
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, 2007

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 001-33130

Triangle Capital Corporation

(Exact name of registrant as specified in its charter)

Maryland

*(State or other jurisdiction of
incorporation or organization)*

06-1798488

*(I.R.S. Employer
Identification No.)*

3600 Glenwood Avenue, Suite 104

Raleigh, North Carolina

(Address and zip code of principal executive offices)

27612

(Zip Code)

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

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 is a large accelerated filer, an accelerated filer, or a non-accelerated filer. See definition of "accelerated filer and large accelerated filer" in Rule 12b-2 of the Exchange Act.

Large accelerated filer Accelerated filer Non-accelerated filer

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 10, 2007 was 6,732,862.

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PART I – FINANCIAL INFORMATION

Item 1. *Financial Statements*TRIANGLE CAPITAL CORPORATION
Balance Sheets

	June 30, 2007 (Consolidated) (Unaudited)	December 31, 2006 (Combined)
Assets		
Investments at fair value:		
Non–Control / Non–Affiliate investments (cost of \$48,270,780 and \$40,592,972 at June 30, 2007 and December 31, 2006, respectively)	\$ 51,656,727	\$42,370,348
Affiliate investments (cost of \$16,044,523 and \$9,453,445 at June 30, 2007 and December 31, 2006, respectively)	17,393,567	10,011,145
Control investments (cost of \$15,366,248 and \$2,614,935 at June 30, 2007 and December 31, 2006, respectively)	15,277,748	2,614,935
Total investments at fair value	84,328,042	54,996,428
Deferred loan origination revenue	(1,172,366)	(774,216)
Cash and cash equivalents	45,148,032	2,556,502
Interest and fees receivable	129,207	134,819
Prepaid expenses	50,637	—
Receivable from Triangle Capital Partners, LLC	18,687	—
Deferred offering costs	—	1,020,646
Deferred financing fees	1,027,261	985,477
Property and equipment, net	21,497	—
Total assets	<u>\$129,550,997</u>	<u>\$58,919,656</u>
Liabilities		
Accounts payable and accrued liabilities	\$ 470,460	\$ 794,983
Interest payable	677,866	606,296
Partners tax distribution payable	—	531,566
Payable to Triangle Capital Partners, LLC	—	30,000
SBA guaranteed debentures payable	35,800,000	31,800,000
Total liabilities	36,948,326	33,762,845
Net Assets		
General partner’s capital	—	100
Limited partners’ capital	—	21,250,000
Common stock, \$0.001 par value per share (150,000,000 shares authorized, 6,732,862 and 100 shares issued and outstanding as of June 30, 2007 and December 31, 2006, respectively)	6,733	—
Additional paid-in capital	86,617,869	1,500
Accumulated undistributed net realized earnings	1,331,578	1,570,135
Net unrealized appreciation of investments	4,646,491	2,335,076
Total net assets	<u>92,602,671</u>	<u>25,156,811</u>
Total liabilities and net assets	<u>\$129,550,997</u>	<u>\$58,919,656</u>
Net asset value per share	<u>\$ 13.75</u>	N/A

See accompanying notes.

TRIANGLE CAPITAL CORPORATION
Unaudited Statements of Operations

	Three Months Ended June 30, 2007 (Consolidated)	Three Months Ended June 30, 2006 (Combined)	Six Months Ended June 30, 2007 (Consolidated)	Six Months Ended June 30, 2006 (Combined)
Investment income:				
Loan interest, fee and dividend income:				
Non-Control / Non-Affiliate investments	\$ 1,349,014	\$ 1,302,937	\$ 2,504,636	\$ 2,216,457
Affiliate investments	519,000	—	793,614	—
Control investments	408,023	265,420	483,741	475,292
Total loan interest, fee and dividend income	2,276,037	1,568,357	3,781,991	2,691,749
Paid-in-kind interest income:				
Non-Control / Non-Affiliate investments	202,009	219,918	376,805	389,879
Affiliate investments	66,292	—	95,542	—
Control investments	108,365	51,346	151,313	100,039
Total paid-in-kind interest income	376,666	271,264	623,660	489,918
Interest income from cash and cash equivalent investments				
	634,521	58,922	993,689	118,841
Total investment income	3,287,224	1,898,543	5,399,340	3,300,508
Expenses:				
Interest expense	521,026	462,259	1,020,717	918,990
Amortization of deferred financing fees	28,108	24,796	55,216	49,239
Management fees	—	398,439	232,423	792,191
General and administrative expenses	1,094,092	18,338	1,642,256	39,739
Total expenses	1,643,226	903,832	2,950,612	1,800,159
Net investment income	1,643,998	994,711	2,448,728	1,500,349
Net realized gain (loss) on investments – Non Control / Non-Affiliate				
	—	5,977,109	(1,464,224)	5,977,109
Net unrealized appreciation (depreciation) of investments				
	586,086	(2,781,500)	2,311,415	(2,781,500)
Total net gain on investments	586,086	3,195,609	847,191	3,195,609
Net increase in net assets resulting from operations	\$ 2,230,084	\$ 4,190,320	\$ 3,295,919	\$ 4,695,958
Net investment income per share – basic and diluted	\$ 0.25	N/A	\$ 0.37	N/A
Net increase in net assets resulting from operations per share – basic and diluted	\$ 0.33	N/A	\$ 0.49	N/A
Dividends declared per common share	\$ 0.15	N/A	\$ 0.15	N/A
Weighted average number of shares outstanding – basic and diluted	6,687,773	N/A	6,687,269	N/A
Allocation of net increase in net assets resulting from operations to:				
General partner	N/A	\$ 838,064	N/A	\$ 939,192
Limited partners	N/A	3,352,256	N/A	3,756,766
	N/A	\$ 4,190,320	N/A	\$ 4,695,958

See accompanying notes.

TRIANGLE CAPITAL CORPORATION
Unaudited Statements of Changes in Net Assets

	General Partner's Capital	Limited Partners' Capital	Capital Contribution Commitment Receivable	Accumulated Undistributed Net Realized Earnings	Net Unrealized Appreciation of Investments	Total Net Assets
Balance, January 1, 2006	\$ 100	\$21,250,000	\$(10,625,000)	\$ (2,010,553)	\$ 2,750,000	\$11,364,547
Partners' capital contributions	—	—	10,625,000	—	—	10,625,000
Net investment income	—	—	—	1,500,349	—	1,500,349
Realized gain on investment	—	—	—	5,977,109	(5,977,109)	—
Net unrealized gains in investments	—	—	—	—	3,195,609	3,195,609
Balance, June 30, 2006	<u>\$ 100</u>	<u>\$21,250,000</u>	<u>\$ —</u>	<u>\$ 5,466,905</u>	<u>\$ (31,500)</u>	<u>\$26,685,505</u>

	General Partner's Capital	Limited Partners' Capital	Common Stock		Additional Paid In Capital	Accumulated Undistributed Net Realized Earnings	Net Unrealized Appreciation of Investments	Total Net Assets
			Number Of Shares	Par Value				
Balance, January 1, 2007	\$ 100	\$ 21,250,000	100	\$ —	\$ 1,500	\$ 1,570,135	\$ 2,335,076	\$25,156,811
Public offering of common stock	—	—	4,770,000	4,770	64,723,267	—	—	64,728,037
Formation transactions	(100)	(21,250,000)	1,916,660	1,917	21,248,183	—	—	—
Net investment income	—	—	—	—	—	2,448,728	—	2,448,728
Realized loss on investment	—	—	—	—	—	(1,464,224)	1,464,224	—
Net unrealized gains on investments	—	—	—	—	—	—	847,191	847,191
Dividends paid	—	—	46,102	46	644,919	(1,003,014)	—	(358,049)
Tax distribution to partners	—	—	—	—	—	(220,047)	—	(220,047)
Balance, June 30, 2007	<u>\$ —</u>	<u>\$ —</u>	<u>6,732,862</u>	<u>\$ 6,733</u>	<u>\$86,617,869</u>	<u>\$ 1,331,578</u>	<u>\$4,646,491</u>	<u>\$92,602,671</u>

See accompanying notes.

TRIANGLE CAPITAL CORPORATION
Unaudited Statements of Cash Flows

	Six Months Ended June 30, 2007 (Consolidated)	Six Months Ended June 30, 2006 (Combined)
Cash flows from operating activities:		
Net increase in net assets resulting from operations	\$ 3,295,919	\$ 4,695,958
Adjustments to reconcile net increase in net assets resulting from operations to net cash used in operating activities:		
Purchases of portfolio investments	(29,413,602)	(14,453,478)
Repayments received/sales of portfolio investments	1,534,111	9,725,609
Loan origination and other fees received	642,125	438,795
Net realized loss on investments	1,464,224	(5,977,109)
Net unrealized appreciation of investments	(2,311,415)	2,781,500
Paid-in-kind interest accrued, net of payments received	(498,684)	(344,225)
Amortization of deferred financing fees	55,216	49,239
Recognition of loan origination and other fees	(243,975)	(340,167)
Accretion of loan discounts	(106,248)	(75,345)
Depreciation expense	2,064	—
Changes in operating assets and liabilities:		
Interest and fees receivable	5,612	49,583
Prepaid expenses	(50,637)	—
Accounts payable and accrued liabilities	(324,523)	(9,037)
Interest payable	71,570	50,277
Receivable from / payable to Triangle Capital Partners, LLC	(48,687)	—
Net cash used in operating activities	(25,926,930)	(3,408,400)
Cash flows from investing activities:		
Purchases of property and equipment	(23,561)	—
Net cash used in investing activities	(23,561)	—
Cash flows from financing activities:		
Borrowings under SBA guaranteed debentures payable	4,000,000	—
Financing fees paid	(97,000)	—
Proceeds from initial public offering, net of expenses	64,728,037	—
Change in deferred offering costs	1,020,646	—
Partners' capital contributions	—	10,625,000
Cash dividends paid	(358,049)	—
Tax distribution to partners	(751,613)	—
Net cash provided by financing activities	68,542,021	10,625,000
Net increase in cash and cash equivalents	42,591,530	7,216,600
Cash and cash equivalents, beginning of period	2,556,502	6,067,164
Cash and cash equivalents, end of period	\$ 45,148,032	\$ 13,283,764
Supplemental disclosure of cash flow information:		
Cash paid for interest	\$ 949,148	\$ 868,713

See accompanying notes.

