%)*	Wholesale and Distribution	Subordinated Note (12% Cash, 6% PIK, Due 10/13)	6,436,764	5,679,311	5,679,311
		Membership Units (6,516 units)		620,653	—
			6,436,764	6,299,964	5,679,311
AP Services, Inc. (0%)*	Fluid Sealing Supplies and Services	Class A Units (933 units)		302,886	556,618
		Class B Units (496 units)		—	295,642
				302,886	852,260
Asset Point, LLC (2%)*	Asset Management Software Provider	Senior Note (12% Cash, 4% PIK, Due 03/13)	6,305,825	6,299,297	6,299,297
		Senior Note (12% Cash, 2% PIK, Due 07/15)	630,247	630,247	576,000
		Subordinated Note (7% Cash, Due 03/13)	941,798	941,798	647,000
		Membership Units (1,000,000 units)		8,203	398,000
		Options to Purchase Membership Units (342,407 units)		500,000	180,000
		Membership Unit Warrants (356,506 units)		—	—
			7,877,870	8,379,545	8,100,297
Axxiom Manufacturing, Inc. (0%)*	Industrial Equipment Manufacturer	Common Stock (136,400 shares)		200,000	1,437,000
		Common Stock Warrant (4,000 shares)		—	37,000
				200,000	1,474,000
Captex Softgel International, Inc. (2%)*	Nutraceutical Manufacturer	Subordinated Note (12% Cash, 4% PIK, Due 08/16)	8,620,064	8,500,212	8,500,212
		Class A Units (80,000 units)		800,000	409,000
			8,620,064	9,300,212	8,909,212
CIS Secure Computing Inc. (3%)*	Secure Communications and Computing	Subordinated Note (12% Cash, 3% PIK, Due 06/17)	10,144,765	9,966,594	9,966,594

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	Solutions Provider	Common Stock (84 shares)	10,144,765	502,320 10,468,914	1,081,000 11,047,594
Dyson Corporation (1%)*	Custom Forging and Fastener Supplies	Class A Units (1,000,000 units)		1,000,000 1,000,000	3,122,000 3,122,000
Equisales, LLC (0%)*	Energy Products and Services	Subordinated Note (6.5% Cash, 10.5% PIK, Due 06/12) Class A Units (500,000 units)	3,574,630 3,574,630	3,157,043 480,900 3,637,943	250,000 — 250,000
Fischbein Partners, LLC (2%)*	Packaging and Materials Handling Equipment Manufacturer	Class A Units (1,750,000 units)		417,088 417,088	6,616,000 6,616,000
Main Street Gourmet, LLC (1%)*	Baked Goods Provider	Subordinated Note (12% Cash, 4.5% PIK, Due 10/16) Jr. Subordinated Note (8% Cash, 2% PIK, Due 04/17) Preferred Units (233 units) Common B Units (3,000 units) Common A Units (1,652 units)	4,327,970 1,035,758 5,363,728	4,268,044 1,020,646 211,867 23,140 14,993 5,538,690	4,268,044 1,020,646 153,000 — — 5,441,690
PartsNow!, LLC (3%)*	Printer Parts Distributor	Subordinated Note (12% Cash, 3% PIK, Due 08/17) Member Units (1,000,000 units) Royalty Rights	11,113,184 11,113,184	10,908,758 1,000,000 — 11,908,758	10,908,758 1,000,000 — 11,908,758
Pine Street Holdings, LLC (0%)*	Oil and Gas Services	Preferred Units (200 units) Common Unit Warrants (2,220 units)		200,000 — 200,000	417,000 36,000 453,000

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## TRIANGLE CAPITAL CORPORATION

## Consolidated Schedule of Investments

December 31, 2012

Portfolio Company	Industry	Type of Investment <sup>(1)(2)</sup>	Principal Amount	Cost	Fair Value <sup>(3)</sup>
Plantation Products, LLC (6%)*	Seed Manufacturing	Subordinated Notes (10.5% Cash, 7% PIK, Due 11/17)	\$ 19,308,135	\$ 19,108,298	\$ 19,108,298
		Preferred Units (4,312 units)		4,312,000	4,660,000
		Common Units (352,000 units)		88,000	382,000
			19,308,135	23,508,298	24,150,298
QC Holdings, Inc. (0%)*	Lab Testing Services	Common Stock (5,594 shares)		563,602	233,000
				563,602	233,000
Technology Crops International (2%)*	Supply Chain Management Services	Subordinated Note (12% Cash, 5% PIK, Due 03/15)	5,902,282	5,853,425	5,853,425
		Common Units (50 units)		500,000	680,000
			5,902,282	6,353,425	6,533,425
Venture Technology Groups, Inc. (0%)*	Fluid and Gas Handling Products Distributor	Subordinated Note (12.5% Cash, 4% PIK, Due 09/16)	5,731,024	5,469,170	1,288,000
		Class A Units (1,000,000 units)		1,000,000	—
			5,731,024	6,469,170	1,288,000
Waste Recyclers Holdings, LLC (1%)*	Environmental and Facilities Services	Class A Preferred Units (280 units)		2,251,100	—
		Class B Preferred Units (985,372 units)		3,304,218	2,974,000
		Class C Preferred Units (1,444,475 units)		246,598	663,000
		Common Unit Purchase Warrant (1,170,083 units)		748,900	—
		Common Units (153,219 units)		180,783	—
			6,731,599	3,637,000	
Wythe Will Tzetzto, LLC (3%)*	Confectionary Goods Distributor	Subordinated Notes (13% Cash, Due 10/16)	10,357,475	9,964,397	9,964,397
		Series A Preferred Units (74,764 units)		1,500,000	3,007,000
		Common Unit Purchase Warrants (25,065 units)		301,510	768,000
			10,357,475	11,765,907	13,739,397
Subtotal Affiliate Investments			103,061,090	123,019,204	123,408,445
Control Investments:					
FCL Graphics, Inc. ("FCL") and FCL	Commercial Printing	Senior Note-FCL (5.0% Cash, Due 09/16)	1,386,706	1,386,706	1,386,706

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Holding SPV, LLC ("SPV") (1%)*	Services	Senior Note-FCL (8.0% Cash, 2% PIK, Due 09/16)	1,171,394	1,170,881	1,006,000
		Senior Note-SPV (2.5% Cash, 6% PIK, Due 09/16)	1,007,272	1,007,272	—
		Members Interests-SPV (299,875 units)		—	—
			3,565,372	3,564,859	2,392,706
Fire Sprinkler Systems, Inc. (0%)*	Specialty Trade Contractors	Subordinated Notes (2% PIK, Due 03/13)	3,565,051	2,992,528	140,000
		Common Stock (2,978 shares)		294,624	—
			3,565,051	3,287,152	140,000
Fischbein, LLC (0%)*	Packaging and Materials Handling Equipment Manufacturer	Class A-1 Common Units (501,984 units)		29,575	141,512
		Class A Common Units (3,839,068 units)		226,182	927,121
				255,757	1,068,633
Gerli & Company (0%)*	Specialty Woven Fabrics Manufacturer	Subordinated Note (10% Cash, Due 03/15)	264,694	250,000	250,000
		Subordinated Note (8.5% Cash, Due 03/15)	3,483,770	3,000,000	464,000
		Class A Preferred Shares (1,211 shares)		855,000	—
		Class C Preferred Shares (744 shares)		—	—
		Class E Preferred Shares (400 shares)		161,440	—
		Common Stock (300 shares)	3,748,464	100,000	—
			3,748,464	4,366,440	714,000
Subtotal Control Investments			10,878,887	11,474,208	4,315,339
Total Investments, December 31, 2012 (169%)*			\$646,891,362	\$700,230,504	\$706,802,723

\* Value as a percent of net assets

(1) All debt investments are income producing. Equity and equity-linked investments are non-income producing.

(2) Disclosures of interest rates on notes include cash interest rates and payment-in-kind ("PIK") interest rates.

(3) All investments are restricted as to resale and were valued at fair value as determined in good faith by the Board of Directors.

See accompanying notes.

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TRIANGLE CAPITAL CORPORATION

Notes to Unaudited Consolidated Financial Statements

1. ORGANIZATION, BUSINESS AND BASIS OF PRESENTATION

Organization and Business

Triangle Capital Corporation and its wholly owned subsidiaries, including Triangle Mezzanine Fund LLLP (“Triangle SBIC”) and Triangle Mezzanine Fund II LP (“Triangle SBIC II”) (collectively, the “Company”), operate as a Business Development Company (“BDC”) under the Investment Company Act of 1940 (the “1940 Act”). Triangle SBIC and Triangle SBIC II are specialty finance limited partnerships formed to make investments primarily in middle market companies located throughout the United States. On September 11, 2003, Triangle SBIC was licensed to operate as a Small Business Investment Company (“SBIC”) under the authority of the United States Small Business Administration (“SBA”). On May 26, 2010, Triangle SBIC II obtained its license to operate as an SBIC. As SBICs, both Triangle SBIC and Triangle SBIC II are subject to a variety of regulations concerning, among other things, the size and nature of the companies in which they may invest and the structure of those investments.

The Company currently operates as a closed-end, non-diversified investment company and has elected to be treated as a BDC under the 1940 Act. The Company is internally managed by its executive officers under the supervision of its Board of Directors. The Company does not pay management or advisory fees, but instead incurs the operating costs associated with employing executive management and investment and portfolio management professionals.

Basis of Presentation

The financial statements of the Company include the accounts of Triangle Capital Corporation and its wholly-owned subsidiaries, including Triangle SBIC and Triangle SBIC II. Triangle Capital Corporation, Triangle SBIC and Triangle SBIC II do not consolidate portfolio company investments. The effects of all intercompany transactions between the Company and its subsidiaries have been eliminated in consolidation.

The accompanying unaudited financial statements are presented in conformity with United States generally accepted accounting principles (“U.S. GAAP”) for interim financial information and pursuant to the requirements for reporting on Form 10-Q and Article 10 of Regulation S-X. Accordingly, certain disclosures accompanying annual consolidated financial statements prepared in accordance with U.S. GAAP are omitted. In the opinion of management, all adjustments, consisting solely of normal recurring adjustments necessary for the fair presentation of financial statements for the interim period, have been reflected in the unaudited consolidated financial statements. The current period’s results of operations are not necessarily indicative of results that ultimately may be achieved for the year. Additionally, the unaudited financial statements and notes should be read in conjunction with the audited financial statements and notes thereto for the period ended December 31, 2012. Financial statements prepared on a U.S. GAAP basis require management to make estimates and assumptions that affect the amounts and disclosures reported in the consolidated financial statements and accompanying notes. Such estimates and assumptions could change in the future as more information becomes known, which could impact the amounts reported and disclosed herein.

2. INVESTMENTS

Portfolio Composition

The Company primarily invests in subordinated debt (or 2<sup>nd</sup> lien notes) of privately held companies. These subordinated debt investments generally are secured by a second priority security interest in the assets of the borrower. In addition, the Company generally invests in an equity instrument of the borrower, such as warrants to purchase common stock in the portfolio company or direct preferred or common equity interests. The Company also invests in senior debt (or 1<sup>st</sup> lien notes) on a more limited basis.

The cost basis of our debt investments includes any unamortized original issue discount, unamortized loan origination fees and payment-in-kind (“PIK”) interest, if any. Summaries of the composition of the Company’s investment portfolio at cost and fair value, and as a percentage of total investments, are shown in the following tables:

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	Cost	Percentage of Total Portfolio	Fair Value	Percentage of Total Portfolio
June 30, 2013:				
Subordinated debt and 2 <sup>nd</sup> lien notes	\$540,690,858	85	% \$522,905,750	80 %
Senior debt and 1 <sup>st</sup> lien notes	27,245,261	4	27,094,040	4
Equity shares	58,947,603	9	74,690,084	12
Equity warrants	11,727,437	2	25,331,603	4
Royalty rights	—	—	76,000	—
	\$638,611,159	100	% \$650,097,477	100 %
December 31, 2012:				
Subordinated debt and 2 <sup>nd</sup> lien notes	\$582,365,584	83	% \$559,355,550	79 %
Senior debt and 1 <sup>st</sup> lien notes	46,955,594	7	46,576,994	7
Equity shares	60,948,229	9	78,979,179	11
Equity warrants	9,961,097	1	21,759,000	3
Royalty rights	—	—	132,000	—
	\$700,230,504	100	% \$706,802,723	100 %

During the three months ended June 30, 2013, the Company made two new investments totaling approximately \$12.6 million and six investments in existing portfolio companies totaling approximately \$14.3 million. During the six months ended June 30, 2013, the Company made two new investments totaling approximately \$12.6 million and twelve investments in existing portfolio companies totaling approximately \$24.5 million.

During the three months ended June 30, 2012, the Company made seven new investments totaling approximately \$112.5 million and investments in three existing portfolio companies totaling approximately \$2.1 million. During the six months ended June 30, 2012, the Company made eleven new investments totaling approximately \$153.5 million and six investments in existing portfolio companies totaling approximately \$3.1 million.

**Investment Valuation Process**

The Company has established and documented processes and methodologies for determining the fair values of portfolio company investments on a recurring basis in accordance with the 1940 Act and FASB ASC Topic 820, Fair Value Measurements and Disclosures (“ASC Topic 820”). Under ASC Topic 820, a financial instrument is categorized within the ASC Topic 820 valuation hierarchy based upon the lowest level of input to the valuation process that is significant to the fair value measurement. The three levels of valuation inputs established by ASC Topic 820 are as follows:

Level 1 Inputs – include quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2 Inputs – include quoted prices for similar assets and liabilities in active markets, and inputs that are observable for the asset or liability, either directly or indirectly, for substantially the full term of the financial instrument.

Level 3 Inputs – include inputs that are unobservable and significant to the fair value measurement.

The Company’s investment portfolio is comprised of debt and equity instruments of privately held companies for which quoted prices or other inputs falling within the categories of Level 1 and Level 2 are not available. Therefore, the Company determines the fair value of its investments in good faith using Level 3 inputs, pursuant to a valuation policy and process that is established by the management of the Company with the assistance of certain third-party advisors and subsequently approved by the Company’s Board of Directors. There is no single standard for determining fair value in good faith, as fair value depends upon the specific circumstances of each individual investment. The recorded fair values of the Company’s investments may differ significantly from fair values that would have been used had an active market for the securities existed. In addition, changes in the market environment and other events that may occur over the life of the investments may cause the gains or losses ultimately realized on these investments to be different than the valuations currently assigned.

The Company’s valuation process is led by the Company’s executive officers and managing directors. The Company’s valuation process begins with a quarterly review of each investment in the Company’s investment portfolio by the

Company's executive officers and investment committee. Valuations of each portfolio security are then prepared by the Company's investment professionals, who have direct responsibility for the origination, management and monitoring of each investment. Under the Company's valuation policy, each investment valuation is subject to (i) a review by the lead investment officer

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responsible for the portfolio company investment and (ii) a peer review by a second investment officer or executive officer of the Company. Generally, any investment that is valued below cost is subjected to review by one of the Company's executive officers. After the peer review is complete, the Company engages two independent valuation firms, Duff & Phelps, LLC and Lincoln Partners Advisors LLC (collectively, the "Valuation Firms"), to provide third-party reviews of certain investments, as described further below. Finally, the Board of Directors has the responsibility for reviewing and approving, in good faith, the fair value of the Company's investments in accordance with the 1940 Act.

The Valuation Firms provide third party valuation consulting services to the Company which consist of certain procedures that the Company identified and requested the Valuation Firms to perform (hereinafter referred to as the "Procedures"). The Procedures are performed with respect to each portfolio company at least once in every calendar year and for new portfolio companies, at least once in the twelve-month period subsequent to the initial investment. In addition, the Procedures are generally performed with respect to a portfolio company when there has been a significant change in the fair value of the investment. In certain instances, the Company may determine that it is not cost-effective, and as a result is not in the Company's stockholders' best interest, to request the Valuation Firms to perform the Procedures on one or more portfolio companies. Such instances include, but are not limited to, situations where the fair value of the investment in the portfolio company is determined to be insignificant relative to the total investment portfolio.

The total number of investments and the percentage of the investment portfolio on which the Procedures were performed are summarized below by period:

For the quarter ended:	Total companies	Percent of total investments at fair value <sup>(1)</sup>
March 31, 2012	10	19%
June 30, 2012	14	21%
September 30, 2012	16	33%
December 31, 2012	17	30%
March 31, 2013	17	23%
June 30, 2013	13	27%

(1) Exclusive of the fair value of new investments made during the quarter.

Upon completion of the Procedures, the Valuation Firms concluded that, with respect to each investment reviewed by each Valuation Firm, the fair value of those investments subjected to the Procedures appeared reasonable. The Company's Board of Directors is ultimately responsible for determining the fair value of the Company's investments in good faith.

#### Investment Valuation Inputs

Under ASC Topic 820, fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between a willing buyer and a willing seller at the measurement date. For the Company's portfolio securities, fair value is generally the amount that the Company might reasonably expect to receive upon the current sale of the security. Under ASC Topic 820, the fair value measurement assumes that the sale occurs in the principal market for the security, or in the absence of a principal market, in the most advantageous market for the security.

Under ASC Topic 820, if no market for the security exists or if the Company does not have access to the principal market, the security should be valued based on the sale occurring in a hypothetical market. The securities in which the Company invests are generally only purchased and sold in merger and acquisition transactions, in which case the entire portfolio company is sold to a third-party purchaser. As a result, unless the Company has the ability to control such a transaction, the assumed principal market for the Company's securities is a hypothetical secondary market. The Level 3 inputs to the Company's valuation process reflect the Company's best estimate of the assumptions that would be used by market participants in pricing the investment in a transaction in a hypothetical secondary market.

#### Enterprise Value Waterfall Approach



In valuing equity securities (including warrants), the Company estimates fair value using an “Enterprise Value Waterfall” valuation model. The Company estimates the enterprise value of a portfolio company and then allocates the enterprise value to the portfolio company’s securities in order of their relative liquidation preference. In addition, the Company assumes that any outstanding debt or other securities that are senior to the Company’s equity securities are required to be repaid at par. Additionally, the Company estimates the fair value of a limited number of its debt securities using the Enterprise Value Waterfall approach in cases where the Company does not expect to receive full repayment.

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To estimate the enterprise value of the portfolio company, the Company primarily uses a valuation model based on a transaction multiple, which generally is the original transaction multiple, and measures of the portfolio company's financial performance. In addition, the Company considers other factors, including but not limited to (i) offers from third-parties to purchase the portfolio company, (ii) the implied value of recent investments in the equity securities of the portfolio company, (iii) publicly available information regarding recent sales of private companies in comparable transactions and (iv) when the Company believes there are comparable companies that are publicly traded, the Company performs a review of these publicly traded companies and the market multiple of their equity securities. The significant Level 3 inputs to the Enterprise Value Waterfall model are (i) an appropriate transaction multiple and (ii) a measure of the portfolio company's financial performance, which generally is either earnings before interest, taxes, depreciation and amortization, as adjusted ("Adjusted EBITDA") or revenues. Such inputs can be based on historical operating results, projections of future operating results or a combination thereof. The operating results of a portfolio company may be unaudited, projected or pro forma financial information and may require adjustments for certain non-recurring items. In determining the operating results input, the Company utilizes the most recent portfolio company financial statements and forecasts available as of the valuation date. The Company also consults with the portfolio company's senior management to obtain updates on the portfolio company's performance, including information such as industry trends, new product development, loss of customers and other operational issues. Fair value measurements using the Enterprise Value Waterfall model can be sensitive to significant changes in one or more of the inputs. A significant increase (decrease) in either the transaction multiple, Adjusted EBITDA or revenues for a particular equity security would result in a higher (lower) fair value for that security.

Income Approach

In valuing debt securities, the Company utilizes an "Income Approach" model that considers factors including, but not limited to, (i) the stated yield on the debt security, (ii) the portfolio company's current Adjusted EBITDA as compared to the portfolio company's historical or projected Adjusted EBITDA as of the date the investment was made and the portfolio company's anticipated Adjusted EBITDA for the next twelve months of operations, (iii) the portfolio company's current Leverage Ratio (defined as the portfolio company's total indebtedness divided by Adjusted EBITDA) as compared to its Leverage Ratio as of the date the investment was made, (iv) publicly available information regarding current pricing and credit metrics for similar proposed and executed investment transactions of private companies and (v) when the Company believes a relevant comparison exists, current pricing and credit metrics for similar proposed and executed investment transactions of publicly traded debt. In addition, the Company uses a risk rating system to estimate the probability of default on the debt securities and the probability of loss if there is a default. This risk rating system covers both qualitative and quantitative aspects of the business and the securities held. The Company considers the factors above, particularly any significant changes in the portfolio company's results of operations and leverage, and develops an expectation of the yield that a hypothetical market participant would require when purchasing the debt investment (the "Required Rate of Return"). The Required Rate of Return, along with the Leverage Ratio and Adjusted EBITDA, are the significant Level 3 inputs to the Income Approach model. For investments where the Leverage Ratio and Adjusted EBITDA have not fluctuated significantly from the date the investment was made or have not fluctuated significantly from the Company's expectations as of the date the investment was made, and where there have been no significant fluctuations in the market pricing for such investments, the Company may conclude that the Required Rate of Return is equal to the stated rate on the investment and therefore, the debt security is appropriately priced. In instances where the Company determines that the Required Rate of Return is different from the stated rate on the investment, the Company discounts the contractual cash flows on the debt instrument using the Required Rate of Return in order to estimate the fair value of the debt security. Fair value measurements using the Income Approach model can be sensitive to significant changes in one or more of the inputs. A significant increase (decrease) in the Required Rate of Return or Leverage Ratio inputs for a particular debt security may result in a lower (higher) fair value for that security. A significant increase (decrease) in the Adjusted EBITDA input for a particular debt security may result in a higher (lower) fair value for that security. The fair value of the Company's royalty rights are calculated based on specific provisions contained in the pertinent operating or royalty agreements. The determination of the fair value of such royalty rights is not a significant component of the Company's valuation process.



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The ranges and weighted average values of the significant Level 3 inputs used in the valuation of the Company's debt and equity securities as of June 30, 2013 are summarized as follows:

	Fair Value	Valuation Model	Level 3 Inputs	Range of Inputs	Weighted Average
Subordinated debt and 2 <sup>nd</sup> lien notes	\$520,741,750	Income Approach	Required Rate of Return	10.0% – 25.0%	15.3%
			Leverage Ratio	0.4x – 8.2x	3.5x
			Adjusted EBITDA	\$0.8 million – \$52.6 million	\$15.6 million
Subordinated debt and 2 <sup>nd</sup> lien notes	2,164,000	Enterprise Value Waterfall Approach	Adjusted EBITDA Multiple	5.3x – 5.5x	5.3x
			Adjusted EBITDA	\$0.5 million – \$4.6 million	\$1.1 million
Senior debt and 1 <sup>st</sup> lien notes	27,094,040	Income Approach	Required Rate of Return	4.8% – 19.0%	15.6%
			Leverage Ratio	1.3x – 8.2x	4.5x
			Adjusted EBITDA	\$0.8 million – \$4.6 million	\$2.5 million
Equity shares and warrants	100,021,687	Enterprise Value Waterfall Approach	Adjusted EBITDA Multiple	4.0x – 11.0x	6.7x
			Adjusted EBITDA	\$0.5 million – \$52.6 million	\$17.8 million
		Revenue Multiple	1.5x – 4.8x	3.2x	
		Revenues	\$8.4 million – \$53.6 million	\$44.0 million	

The following table presents the Company's investment portfolio at fair value as of June 30, 2013 and December 31, 2012, categorized by the ASC Topic 820 valuation hierarchy, as previously described:

	Fair Value as of June 30, 2013			Total
	Level 1	Level 2	Level 3	
Subordinated debt and 2 <sup>nd</sup> lien notes	\$—	\$—	\$522,905,750	\$522,905,750
Senior debt and 1 <sup>st</sup> lien notes	—	—	27,094,040	27,094,040
Equity shares	—	—	74,690,084	74,690,084
Equity warrants	—	—	25,331,603	25,331,603
Royalty rights	—	—	76,000	76,000
	\$—	\$—	\$650,097,477	\$650,097,477
	Fair Value as of December 31, 2012			Total
	Level 1	Level 2	Level 3	
Subordinated debt and 2 <sup>nd</sup> lien notes	\$—	\$—	\$559,355,550	\$559,355,550
Senior debt and 1 <sup>st</sup> lien notes	—	—	46,576,994	46,576,994
Equity shares	—	—	78,979,179	78,979,179
Equity warrants	—	—	21,759,000	21,759,000
Royalty rights	—	—	132,000	132,000
	\$—	\$—	\$706,802,723	\$706,802,723

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The following tables reconcile the beginning and ending balances of the Company's investment portfolio measured at fair value on a recurring basis using significant unobservable inputs (Level 3) for the six months ended June 30, 2013 and 2012:

Six Months Ended June 30, 2013:	Subordinated Debt and 2 <sup>nd</sup> Lien Notes	Senior Debt and 1 <sup>st</sup> Lien Notes	Equity Shares	Equity Warrants	Royalty Rights	Total
Fair value, beginning of period	\$559,355,550	\$46,576,994	\$78,979,179	\$21,759,000	\$132,000	\$706,802,723
New investments	30,379,497	1,500,000	3,087,324	2,146,000	—	37,112,821
Reclassifications	8,769,569	(8,769,569 )	—	—	—	—
Proceeds from sales of investments	—	—	(14,193,975 )	(1,196,052 )	—	(15,390,027 )
Loan origination fees received	(621,440 )	—	—	—	—	(621,440 )
Principal repayments received	(83,973,518 )	(12,331,802 )	—	—	—	(96,305,320 )
PIK interest earned	8,026,105	411,306	—	—	—	8,437,411
PIK interest payments received	(2,666,468 )	(507,608 )	—	—	—	(3,174,076 )
Accretion of loan discounts	765,628	—	—	—	—	765,628
Accretion of deferred loan origination revenue	2,042,069	201,059	—	—	—	2,243,128
Realized gain	(4,609,887 )	—	9,106,025	816,392	—	5,312,530
Unrealized gain (loss)	5,438,645	13,660	(2,288,469 )	1,806,263	(56,000 )	4,914,099
Fair value, end of period	\$522,905,750	\$27,094,040	\$74,690,084	\$25,331,603	\$76,000	\$650,097,477
Six Months Ended June 30, 2012:	Subordinated Debt and 2 <sup>nd</sup> Lien Notes	Senior Debt and 1 <sup>st</sup> Lien Notes	Equity Shares	Equity Warrants	Royalty Rights	Total
Fair value, beginning of period	\$387,169,056	\$59,974,195	\$43,972,024	\$15,043,300	\$920,000	\$507,078,575
New investments	130,886,615	9,161,883	14,343,540	1,552,317	627,000	156,571,355
Proceeds from sales of investments	—	—	(6,222,422 )	—	—	(6,222,422 )
Loan origination fees received	(2,109,229 )	(200,000 )	—	—	—	(2,309,229 )
Principal repayments received	(58,425,353 )	(6,792,078 )	—	—	—	(65,217,431 )
PIK interest earned	6,208,613	793,355	—	—	—	7,001,968
PIK interest payments received	(2,711,392 )	(524,851 )	—	—	—	(3,236,243 )
Accretion of loan discounts	662,461	149,529	—	—	—	811,990
Accretion of deferred loan origination revenue	1,422,894	131,832	—	—	—	1,554,726
Realized gains	230,034	—	3,392,113	—	—	3,622,147
Unrealized gain (loss)	(5,374,047 )	470,628	910,357	2,998,500	(257,000 )	(1,251,562 )
Fair value, end of period	\$457,959,652	\$63,164,493	\$56,395,612	\$19,594,117	\$1,290,000	\$598,403,874

All realized and unrealized gains and losses are included in earnings (changes in net assets) and are reported on separate line items within the Company's Statements of Operations. Pre-tax net unrealized gains on investments of \$4.4 million and \$6.8 million, respectively, during the three and six months ended June 30, 2013 were related to portfolio company investments that were still held by the Company as of June 30, 2013. Pre-tax net unrealized gains on investments of \$0.2 million and \$0.6 million, respectively, during the three and six months ended June 30, 2012 were related to portfolio company investments that were still held by the Company as of June 30, 2012.