TRIANGLE CAPITAL CORPORATION
Unaudited Consolidated Schedule of Investments
June 30, 2007

Portfolio Company	Industry	Type of Investment (1) (2)	Principal Amount	Cost	Fair Value (3)
<i>Non-Control / Non-Affiliate Investments:</i>					
AirServ Corporation (5%)*	Airline Services	Subordinated Note (12%, Due 06/09)	\$ 4,232,598	\$ 4,059,106	\$ 4,059,106
		Common Stock Warrants (1,238,843 shares)		414,285	584,003
			4,232,598	4,473,391	4,643,109
Ambient Air Corporation (5%)*	Specialty Trade Contractors	Subordinated Notes (12%–13%, Due 03/09–3/11)	4,000,000	3,885,767	3,885,767
		Common Stock Warrants (455 shares)		142,361	787,000
			4,000,000	4,028,128	4,672,767
APO Newco LLC (5%)*	Commercial and Consumer Marketing Products	Subordinated Note (14%, Due 03/13)	4,271,486	4,247,018	4,247,018
		Unit purchase warrant (87,302 Class C units)		25,200	25,200
			4,271,486	4,272,218	4,272,218
Art Headquarters, LLC (3%)*	Retail, Wholesale and Distribution	Subordinated Note (14%, Due 01/10)	2,571,822	2,547,948	2,547,948
		Membership unit warrants (15% of units (150 units))		40,800	58,100
			2,571,822	2,588,748	2,606,048
Assurance Operations Corporation (4%)*	Auto Components / Metal Fabrication	Subordinated Note (17%, Due 03/12)	3,732,531	3,732,531	3,732,531
		Common Stock (200 shares)		200,000	—
			3,732,531	3,932,531	3,732,531
Bruce Plastics, Inc. (2%)*	Plastic Component Manufacturing	Subordinated Note (14%, Due 10/11)	1,500,000	1,403,387	1,403,387
		Common Stock Warrants (12% of common stock)		108,534	108,534
			1,500,000	1,511,921	1,511,921
CV Holdings, LLC (6%)*	Specialty Healthcare Products Manufacturer	Subordinated Note (16%, Due 03/10)	4,826,445	4,826,445	4,826,445
		Royalty rights		—	366,900
			4,826,445	4,826,445	5,193,345
DataPath, Inc. (2%)*	Satellite Communication Manufacturer	Common Stock (210,263 shares)		101,500	1,541,300
				101,500	1,541,300
Eastern Shore Ambulance, Inc. (1%)*	Specialty Health Care Services	Subordinated Note (13%, Due 03/11)	1,000,000	953,753	953,753
		Common Stock Warrants (6% of common stock)		55,268	46,400
		Common Stock (30 shares)		30,000	12,100
			1,000,000	1,039,021	1,012,253

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Portfolio Company	Industry	Type of Investment (1) (2)	Principal Amount	Cost	Fair Value (3)
Fire Sprinkler Systems, Inc. (3%)*	Specialty Trade Contractors	Subordinated Notes 13%–17.5%, Due 04/11	2,572,211	2,572,211	2,572,211
		Common Stock (250 shares)		250,000	107,800
			2,572,211	2,822,211	2,680,011
Flint Acquisition Corporation (5%)*	Specialty Chemical Manufacturer	Subordinated Note (12.5%, Due 09/09)	3,750,000	3,750,000	3,750,000
		Preferred Stock (9,875 shares)		308,333	894,600
			3,750,000	4,058,333	4,644,600
Garden Fresh Restaurant Corp. (4%)*	Restaurant	Subordinated Note (12.8%, Due 12/11)	3,000,000	3,000,000	3,000,000
		Membership Units (5,000 units)		500,000	673,600
			3,000,000	3,500,000	3,673,600
Gerli & Company (3%)*	Specialty Woven Fabrics Manufacturer	Subordinated Note (14%, Due 08/11)	3,082,811	3,018,718	3,018,718
		Common Stock Warrants (56,559 shares)		83,414	—
			3,082,811	3,102,132	3,018,718
Library Systems & Services, LLC (3%)*	Municipal Business Services	Subordinated Note (12%, Due 03/11)	2,000,000	1,955,206	1,955,206
		Common Stock Warrants (112 shares)		58,995	499,100
			2,000,000	2,014,201	2,454,306
Twin-Star International, Inc. (6%)*	Consumer Home Furnishings Manufacturer	Subordinated Note (13%, Due 04/14)	4,500,000	4,500,000	4,500,000
		Senior Note (8.3%, Due 04/13)	1,500,000	1,500,000	1,500,000
			6,000,000	6,000,000	6,000,000
Subtotal Non-Control / Non-Affiliate Investments			46,539,904	48,270,780	51,656,727
<i>Affiliate Investments:</i>					
Axxiom Manufacturing, Inc. (3%)*	Industrial Equipment Manufacturer	Subordinated Note (14%, Due 01/11)	2,060,171	2,060,171	2,060,171
		Common Stock (34,100 shares)		200,000	556,500
		Common Stock Warrant (1,000 shares)		—	12,500
		2,060,171	2,260,171	2,629,171	
Brantley Transportation, LLC ("Brantley Transportation") and Pine Street Holdings, LLC ("Pine Street") (4) (4%)*	Oil and Gas Services	Subordinated Note – Brantley Transportation (14%, Due 12/12)	3,839,011	3,807,392	3,807,392
		Common Unit Warrants – Brantley Transportation (4,560 common units)		33,600	33,600
		Preferred Units – Pine Street (200 units)		200,000	200,000
		Common Unit Warrants – Pine Street (2,220 units)		—	—
			3,839,011	4,040,992	4,040,992

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Portfolio Company	Industry	Type of Investment (1) (2)	Principal Amount	Cost	Fair Value (3)
Equisales, LLC (7%)*	Energy Products and Services	Subordinated Note (15%, Due 04/12)	6,036,569	6,036,569	6,036,569
		Class A Units (500,000 units)		500,000	500,000
			6,036,569	6,536,569	6,536,569
Genapure Corporation ("Genapure") and Genpref LLC ("Genpref") (5) (1%)*	Lab Testing Services	Genapure Common Stock (4,286 shares)		500,000	584,455
		Genpref Preferred Stock (455 shares)		63,602	74,345
				563,602	658,800
Porter's Group, LLC (4%)*	Metal Fabrication	Subordinated Note (12%, Due 06/10)	2,320,000	2,172,035	2,172,035
		Membership Units (980 units)		250,000	280,700
		Membership Warrants (3,750 Units)		221,154	1,075,300
			2,320,000	2,643,189	3,528,035
Subtotal Affiliate Investments			14,255,751	16,044,523	17,393,567
<i>Control Investments:</i>					
ARC Industries, LLC (3%)*	Remediation Services	Subordinated Note (19%, Due 11/10)	2,527,076	2,527,076	2,527,076
		Membership Units (3,000 units)		175,000	86,500
			2,527,076	2,702,076	2,613,576
Fischbein LLC (14%)*	Packaging and Materials Handling Equipment Manufacturer	Subordinated Note (16.5%, Due 05/13)	8,464,172	8,464,172	8,464,172
		Membership Units (4,200,000 units)		4,200,000	4,200,000
			8,464,172	12,664,172	12,664,172
Subtotal Control Investments			10,991,248	15,366,248	15,277,748
Total Investments, June 30, 2007 (91%)*			\$ 71,786,903	\$ 79,681,551	\$ 84,328,042

* Value as a percent of net assets

- (1) All debt investments are income producing. Common stock, preferred stock and all warrants are non-income producing.
- (2) Interest rates on subordinated debt include cash interest rate and paid-in-kind interest rate.
- (3) All investments are restricted as to resale and were valued at fair value as determined in good faith by the Board of Directors.
- (4) Pine Street Holdings, LLC is the majority owner of Brantley Transportation, LLC and its sole business purpose is its ownership of Brantley Transportation, LLC.
- (5) Genpref is the sole owner of Genapure's preferred stock and its sole business purpose is its ownership of Genapure's preferred stock.

See accompanying notes.