#### Warrants

When originating a debt security, the Company will sometimes receive warrants or other equity-related securities from the borrower. The Company determines the cost basis of the warrants or other equity-related securities received based upon their respective fair values on the date of receipt in proportion to the total fair value of the debt and warrants or other equity-

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related securities received. Any resulting difference between the face amount of the debt and its recorded fair value resulting from the assignment of value to the warrant or other equity instruments is treated as original issue discount and accreted into interest income over the life of the loan.

Realized Gain or Loss and Unrealized Appreciation or Depreciation of Portfolio Investments

Realized gains or losses are recorded upon the sale or liquidation of investments and are calculated as the difference between the net proceeds from the sale or liquidation, if any, and the cost basis of the investment using the specific identification method. Unrealized appreciation or depreciation reflects the difference between the fair value of the investments and the cost basis of the investments.

Investment Classification

In accordance with the provisions of the 1940 Act, the Company classifies investments by level of control. As defined in the 1940 Act, "Control Investments" are investments in those companies that the Company is deemed to "Control." "Affiliate Investments" are investments in those companies that are "Affiliated Companies" of the Company, as defined in the 1940 Act, other than Control Investments. "Non-Control / Non-Affiliate Investments" are those that are neither Control Investments nor Affiliate Investments. Generally, under the 1940 Act, the Company is deemed to control a company in which it has invested if the Company owns more than 25.0% of the voting securities of such company, has greater than 50.0% representation on its board or has the power to exercise control over management or policies of such portfolio company. The Company is deemed to be an affiliate of a company in which the Company has invested if it owns between 5.0% and 25.0% of the voting securities of such company.

Investment Income

Interest income, adjusted for amortization of premium and accretion of original issue discount, is recorded on the accrual basis to the extent that such amounts are expected to be collected. Generally, when interest and/or principal payments on a loan become past due, or if the Company otherwise does not expect the borrower to be able to service its debt and other obligations, the Company will place the loan on non-accrual status and will generally cease recognizing interest income on that loan for financial reporting purposes, until all principal and interest has been brought current through payment or due to a restructuring such that the interest income is deemed to be collectible. The Company writes off any previously accrued and uncollected interest when it is determined that interest is no longer considered collectible. Dividend income is recorded on the ex-dividend date.

Fee Income

Origination, facility, commitment, consent and other advance fees received in connection with the loan agreements ("Loan Origination Fees") are recorded as deferred income and recognized as investment income over the term of the loan. Upon prepayment of a loan, any unamortized Loan Origination Fees are recorded as investment income. In the general course of its business, the Company receives certain fees from portfolio companies, which are non-recurring in nature. Such fees include loan prepayment penalties, certain investment banking and structuring fees and loan waiver and amendment fees, and are recorded as investment income when earned.

Payment-in-Kind Interest

The Company currently holds, and expects to hold in the future, some loans in its portfolio that contain a payment-in-kind ("PIK") interest provision. The PIK interest, computed at the contractual rate specified in each loan agreement, is added to the principal balance of the loan, rather than being paid to the Company in cash, and is recorded as interest income. Thus, the actual collection of PIK interest may be deferred until the time of debt principal repayment.

PIK interest, which is a non-cash source of income, is included in the Company's taxable income and therefore affects the amount the Company is required to distribute to its stockholders to maintain its qualification as a regulated investment company ("RIC") for federal income tax purposes, even though the Company has not yet collected the cash. Generally, when current cash interest and/or principal payments on a loan become past due, or if the Company otherwise does not expect the borrower to be able to service its debt and other obligations, the Company will place the loan on non-accrual status and will generally cease recognizing PIK interest income on that loan for financial reporting purposes until all principal and interest have been brought current through payment or due to a restructuring such that the interest income is deemed to be collectible. The Company writes off any accrued and uncollected PIK interest when it is determined that the PIK interest is no longer collectible.





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Concentration of Credit Risk

The Company's investments are generally in lower middle-market companies in a variety of industries. At both June 30, 2013 and December 31, 2012, there were no individual investments greater than 10% of the fair value of the Company's portfolio. As of June 30, 2013 and December 31, 2012, the Company's largest single portfolio company investment represented approximately 4.2% and 3.9%, respectively, of the fair value of the Company's portfolio. Income, consisting of interest, dividends, fees, other investment income, and realization of gains or losses on equity interests, can fluctuate dramatically upon repayment of an investment or sale of an equity interest and in any given year can be highly concentrated among several investees.

The Company's investments carry a number of risks including, but not limited to: (i) investing in lower middle market companies which may have limited financial resources and may have limited operating histories, (ii) investing in senior subordinated debt which ranks equal to or lower than debt held by other investors and (iii) holding investments that are not publicly traded and are subject to legal and other restrictions on resale and other risks common to investing in below investment grade debt and equity instruments.

3. INCOME TAXES

The Company elected for federal income tax purposes to be treated as a RIC under the Internal Revenue Code of 1986, as amended (the "Code") commencing with its taxable year ended December 31, 2007. In order to maintain its qualification as a RIC, the Company must meet certain minimum distribution, source-of-income and asset diversification requirements. If such requirements are met, then the Company is generally required to pay income taxes only on the portion of its taxable income and gains it does not distribute (actually or constructively) and certain built-in gains. The Company has historically met its minimum distribution requirements and continually monitors its distribution requirements with the goal of ensuring compliance with the Code.

The minimum distribution requirements applicable to RICs require the Company to distribute to its stockholders at least 90% of its investment company taxable income ("ICTI"), as defined by the Code, each year. Depending on the level of ICTI earned in a tax year, the Company may choose to carry forward ICTI in excess of current year distributions into the next tax year and pay a 4% excise tax on such excess. Any such carryover ICTI must be distributed before the end of that next tax year through a dividend declared prior to filing the final tax return related to the year which generated such ICTI.

ICTI generally differs from net investment income for financial reporting purposes due to temporary and permanent differences in the recognition of income and expenses. The Company may be required to recognize ICTI in certain circumstances in which it does not receive cash. For example, if the Company holds debt obligations that are treated under applicable tax rules as having original issue discount (such as debt instruments issued with warrants), the Company must include in ICTI each year a portion of the original issue discount that accrues over the life of the obligation, regardless of whether cash representing such income is received by the Company in the same taxable year. The Company may also have to include in ICTI other amounts that it has not yet received in cash, such as (i) PIK interest income and (ii) interest income from investments that have been classified as non-accrual for financial reporting purposes. Interest income on non-accrual investments is not recognized for financial reporting purposes, but generally is recognized in ICTI. Because any original issue discount or other amounts accrued will be included in the Company's ICTI for the year of accrual, the Company may be required to make a distribution to its stockholders in order to satisfy the minimum distribution requirements, even though the Company will not have received and may not ever receive any corresponding cash amount. ICTI also excludes net unrealized appreciation or depreciation, as investment gains or losses are not included in taxable income until they are realized.

The Company has certain wholly-owned taxable subsidiaries (the "Taxable Subsidiaries"), each of which holds one or more of its portfolio investments that are listed on the Consolidated Schedule of Investments. The Taxable Subsidiaries are consolidated for financial reporting purposes, such that the Company's consolidated financial statements reflect the Company's investments in the portfolio companies owned by the Taxable Subsidiaries. The purpose of the Taxable Subsidiaries is to permit the Company to hold certain portfolio companies that are organized as limited liability companies ("LLCs") (or other forms of pass-through entities) and still satisfy the RIC tax requirement that at least 90% of the RIC's gross revenue for income tax purposes must consist of investment income. Absent the

Taxable Subsidiaries, a proportionate amount of any gross income of an LLC (or other pass-through entity) portfolio investment would flow through directly to the RIC. To the extent that such income did not consist of investment income, it could jeopardize the Company's ability to qualify as a RIC and therefore cause the Company to incur significant amounts of federal income taxes. When LLCs (or other pass-through entities) are owned by the Taxable Subsidiaries, their income is taxed to the Taxable Subsidiaries and does not flow through to the RIC, thereby helping the Company preserve its RIC status and resultant tax advantages. The Taxable Subsidiaries are not consolidated for income tax purposes and may generate income tax expense as a result of their ownership of the portfolio companies. This income tax expense is reflected in the Company's Consolidated Statements of Operations.

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For federal income tax purposes, the cost of investments owned at June 30, 2013 and December 31, 2012 was approximately \$642.3 million and \$704.0 million, respectively.

## 4. BORROWINGS

The Company had the following borrowings outstanding as of June 30, 2013 and December 31, 2012:

Issuance/Pooling Date	Maturity Date	Interest Rate as of June 30, 2013	June 30, 2013	December 31, 2012
SBA-Guaranteed Debentures:				
September 24, 2008	September 1, 2018	N/A	\$—	\$20,500,000
March 25, 2009	March 1, 2019	5.337%	22,000,000	22,000,000
March 24, 2010	March 1, 2020	4.825%	6,800,000	6,800,000
September 22, 2010	September 1, 2020	3.687%	32,590,000	32,590,000
March 29, 2011	March 1, 2021	4.474%	75,400,000	75,400,000
September 21, 2011	September 1, 2021	3.392%	19,100,000	19,100,000
March 27, 2013	March 1, 2023	3.155%	30,000,000	30,000,000
SBA-Guaranteed LMI Debenture:				
September 14, 2010	March 1, 2016	2.508%	7,303,422	7,214,579
Credit Facility:				
June 26, 2013	September 17, 2017	N/A	—	—
Notes				
March 2, 2012	March 15, 2019	7.000%	69,000,000	69,000,000
October 19, 2012	December 15, 2022	6.375%	80,500,000	80,500,000
			\$342,693,422	\$363,104,579

## SBA and SBA LMI Debentures

Interest payments on SBA-guaranteed debentures are payable semi-annually and there are no principal payments required on these debentures prior to maturity, nor do the debentures carry any prepayment penalties. The Company's SBA-guaranteed Low or Moderate Income ("LMI") debenture is a five-year deferred interest debenture that was issued at a discount to par. The accretion of discount on the SBA-guaranteed LMI debenture is classified as interest expense in the Company's consolidated financial statements.

In addition to a one-time 1.0% fee on the total commitment from the SBA, the Company also pays a one-time 2.425% fee on the amount of each SBA-guaranteed debenture issued and a one-time 2.0% fee on the amount of each SBA-guaranteed LMI debenture issued. These fees are capitalized as deferred financing costs and are amortized over the term of the debt agreements using the effective interest method. Upon prepayment of an SBA-guaranteed debenture, any unamortized deferred financing costs related to the SBA-guaranteed debenture are written off and recognized as a loss on extinguishment of debt in the Consolidated Statements of Operations. In the six months ended June 30, 2013 and 2012, the Company prepaid approximately \$20.5 million and \$10.4 million, respectively, of SBA-guaranteed debentures and recognized losses on extinguishment of debt of approximately \$0.4 million and \$0.2 million, respectively.

Under the Small Business Investment Act and current SBA policy applicable to SBICs, an SBIC (or group of SBICs under common control) can have outstanding at any time, SBA-guaranteed debentures and SBA-guaranteed LMI debentures (collectively, SBA-guaranteed debentures) up to two times (and in certain cases, up to three times) the amount of its regulatory capital. As of June 30, 2013, the maximum statutory limit on the dollar amount of outstanding SBA-guaranteed debentures that can be issued by a single SBIC was \$150.0 million and by a group of SBICs under common control was \$225.0 million. As of June 30, 2013, Triangle SBIC had issued \$118.7 million of SBA-guaranteed debentures and had the current capacity to issue up to the statutory maximum of \$150.0 million, subject to SBA approval. As of June 30, 2013, Triangle SBIC II had issued \$75.0 million in face amount of SBA-guaranteed debentures. The weighted average interest rate for all SBA-guaranteed debentures as of June 30, 2013 and December 31, 2012 was 4.07% and 4.05%, respectively. As of June 30, 2013, all SBA debentures were

pooled. The weighted average interest rate as of December 31, 2012 included \$183.6 million of pooled SBA-guaranteed debentures with a weighted average fixed rate of 4.48% and \$30.0 million of unpooled SBA-guaranteed debentures with a weighted average interim interest rate of 1.42%.

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The fair values of the SBA-guaranteed debentures are based on a market yield approach and current interest rates, which are Level 3 inputs to the market yield model. As of June 30, 2013 and December 31, 2012, the carrying amounts of the SBA-guaranteed debentures were approximately \$193.2 million and \$213.6 million, respectively. As of June 30, 2013 and December 31, 2012, the fair values of the SBA-guaranteed debentures were \$207.2 million and \$228.4 million, respectively.

Credit Facility

In June 2013, the Company entered into a second amended and restated senior secured credit facility (the "Credit Facility") to provide liquidity in support of its investment and operational activities. The Credit Facility, which has an initial commitment of \$165.0 million supported by nine financial institutions, replaced the Company's \$165.0 million senior secured credit facility entered into in September 2012 (the "Prior Facility"). The Credit Facility, which matures on September 17, 2017, allows the Company to borrow foreign currencies (initially Canadian dollars) directly under the Credit Facility.