TRIANGLE CAPITAL CORPORATION
Schedule of Investments
December 31, 2006

Portfolio Company	Industry	Type of Investment (1) (2)	Principal Amount	Cost	Fair Value (3)
<i>Non-Control / Non-Affiliate Investments:</i>					
AirServ Corporation (18%)*	Airline Services	Subordinated Note (12%, Due 06/09)	\$ 4,226,813	\$ 4,010,000	\$ 4,010,000
		Common Stock Warrants (1,238,843 shares)		414,285	551,385
			4,226,813	4,424,285	4,561,385
Ambient Air Corporation (16%)*	Specialty Trade Contractors	Subordinated Notes (12%-13%, Due 03/09-3/11)	4,000,000	3,874,015	3,874,015
		Common Stock Warrants (455 shares)		142,361	142,361
			4,000,000	4,016,376	4,016,376
Art Headquarters, LLC (11%)*	Retail, Wholesale and Distribution	Subordinated Note (14%, Due 01/10)	2,680,155	2,652,414	2,652,414
		Membership unit warrants (15% of units (150 units))		40,800	40,800
			2,680,155	2,693,214	2,693,214
Assurance Operations Corporation (15%)*	Auto Components / Metal Fabrication	Subordinated Note (17%, Due 03/12)	3,640,439	3,640,439	3,640,439
		Common Stock (200 shares)		200,000	200,000
			3,640,439	3,840,439	3,840,439
Bruce Plastics, Inc. (6%)*	Plastic Component Manufacturing	Subordinated Note (14%, Due 10/11)	1,500,000	1,395,305	1,395,305
		Common Stock Warrants (12% of common stock)		108,534	108,534
			1,500,000	1,503,839	1,503,839
CV Holdings, LLC (20%)*	Specialty Healthcare Products Manufacturer	Subordinated Note (16%, Due 03/10)	4,683,376	4,683,376	4,683,376
		Royalty rights		—	250,000
			4,683,376	4,683,376	4,933,376
DataPath, Inc. (8%)*	Satellite Communication Manufacturer	Common Stock (210,263 shares)		101,500	2,070,000
				101,500	2,070,000
Eastern Shore Ambulance, Inc. (4%)*	Specialty Health Care Services	Subordinated Note (13%, Due 03/11)	1,000,000	949,099	949,099
		Common Stock Warrants (6% of common stock)		55,268	94,267
		Common Stock (30 shares)		30,000	51,100
			1,000,000	1,034,367	1,094,466
Fire Sprinkler Systems, Inc. (12%)*	Specialty Trade Contractors	Subordinated Notes (13%-17.5%, Due 04/11)	2,713,460	2,713,460	2,713,460
		Common Stock (250 shares)		250,000	250,000
			2,713,460	2,963,460	2,963,460
Flint Acquisition Corporation (18%)*	Specialty Chemical Manufacturer	Subordinated Note (12.5%, Due 09/09)	3,750,000	3,750,000	3,750,000
		Preferred Stock (9,875 shares)		308,333	829,633
			3,750,000	4,058,333	4,579,633

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Portfolio Company	Industry	Type of Investment (1) (2)	Principal Amount	Cost	Fair Value (3)
Garden Fresh Restaurant Corp. (15%)*	Restaurant	Subordinated Note (12.8%, Due 12/11) Membership Units (5,000 units)	3,000,000	3,000,000	3,000,000
				500,000	673,700
			3,000,000	3,500,000	3,673,700
Gerli & Company (12%)*	Specialty Woven Fabrics Manufacturer	Subordinated Note (14%, Due 08/11)	3,052,167	2,981,184	2,981,184
		Common Stock Warrants (56,559 shares)		83,414	83,414
			3,052,167	3,064,598	3,064,598
Library Systems & Services, LLC (9%)*	Municipal Business Services	Subordinated Note (12%, Due 03/11)	2,000,000	1,950,190	1,950,190
		Common Stock Warrants (112 shares)		58,995	189,895
			2,000,000	2,009,185	2,140,085
Numo Manufacturing, Inc. (5%)*	Consumer Products Manufacturer	Subordinated Note (13%, Due 12/10)	2,700,000	2,700,000	1,235,777
		Common Stock Warrants (238 shares)		—	—
			2,700,000	2,700,000	1,235,777
Subtotal Non-Control / Non-Affiliate Investments			38,946,410	40,592,972	42,370,348
<i>Affiliate Investments:</i>					
Axxiom Manufacturing, Inc. (4) (10%)*	Industrial Equipment Manufacturer	Subordinated Note (14%, Due 01/11)	2,039,575	2,039,575	2,039,575
		Common Stock (34,100 shares)		200,000	541,700
			2,039,575	2,239,575	2,581,275
Brantley Transportation, LLC ("Brantley Transportation") and Pine Street Holdings, LLC ("Pine Street") (5) (16%)*	Oil and Gas Services	Subordinated Note - Brantley Transportation (14%, Due 12/12)	3,800,633	3,767,033	3,767,033
		Common Unit Warrants - Brantley Transportation (4,560 common units)		33,600	33,600
		Preferred Units - Pine Street (200 units)		200,000	200,000
		Common Unit Warrants - Pine Street (2,220 units)		—	—
			3,800,633	4,000,633	4,000,633
Genapure Corporation (2%)*	Lab Testing Services	Common Stock (4,286 shares)		500,000	500,000
				500,000	500,000
Porter's Group, LLC (12%)*	Metal Fabrication	Subordinated Note (12%, Due 06/10)	2,410,000	2,242,083	2,242,083
		Membership Units (980 units)		250,000	142,150
		Membership Warrants (3,750 Units)		221,154	545,004
			2,410,000	2,713,237	2,929,237
Subtotal Affiliate Investments			8,250,208	9,453,445	10,011,145

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<u>Portfolio Company</u>	<u>Industry</u>	<u>Type of Investment (1) (2)</u>	<u>Principal Amount</u>	<u>Cost</u>	<u>Fair Value (3)</u>
<i>Control Investments:</i>					
ARC Industries, LLC (10%)*	Remediation Services	Subordinated Note (19%, Due 11/10)	2,439,935	2,439,935	2,439,935
		Membership Units (3,000 units)		175,000	175,000
			2,439,935	2,614,935	2,614,935
Subtotal Control Investments			2,439,935	2,614,935	2,614,935
Total Investments, December 31, 2006 (219%)*			<u>\$ 49,636,553</u>	<u>\$ 52,661,352</u>	<u>\$ 54,996,428</u>

* Value as a percent of net assets

- (1) All debt investments are income producing. Common stock, preferred stock and all warrants are non-income producing.
- (2) Interest rates on subordinated debt include cash interest rate and paid-in-kind interest rate.
- (3) All investments are restricted as to resale and were valued at fair value as determined in good faith by the Board of Directors.
- (4) Does not include a warrant to purchase 1,000 shares of Axxiom's common stock which will be held by the Fund upon completion of the formation transactions described in Note 1.
- (5) Pine Street Holdings, LLC is the majority owner of Brantley Transportation, LLC and its sole business purpose is its ownership of Brantley Transportation, LLC.

See accompanying notes.

TRIANGLE CAPITAL CORPORATION

Notes to Unaudited Financial Statements

1. ORGANIZATION, BASIS OF PRESENTATION AND BUSINESS

Organization

Triangle Capital Corporation (the “Company”) was formed on October 10, 2006 for the purposes of acquiring 100% of the equity interests in Triangle Mezzanine Fund LLLP (the “Fund”) and its general partner, Triangle Mezzanine LLC (“TML”), raising capital in an initial public offering, which was completed in February 2007 (the “Offering”), and thereafter operating as an internally managed business development company (“BDC”) under the Investment Company Act of 1940 (the “1940 Act”).

On February 21, 2007, concurrent with the closing of the Offering, the following formation transactions were consummated (the “Formation Transactions”):

- The Company acquired 100% of the limited partnership interests in the Fund in exchange for approximately 1.9 million shares of the Company’s common stock, which became the Company’s wholly owned subsidiary, retained its license under the authority of the United States Small Business Administrations (“SBA”) to operate as a Small Business Investment Company (“SBIC”) and continues to hold its existing investments and make new investments with the proceeds of the Offering.
- The Company acquired 100% of the equity interests in TML, and the management agreement between the Fund and Triangle Capital Partners, LLC was terminated.

The Offering consisted of the sale of 4,770,000 shares of Common Stock at a price of \$15 per share, resulting in net proceeds of approximately \$64.7 million, after deducting offering costs totaling approximately \$6.8 million.

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 (previously employed by the Fund’s external manager) under the supervision of its board of directors. For all periods subsequent to the consummation of the Offering and the Formation Transactions, 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 the Company and its wholly-owned subsidiary, Triangle Mezzanine Fund LLLP. The Formation Transactions involved an exchange of shares of the Company’s common stock between companies under common control. In accordance with the guidance on exchanges of shares between entities under common control contained in Statement of Financial Accounting Standards No. 141, *Business Combinations* (“SFAS 141”), the Company’s results of operations and cash flows for the three and six months ended June 30, 2007 are presented as if the Formation Transactions had occurred as of January 1, 2007. In addition, in accordance with SFAS 141, the results of the Company’s operations and its cash flows for the three and six months ended June 30, 2006 and the Company’s financial position as of December 31, 2006 have been presented on a combined basis in order to provide comparative information with respect to prior periods. The Company’s financial position as of June 30, 2007 is presented on a consolidated basis. The effects of all intercompany transactions between the Company and its subsidiaries have been eliminated in consolidation/combination. All financial data and information included in these financial statements have been presented on the basis describe above.