The Credit Facility has an accordion feature that allows for an increase in the total commitment size up to \$215.0 million, subject to certain conditions, and also contains a one-year extension option to September 17, 2018. The Credit Facility, which is structured to operate like a revolving credit facility, is secured primarily by the Company's assets, excluding the assets of Triangle SBIC and Triangle SBIC II.

Borrowings under the Credit Facility bear interest, subject to the Company's election, on a per annum basis equal to (i) the applicable base rate plus 1.75%, (ii) the applicable LIBOR rate plus 2.75%, or (iii) for borrowings denominated in Canadian dollars, the applicable Canadian Dealer Offered Rate plus 2.75%. The applicable base rate is equal to the greater of (i) the prime rate, (ii) the federal funds rate plus 0.5% or (iii) the adjusted one-month LIBOR rate plus 2.0%. The Company pays a commitment fee of 0.375% per annum on undrawn amounts, which is included with interest and other financing fees on the Company's Consolidated Statements of Operations. Borrowings under the Credit Facility are also limited to a borrowing base, which includes certain cash and a portion of eligible debt investments. As of June 30, 2013 and December 31, 2012, the Company had no borrowings outstanding under the Credit Facility and Prior Facility, respectively.

As with the Prior Facility, the Credit Facility contains certain affirmative and negative covenants, including but not limited to (i) maintaining a minimum interest coverage ratio, (ii) maintaining minimum consolidated tangible net worth and (iii) maintaining its status as a regulated investment company and as a business development company. As of June 30, 2013, the Company was in compliance with all covenants of the Credit Facility.

Notes

In March 2012, the Company issued \$69.0 million of unsecured notes due 2019 (the "2019 Notes"). The 2019 Notes mature on March 15, 2019, and may be redeemed in whole or in part at any time or from time to time at the Company's option on or after March 15, 2015. The 2019 Notes bear interest at a rate of 7.00% per year payable quarterly on March 15, June 15, September 15 and December 15 of each year, beginning June 15, 2012. The net proceeds to the Company from the sale of the 2019 Notes, after underwriting discounts and offering expenses, were approximately \$66.7 million. As of both June 30, 2013 and December 31, 2012, the carrying amount of the 2019 Notes was approximately \$69.0 million. As of June 30, 2013 and December 31, 2012, the fair values of the 2019 Notes were \$72.4 million and \$72.6 million, respectively.

In October 2012, the Company issued \$70.0 million of unsecured notes due 2022 (the "2022 Notes") and in November 2012, issued \$10.5 million of 2022 Notes pursuant to the exercise of an over-allotment option. The 2022 Notes mature on December 15, 2022, and may be redeemed in whole or in part at any time or from time to time at the Company's option on or after December 15, 2015. The 2022 Notes bear interest at a rate of 6.375% per year payable quarterly on March 15, June 15, September 15 and December 15 of each year, beginning December 15, 2012. The net proceeds to the Company from the sale of the 2022 Notes, after underwriting discounts and offering expenses, were approximately \$77.8 million. As of both June 30, 2013 and December 31, 2012, the carrying amount of the 2022 Notes was approximately \$80.5 million. As of June 30, 2013 and December 31, 2012, the fair values of the 2022 Notes were \$81.3 million and \$78.1 million, respectively. The fair values of the 2019 Notes and the 2022 Notes are based on the closing prices of each respective security on the New York Stock Exchange, which are Level 1 inputs under ASC 820.

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The indenture and supplements thereto relating to the 2019 Notes and the 2022 Notes contain certain covenants, including but not limited to (i) a requirement that the Company comply with the asset coverage requirements of the 1940 Act or any successor provisions, and (ii) a requirement to provide financial information to the holders of the notes and the trustee under the indenture if the Company should no longer be subject to the reporting requirements under the Securities Exchange Act of 1934.

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## 5. EQUITY-BASED AND OTHER COMPENSATION PLANS

The Company's Board of Directors and stockholders have approved the Triangle Capital Corporation Amended and Restated 2007 Equity Incentive Plan (the "Plan"), under which there are 2,400,000 shares of the Company's Common Stock authorized for issuance. Under the Plan, the Board (or compensation committee, if delegated administrative authority by the Board) may award stock options, restricted stock or other stock-based incentive awards to executive officers, employees and directors. Equity-based awards granted under the Plan to independent directors generally will vest over a one-year period and equity-based awards granted under the Plan to executive officers and employees generally will vest ratably over a four-year period.

The Company accounts for its equity-based compensation plan using the fair value method, as prescribed by ASC Topic 718, Stock Compensation. Accordingly, for restricted stock awards, the Company measures the grant date fair value based upon the market price of the Company's common stock on the date of the grant and amortizes this fair value to compensation expense ratably over the requisite service period or vesting term.

The following table presents information with respect to the Plan for the six months ended June 30, 2013 and 2012:

	Six Months Ended June 30, 2013		Six Months Ended June 30, 2012	
	Number of Shares	Weighted Average Grant Date Fair Value per Share	Number of Shares	Weighted Average Grant Date Fair Value per Share
Unvested shares, beginning of period	290,198	\$18.52	359,555	\$15.39
Shares granted during the period	258,410	\$28.51	235,086	\$19.00
Shares vested during the period	(7,455 )	\$20.12	(140,464 )	\$13.42
Unvested shares, end of period	541,153	\$23.27	454,177	\$17.87

In the three and six months ended June 30, 2013, the Company recognized equity-based compensation expense of approximately \$1.0 million and \$1.7 million, respectively. In the three and six months ended June 30, 2012, the Company recognized equity-based compensation expense of approximately \$0.7 million and \$1.4 million, respectively. This expense is included in general and administrative expenses in the Company's Consolidated Statements of Operations.

As of June 30, 2013, there was approximately \$11.0 million of total unrecognized compensation cost, related to the Company's non-vested restricted shares. This cost is expected to be recognized over a weighted average period of approximately 2.4 years.

The Company's Board of Directors has adopted a nonqualified deferred compensation plan covering the Company's executive officers and key employees. Any compensation deferred and the Company's contributions will earn a return based on the returns on certain investments designated by the Compensation Committee of the Company's Board of Directors. Participants are 100% vested in amounts deferred under the deferred compensation plan and the earnings thereon. Contributions to the plan and earnings thereon vest ratably over a four-year period.

The Company maintains a 401(k) plan in which all full-time employees who are at least 21 years of age and have 90 days of service are eligible to participate and receive employer contributions. Eligible employees may contribute a portion of their compensation on a pretax basis into the 401(k) plan up to the maximum amount allowed under the Code, and direct the investment of their contributions.

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## 6. FINANCIAL HIGHLIGHTS

The following is a schedule of financial highlights for the six months ended June 30, 2013 and 2012:

	Six Months Ended June 30,		
	2013	2012	
Per share data:			
Net asset value at beginning of period	\$15.30	\$14.68	
Net investment income(1)	1.15	1.00	
Net realized gain on investments(1)	0.19	0.14	
Net unrealized appreciation (depreciation) on investments(1)	0.14	(0.05)	)
Total increase from investment operations(1)	1.48	1.09	
Cash dividends/distributions declared	(1.08)	(0.97)	)
Shares issued pursuant to Dividend Reinvestment Plan	0.02	0.01	
Common stock offerings	—	0.54	
Stock-based compensation	(0.08)	(0.12)	)
Loss on extinguishment of debt(1)	(0.02)	(0.01)	)
Other(2)	—	(0.01)	)
Net asset value at end of period	\$15.62	\$15.21	
Market value at end of period(3)	\$27.51	\$22.78	
Shares outstanding at end of period	27,600,250	27,289,134	
Net assets at end of period	\$431,092,029	\$415,159,557	
Average net assets	\$426,653,208	\$391,207,006	
Ratio of total expenses to average net assets (annualized)	9.48	% 7.58	%
Ratio of net investment income to average net assets (annualized)	14.77	% 13.42	%
Portfolio turnover ratio	5.48	% 14.17	%
Total return(4)	12.16	% 24.22	%
Supplemental Data:			
Efficiency ratio(5)	19.56	% 17.95	%

(1) Weighted average basic per share data.

Represents the impact of the different share amounts used in calculating per share data as a result of calculating

(2) certain per share data based upon the weighted average basic shares outstanding during the period and certain per share data based on the shares outstanding as of a period end or transaction date.

(3) Represents the closing price of the Company's common stock on the last day of the period.

Total return equals the change in the ending market value of the Company's common stock during the period, plus

(4) dividends declared per share during the period, divided by the market value of the Company's common stock on the first day of the period. Total return is not annualized.

(5) Efficiency ratio equals general and administrative expenses divided by total investment income.

## 7. SUBSEQUENT EVENTS

In July 2013, the Company invested \$15.0 million in subordinated debt and equity of Applied Consultants Inc. ("Applied"), a provider of inspection services to the oil and gas industry. Under the terms of the investment, the subordinated debt bears interest at a rate of 12.0% per annum.

In July 2013, the Company invested \$10.0 million in a second lien term loan of Water Pik, Inc. ("Water Pik"), a innovator, marketer and supplier of branded oral health and replacement shower head products. Under the terms of the investment, the second lien term loan bears interest at a rate of LIBOR plus 8.75% per annum.

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



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The following discussion is designed to provide a better understanding of our financial statements, including a brief discussion of our business, key factors that impacted our performance and a summary of our operating results. The following discussion should be read in conjunction with the Unaudited Financial Statements and the notes thereto included in Item 1 of this Quarterly Report on Form 10-Q, and the Consolidated Financial Statements and notes thereto and Management's Discussion and Analysis of Financial Condition and Results of Operations contained in our Annual Report on Form 10-K for

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the year ended December 31, 2012. Historical results and percentage relationships among any amounts in the financial statements are not necessarily indicative of trends in operating results for any future periods.

Forward-Looking Statements

Some of the statements in this Quarterly Report constitute forward-looking statements because they relate to future events or our future performance or financial condition. Forward-looking statements may include, among other things, statements as to our future operating results, our business prospects and the prospects of our portfolio companies, the impact of the investments that we expect to make, the ability of our portfolio companies to achieve their objectives, our expected financings and investments, the adequacy of our cash resources and working capital, and the timing of cash flows, if any, from the operations of our portfolio companies. Words such as “expect,” “anticipate,” “target,” “goals,” “project,” “intend,” “plan,” “believe,” “seek,” “estimate,” “continue,” “forecast,” “may,” “should,” “potential,” variations of such similar expressions indicate a forward-looking statement, although not all forward-looking statements include these words. Readers are cautioned that the forward-looking statements contained in this Quarterly Report are only predictions, are not guarantees of future performance, and are subject to risks, events, uncertainties and assumptions that are difficult to predict. Our actual results could differ materially from those implied or expressed in the forward-looking statements for any reason, including the factors discussed herein and in Item 1A entitled “Risk Factors” in Part I of our Annual Report on Form 10-K for the year ended December 31, 2012. Other factors that could cause actual results to differ materially include, but are not limited to, changes in the economy, risks associated with possible disruption due to terrorism in our operations or the economy generally, and future changes in laws or regulations and conditions in our operating areas. These statements are based on our current expectations, estimates, forecasts, information and projections about the industry in which we operate and the beliefs and assumptions of our management as of the date of this Quarterly Report. We assume no obligation to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise, unless we are required to do so by law. Although we undertake no obligation to revise or update any forward-looking statements, whether as a result of new information, future events or otherwise, you are advised to consult any additional disclosures that we may make directly to you or through reports that we in the future may file with the SEC, including annual reports on Form 10-K, quarterly reports on Form 10-Q and current reports on Form 8-K.

Overview of Our Business

We are a Maryland corporation which has elected to be treated and operates as an internally managed business development company, or BDC, under the Investment Company Act of 1940, or 1940 Act. Our wholly-owned subsidiaries, Triangle Mezzanine Fund LLLP, or Triangle SBIC, and Triangle Mezzanine Fund II LP, or Triangle SBIC II, are licensed as small business investment companies, or SBICs, by the United States Small Business Administration, or SBA. In addition, Triangle SBIC has also elected to be treated as a BDC under the 1940 Act. We, Triangle SBIC and Triangle SBIC II invest primarily in debt instruments, equity investments, warrants and other securities of lower middle market privately-held companies located in the United States. Our business is to provide capital to lower middle market companies in the United States. We focus on investments in companies with a history of generating revenues and positive cash flows, an established market position and a proven management team with a strong operating discipline. Our target portfolio company has annual revenues between \$20.0 million and \$200.0 million and annual earnings before interest, taxes, depreciation and amortization, or EBITDA, between \$3.0 million and \$25.0 million. We invest primarily in subordinated debt securities secured by second lien security interests in portfolio company assets, coupled with equity interests. On a more limited basis, we also invest in senior debt securities secured by first lien security interests in portfolio companies. Our investments generally range from \$5.0 million to \$30.0 million per portfolio company. In certain situations, we have partnered with other funds to provide larger financing commitments. We generate revenues in the form of interest income, primarily from our investments in debt securities, loan origination and other fees and dividend income. Fees generated in connection with our debt investments are recognized over the life of the loan using the effective interest method or, in some cases, recognized as earned. In addition, we generate revenue in the form of capital gains, if any, on warrants or other equity-related securities that we acquire from our portfolio companies. Our debt investments generally have a term of between three and seven years and typically bear interest at fixed rates between 12.0% and 17.0% per annum. Certain of our debt investments have a

form of interest, referred to as payment-in-kind, or PIK, interest, that is not paid currently but is instead accrued and added to the loan balance and paid at the end of the term. In our negotiations with potential portfolio companies, we generally seek to minimize PIK interest. Cash interest on our debt investments is generally payable monthly; however, some of our debt investments pay cash interest on a quarterly basis. As of June 30, 2013 and December 31, 2012, the weighted average yield on our outstanding debt investments other than non-accrual debt investments was approximately 14.8% and 14.6%, respectively. The weighted average yield on all of our outstanding

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investments (including equity and equity-linked investments but excluding non-accrual debt investments) was approximately 13.3% and 13.4% as of June 30, 2013 and December 31, 2012, respectively. The weighted average yield on all of our outstanding investments (including equity and equity-linked investments and non-accrual debt investments) was approximately 12.9% as of both June 30, 2013 and December 31, 2012.

Triangle SBIC and Triangle SBIC II are eligible to issue debentures to the SBA, which pools these with debentures of other SBICs and sells them in the capital markets at favorable interest rates, in part as a result of the guarantee of payment from the SBA. Triangle SBIC and Triangle SBIC II invest these funds in portfolio companies. We intend to continue to operate Triangle SBIC and Triangle SBIC II as SBICs, subject to SBA approval, and to utilize the proceeds from the issuance of SBA-guaranteed debentures, referred to herein as SBA leverage, to enhance returns to our stockholders.

**Portfolio Investment Composition**

The total value of our investment portfolio was \$650.1 million as of June 30, 2013, as compared to \$706.8 million as of December 31, 2012. As of June 30, 2013, we had investments in 77 portfolio companies with an aggregate cost of \$638.6 million. As of December 31, 2012, we had investments in 82 portfolio companies with an aggregate cost of \$700.2 million. As of both June 30, 2013 and December 31, 2012, none of our portfolio investments represented greater than 10% of the total fair value of our investment portfolio.

As of June 30, 2013 and December 31, 2012, our investment portfolio consisted of the following investments:

	Cost	Percentage of Total Portfolio	Fair Value	Percentage of Total Portfolio	
<b>June 30, 2013:</b>					
Subordinated debt and 2nd lien notes	\$540,690,858	85	% \$522,905,750	80	%
Senior debt and 1st lien notes	27,245,261	4	27,094,040	4	
Equity shares	58,947,603	9	74,690,084	12	
Equity warrants	11,727,437	2	25,331,603	4	
Royalty rights	—	—	76,000	—	
	\$638,611,159	100	% \$650,097,477	100	%
<b>December 31, 2012:</b>					
Subordinated debt and 2nd lien notes	\$582,365,584	83	% \$559,355,550	79	%
Senior debt and 1st lien notes	46,955,594	7	46,576,994	7	
Equity shares	60,948,229	9	78,979,179	11	
Equity warrants	9,961,097	1	21,759,000	3	
Royalty rights	—	—	132,000	—	
	\$700,230,504	100	% \$706,802,723	100	%

**Investment Activity**

During the six months ended June 30, 2013, we made two new investments totaling approximately \$12.6 million, debt investments in ten existing portfolio companies totaling approximately \$21.3 million and equity investments in four existing portfolio companies totaling approximately \$3.2 million. We had ten portfolio company loans repaid at par of approximately \$94.4 million resulting in realized gains of \$1.1 million and received normal principal repayments and partial loan prepayments totaling approximately \$1.5 million in the six months ended June 30, 2013. We had two portfolio company loans settled at less than par with proceeds totaling approximately \$0.5 million and recognized realized losses of \$5.7 million. In addition, we received proceeds related to the sales of certain equity securities totaling \$15.3 million and recognized net realized gains on such sales totaling approximately \$9.9 million in the six months ended June 30, 2013.

During the six months ended June 30, 2012, we made eleven new investments totaling approximately \$153.5 million, debt investments in four existing portfolio companies totaling approximately \$2.5 million and equity investments in three existing portfolio companies totaling approximately \$0.6 million. We had seven portfolio company loans repaid

at par totaling approximately \$58.8 million and received normal principal repayments and partial loan prepayments totaling approximately \$6.4 million in the six months ended June 30, 2012. In addition, we received proceeds related to the sale of certain equity securities totaling \$6.2 million and realized gains totaling approximately \$3.6 million in the six months ended June 30, 2012.

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Total portfolio investment activity for the six months ended June 30, 2013 and 2012 was as follows:

Six Months Ended June 30, 2013:	Subordinated Debt and 2 <sup>nd</sup> Lien Notes	Senior Debt and 1 <sup>st</sup> Lien Notes	Equity Shares	Equity Warrants	Royalty Rights	Total
Fair value, beginning of period	\$559,355,550	\$46,576,994	\$78,979,179	\$21,759,000	\$132,000	\$706,802,723
New investments	30,379,497	1,500,000	3,087,324	2,146,000	—	37,112,821
Reclassifications	8,769,569	(8,769,569 )	—	—	—	—
Proceeds from sales of investments	—	—	(14,193,975 )	(1,196,052 )	—	(15,390,027 )
Loan origination fees received	(621,440 )	—	—	—	—	(621,440 )
Principal repayments received	(83,973,518 )	(12,331,802 )	—	—	—	(96,305,320 )
PIK interest earned	8,026,105	411,306	—	—	—	8,437,411
PIK interest payments received	(2,666,468 )	(507,608 )	—	—	—	(3,174,076 )
Accretion of loan discounts	765,628	—	—	—	—	765,628
Accretion of deferred loan origination revenue	2,042,069	201,059	—	—	—	2,243,128
Realized gain	(4,609,887 )	—	9,106,025	816,392	—	5,312,530
Unrealized gain (loss)	5,438,645	13,660	(2,288,469 )	1,806,263	(56,000 )	4,914,099
Fair value, end of period	\$522,905,750	\$27,094,040	\$74,690,084	\$25,331,603	\$76,000	\$650,097,477
Weighted average yield on debt investments at end of period(1)						14.8 %
Weighted average yield on total investments at end of period(1)						13.3 %
Weighted average yield on total investments at end of period						12.9 %

(1)Excludes non-accrual debt investments.

Six Months Ended June 30, 2012:	Subordinated Debt and 2 <sup>nd</sup> Lien Notes	Senior Debt and 1 <sup>st</sup> Lien Notes	Equity Shares	Equity Warrants	Royalty Rights	Total
Fair value, beginning of period	\$387,169,056	\$59,974,195	\$43,972,024	\$15,043,300	\$920,000	\$507,078,575
New investments	130,886,615	9,161,883	14,343,540	1,552,317	627,000	156,571,355
Proceeds from sales of investments	—	—	(6,222,422 )	—	—	(6,222,422 )
Loan origination fees received	(2,109,229 )	(200,000 )	—	—	—	(2,309,229 )
Principal repayments received	(58,425,353 )	(6,792,078 )	—	—	—	(65,217,431 )
PIK interest earned	6,208,613	793,355	—	—	—	7,001,968
PIK interest payments received	(2,711,392 )	(524,851 )	—	—	—	(3,236,243 )
Accretion of loan discounts	662,461	149,529	—	—	—	811,990
Accretion of deferred loan origination revenue	1,422,894	131,832	—	—	—	1,554,726
Realized gains	230,034	—	3,392,113	—	—	3,622,147

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Unrealized gain (loss)	(5,374,047 )	470,628	910,357	2,998,500	(257,000 )	(1,251,562 )
Fair value, end of period	\$457,959,652	\$63,164,493	\$56,395,612	\$19,594,117	\$1,290,000	\$598,403,874
Weighted average yield on debt investments at end of period(1)					15.0	%
Weighted average yield on total investments at end of period(1)					13.8	%
Weighted average yield on total investments at end of period					13.6	%

(1) Excludes non-accrual debt investments.

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### Non-Accrual Assets

Generally, when interest and/or principal payments on a loan become past due, or if we otherwise do not expect the borrower to be able to service its debt and other obligations, we will place the loan on non-accrual status and will generally cease recognizing interest income on that loan for financial reporting purposes until all principal and interest have been brought current through payment or due to a restructuring such that the interest income is deemed to be collectible. As of June 30, 2013, the fair value of our non-accrual assets was approximately \$2.2 million, which comprised 0.3% of the total fair value of our portfolio, and the cost of our non-accrual assets was approximately \$15.0 million, which comprised 2.3% of the total cost of our portfolio. As of December 31, 2012, the fair value of our non-accrual assets was approximately \$2.4 million, which comprised 0.3% of the total fair value of our portfolio, and the cost of our non-accrual assets was approximately \$14.9 million, which comprised 2.1% of the total cost of our portfolio.

Our non-accrual assets as of June 30, 2013 were as follows:

#### Gerli and Company

In November 2008, we placed our debt investment in Gerli and Company, or Gerli, on non-accrual status. As a result, under generally accepted accounting principles in the United States, or U.S. GAAP, we no longer recognize interest income on our debt investment in Gerli for financial reporting purposes. During the first quarter of 2011, we restructured our investment in Gerli. As a result of the restructuring, we received a new note from Gerli with a face amount of \$3.0 million and a fair value of approximately \$2.3 million and preferred stock with a liquidation preference of \$0.4 million. In addition, we invested \$375,000 in a Gerli senior subordinated note. Under the terms of the notes, interest on the notes is payable only if Gerli meets certain covenants, which they were not compliant with as of June 30, 2013. In the six months ended June 30, 2013, we recognized unrealized depreciation on our debt investments in Gerli of approximately \$0.1 million. As of June 30, 2013, the cost of our debt investments in Gerli was \$3.4 million and the fair value of such investments was \$0.7 million.

#### Venture Technology Groups, Inc.

In November 2012, we placed our debt investment in Venture Technology Groups, Inc. or VTG, on non-accrual status. As a result, under U.S. GAAP, we no longer recognize interest income on our debt investment in VTG for financial reporting purposes. During the six months ended June 30, 2013, we recorded unrealized depreciation of \$0.8 million on our debt investment in VTG. As of June 30, 2013, the cost of our debt investment in VTG was \$5.7 million and the fair value of such investment was \$0.7 million.

#### Xchange Technology Groups, LLC

In March 2013, we placed our debt investment in Xchange Technology Groups, LLC or XTG, on non-accrual status. As a result, under U.S. GAAP, we no longer recognize interest income on our debt investment in XTG for financial reporting purposes. During the six months ended June 30, 2013, we recorded unrealized depreciation of \$0.8 million on our debt investment in XTG. As of June 30, 2013, the cost of our debt investment in XTG was \$5.9 million and the fair value of such investment was \$0.8 million.

### PIK Non-Accrual Assets

In addition to our non-accrual assets, as of June 30, 2013, we had debt investments in two portfolio companies (our subordinated notes to Minco Technology Labs, LLC and FCL Holding SPV, LLC) that were on non-accrual only with respect to the PIK interest component of the loans. As of June 30, 2013, the fair value of these debt investments was approximately \$2.2 million, or 0.3% of the total fair value of our portfolio and the cost of these assets was approximately \$6.5 million, or 1.0% of the total cost of our portfolio.

### Results of Operations

Comparison of three months ended June 30, 2013 and June 30, 2012

#### Investment Income

For the three months ended June 30, 2013, total investment income was \$27.3 million, a 24% increase from \$22.0 million of total investment income for the three months ended June 30, 2012. This increase was primarily attributable to a \$5.4 million increase in total loan interest, fee and dividend income, as well as an increase in PIK interest income. The increase in total loan interest, fee and dividend income was due to (i) a net increase in our portfolio investments



from June 30, 2012 to June 30, 2013, (ii) an increase in non-recurring fee income of approximately \$1.8 million and (iii) an increase in non-recurring dividend income of approximately \$0.8 million. Non-recurring fee income was \$2.8 million for the three months ended June 30, 2013 as compared to \$1.0 million for the three months ended June 30, 2012, and non-recurring dividend income was \$0.9 million for the three months ended June 30, 2013 as compared to \$0.1 million for the three months ended June 30, 2012.

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### Expenses

For the three months ended June 30, 2013, expenses increased by 39% to \$11.0 million from \$7.9 million for the three months ended June 30, 2012. The increase in expenses was attributable to a \$0.8 million increase in interest and other debt financing fees and a \$2.2 million increase in general and administrative expenses. The increase in interest and other debt financing fees is related to (i) interest on our 2022 Notes, which were issued in the fourth quarter of 2012, of approximately \$1.3 million for the quarter ended June 30, 2013 and (ii) an increase of \$0.1 million in amortization of deferred financing fees related to costs associated with the 2022 Notes, partially offset by lower interest expense related to SBA-guaranteed debentures in the quarter ended June 30, 2013 versus the quarter ended June 30, 2012. The decrease in interest expense on SBA-guaranteed debentures related to lower SBA loan balances and lower weighted average rates on outstanding SBA-guaranteed debentures for the quarter ended June 30, 2013 as compared to loan balances and weighted average rates on outstanding SBA-guaranteed debentures for the quarter ended June 30, 2012. The increase in general and administrative expenses in the quarter ended June 30, 2013 was primarily related to increased incentive compensation costs related to successful investment performance and investment realization, as well as increased non-cash compensation expenses.

### Net Investment Income

As a result of the \$5.3 million increase in total investment income and the \$3.1 million increase in expenses, net investment income increased by 16% to \$16.3 million for the three months ended June 30, 2013 as compared to \$14.1 million for the three months ended June 30, 2012.

### Net Increase in Net Assets Resulting from Operations

In the three months ended June 30, 2013, we realized a gain on the sale of one control investment of approximately \$0.7 million, a loss on the sale/repayment of one control investment of approximately \$3.0 million, gains on the sales/repayments of two affiliate investments of approximately \$6.8 million, a loss on the sale/repayment of one affiliate investment of approximately \$3.4 million and gains on the sales of five non-control/non-affiliate investments totaling approximately \$2.4 million. In addition, during the three months ended June 30, 2013, we recorded net unrealized appreciation of investments totaling \$2.1 million, consisting of unrealized appreciation on our current portfolio of approximately \$4.7 million and unrealized depreciation adjustments of \$2.6 million related to the realized gains and losses noted above.