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 accruals considered necessary for the fair presentation of financial statements for the interim period, have been included. The current period’s results of operations are not necessarily indicative of results that ultimately may be achieved for the year. Therefore, 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, 2006. 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.

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Business

The Company is a specialty finance company that provides customized financing solutions primarily to middle market companies located throughout the United States, particularly in the Southeast. On September 11, 2003, the Fund was licensed to operate as a SBIC under the authority of the SBA. As an SBIC, the Fund is subject to a variety of regulations concerning, among other things, the size and nature of the companies in which it may invest and the structure of those investments.

Dividends

The Company has adopted a dividend reinvestment plan ("DRIP") that provides for reinvestment of dividends on behalf of its shareholders, unless a shareholder elects to receive cash. As a result, when the Company declares a dividend, shareholders who have not opted out of the DRIP will have their dividends automatically reinvested in additional shares of the Company's common stock, rather than receiving cash dividends.

On May 9, 2007, the Company declared a dividend of \$0.15 per common share for the first quarter of 2007, payable on June 28, 2007 to shareholders of record on May 31, 2007. The total amount of the dividend was approximately \$1.0 million, of which approximately \$358,000 was paid in cash and approximately \$645,000 was reinvested in new shares of the Company's common stock.

Allocations and Distributions of the Fund

Prior to the consummation of the Formation Transactions, cumulative net increase in net assets resulting from operations was allocated to the partners in the following order: first, to the extent of the limited partners' preferred return, second, to the General Partner until its allocation equaled 20.0% of the limited partners' preferred return divided by 80.0% and third, 80.0% to the limited partners and 20.0% to the General Partner of any remaining amounts. The limited partners' preferred return was an amount equal to 7.0%, compounded annually, of the partners' net capital contribution. Cumulative net losses were allocated to the partners in proportion to their capital contributions.

In addition, prior to the consummation of the Formation Transactions, distributions generally were allocated to the partners in the following order: first, to the extent of the income taxes imposed on the partner with respect to income allocated to the partner, second, to each limited partner to the extent of the limited partner's preferred return, third, to each partner to the extent of contributed capital, fourth, to the General Partner until its allocation equals 20.0% of the cumulative distributions and fifth, 80.0% to the limited partners and 20.0% to the General Partner. Distributions were at the discretion of the General Partner. During the six months ended June 30, 2007, the Fund distributed \$751,613 in cash to the General and Limited Partners of the Fund. After consummation of the Formation Transactions, distributions of the Fund are allocated 100% to the Company.

Management Fee

Prior to the consummation of the Formation Transactions, the Fund was managed by Triangle Capital Partners, LLC, a related party that is majority-owned by the Company's Chief Executive Officer and two of the Company's managing directors. Triangle Capital Partners, LLC was entitled to a quarterly management fee, which was payable at an annual rate of 2.5% of total aggregate subscriptions of all institutional partners and capital available from the SBA. Payments of the management fee were made quarterly in advance. Certain direct expenses such as legal, audit, tax and limited partner expense were the responsibility of the Fund. The management fees for the six months ended June 30, 2007 were \$232,423 and for the three and six months ended June 30, 2006 were \$398,439 and \$792,191, respectively. In conjunction with the consummation of the Formation Transactions in February 2007, the management agreement was terminated.

Recently Issued Accounting Standards

In February 2006, the FASB issued FASB Statement No. 155, *Accounting for Certain Hybrid Financial Instruments*, an amendment of FASB Statements No. 133 and 140. This Statement was effective for all financial instruments acquired or issued after the beginning of an entity's first fiscal year that begins after September 15, 2006. The adoption of this statement did not have a material impact on the Company's financial position, results of operations or cash flows.

In July 2006, the FASB released FASB Interpretation No. 48, *Accounting for Uncertainty in Income Taxes* ("FIN 48"). FIN 48 provides guidance for how uncertain tax positions should be recognized, measured, presented and disclosed in the financial statements. FIN 48 requires the evaluation of tax positions taken or expected to be taken in the course of preparing the Company's tax returns to determine whether the tax positions are "more-likely-than-not" of being sustained by the applicable tax authority. Tax positions deemed to meet the more-likely-than-not threshold would be recorded as a tax benefit or expense in the current year. Adoption of FIN 48 is required for fiscal years beginning after December 15, 2006 and is to be applied to all open tax years as of the effective date. The adoption of this statement did not have a material impact on the Company's financial position, results of operations or cash flows.

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In September 2006, the FASB issued Statement of Financial Accounting Standards No. 157, *Fair Value Measurements* (“SFAS 157”), which defines fair value, establishes a framework for measuring fair value in generally accepted accounting principles (“GAAP”), and expands disclosures about fair value measurements. This Statement applies under other accounting pronouncements that require or permit fair value measurements, the FASB having previously concluded in those accounting pronouncements that fair value is the relevant measurement attribute. SFAS 157 is effective for financial statements issued for fiscal years beginning after November 15, 2007, and interim periods within those fiscal years. The Company is currently evaluating the impact on its financial statements of adopting SFAS 157.

In February 2007, the FASB issued Statement of Financial Accounting Standards No. 159, *The Fair Value Option for Financial Assets and Financial Liabilities—Including an amendment of FASB Statement No. 115* (“SFAS 159”), which permits entities to choose to measure many financial instruments and certain other items at fair value. The objective of SFAS 159 is to improve financial reporting by providing entities with the opportunity to mitigate volatility in reported earnings caused by measuring related assets and liabilities differently without having to apply complex hedge accounting provisions. This Statement is expected to expand the use of fair value measurement, which is consistent with the Board’s long-term measurement objectives for accounting for financial instruments. Under SFAS 159, unrealized gains and losses on items for which the fair value option has been elected are reported in earnings (or another performance indicator if the business entity does not report earnings) at each subsequent reporting date. SFAS 159 is effective for financial statements issued for fiscal years beginning after November 15, 2007, and interim periods within those fiscal years. The Company is currently evaluating the impact on its financial statements of adopting SFAS 159.

2. INVESTMENTS

Summaries of the composition of the Company’s investment portfolio at cost and fair value as a percentage of total investments are shown in the following tables:

	Cost	Percentage of Total Portfolio	Fair Value	Percentage of Total Portfolio
June 30, 2007:				
Subordinated debt	\$69,519,505	88%	\$69,519,505	82%
Senior debt	1,500,000	2	1,500,000	2
Equity shares	7,478,435	9	9,711,900	12
Equity warrants	1,183,611	1	3,229,737	4
Royalty rights	—	—	366,900	—
	\$79,681,551	100%	\$84,328,042	100%

December 31, 2006:				
Subordinated debt	\$48,788,108	93%	\$47,323,885	86%
Equity shares	2,714,833	5	5,633,283	10
Equity warrants	1,158,411	2	1,789,260	3
Royalty rights	—	—	250,000	1
	\$52,661,352	100%	\$54,996,428	100%

The Company invests in portfolio companies in the United States, with an emphasis on the Southeast. The following tables show the portfolio composition by geographic location at cost and fair value as a percentage of total investments. The geographic composition is determined by the location of the corporate headquarters of the portfolio company.

	Cost	Percentage of Total Portfolio	Fair Value	Percentage of Total Portfolio
June 30, 2007:				
Southeast	\$50,578,830	63%	\$54,101,330	64%
Non-Southeast	29,102,721	37	30,226,712	36
	\$79,681,551	100%	\$84,328,042	100%
December 31, 2006:				
Southeast	\$27,500,525	52%	\$30,403,524	55%
Non-Southeast	25,160,827	48	24,592,904	45
	\$52,661,352	100%	\$54,996,428	100%

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Valuation of Investments

The Company invests primarily in debt and equity of privately held companies for which market prices are not available. Therefore, the Company values its investments at fair value, as determined in good faith by the Board of Directors. Due to the inherent uncertainty in the valuation process, the Board of Directors' estimate of fair value may differ significantly from the values that would have been used had a ready market for the securities existed, and the differences could be material. 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.

Debt and equity securities that are not publicly traded and for which a market does not exist are valued at fair value as determined in good faith by the Board of Directors. There is no single standard for determining fair value in good faith, as fair value depends upon the facts and circumstances of each individual case. In general, fair value is the amount that the Company might reasonably expect to receive upon the current sale of the security which, for investments that are less than nine months old, typically equates to the original cost basis unless there has been significant over-performance or under-performance by the portfolio company or an extraordinary event affecting the portfolio company. In making the good faith determination of the value of these securities, the Company starts with the cost basis of the security, which includes the amortized original issue discount, and payment-in-kind (PIK) interest, if any. Management evaluates the investments in portfolio companies using the portfolio company's most recent financial statements and forecasts. Management also consults with the portfolio company's senior management to obtain further updates on the portfolio company's performance, including information such as industry trends, new product development and other operational issues. In addition, when evaluating equity securities of private companies, the Company considers common valuation techniques used by qualified valuation professionals. These valuation techniques consist of (i) valuation using a valuation model based on original transaction multiples and the portfolio company's recent financial performance, (ii) valuation of the securities based on recent sales in comparable transactions and (iii) a review of similar companies that are publicly traded and the market multiple of their equity securities. The Company also 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. The risk rating system covers both qualitative and quantitative aspects of the business and the securities held.