In the three months ended June 30, 2012, we realized a gain on the sale of one control investment of approximately \$0.8 million, gains on the sales of two non-control/non-affiliate investments totaling approximately \$2.6 million and a gain on the repayment of one non-control/nonaffiliate investment totaling approximately \$0.2 million. In addition, during the three months ended June 30, 2012, we recorded net unrealized depreciation of investments totaling approximately \$2.0 million, consisting of unrealized appreciation on our current portfolio of approximately \$1.0 million and unrealized depreciation adjustments of \$3.0 million related to the realized gains and losses noted above. As a result of these events, our net increase in net assets from operations was \$21.8 million for the three months ended June 30, 2013, an increase of 40% from the net increase in net assets from operations of \$15.6 million for the three months ended June 30, 2012.

Comparison of six months ended June 30, 2013 and June 30, 2012

### Investment Income

For the six months ended June 30, 2013, total investment income was \$51.7 million, a 26% increase from \$41.1 million of total investment income for the six months ended June 30, 2012. This increase was primarily attributable to a \$10.8 million increase in total loan interest, fee and dividend income, including an increase in PIK interest income. The increase in total loan interest, fee and dividend income was due to (i) a net increase in our portfolio investments from June 30, 2012, to June 30, 2013, (ii) an increase in non-recurring fee income of approximately \$1.9 million and (iii) an increase in non-recurring dividend income of approximately \$0.9 million. Non-recurring fee income was approximately \$3.3 million for the six months ended June 30, 2013 as compared to \$1.4 million for the six months ended June 30, 2012, and non-recurring dividend income was approximately \$1.1 million for the six months ended

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June 30, 2013 as compared to \$0.2 million for the six months ended June 30, 2012.

Expenses

For the six months ended June 30, 2013, expenses increased by 36% to \$20.2 million from \$14.8 million for the six months ended June 30, 2012. The increase in expenses was attributable to a \$2.6 million increase in interest and other debt

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financing fees and a \$2.7 million increase in general and administrative expenses. The increase in interest and other debt financing fees was related to (i) an increase in interest on our 2019 Notes, which were issued in the first quarter 2012, of approximately \$0.8 million for the six months ended June 30, 2013, (ii) interest on our 2022 Notes, which were issued in the fourth quarter of 2012, of approximately \$2.6 million for the six months ended June 30, 2013 and (iii) an increase of \$0.3 million in amortization of deferred financing fees related to costs associated with the 2019 and 2022 Notes, partially offset by lower interest expense related to SBA-guaranteed debentures in the six months ended June 30, 2013 versus the six months ended June 30, 2012. The decrease in interest expense on SBA-guaranteed debentures related to lower SBA loan balances and lower weighted average rates on outstanding SBA-guaranteed debentures for the six months ended June 30, 2013 as compared to loan balances and weighted average rates on outstanding SBA-guaranteed debentures for the six months ended June 30, 2012. The increase in general and administrative expenses for the six months ended June 30, 2013 was primarily related to increased incentive compensation costs related to successful investment performance and investment realization, as well as increased non-cash compensation expenses.

### Net Investment Income

As a result of the \$10.6 million increase in total investment income and the \$5.4 million increase in expenses, net investment income increased by 20% to \$31.5 million for the six months ended June 30, 2013 as compared to net investment income of \$26.2 million for the six months ended June 30, 2012.

### Net Increase/Decrease in Net Assets Resulting from Operations

In the six months ended June 30, 2013, we realized a gain on the sale of one control investment of approximately \$0.7 million, a loss on the repayment of one control investment of approximately \$3.0 million, gains on the sales of three affiliate investments of approximately \$8.0 million, a loss on the repayment of one affiliate investment of approximately \$3.4 million and gains on the sales of seven non-control/non-affiliate investments totaling approximately \$3.0 million. In addition, during the six months ended June 30, 2013, we recorded net unrealized appreciation of investments totaling \$3.9 million, consisting of unrealized appreciation on our current portfolio of approximately \$7.7 million and unrealized depreciation adjustments of \$3.9 million related to the realized gains and losses noted above.

In the six months ended June 30, 2012, we realized a gain on the sale of one control investment of approximately \$0.8 million, gains on the sales of two non-control/non-affiliate investments totaling approximately \$2.6 million and a gain on the repayment of one non-control/non-affiliate investment totaling approximately \$0.2 million. In addition, during the six months ended June 30, 2012, we recorded net unrealized depreciation of investments totaling \$1.4 million, consisting of unrealized appreciation on our current portfolio of approximately \$1.6 million and unrealized depreciation adjustments of \$3.0 million related to the realized gains and losses noted above.

During the six months ended June 30, 2013 and June 30, 2012, we recognized losses on extinguishment of debt of approximately \$0.4 million and \$0.2 million, respectively, related to prepayments of SBA-guaranteed debentures.

As a result of these events, our net increase in net assets from operations was \$40.3 million for the six months ended June 30, 2013, an increase of 43% from the net increase in net assets from operations of \$28.2 million for the six months ended June 30, 2012.

### Liquidity and Capital Resources

We believe that our current cash and cash equivalents on hand, our available leverage under our Credit Facility and our anticipated cash flows from operations will be adequate to meet our cash needs for our daily operations for at least the next twelve months.

In the future, depending on the valuation of Triangle SBIC's assets and Triangle SBIC II's assets pursuant to SBA guidelines, Triangle SBIC and Triangle SBIC II may be limited by provisions of the Small Business Investment Act of 1958, and SBA regulations governing SBICs, from making certain distributions to Triangle Capital Corporation that may be necessary to enable Triangle Capital Corporation to make the minimum required distributions to its stockholders and qualify as a RIC.

Cash Flows

For the six months ended June 30, 2013, we experienced a net increase in cash and cash equivalents in the amount of \$44.8 million. During that period, our operating activities generated \$94.2 million in cash, consisting primarily of repayments received from portfolio companies and proceeds from sales of portfolio investments of approximately \$111.7 million, partially

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offset by purchases of portfolio investments of \$37.1 million. In addition, financing activities reduced cash by \$49.4 million, consisting primarily of cash dividends paid in the amount of \$28.2 million and voluntary prepayments of SBA-guaranteed debentures of \$20.5 million. At June 30, 2013, we had \$117.1 million of cash and cash equivalents on hand.

For the six months ended June 30, 2012, we experienced a net increase in cash and cash equivalents in the amount of \$26.9 million. During that period, our operating activities used \$65.6 million in cash, consisting primarily of new portfolio investments of \$156.6 million, partially offset by repayments received from portfolio companies totaling \$71.4 million. In addition, financing activities provided \$92.5 million of cash, consisting primarily of proceeds from a public common stock offering of \$77.1 million and net proceeds from a public offering of 2019 Notes of \$66.7 million, partially offset by cash dividends paid in the amount of \$24.8 million, voluntary prepayments of SBA-guaranteed debentures of \$10.4 million and a repayment of borrowings under our senior secured credit facility of \$15.0 million. At June 30, 2012, we had \$93.7 million of cash and cash equivalents on hand.

#### Financing Transactions

Due to Triangle SBIC's and Triangle SBIC II's status as licensed SBICs, Triangle SBIC and Triangle SBIC II have the ability to issue debentures guaranteed by the SBA at favorable interest rates. Under the Small Business Investment Act and the SBA rules applicable to SBICs, an SBIC (or group of SBICs under common control) can have outstanding at any time debentures guaranteed by the SBA up to two times (and in certain cases, up to three times) the amount of its regulatory capital, which generally is the amount raised from private investors. The maximum statutory limit on the dollar amount of outstanding debentures guaranteed by the SBA issued by a single SBIC is currently \$150.0 million and by a group of SBICs under common control is \$225.0 million. Debentures guaranteed by the SBA have a maturity of ten years, with interest payable semi-annually. The principal amount of the debentures is not required to be paid before maturity but may be pre-paid at any time, without penalty.

As of June 30, 2013, Triangle SBIC had issued \$118.7 million of SBA-guaranteed debentures and had the current capacity to issue up to the statutory maximum of \$150.0 million, subject to SBA approval. As of June 30, 2013, Triangle SBIC II had issued \$75.0 million in face amount of SBA-guaranteed debentures. In addition to the one-time 1.0% fee on the total commitment from the SBA, the Company also pays a one-time 2.425% fee on the amount of each debenture issued (2.0% for SBA LMI debentures). These fees are capitalized as deferred financing costs and are amortized over the term of the debt agreements using the effective interest method. The weighted average interest rate for all SBA-guaranteed debentures as of June 30, 2013 was 4.07%. As of June 30, 2013, all SBA debentures were pooled.

In June 2013, we entered into a second amended and restated senior secured credit facility, or Credit Facility, to provide liquidity in support of our investment and operational activities. The Credit Facility, which has an initial commitment of \$165.0 million supported by nine financial institutions, replaced our \$165.0 million senior secured credit facility entered into in September 2012, or the Prior Facility. The Credit Facility, which matures on September 17, 2017, allows us to borrow foreign currencies (initially Canadian dollars) directly under the Credit Facility. The Credit Facility has an accordion feature that allows for an increase in the total commitment size up to \$215.0 million, subject to certain conditions, and also contains a one-year extension option to September 17, 2018. The Credit Facility, which is structured to operate like a revolving credit facility, is secured primarily by our assets, excluding the assets of Triangle SBIC and Triangle SBIC II.

Borrowings under the Credit Facility bear interest, subject to our election, on a per annum basis equal to (i) the applicable base rate plus 1.75%, (ii) the applicable LIBOR rate plus 2.75%, or (iii) for borrowings denominated in Canadian dollars, the applicable Canadian Dealer Offered Rate plus 2.75%. The applicable base rate is equal to the greater of (i) the prime rate, (ii) the federal funds rate plus 0.5% or (iii) the adjusted one-month LIBOR rate plus 2.0%. We pay a commitment fee of 0.375% per annum on undrawn amounts, which is included with interest and other financing fees on our Consolidated Statements of Operations. Borrowings under the Credit Facility are also limited to a borrowing base, which includes certain cash and a portion of eligible debt investments. As of June 30, 2013 and December 31, 2012, we had no borrowings outstanding under the Credit Facility and Prior Facility, respectively. As with the Prior Facility, the Credit Facility contains certain affirmative and negative covenants, including but not limited to (i) maintaining a minimum interest coverage ratio, (ii) maintaining minimum consolidated tangible net

worth and (iii) maintaining its status as a regulated investment company and as a business development company. As of June 30, 2013 we were in compliance with all covenants of the Credit Facility.

In March 2012, we issued \$69.0 million of 2019 Notes. The 2019 Notes mature on March 15, 2019, and may be redeemed in whole or in part at any time or from time to time at our option on or after March 15, 2015. The 2019 Notes bear

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interest at a rate of 7.00% per year payable quarterly on March 15, June 15, September 15 and December 15 of each year, beginning June 15, 2012. The net proceeds from the sale of the 2019 Notes, after underwriting discounts and offering expenses, were approximately \$66.7 million.

In October 2012, we issued \$70.0 million of 2022 Notes and in November 2012, we issued \$10.5 million of 2022 Notes pursuant to the exercise of an over-allotment option. The 2022 Notes mature on December 15, 2022, and may be redeemed in whole or in part at any time or from time to time at our option on or after December 15, 2015. The 2022 Notes bear interest at a rate of 6.375% per year payable quarterly on March 15, June 15, September 15 and December 15 of each year, beginning December 15, 2012. The net proceeds from the sale of the 2022 Notes, after underwriting discounts and offering expenses, were approximately \$77.8 million.

The indenture and supplements thereto relating to the 2019 Notes and the 2022 Notes contain certain covenants, including but not limited to (i) a requirement that we comply with the asset coverage requirements of the 1940 Act or any successor provisions, and (ii) a requirement that we provide financial information to the holders of the notes and the trustee under the indenture if we should no longer be subject to the reporting requirements under the Securities Exchange Act of 1934.

**Distributions to Stockholders**

We elected to be treated as a RIC under the Code, commencing with our taxable year ended December 31, 2007. In order to maintain our qualification as a RIC and to obtain RIC tax benefits, we must meet certain minimum distribution, source-of-income and asset diversification requirements. If such requirements are met, then we are generally required to pay income taxes only on the portion of our taxable income and gains we do not distribute (actually or constructively) and certain built-in gains. We have historically met our minimum distribution requirements and continually monitor our distribution requirements with the goal of ensuring compliance with the Code. We can offer no assurance that we will achieve results that will permit the payment of any cash distributions and our ability to make distributions will be limited by the asset coverage requirements under the 1940 Act.

The minimum distribution requirements applicable to RICs require us to distribute to our stockholders each year at least 90% of our investment company taxable income, or ICTI, as defined by the Code. Depending on the level of ICTI earned in a tax year, we may choose to carry forward ICTI in excess of current year distributions into the next tax year and pay a 4% excise tax on such excess. Any such carryover ICTI must be distributed before the end of the next tax year through a dividend declared prior to filing the final tax return related to the year which generated such ICTI.

ICTI generally differs from net investment income for financial reporting purposes due to temporary and permanent differences in the recognition of income and expenses. We may be required to recognize ICTI in certain circumstances in which we do not receive cash. For example, if we hold debt obligations that are treated under applicable tax rules as having original issue discount (such as debt instruments issued with warrants), we must include in ICTI each year a portion of the original issue discount that accrues over the life of the obligation, regardless of whether cash representing such income is received by us in the same taxable year. We may also have to include in ICTI other amounts that we have not yet received in cash, such as (i) PIK interest income and (ii) interest income from investments that have been classified as non-accrual for financial reporting purposes. Interest income on non-accrual investments is not recognized for financial reporting purposes, but generally is recognized in ICTI. Because any original issue discount or other amounts accrued will be included in our ICTI for the year of accrual, we may be required to make a distribution to our stockholders in order to satisfy the minimum distribution requirements, even though we will not have received and may not ever receive any corresponding cash amount. ICTI also excludes net unrealized appreciation or depreciation, as investment gains or losses are not included in taxable income until they are realized.

**Current Market Conditions**

We were able to secure access to additional liquidity in 2012, including public offerings of common stock and debt securities, new leverage through SBA-guaranteed debentures and entering into an expanded credit facility and in 2013, were able to amend our credit facility to extend the term by one year. There can be no assurances, however, that the current market conditions will continue and that debt or equity capital will be available to us in the future on favorable terms, if it all. In 2008, the debt and equity capital markets in the United States were severely impacted by



significant write-offs in the financial services sector relating to subprime mortgages and the re-pricing of credit risk in the broadly syndicated bank loan market, among other factors. These events, along with the deterioration of the housing market, led to an economic recession in the U.S. and abroad. Banks, investment companies and others in the financial services industry reported significant write-downs in the fair value of their assets, which led to the failure of a number of banks and investment companies, a number of distressed mergers and acquisitions and the government take-over of the nation's two largest government-sponsored mortgage companies. These events significantly impacted the financial and credit markets and reduced the availability of debt and equity capital for

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the market as a whole, and for financial firms in particular. Notwithstanding recent gains across both the equity and debt markets, recent U.S. budget deficit concerns and uncertainty regarding potential federal spending cuts and the federal debt ceiling, together with continued signs of deteriorating sovereign debt conditions in Europe, have increased the possibility that these unfavorable conditions in the debt and equity capital markets may reoccur in the future and could then continue for a prolonged period of time.

### Recent Developments

In July 2013, we invested \$15.0 million in subordinated debt and equity of Applied Consultants Inc. (“Applied”), a provider of inspection services to the oil and gas industry. Under the terms of the investment, the subordinated debt bears interest at a rate of 12.0% per annum.

In July 2013, we invested \$10.0 million in a second lien term loan of Water Pik, Inc. (“Water Pik”), a innovator, marketer, and supplier of branded oral health and replacement shower head products. Under the terms of the investment, the second lien term loan bears interest at a rate of LIBOR plus 8.75% per annum.

### Critical Accounting Policies and Use of Estimates

The preparation of our unaudited financial statements in accordance with U.S. GAAP requires management to make certain estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses for the periods covered by such financial statements. We have identified investment valuation and revenue recognition as our most critical accounting estimates. On an on-going basis, we evaluate our estimates, including those related to the matters described below. These estimates are based on the information that is currently available to us and on various other assumptions that we believe to be reasonable under the circumstances. Actual results could differ materially from those estimates under different assumptions or conditions. A discussion of our critical accounting policies follows.

#### Investment Valuation

The most significant estimate inherent in the preparation of our financial statements is the valuation of investments and the related amounts of unrealized appreciation and depreciation of investments recorded. We have established and documented processes and methodologies for determining the fair values of portfolio company investments on a recurring (quarterly) basis in accordance with FASB ASC Topic 820, Fair Value Measurements and Disclosures, or ASC Topic 820. Under ASC Topic 820, a financial instrument is categorized within the ASC Topic 820 valuation hierarchy based upon the lowest level of input to the valuation process that is significant to the fair value measurement. The three levels of valuation inputs established by ASC Topic 820 are as follows:

Level 1 Inputs – include quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2 Inputs – include quoted prices for similar assets and liabilities in active markets, and inputs that are observable for the asset or liability, either directly or indirectly, for substantially the full term of the financial instrument.

Level 3 Inputs – include inputs that are unobservable and significant to the fair value measurement.

Our investment portfolio is comprised of debt and equity instruments of privately held companies for which quoted prices or other inputs falling within the categories of Level 1 and Level 2 are not available. Therefore, we determine the fair value of our investments in good faith using Level 3 inputs, pursuant to a valuation policy and process that is established by our management with the assistance of certain third-party advisors and subsequently approved by our Board of Directors. There is no single standard for determining fair value in good faith, as fair value depends upon the specific circumstances of each individual investment. The recorded fair values of our investments may differ significantly from fair values that would have been used had an active market for the securities existed. In addition, changes in the market environment and other events that may occur over the life of the investments may cause the gains or losses ultimately realized on these investments to be different than the valuations currently assigned.

Our valuation process is led by our executive officers and managing directors. The valuation process begins with a quarterly review of each investment in our investment portfolio by our executive officers and our investment committee. Valuations of each portfolio security are then prepared by our investment professionals, who have direct

responsibility for the origination, management and monitoring of each investment. Under our valuation policy, each investment valuation is subject to (i) a review by the lead investment officer responsible for the portfolio company investment and (ii) a peer review by a second investment officer or executive officer. Generally, any investment that is valued below cost is subjected to review by one of our executive officers. After the peer review is complete, we engage two independent valuation firms, Duff & Phelps,

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LLC and Lincoln Partners Advisors LLC (collectively, the “Valuation Firms”), to provide third-party reviews of certain investments, as described further below. Finally, the Board of Directors has the responsibility for reviewing and approving, in good faith, the fair value of our investments in accordance with the 1940 Act.

The Valuation Firms provide third party valuation consulting services to us which consist of certain limited procedures that we identified and requested the Valuation Firms to perform (hereinafter referred to as the “Procedures”). The Procedures are performed with respect to each portfolio company at least once in every calendar year and for new portfolio companies, at least once in the twelve-month period subsequent to the initial investment. In addition, the Procedures are generally performed with respect to a portfolio company when there has been a significant change in the fair value of the investment. In certain instances, we may determine that it is not cost-effective, and as a result is not in our stockholders’ best interest, to request the Valuation Firms to perform the Procedures on one or more portfolio companies. Such instances include, but are not limited to, situations where the fair value of the investment in the portfolio company is determined to be insignificant relative to the total investment portfolio.

The total number of investments and the percentage of our portfolio on which the Procedures were performed are summarized below by period:

For the quarter ended:	Total companies	Percent of total investments at fair value <sup>(1)</sup>
March 31, 2012	10	19%
June 30, 2012	14	21%
September 30, 2012	16	33%
December 31, 2012	17	30%
March 31, 2013	17	23%
June 30, 2013	13	27%

(1) Exclusive of the fair value of new investments made during the quarter.

Upon completion of the Procedures, the Valuation Firms concluded that, with respect to each investment reviewed by each Valuation Firm, the fair value of those investments subjected to the Procedures appeared reasonable. Our Board of Directors is ultimately responsible for determining the fair value of our investments in good faith.

#### Investment Valuation Inputs

Under ASC Topic 820, fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between a willing buyer and a willing seller at the measurement date. For our portfolio securities, fair value is generally the amount that we might reasonably expect to receive upon the current sale of the security.

Under ASC Topic 820, the fair value measurement assumes that the sale occurs in the principal market for the security, or in the absence of a principal market, in the most advantageous market for the security. Under ASC Topic 820, if no market for the security exists or if we do not have access to the principal market, the security should be valued based on the sale occurring in a hypothetical market. The securities in which we invest are generally only purchased and sold in merger and acquisition transactions, in which case the entire portfolio company is sold to a third-party purchaser. As a result, unless we have the ability to control such a transaction, the assumed principal market for our securities is a hypothetical secondary market. The Level 3 inputs to our valuation process reflect management’s best estimate of the assumptions that would be used by market participants in pricing the investment in a transaction in a hypothetical secondary market.

#### Enterprise Value Waterfall Approach

In valuing equity securities (including warrants), we estimate fair value using an “Enterprise Value Waterfall” valuation model. We estimate the enterprise value of a portfolio company and then allocate the enterprise value to the portfolio company’s securities in order of their relative liquidation preference. In addition, the model assumes that any outstanding debt or other securities that are senior to our equity securities are required to be repaid at par.

Additionally, we estimate the fair value of a limited number of its debt securities using the Enterprise Value Waterfall approach in cases where we do not expect to receive full repayment.

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To estimate the enterprise value of the portfolio company, we primarily use a valuation model based on a transaction multiple, which generally is the original transaction multiple, and measures of the portfolio company's financial performance. In addition, we consider other factors, including but not limited to (i) offers from third-parties to purchase the portfolio company, (ii) the implied value of recent investments in the equity securities of the portfolio company, (iii) publicly available information regarding recent sales of private companies in comparable transactions and (iv) when management believes there

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are comparable companies that are publicly traded, we perform a review of these publicly traded companies and the market multiple of their equity securities.

The significant Level 3 inputs to the Enterprise Value Waterfall model are (i) an appropriate transaction multiple and (ii) a measure of the portfolio company's financial performance, which generally is either earnings before interest, taxes, depreciation and amortization, as adjusted, or Adjusted EBITDA, or revenues. Such inputs can be based on historical operating results, projections of future operating results or a combination thereof. The operating results of a portfolio company may be unaudited, projected or pro forma financial information and may require adjustments for certain non-recurring items. In determining the operating results input, we utilize the most recent portfolio company financial statements and forecasts available as of the valuation date. Management also consults with the portfolio company's senior management to obtain updates on the portfolio company's performance, including information such as industry trends, new product development, loss of customers and other operational issues. Additionally, we consider some or all of the following factors:

- financial standing of the issuer of the security;
- comparison of the business and financial plan of the issuer with actual results;
- the size of the security held;
- pending reorganization activity affecting the issuer, such as merger or debt restructuring;
- ability of the issuer to obtain needed financing;
- changes in the economy affecting the issuer;
- financial statements and reports from portfolio company senior management and ownership;
- the type of security, the security's cost at the date of purchase and any contractual restrictions on the disposition of the security;
- information as to any transactions or offers with respect to the security and/or sales to third parties of similar securities;
- the issuer's ability to make payments and the type of collateral;
- the current and forecasted earnings of the issuer;
- statistical ratios compared to lending standards and to other similar securities;
- pending public offering of common stock by the issuer of the security;
- special reports prepared by analysts; and
- other pertinent factors.

Fair value measurements using the Enterprise Value Waterfall model can be sensitive to significant changes in one or more of the inputs. A significant increase in either the transaction multiple, Adjusted EBITDA or revenues for a particular equity security would result in a higher fair value for that security.

**Income Approach**

In valuing debt securities, we utilize an "Income Approach" model that considers factors including, but not limited to, (i) the stated yield on the debt security, (ii) the portfolio company's current trailing twelve months, or TTM Adjusted EBITDA as compared to the portfolio company's historical or projected Adjusted EBITDA as of the date the investment was made and the portfolio company's anticipated Adjusted EBITDA for the next twelve months of operations, (iii) the portfolio company's current Leverage Ratio (defined as the portfolio company's total indebtedness divided by Adjusted EBITDA) as compared to its Leverage Ratio as of the date the investment was made, (iv) publicly available information regarding current pricing and credit metrics for similar proposed and executed investment transactions of private companies and (v) when management believes a relevant comparison exists, current pricing and credit metrics for similar proposed and executed investment transactions of publicly traded debt. In addition, we use a risk rating system to estimate the probability of default on the debt securities and the probability of loss if there is a default. This risk rating system covers both qualitative and quantitative aspects of the business and the securities held.

We consider the factors above, particularly any significant changes in the portfolio company's results of operations and leverage, and develop an expectation of the yield that a hypothetical market participant would require when purchasing the debt investment (the "Required Rate of Return"). The Required Rate of Return, along with the Leverage Ratio and Adjusted EBITDA, are the significant Level 3 inputs to the Income Approach model. For investments

where the Leverage Ratio and

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Adjusted EBITDA have not fluctuated significantly from the date the investment was made or have not fluctuated significantly from management's expectations as of the date the investment was made, and where there have been no significant fluctuations in the market pricing for such investments, we may conclude that the Required Rate of Return is equal to the stated rate on the investment and therefore, the debt security is appropriately priced. In instances where we determine that the Required Rate of Return is different from the stated rate on the investment, we discount the contractual cash flows on the debt instrument using the Required Rate of Return in order to estimate the fair value of the debt security.

Fair value measurements using the Income Approach model can be sensitive to significant changes in one or more of the inputs. A significant increase (decrease) in the Required Rate of Return or Leverage Ratio inputs for a particular debt security may result in a lower (higher) fair value for that security. A significant increase (decrease) in the Adjusted EBITDA input for a particular debt security may result in a higher (lower) fair value for that security.

The fair value of our royalty rights are calculated based on specific provisions contained in the pertinent operating or royalty agreements. The determination of the fair value of such royalty rights is not a significant component of our valuation process.

**Revenue Recognition****Interest and Dividend Income**

Interest income, adjusted for amortization of premium and accretion of original issue discount, is recorded on the accrual basis to the extent that such amounts are expected to be collected. Generally, when interest and/or principal payments on a loan become past due, or if we otherwise do not expect the borrower to be able to service its debt and other obligations, we will place the loan on non-accrual status and will generally cease recognizing interest income on that loan for financial reporting purposes until all principal and interest have been brought current through payment or due to a restructuring such that the interest income is deemed to be collectible. The cessation of recognition of such interest will negatively impact the reported fair value of the investment. We write off any previously accrued and uncollected interest when it is determined that interest is no longer considered collectible. Dividend income is recorded on the ex-dividend date.

We may have to include in our ICTI interest income, including OID income, from investments that have been classified as non-accrual for financial reporting purposes. Interest income on non-accrual investments is not recognized for financial reporting purposes, but generally is recognized in ICTI. As a result, we may be required to make a distribution to our stockholders in order to satisfy the minimum distribution requirements to maintain our RIC status, even though we will not have received and may not ever receive any corresponding cash amount. Additionally, any loss recognized by us for federal income tax purposes on previously accrued interest income will be treated as a capital loss.

**Fee Income**

Origination, facility, commitment, consent and other advance fees received in connection with the origination of a loan, or Loan Origination Fees, are recorded as deferred income and recognized as investment income over the term of the loan. Upon prepayment of a loan, any unamortized Loan Origination Fees are recorded as investment income. In the general course of our business, we receive certain fees from portfolio companies, which are non-recurring in nature. Such fees include loan prepayment penalties, certain investment banking and structuring fees and loan waiver and amendment fees, and are recorded as investment income when earned.