Duff & Phelps, LLC ("Duff & Phelps"), an independent valuation firm, provides third party valuation consulting services to the Company which consist of certain limited procedures that the Company identified and requested Duff & Phelps to perform (hereinafter referred to as the "procedures"). It is the Company's policy to request Duff & Phelps to perform the procedures on 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.

As of September 30, 2006, the Company asked Duff & Phelps to perform the procedures on investments in 17 portfolio companies comprising 100% of the total investments at fair value as of September 30, 2006. As of December 31, 2006, the Company asked Duff & Phelps to perform the procedures on investments in six portfolio companies comprising approximately 41% of the total investments at fair value (exclusive of the fair value of new investments made during the quarter) as of December 31, 2006. For the quarter ended March 31, 2007, the Company asked Duff & Phelps to perform the procedures on investments in five portfolio companies comprising approximately 26% of the total investments at fair value (exclusive of the fair value of new investments made during the quarter) as of March 31, 2007. For the quarter ended June 30, 2007, the Company asked Duff & Phelps to perform the procedures on investments in five portfolio companies comprising approximately 28% of the total investments at fair value (exclusive of the fair value of new investments made during the quarter) as of June 30, 2007. Upon completion of the procedures, Duff & Phelps concluded that the fair value, as determined by the Board of Directors, of those investments subjected to the procedures did not appear to be unreasonable. The Board of Directors of Triangle Capital Corporation, is ultimately and solely responsible for determining the fair value of the Company's investments in good faith.

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-related securities received. Any resulting discount on the loan from recordation of the warrant or other equity instruments is 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 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.

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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 or has greater than 50.0% representation on its board. The Company is deemed to be an affiliate of a company in which the Company has invested if the Company 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. The Company will stop accruing interest on investments and write off any previously accrued and uncollected interest when it is determined that interest is no longer collectible. Dividend income is recorded on the ex–dividend date.

Fee Income

Loan origination, facility, commitment, consent and other advance fees received in connection with loan agreements are recorded as deferred income and recognized as income over the term of the loan. Loan prepayment penalties are recorded into income when received. Any previously deferred fees are immediately recorded into income upon prepayment of the related loan.

Payment in Kind Interest

The Company holds 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 and is recorded as interest income. Thus, the actual collection of this interest generally occurs at the time of loan principal repayment. The Company will generally cease accruing PIK interest if there is insufficient value to support the accrual or if the investee is not expected to be able to pay all principal and interest due.

Concentration of Credit Risk

The Company’s investees are generally lower middle–market companies in a variety of industries. As of June 30, 2007, there was one investment that represented greater than 10% of the Company’s portfolio and as of December 31, 2006, there was no individual investment greater than 10% 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: 1) investing in lower middle market companies which have a limited operating history and financial resources; 2) investing in senior subordinated debt which ranks equal to or lower than debt held by other investors; 3) holding investments that are not publicly traded and are subject to legal and other restrictions on resale, as well as other risks common to investing in below investment grade debt and equity instruments.

3. INCOME TAXES

The Company intends to elect to be treated as a Regulated Investment Company (“RIC”) under Subchapter M of the Internal Revenue Code of 1986, as amended (the “Code”), effective as of January 1, 2007. As a RIC, so long as the Company meets certain minimum distribution, source-of-income and asset diversification requirements, the Company generally will be 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. As a RIC, the Company intends to distribute to its stockholders substantially all of its income, except for certain net long-term capital gains. The Company intends to make deemed distributions to its stockholders of any such retained net long-term capital gains. Accordingly, no provision for income taxes is included in the financial statements.

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4. LONG-TERM DEBT

The Company has the following debentures outstanding guaranteed by the SBA:

Issuance Date	Maturity Date	Prioritized Return Rate	June 30, 2007	December 31, 2006
September 22, 2004	September 1, 2014	5.539%	\$ 8,700,000	\$ 8,700,000
March 23, 2005	March 1, 2015	5.893%	13,600,000	13,600,000
September 28, 2005	September 1, 2015	5.796%	9,500,000	9,500,000
February 1, 2007	March 1, 2017	6.231%	4,000,000	—
			<u>\$35,800,000</u>	<u>\$31,800,000</u>

Interest payments are payable semi-annually. There are no principal payments required on these issues prior to maturity. Debentures issued prior to September 2006 were subject to prepayment penalties during their first five years. Those pre-payment penalties no longer apply to debentures issued after September 1, 2006.

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 up to twice the amount of its Regulatory Capital. As of June 30, 2007, the maximum statutory limit on the dollar amount of outstanding SBA guaranteed debentures issued by a single SBIC is \$127.2 million (which amount is subject to increase on an annual basis based on cost of living increases). With \$63.3 million of Regulatory Capital as of June 30, 2007, the Fund has the current capacity to issue up to a total of \$126.5 million of SBA guaranteed debentures, subject to the payment of a 1% commitment fee to the SBA on the amount of the commitment. Currently, the Fund has paid commitment fees for and has a commitment from the SBA to issue a total of \$41.9 million of SBA guaranteed debentures, of which \$35.8 million are outstanding as of June 30, 2007. In order to access the additional \$84.6 million in borrowing capacity for which the Fund is currently eligible, the Fund would incur non-refundable commitment fees of \$846,000. In addition to the one-time 1.0% fee on the total commitment from the SBA, the Company also pays a one-time 2.5% fee on the amount of each 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. The weighted average interest rates for all SBA guaranteed debentures as of June 30, 2007 and December 31, 2006 were 5.819% and 5.767%, respectively.

5. FINANCIAL HIGHLIGHTS

The following is a schedule of financial highlights for the six months ended June 30, 2007 and 2006:

	Six Months Ended June 30, 2007	2006(1)
Per share data:		
Net asset value at beginning of period(2)	\$ 13.44	N/A
Net investment income(3)	0.37	N/A
Net realized loss on investments(3)	(0.22)	N/A
Net unrealized appreciation on investments(3)	0.34	N/A
Total increase from investment operations(3)	0.49	N/A
Cash dividends paid	(0.05)	
Distribution to partners(3)	(0.03)	N/A
Other(4)	(0.10)	
Net asset value at end of period	\$ 13.75	N/A
Market value at end of period	\$ 14.17	N/A
Shares outstanding at end of period	6,732,862	N/A
Net assets at end of period	\$92,602,671	\$26,685,505
Average net assets(2)	\$90,820,387	\$17,851,583
Ratio of operating expenses to average net assets (annualized)	6.5%	20.2%
Ratio of net investment income to average net assets (annualized)	5.4%	16.8%
Portfolio turnover ratio	2.7%	10.0%
Total Return(5)	(4.5%)	N/A

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- (1) Per share data for the six months ended June 30, 2006 is not presented as there were no shares of Triangle Capital Corporation outstanding during the period.
- (2) Net asset value as of January 1, 2007 and average net assets for the six months ended June 30, 2007 are presented as if the Offering and Formation Transactions had occurred on January 1, 2007. See Note 1 for a further description of the basis of presentation of the Company's financial statements.
- (3) Weighted average basic per share data.
- (4) Represents the impact of the different share amounts used in calculating per share data as a result of calculating 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.
- (5) The total return for the six months ended June 30, 2007 equals the change in the ending market value of the Company's common stock from the Offering price of \$15.00 per share plus dividends paid per share during the period, divided by the Offering price. Total return is not annualized.

6. SUBSEQUENT EVENTS

On July 11, 2007, Ambient Air Corporation prepaid a portion of its outstanding indebtedness to the Company totaling \$855,346, plus accrued interest. In connection with this prepayment, the company recognized prepayment fee income of \$12,579.

On July 20, 2007, the Company invested approximately \$4.3 million and \$0.9 million in first lien and second lien senior debt, respectively, of Cyrus Networks, LLC ("Cyrus Networks"), a provider of data center services based in Houston, Texas. Under the terms of the investments, Cyrus Networks will pay interest on the first lien senior debt at a floating rate of LIBOR plus 400 basis points per annum and will pay interest on the second lien senior debt at a floating rate of LIBOR plus 725 basis points per annum.

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

The following discussion is designed to provide a better understanding of our unaudited consolidated financial statements, including a brief discussion of our business, key factors that impacted our performance and a summary of our operating results. As discussed further in Note 1 to our unaudited financial statements, on February 21, 2007, concurrent with the closing of our initial public offering (the "Offering"), we acquired Triangle Mezzanine Fund LLLP (the "Fund") and the Fund's General Partner, Triangle Mezzanine LLC ("TML") in exchange for shares of our common stock. These acquisitions constituted an exchange of shares between entities under common control. In accordance with the guidance on exchanges of shares between entities under common control contained in Statement of Financial Accounting Standards No. 141, *Business Combinations*, the financial data and information discussed herein for the three and six months ended June 30, 2007 are presented as if the acquisition had occurred as of January 1, 2007. In addition, the results of our operations and cash flows for the three and six months ended June 30, 2006 and our financial position as of December 31, 2006 are presented on a combined basis in order to provide comparative information with respect to prior periods.

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 the year ended December 31, 2006. 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.

Overview of Our Business

We are a Maryland corporation incorporated on October 10, 2006, for the purposes of acquiring the Fund and TML, raising capital in the Offering and thereafter operating as an internally managed business development company, or BDC under the Investment Company Act of 1940. The Fund is licensed as a small business investment company, or SBIC, by the United States Small Business Administration, or SBA, and has also elected to be treated as a BDC. The Fund has invested primarily in debt instruments, equity investments, warrants and other securities of lower middle market privately held companies located in the United States. Upon the consummation of the Offering, we completed the Formation Transactions described in footnote 1 to our unaudited financial statements included in Item 1 of Part I of this Quarterly Report, at which time the Fund became our wholly-owned subsidiary, and the former partners of the Fund became our stockholders.

Our business is to provide capital to lower middle market companies in the United States with an emphasis on the Southeast. We define lower middle market companies as those with annual revenues between \$10.0 and \$100.0 million. 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 and \$75.0 million and annual earnings before interest, taxes, depreciation and amortization, or EBITDA, between \$2.0 and \$10.0 million.

We invest primarily in senior subordinated debt securities secured by second lien security interests in portfolio company assets, coupled with equity interests. Historically, our investments have ranged from \$2.0 to \$4.0 million due to investment limitations imposed by the SBA based on the Fund's size prior to the Offering. In certain situations, we have partnered with other funds to provide larger financing commitments. With the additional capital from the Offering, we have increased our financing commitments to between \$5.0 and \$15.0 million per portfolio company.

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 11.0% and 15.0% 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 that is 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, 2007 and December 31, 2006, the weighted average yield on all of our outstanding debt investments (including PIK interest) was approximately 14.2% and 14.0%, respectively. The weighted average yield on all of our outstanding investments (including equity and equity-linked investments) was approximately 12.9% and 13.3% as of June 30, 2007 and December 31, 2006, respectively.

The Fund is eligible to sell debentures guaranteed by the SBA to the capital markets at favorable interest rates and invest these funds in portfolio companies. We intend to continue to operate the Fund as an SBIC, subject to SBA approval, and to utilize the proceeds of the sale of SBA-guaranteed debentures, referred to herein as SBA leverage, to make additional investments and thus enhance returns to our stockholders.

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Portfolio Composition and Investment Activity

The total value of our investment portfolio was \$84.3 million as of June 30, 2007, as compared to \$55.0 million as of December 31, 2006. As of June 30, 2007, we had investments in 22 portfolio companies with an aggregate cost of \$79.7 million. As of December 31, 2006, we had investments in 19 portfolio companies with an aggregate cost of \$52.7 million. As of June 30, 2007, we had one portfolio investment that represented greater than 10% of the total fair value of our investment portfolio. As of December 31, 2006, none of our portfolio investments represented greater than 10% of the total fair value of our investment portfolio.

As of June 30, 2007 and December 31, 2006, our investment portfolio consisted of the following investments:

	Cost	Percentage of Total Portfolio	Fair Value	Percentage of Total Portfolio
June 30, 2007:				
Subordinated debt	\$69,519,505	88%	\$69,519,505	82%
Senior debt	1,500,000	2	1,500,000	2
Equity shares	7,478,435	9	9,711,900	12
Equity warrants	1,183,611	1	3,229,737	4
Royalty rights	—	—	366,900	—
	\$79,681,551	100%	\$84,328,042	100%

December 31, 2006:

Subordinated debt	\$48,788,108	93%	\$47,323,885	86%
Equity shares	2,714,833	5	5,633,283	10
Equity warrants	1,158,411	2	1,789,260	3
Royalty rights	—	—	250,000	1
	\$52,661,352	100%	\$54,996,428	100%

A summary of our investment portfolio by the geographic location of our portfolio companies is as follows:

	Cost	Percentage of Total Portfolio	Fair Value	Percentage of Total Portfolio
June 30, 2007:				
Southeast	\$50,578,830	63%	\$54,101,330	64%
Non-Southeast	29,102,721	37	30,226,712	36
	\$79,681,551	100%	\$84,328,042	100%
December 31, 2006:				
Southeast	\$27,500,525	52%	\$30,403,524	55%
Non-Southeast	25,160,827	48	24,592,904	45
	\$52,661,352	100%	\$54,996,428	100%

During the six months ended June 30, 2007, we made four new investments totaling \$29.3 million and one additional equity investment in an existing portfolio company totaling approximately \$0.1 million. We also sold one investment in a portfolio company for approximately \$1.2 million, resulting in a realized loss of approximately \$1.5 million. In addition, we received normal principal repayments and PIK interest repayments totaling approximately \$0.4 million in the six months ended June 30, 2007. Total portfolio investment activity for the six months ended June 30, 2007 was as follows:

	Six Months Ended June 30, 2007
Fair value of portfolio, January 1, 2007	\$ 54,996,428
Purchase of investments	29,413,602
Proceeds from sale of investment	(1,235,777)
Principal repayments and payment in kind interest payments received	(423,310)
Payment in kind interest earned	623,660
Accretion of loan discounts	106,248
Net unrealized gain on investments	847,191
Fair value of portfolio, June 30, 2007	\$ 84,328,042

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Results of Operations

Comparison of three months ended June 30, 2007 and June 30, 2006

Investment Income

For the three months ended June 30, 2007, total investment income was \$3.3 million, a 73% increase from \$1.9 million of total investment income for the three months ended June 30, 2006. This increase was primarily attributable to (i) a \$0.7 million increase in total loan interest, fee and dividend income due to net increase in our portfolio investments from June 30, 2006 to June 30, 2007 and (ii) a \$0.6 million increase in interest income from cash and cash equivalent investments due to a significant increase in average cash balances in the second quarter of 2007 over the comparable period in 2006 due to the receipt of proceeds of \$64.7 million from our Offering in February 2007.

Expenses

For the three months ended June 30, 2007, expenses increased by 82% to \$1.6 million from \$0.9 million for the three months ended June 30, 2006. The increase in expenses was primarily attributable to a \$1.1 million increase in general and administrative expenses. As a result of the Offering and the Formation Transactions described in Note 1 to our unaudited financial statements, we are an internally managed investment company and on February 21, 2007, we began incurring general and administrative costs associated with employing our executive officers, key investment personnel and corporate professionals and other general corporate overhead costs. In addition, we experienced an increase in general and administrative costs associated with being a publicly-traded company, such as increased insurance, accounting, corporate governance and legal costs. These increases in general and administrative costs were partially offset by a \$0.4 million decrease in management fees. We incurred a full quarter of management fees in the second quarter of 2006 and incurred no management fees in the second quarter of 2007.

Net Investment Income

As a result of the \$1.4 million increase in total investment income and the \$0.7 million increase in expenses, net investment income for the three months ended June 30, 2007 was \$1.6 million compared to net investment income of \$1.0 million during the three months ended June 30, 2006.

Net Increase in Net Assets Resulting From Operations

During the three months ended June 30, 2007, we recorded net unrealized appreciation of investments in the amount of \$0.6 million, comprised of unrealized gains on eight investments totaling \$1.2 million and unrealized losses on eleven investments totaling \$0.6 million. We recognized no realized gains or losses on investments during the three months ended June 30, 2007.

For the three months ended June 30, 2006, net realized gain on investments was \$6.0 million which related to realized gains on two investments. During the three months ended June 30, 2006, we recorded net unrealized depreciation of investments in the amount of \$2.8 million, consisting of (i) an unrealized loss on one investment totaling \$2.7 million, (ii) an unrealized loss reclassification adjustment of approximately \$0.7 million related to the realized gains noted above and (iii) unrealized gains on three investments totaling \$0.6 million.

As a result of these events, our net increase in net assets from operations during the three months ended June 30, 2007 was \$2.2 million as compared to \$4.2 million for the three months ended June 30, 2006.

Comparison of six months ended June 30, 2007 and June 30, 2006

Investment Income

For the six months ended June 30, 2007, total investment income was \$5.4 million, a 64% increase from \$3.3 million of total investment income for the six months ended June 30, 2006. This increase was primarily attributable to (i) a \$1.1 million increase in total loan interest, fee and dividend income due to a net increase in our portfolio investments from June 30, 2006 to June 30, 2007 and (ii) a \$0.9 million increase in interest income from cash and cash equivalent investments due to a significant increase in average cash balances in the first six months of 2007 over the comparable period in 2006 due to the receipt of proceeds of \$64.7 million from our Offering in February 2007.

Expenses

For the six months ended June 30, 2007, expenses increased by 64% to \$3.0 million from \$1.8 million for the six months ended June 30, 2006. The increase in expenses was primarily attributable to a \$1.6 million increase in general and administrative expenses.

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As a result of the Offering and the Formation Transactions described in Note 1 to our unaudited financial statements, we are an internally managed investment company and on February 21, 2007, we began incurring general and administrative costs associated with employing our executive officers, key investment personnel and corporate professionals and other general corporate overhead costs. In addition, we experienced an increase in general and administrative costs associated with being a publicly-traded company, such as increased insurance, accounting, corporate governance and legal costs. These increases in general and administrative costs were partially offset by a \$0.6 million decrease in management fees. We incurred a full six months of management fees in the first half of 2006 and only incurred management fees through February 21, 2007 in the first six months of 2007.