**Payment-in-Kind (PIK) Interest Income**

We currently hold, and we expect to hold in the future, some loans in our portfolio that contain a PIK interest provision. The PIK interest, computed at the contractual rate specified in each loan agreement, is periodically added to the principal balance of the loan, rather than being paid to us in cash, and is recorded as interest income. Thus, the actual collection of PIK interest may be deferred until the time of debt principal repayment.

PIK interest, which is a non-cash source of income, is included in our taxable income and therefore affects the amount we are required to distribute to our stockholders to maintain our qualification as a RIC for federal income tax purposes, even though we have not yet collected the cash. Generally, when current cash interest and/or principal payments on a loan become past due, or if we otherwise do not expect the borrower to be able to service its debt and other obligations, we will place the loan on non-accrual status and will generally cease recognizing PIK interest



income on that loan for financial reporting purposes until all principal and interest have been brought current through payment or due to a restructuring such that the interest income is deemed to be collectible. We write off any previously accrued and uncollected PIK interest when it is determined that the PIK interest is no longer collectible.

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We may have to include in our ICTI, PIK interest income from investments that have been classified as non-accrual for financial reporting purposes. Interest income on non-accrual investments is not recognized for financial reporting purposes, but generally is recognized in ICTI. As a result, we may be required to make a distribution to our stockholders in order to satisfy the minimum distribution requirements, even though we will not have received and may not ever receive any corresponding cash amount.

Off-Balance Sheet Arrangements

We currently have no off-balance sheet arrangements.

Item 3. Quantitative and Qualitative Disclosures About Market Risk.

We are subject to market risk. Market risk includes risks that arise from changes in interest rates, commodity prices, equity prices and other market changes that affect market sensitive instruments. The prices of securities held by us may decline in response to certain events, including those directly involving the companies we invest in; conditions affecting the general economy; overall market changes; legislative reform; local, regional, national or global political, social or economic instability; and interest rate fluctuations.

The U.S economy recently experienced a severe recession. To the extent that recessionary conditions recur, the economy remains stagnant, any further downgrades to U.S. government's sovereign credit rating occur, the European credit crisis continues, or the economy fails to return to pre-recession levels, the financial position and results of operations of certain of the lower middle market companies in our portfolio could be further affected adversely, which ultimately could lead to difficulty in our portfolio companies meeting debt service requirements and lead to an increase in defaults. There can be no assurance that the performance of our portfolio companies will not be further impacted by economic conditions, which could have a negative impact on our future results.

During 2011, we experienced a \$6.4 million increase in the fair value of our investment portfolio related to unrealized appreciation of investments. In 2012, we experienced a \$1.7 million increase in the fair value of our investment portfolio related to unrealized appreciation of investments, exclusive of \$4.6 million of unrealized depreciation reclassification adjustments related to certain realized gains and losses. In the first six months of 2013, we experienced a \$7.7 million increase in the fair value of our investment portfolio related to unrealized appreciation of investments, exclusive of \$3.9 million of unrealized depreciation reclassification adjustments related to certain realized gains.

As of June 30, 2013, the fair value of our non-accrual assets was approximately \$2.2 million, which comprised approximately 0.3% of the total fair value of our portfolio, and the cost of our non-accrual assets was approximately \$15.0 million, or 2.3% of the total cost of our portfolio.

In addition to our non-accrual assets, as of June 30, 2013, we had debt investments in two portfolio companies (our subordinated notes to Minco Technology Labs, LLC and FCL Holding SPV, LLC) that were on non-accrual only with respect to the PIK interest component of the loans. As of June 30, 2013, the fair value of these debt investments was approximately \$2.2 million, or 0.3% of the total fair value of our portfolio and the cost of these assets was approximately \$6.5 million, or 1.0% of the total cost of our portfolio.

In addition, we are subject to interest rate risk. Interest rate risk is defined as the sensitivity of our current and future earnings to interest rate volatility, variability of spread relationships, the difference in re-pricing intervals between our assets and liabilities and the effect that interest rates may have on our cash flows. Changes in the general level of interest rates can affect our net interest income, which is the difference between the interest income earned on interest earning assets and our interest expense incurred in connection with our interest bearing debt and liabilities. Changes in interest rates can also affect, among other things, our ability to acquire and originate loans and securities and the value of our investment portfolio. Our investment income is affected by fluctuations in various interest rates, including LIBOR and prime rates. Our risk management systems and procedures are designed to identify and analyze our risk, to set appropriate policies and limits and to continually monitor these risks. We regularly measure exposure to interest rate risk and determine whether or not any hedging transactions are necessary to mitigate exposure to changes in interest rates. As of June 30, 2013, we were not a party to any hedging arrangements.

As of June 30, 2013, approximately 97.9%, or \$555.9 million (at cost), of our debt portfolio investments bore interest at fixed rates and approximately 2.1%, or \$12.1 million (at cost), of our debt portfolio investments bore interest at variable rates, which are either prime-based or LIBOR-based, and all of which are subject to certain floors. A

hypothetical 200 basis point increase or decrease in the interest rates on our variable-rate debt investments could increase or decrease, as applicable, our investment income by a maximum of approximately \$0.2 million on an annual basis. All of our SBA-guaranteed debentures, our 2019 Notes and our 2022 Notes bear interest at fixed rates. Our Credit Facility bears interest, subject to the Company's

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election, on a per annum basis equal to (i) the applicable base rate plus 1.75%, (ii) the applicable LIBOR rate plus 2.75%, or (iii) for borrowings denominated in Canadian dollars, the applicable Canadian Dealer Offered Rate plus 2.75%. The applicable base rate is equal to the greater of (i) the prime rate, (ii) the federal funds rate plus 0.5% or (iii) the adjusted one-month LIBOR rate plus 2.0%. As of June 30, 2013, we had no borrowings outstanding under the Credit Facility.

Because we currently borrow, and plan to borrow in the future, money to make investments, our net investment income is dependent upon the difference between the rate at which we borrow funds and the rate at which we invest the funds borrowed. Accordingly, there can be no assurance that a significant change in market interest rates will not have a material adverse effect on our net investment income. In periods of rising interest rates, our cost of funds would increase, which could reduce our net investment income if there is not a corresponding increase in interest income generated by our investment portfolio.

Item 4. Controls and Procedures.

Evaluation of Disclosure Controls and Procedures

We maintain disclosure controls and procedures that are designed to ensure that information required to be disclosed in the reports that we file or submit under the Securities Exchange Act 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. Our Chief Executive Officer and Chief Financial Officer carried out an evaluation of the effectiveness of the design and operation of our disclosure controls and procedures as of the end of the period covered by this report. Based on the evaluation of these disclosure controls and procedures, the Chief Executive Officer and Chief Financial Officer concluded that our disclosure controls and procedures were effective. It should be noted that any system of controls, however well designed and operated, can provide only reasonable, and not absolute, assurance that the objectives of the system are met. In addition, the design of any control system is based in part upon certain assumptions about the likelihood of future events. Because of these and other inherent limitations of control systems, there can be no assurance that any design will succeed in achieving its stated goals under all potential future conditions, regardless of how remote.

Changes in Internal Control Over Financial Reporting

There were no changes in our internal control over financial reporting during the second quarter of 2013 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

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PART II – OTHER INFORMATION

Item 1. Legal Proceedings.

Neither Triangle Capital Corporation nor any of its subsidiaries is currently a party to any material pending legal proceedings.

Item 1A. Risk Factors.

In addition to the risk below and the other information set forth in this report, you should carefully consider the factors discussed in Part I, “Item 1A. Risk Factors” in our Annual Report on Form 10-K for the fiscal year ended December 31, 2012, which could materially affect our business, financial condition or operating results. The risks described herein and in our Annual Report on Form 10-K are not the only risks facing our Company. Additional risks and uncertainties not currently known to us or that we currently deem to be immaterial also may materially adversely affect our business, financial condition and/or operating results.

Pending legislation may allow us to incur additional leverage.

As a BDC, under the 1940 Act generally we are not permitted to incur indebtedness unless immediately after such borrowing we have an asset coverage for total borrowings of at least 200% (i.e., the amount of debt may not exceed 50% of the value of our assets). Legislation pending reintroduction to the U.S. House of Representatives, if passed, would modify this section of the 1940 Act and increase the amount of debt that BDCs may incur by modifying the percentage from 200% to 150%. In addition, recent legislation introduced in the U.S. Congress would modify SBA regulations in a manner that may permit us to incur additional SBA leverage. There can be no assurance that either piece of legislation will be passed, but if passed as proposed, we may be able to incur additional indebtedness in the future and therefore your risk of an investment in us may increase.

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

Sales of Unregistered Securities

None.

Issuer Purchases of Equity Securities

None.

Item 3. Defaults Upon Senior Securities.

Not applicable.

Item 4. Mine Safety Disclosures.

Not applicable.

Item 5. Other Information.

None.

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Item 6. Exhibits.

Number Exhibit

- 3.1 Articles of Amendment and Restatement of the Registrant (Filed as Exhibit (a)(3) to the Registrant's Registration Statement on Form N-2/N-5 (File No. 333-138418) filed with the Securities and Exchange Commission on December 29, 2006 and incorporated herein by reference).
- 3.2 Third Amended and Restated Bylaws of the Registrant (Filed as Exhibit 3.2 to the Registrant's Quarterly Report on Form 10-Q filed with the Securities and Exchange Commission on May 4, 2011 and incorporated herein by reference).
- 4.1 Form of Common Stock Certificate (Filed as Exhibit (d) to the Registrant's Post-Effective Amendment No. 1 to the Registration Statement on Form N-2/N-5 (File No. 333-138418) filed with the Securities and Exchange Commission on February 15, 2007 and incorporated herein by reference).
- 4.2 Dividend Reinvestment Plan of the Registrant (Filed as Exhibit 4.2 to the Registrant's Annual Report on Form 10-K for the year ended December 31, 2007 filed with the Securities and Exchange Commission on March 12, 2008 and incorporated herein by reference).
- 4.3 Agreement to Furnish Certain Instruments (Filed as Exhibit 4.19 to the Registrant's Annual Report on Form 10-K for the year ended December 31, 2008 filed with the Securities and Exchange Commission on February 25, 2009 and incorporated herein by reference).
- 4.4 Indenture, dated March 2, 2012 between the Registrant and the Bank of New York Mellon Trust Company, N.A. (Filed as Exhibit (d)(5) to the Registrant's Post-Effective Amendment No. 2 to the Registration Statement on Form N-2 filed with the Securities and Exchange Commission on March 2, 2012 and incorporated herein by reference).
- 4.5 First Supplemental Indenture, dated March 2, 2012 between the Registrant and the Bank of New York Mellon Trust Company, N.A. (Filed as Exhibit (d)(6) to the Registrant's Post-Effective Amendment No. 2 to the Registration Statement on Form N-2 filed with the Securities and Exchange Commission on March 2, 2012 and incorporated herein by reference).
- 4.6 Form of 7.00% Senior Note Due 2019 (Contained in the First Supplemental Indenture filed as Exhibit (d)(6) to the Registrant's Post-Effective Amendment No. 2 to the Registration Statement on Form N-2 filed with the Securities and Exchange Commission on March 2, 2012 and incorporated herein by reference).
- 4.7 Second Supplemental Indenture, dated October 19, 2012 between the Registrant and the Bank of New York Mellon Trust Company, N.A. (Filed as Exhibit 4.1 to the Registrant's Current Report on Form 8-K filed with the Securities and Exchange Commission on October 19, 2012 and incorporated herein by reference).
- 4.8 Form of 6.375% Senior Note Due 2022 (Contained in the Second Supplemental Indenture filed as Exhibit 4.1 to the Registrant's Current Report on Form 8-K filed with the Securities and Exchange Commission on October 19, 2012 and incorporated herein by reference).
- 10.1† Amended and Restated 2007 Equity Incentive Plan of the Registrant (Filed as Exhibit 10.1 to the Registrant's Current Report on Form 8-K filed with the Securities and Exchange Commission on May 8, 2013 and incorporated herein by reference).

- 10.2 Second Amended and Restated Credit Agreement, dated June 26, 2013, among the Registrant, Branch Banking and Trust Company, Fifth Third Bank, Morgan Stanley Bank, N.A., ING Capital LLC, Stifel Bank & Trust, First Tennessee Bank National Association, Park Sterling Bank, Raymond James Bank, N.A. and CapStone Bank (Filed as Exhibit 10.1 to the Registrant's Current Report on Form 8-K filed with the Securities and Exchange Commission on June 27, 2013 and incorporated herein by reference).
- 31.1 Chief Executive Officer Certification Pursuant to Rule 13a-14 of the Securities Exchange Act of 1934, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.\*
- 31.2 Chief Financial Officer Certification Pursuant to Rule 13a-14 of the Securities Exchange Act of 1934, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.\*
- 32.1 Chief Executive Officer Certification pursuant to Section 1350, Chapter 63 of Title 18, United States Code, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.\*\*
- 32.2 Chief Financial Officer Certification pursuant to Section 1350, Chapter 63 of Title 18, United States Code, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.\*\*

Management contract or compensatory plan or arrangement.

\* Filed Herewith.

\*\* Furnished Herewith.

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SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

TRIANGLE CAPITAL CORPORATION

Date: August 7, 2013

/s/ Garland S. Tucker, III  
Garland S. Tucker, III  
Chief Executive Officer and  
Chairman of the Board of Directors

Date: August 7, 2013

/s/ Steven C. Lilly  
Steven C. Lilly  
Chief Financial Officer and Director

Date: August 7, 2013

/s/ C. Robert Knox, Jr.  
C. Robert Knox, Jr.  
Principal Accounting Officer



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