Net Investment Income

As a result of the \$2.1 million increase in total investment income and the \$1.2 million increase in expenses, net investment income for the six months ended June 30, 2007 was \$2.4 million compared to net investment income of \$1.5 million during the six months ended June 30, 2006.

Net Increase in Net Assets Resulting From Operations

For the six months ended June 30, 2007, net realized loss on investments was \$1.5 million which related to a realized loss on one investment. During the six months ended June 30, 2007, we recorded net unrealized appreciation of investments in the amount of \$2.3 million, comprised primarily of an unrealized gain reclassification adjustment of approximately \$1.5 million related to the realized loss noted above. In addition, in the six months ended June 30, 2007, we recorded unrealized gains on eleven other investments totaling \$2.0 million and unrealized losses on eight investments totaling \$1.1 million.

For the six months ended June 30, 2006, net realized gain on investments was \$6.0 million which related to realized gains on two investments. During the six months ended June 30, 2006, we recorded net unrealized depreciation of investments in the amount of \$2.8 million, consisting of (i) an unrealized loss on one investment totaling \$2.7 million, (ii) an unrealized loss reclassification adjustment of approximately \$0.7 million related to the realized gains noted above and (iii) unrealized gains on three investments totaling \$0.6 million.

As a result of these events, our net increase in net assets from operations during the six months ended June 30, 2007 was \$3.3 million as compared to \$4.7 million for the six months ended June 30, 2006.

Liquidity and Capital Resources

We believe that our current cash and cash equivalents on hand, our anticipated cash flows from operations and the proceeds from our recent Offering will be adequate to meet our cash needs for our daily operations for at least the next twelve months.

Cash Flows

For the six months ended June 30, 2007, we experienced a net increase in cash and cash equivalents in the amount of \$42.6 million. During that period, our operating activities used \$25.9 million in cash, and we generated \$68.5 million of cash from financing activities, consisting primarily of (i) proceeds from our Offering of \$64.7 million, (ii) proceeds from borrowings under SBA guaranteed debentures payable of \$4.0 million and (iii) a decrease in deferred offering costs of \$1.0 million, partially offset by cash dividends paid of \$0.4 million, tax distributions to partners of \$0.8 million and financing fees paid to the SBA of \$0.1 million. At June 30, 2007, we had \$45.1 million of cash and cash equivalents on hand.

For the six months ended June 30, 2006, we experienced a net increase in cash and cash equivalents in the amount of \$7.2 million. During that period, we used \$3.4 million in cash to fund operating activities, and we generated \$10.6 million of cash from financing activities consisting solely of limited partner capital contributions. We invested the entire \$10.6 million of cash from financing activities in new and existing portfolio companies during the first half of 2006.

As of June 30, 2007, our net assets totaled \$92.6 million, with a net asset value per share of \$13.75, and we had approximately \$45.1 million in cash and cash equivalents. We intend to generate additional cash from cash flows from operations, including income earned from investments in our portfolio companies and from the temporary investment of cash in short-term money market accounts. Our primary use of funds will be to make investments in portfolio companies, pay operating expenses and pay interest on our SBA guaranteed debentures. After we have used our current capital resources, we expect to raise additional capital to support our future growth through future equity offerings and/or future issuances of SBA backed debentures, to the extent permitted by the SBA and the 1940 Act.

Financing Transactions

Due to the Fund's status as a licensed SBIC, the Fund has the ability to issue SBA guaranteed debentures at favorable interest

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rates. 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 up to twice the amount of its Regulatory Capital. As of June 30, 2007, the maximum statutory limit on the dollar amount of outstanding SBA guaranteed debentures issued by a single SBIC is \$127.2 million (which amount is subject to increase on an annual basis based on cost of living increases). With \$63.3 million of Regulatory Capital as of June 30, 2007, the Fund has the current capacity to issue up to a total of \$126.5 million of SBA guaranteed debentures, subject to the payment of a 1% commitment fee to the SBA in the amount of the commitment. Currently, the Fund has paid commitment fees for and has a commitment from the SBA to issue a total of \$41.9 million of SBA guaranteed debentures, of which \$35.8 million are outstanding as of June 30, 2007. In order to access the additional \$84.6 million in borrowing capacity for which the Fund is currently eligible, the Fund would incur non-refundable commitment fees of \$846,000.

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. Debentures issued prior to September 1, 2006 were subject to pre-payment penalties during their first five years. Those pre-payment penalties no longer apply to debentures issued after September 1, 2006. As of June 30, 2007, the Fund had issued \$35.8 million of debentures guaranteed by the SBA, which debentures had a weighted average interest rate of 5.82% per annum.

Critical Accounting Policies and Use of Estimates

The preparation of our financial statements in accordance with accounting principles generally accepted in the United States 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 value our investment portfolio each quarter. As discussed below, we have engaged an independent valuation firm to assist us in our valuation process.

Securities that are publicly traded, if any, are valued at the closing price of the exchange or securities market on which they are listed on the valuation date. Securities that are not traded on a public exchange or securities market but for which a limited market exists are valued at the indicative bid price offered on the valuation date. As of June 30, 2007, none of the debt securities in our portfolio were publicly traded or had a limited market, and there was a limited market for one of the equity securities we owned.

Debt and equity securities that are not publicly traded and for which a market does not exist are valued at fair value as determined in good faith by our board of directors. There is no single standard for determining fair value in good faith, as fair value depends upon the facts and circumstances of each individual case. In general, fair value is the amount that we might reasonably expect to receive upon the current sale of the security which, for investments that are less than nine months old, typically equates to our original cost basis, unless there has been significant over-performance or under-performance by the portfolio company. In making the good faith determination of the value of these securities, we start with the cost basis of the security, which includes the amortized original issue discount, and PIK interest, if any. Management evaluates our investments in portfolio companies using the most recent portfolio company financial statements and forecasts. Management also consults with portfolio company senior management to obtain further updates on the portfolio company's performance, including information such as industry trends, new product development and other operational issues. In addition, when evaluating equity securities of private companies, we consider standard valuation techniques used by major valuation firms. These valuation techniques consist of: discounted cash flow of the expected sale price in the future, valuation of the securities based on recent sales in comparable transactions, and a review of similar companies that are publicly traded and the market multiple of their equity securities.

Unrealized appreciation or depreciation on portfolio investments are recorded as increases or decreases in investments on the balance sheets and are separately reflected on the statements of operations in determining net increase or decrease in net assets resulting from operations.

We seek to determine the value of the security as if we intended to sell the security at the time of the valuation. To estimate the current sale price of the security, we consider some or all of the following factors:

- financial standing of the issuer of the security;

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- comparison of the business and financial plan of the issuer with actual results;
- the size of the security held as it relates to the liquidity of the market for such security;
- pending public offering of common stock by the issuer of the security;
- 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;
- discount from market value of unrestricted securities of the same class at the time of purchase;
- special reports prepared by analysts;

- 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; and
- other pertinent factors.

Due to the uncertainty inherent in the valuation process, such estimates of fair value may differ significantly from the values that would have been obtained had a ready market for the securities existed, and the differences could be material. Additionally, 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.

Duff & Phelps, LLC ("Duff & Phelps"), an independent valuation firm, provides third party valuation consulting services to us, which consist of certain limited procedures that we identified and requested Duff & Phelps to perform (hereinafter referred to as the "procedures"). It is our policy to request Duff & Phelps to perform the procedures on 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.

As of September 30, 2006, we asked Duff & Phelps to perform the procedures on investments in 17 portfolio companies comprising 100% of the total investments at fair value as of September 30, 2006. As of December 31, 2006, we asked Duff & Phelps to perform the procedures on investments in six portfolio companies comprising approximately 41% of the total investments at fair value (exclusive of the fair value of new investments made during the quarter) as of December 31, 2006. For the quarter ended March 31, 2007, we asked Duff & Phelps to perform the procedures on investments in five portfolio companies comprising approximately 26% of the total investments at fair value (exclusive of the fair value of new investments made during the quarter) as of March 31, 2007. For the quarter ended June 30, 2007, we asked Duff & Phelps to perform the procedures on investments in five portfolio companies comprising approximately 28% of the total investments at fair value (exclusive of the fair value of new investments made during the quarter) as of June 30, 2007. Upon completion of the procedures, Duff & Phelps concluded that the fair value, as determined by the Board of Directors, of those investments subjected to the procedures did not appear to be unreasonable. Our Board of Directors is ultimately and solely responsible for determining the fair value of our investments in good faith.

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. We stop accruing interest on investments and 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.

Fee Income

Loan origination, facility, commitment, consent and other advance fees received by us on loan agreements or other investments are recorded as deferred income and recognized as income over the term of the loan.

Payment-in-Kind Interest (PIK)

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 added to the principal balance of the loan, rather than being paid to us in cash, and recorded as interest income. To maintain our status as a RIC, this non-cash source of income must be paid out to stockholders in the form of dividends, even though we have not yet collected the cash. We will stop accruing PIK interest and write off any accrued and uncollected interest when it is determined that PIK interest is no longer collectible.

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Recently Issued Accounting Standards

In February 2006, the FASB issued FASB Statement No. 155, *Accounting for Certain Hybrid Financial Instruments*, an amendment of FASB Statements No. 133 and 140. This Statement was effective for all financial instruments acquired or issued after the beginning of an entity's first fiscal year that begins after September 15, 2006. The adoption of this statement did not have a material impact on our financial position, results of operations or cash flows.

In July 2006, the FASB released FASB Interpretation No. 48, *Accounting for Uncertainty in Income Taxes* ("FIN 48"). FIN 48 provides guidance for how uncertain tax positions should be recognized, measured, presented and disclosed in the financial statements. FIN 48 requires the evaluation of tax positions taken or expected to be taken in the course of preparing the Company's tax returns to determine whether the tax positions are "more-likely-than-not" of being sustained by the applicable tax authority. Tax positions not deemed to meet the more-likely-than-not threshold would be recorded as a tax benefit or expense in the current year. Adoption of FIN 48 is required for fiscal years beginning after December 15, 2006 and is to be applied to all open tax years as of the effective date. The adoption of this statement did not have a material impact on our financial position, or results of operations or cash flows.

In September 2006, the FASB issued Statement of Financial Accounting Standards No. 157, *Fair Value Measurements* ("SFAS 157"), which defines fair value, establishes a framework for measuring fair value in generally accepted accounting principles ("GAAP"), and expands disclosures about fair value measurements. This Statement applies under other accounting pronouncements that require or permit fair value measurements, the FASB having previously concluded in those accounting pronouncements that fair value is the relevant measurement attribute. SFAS 157 is effective for financial statements issued for fiscal years beginning after November 15, 2007, and interim periods within those fiscal years. We are currently evaluating the impact on our financial statements of adopting SFAS 157.

In February 2007, the FASB issued Statement of Financial Accounting Standards No. 159, *The Fair Value Option for Financial Assets and Financial Liabilities—Including an amendment of FASB Statement No. 115* ("SFAS 159"), which permits entities to choose to measure many financial instruments and certain other items at fair value. The objective of SFAS 159 is to improve financial reporting by providing entities with the opportunity to mitigate volatility in reported earnings caused by measuring related assets and liabilities differently without having to apply complex hedge accounting provisions. This Statement is expected to expand the use of fair value measurement, which is consistent with the Board's long-term measurement objectives for accounting for financial instruments. Under SFAS 159, unrealized gains and losses on items for which the fair value option has been elected are reported in earnings (or another performance indicator if the business entity does not report earnings) at each subsequent reporting date. SFAS 159 is effective for financial statements issued for fiscal years beginning after November 15, 2007, and interim periods within those fiscal years. We are currently evaluating the impact on our financial statements of the adoption of SFAS 159.

Off-Balance Sheet Arrangements

We currently have no off-balance sheet arrangements.

Related Party Transactions

Effective concurrently with the closing of the Offering, TML, the general partner of the Fund, merged into a wholly-owned subsidiary of Triangle Capital Corporation. A substantial majority of the ownership interests of TML were owned by our Chief Executive Officer, Chief Investment Officer, Chief Financial Officer and two of our Managing Directors. As a result of such merger, these five individuals collectively received shares of our common stock valued at approximately \$6.7 million.

Three members of our management, including our Chief Executive Officer, and two of our Managing Directors, collectively own approximately 67% of Triangle Capital Partners, LLC. As of June 30, 2007, Triangle Capital Partners, LLC owned 10,656 shares of Triangle Capital Corporation's common stock. Prior to the closing of the Offering, Triangle Capital Partners, LLC provided management and advisory services to the Fund pursuant to a management services agreement dated as of February 3, 2003. Under the terms of this management services agreement, Triangle Capital Partners, LLC received approximately \$0.2 million and \$0.8 million in management fees from the Fund during the six months ended June 30, 2007 and 2006, respectively. This agreement terminated upon the closing of the Offering.

"Safe Harbor" Statement under the Private Securities Litigation Reform Act of 1995

This Quarterly Report contains forward-looking statements which are subject to the safe harbor provisions of the Private Securities Litigation Reform Act of 1995. Statements that are not historical are forward-looking statements within the meaning of Section 27A of the Securities Act of 1933 and Section 21E of the Securities Exchange Act of 1934. Some of the statements in this Quarterly Report constitute forward-looking statements because they relate to future events or our future performance or financial

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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 words, and 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 in Item 1A entitled “Risk Factors” in Part I of our 2006 Annual Report on Form 10-K. Other factors that could cause actual results to differ materially include 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.

Item 3. *Quantitative and Qualitative Disclosures About Market Risk.*

We are subject to financial market risks, including changes in interest rates. Changes in interest rates affect both our cost of funding and the valuation of our investment portfolio. 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 and limits by means of reliable administrative and information systems and other policies and programs. Our investment income is affected by changes in various interest rates, including LIBOR and prime rates. As of June 30, 2007, approximately 93.7% of our debt investment portfolio bore interest at fixed rates. All of our outstanding indebtedness is currently at fixed rates. See page 7 of this quarterly report for tabular information regarding our investments, interest rates and fair values as of June 30, 2007 which are subject to the aforementioned financial market risks.

Item 4T. *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 of 1934 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 2007 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

PART II – OTHER INFORMATION

Item 1. *Legal Proceedings.*

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

Item 1A. *Risk Factors.*

There were no material changes from the risk factors as previously disclosed in Item 1A of Part I of our Annual Report on Form 10-K for the year ended December 31, 2006.

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

Not applicable.

Item 3. *Defaults Upon Senior Securities.*

Not applicable.

Item 4. *Submission of Matters to a Vote of Security Holders.*

Not applicable.

Item 5. *Other Information.*

Not applicable.

Item 6. *Exhibits.*

<u>Number</u>	<u>Exhibit</u>
2.1	Agreement and Plan of Merger, dated as of November 2, 2006, by and among Triangle Capital Corporation, New Triangle GP, LLC, and Triangle Mezzanine LLC (Filed as Exhibit (k)(7) to the Registrant's Registration Statement on Form N-2/N-5 (File No. 333-138418) filed with the Securities and Exchange Commission on November 3, 2006 and incorporated herein by reference).
2.2	Agreement and Plan of Merger, dated as of November 2, 2006, by and among Triangle Capital Corporation, TCC Merger Sub, LLC and Triangle Mezzanine Fund LLLP (Filed as Exhibit (k)(8) to the Registrant's Registration Statement on Form N-2/N-5 (File No. 333-138418) filed with the Securities and Exchange Commission on November 3, 2006 and incorporated herein by reference).
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	Certificate of Limited Partnership of Triangle Mezzanine Fund LLLP (Filed as Exhibit (a)(4) to the Registrant's Registration Statement on Form N-2/N-5 (File No. 333-138418) filed with the Securities and Exchange Commission on February 13, 2007 and incorporated herein by reference).
3.3	Amended and Restated Agreement of Limited Partnership of Triangle Mezzanine Fund LLLP (Filed as Exhibit (k)(9) to the Registrant's Registration Statement on Form N-2/N-5 (File No. 333-138418) filed with the Securities and Exchange Commission on February 13, 2007 and incorporated herein by reference).
3.4	Amended and Restated Bylaws of the Registrant (Filed as Exhibit (b) 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).
4.1	Form of Common Stock Certificate (Filed as Exhibit (d) to the Registrant's post-effective amendment 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	Form of Dividend Reinvestment Plan (Filed as Exhibit (e) 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).
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.

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<u>Number</u>	<u>Exhibit</u>
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.

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 8, 2007

/s/ Garland S. Tucker, III

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

Date: August 8, 2007

/s/ Steven C. Lilly

Steven C. Lilly
Chief Financial Officer and Director

Date: August 8, 2007

/s/ C. Robert Knox, Jr.

C. Robert Knox, Jr.
Controller and Principal Accounting Officer

EXHIBIT INDEX

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**Certification of Chief Executive Officer of Triangle Capital Corporation
pursuant to Rule 13a-14(a) under the Exchange Act,
as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002**

I, Garland S. Tucker III, as Chief Executive Officer, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Triangle Capital Corporation;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) for the registrant and have:
 - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - (b) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - (c) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

/s/ GARLAND S. TUCKER, III

Garland S. Tucker, III
Chief Executive Officer

August 8, 2007

**Certification of Chief Financial Officer of Triangle Capital Corporation
pursuant to Rule 13a-14(a) under the Exchange Act,
as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002**

I, Steven C. Lilly, as Chief Financial Officer, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Triangle Capital Corporation;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) for the registrant and have:
 - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - (b) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - (c) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

/s/ STEVEN C. LILLY

Steven C. Lilly
Chief Financial Officer

August 8, 2007

CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Quarterly Report of Triangle Capital Corporation (the "Company") on Form 10-Q for the period ended June 30, 2007 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Garland S. Tucker III, Chief Executive Officer of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

- (1) The Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

/s/ GARLAND S. TUCKER, III

Garland S. Tucker, III
Chief Executive Officer

August 8, 2007

CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Quarterly Report of Triangle Capital Corporation (the "Company") on Form 10-Q for the period ended June 30, 2007 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Steven C. Lilly, Chief Financial Officer of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

- (1) The Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

/s/ STEVEN C. LILLY

Steven C. Lilly
Chief Financial Officer

August 8, 2007