As filed with the Securities and Exchange Commission on December 29, 2006

Securities Act File No. 333-138418

**SECURITIES AND EXCHANGE COMMISSION**
**Washington, D.C. 20549**

# Form N-2

**REGISTRATION STATEMENT**
**UNDER**
**THE SECURITIES ACT OF 1933**

**Pre-Effective Amendment No. 1**
**Post-Effective Amendment No.**

# Triangle Capital Corporation

*(Exact name of registrant as specified in charter)*

**3600 Glenwood Avenue, Suite 104**
**Raleigh, NC 27612**
**(919) 719-4770**
*(Address and telephone number, including area code, of principal executive offices)*

**Garland S. Tucker III**
**President and Chief Executive Officer**
**3600 Glenwood Avenue, Suite 104**
**Raleigh, NC 27612**
*(Name and address of agent for service)*

***COPIES TO:***

**John A. Good, Esq.**
**Bass, Berry & Sims PLC**
**100 Peabody Place, Suite 900**
**Memphis, Tennessee 38103-3672**
**Tel: (901) 543-5901**
**Fax: (888) 543-4644**

**Robert H. Rosenblum, Esq.**
**Kirkpatrick & Lockhart Nicholson Graham LLP**
**1601 K Street NW**
**Washington, D.C. 20006**
**Tel: (202) 778-9464**
**Fax: (202) 778-9100**

**Approximate date of proposed public offering:** As soon as practicable after the effective date of this Registration Statement.

If any securities being registered on this form will be offered on a delayed or continuous basis in reliance on Rule 415 under the Securities Act of 1933, other than securities offered in connection with a dividend reinvestment plan, check the following box. ☐

It is proposed that this filing will become effective (check appropriate box):

☐ when declared effective pursuant to section 8(c).

**CALCULATION OF REGISTRATION FEE UNDER THE SECURITIES ACT OF 1933**

| Title of Securities Being Registered | Amount Being Registered(1) | Proposed Maximum Offering Price Per Share | Proposed Maximum Aggregate Offering Price(2) | Amount of Registration Fee(3) |
|---|---|---|---|---|
| Common Stock | 4,025,000 | $15.00 | $60,375,000 | $6,460.13 |

(1) Includes 525,000 shares subject to sale pursuant to the underwriters' overallotment option.

(2) Estimated pursuant to Rule 457 solely for the purpose of determining the registration fee.

(3) Includes $6,152.50 paid with initial filing.

**The Registrant hereby amends this Registration Statement on such date or dates as may be necessary to delay its effective date until the Registrant shall file a further amendment which specifically states that this Registration Statement shall thereafter become effective in accordance with Section 8(a) of the Securities Act of 1933 or until the Registration Statement shall become effective on such date as the Securities and Exchange Commission, acting pursuant to said Section 8(a), may determine.**

**SUBJECT TO COMPLETION, DATED DECEMBER 29, 2006**

PRELIMINARY PROSPECTUS

# 3,500,000 Shares


# Common Stock

We are a specialty finance company that provides customized financing solutions to lower middle market companies located throughout the United States, with an emphasis on the Southeast. Our investment objective is to seek attractive returns by generating current income from our debt investments and capital appreciation from our equity related investments. We are an internally managed closed-end, non-diversified investment company that has elected to be treated as a business development company under the Investment Company Act of 1940. Upon completion of the formation transactions described in this prospectus, we will acquire Triangle Mezzanine Fund LLLP, a North Carolina limited liability limited partnership which is licensed as a small business investment company by the United States Small Business Administration. We will operate Triangle Mezzanine Fund LLLP as a wholly-owned subsidiary and initially will make all of our portfolio investments through that entity.

We are offering 3,500,000 shares of our common stock. This is our initial public offering, and no public market currently exists for our shares. We have applied to have our common stock approved for quotation on the Nasdaq Global Market under the symbol "TCAP."

**Investing in our common stock is speculative and involves numerous risks, and you could lose your entire investment if any of the risks occurs. Among these risks is the risk associated with the use of leverage. For more information regarding these risks, please see "Risk Factors" beginning on page 11. Our shares have no history of trading in a public securities market. Shares of closed-end investment companies have in the past frequently traded at a discount to their net asset value. If our shares trade at a discount to net asset value, it may increase the risk of loss for purchasers in this offering. This prospectus contains important information about us that a prospective investor should know before investing in our common stock. Please read this prospectus before investing, and keep it for future reference.**

**Neither the Securities and Exchange Commission nor any state securities commission has approved or disapproved of these securities or determined if this prospectus is truthful or complete. Any representation to the contrary is a criminal offense.**

| | Per Share | Total |
|---|---|---|
| Public offering price | $ 15.00 | $52,500,000 |
| Underwriting discount (sales load) | $ 1.05 | $ 3,675,000 |
| Proceeds to us, before expenses(1) | $ 13.95 | $48,825,000 |

(1) We estimate that we will incur approximately $1,500,000 of expenses in connection with this offering.

We have granted the underwriters a 30-day option to purchase up to an additional 525,000 shares of our common stock at the public offering price, less the underwriting discount (sales load), solely to cover over-allotments, if any. If the over-allotment option is exercised in full, the total public offering price would be $60,375,000, the total underwriting discount (sales load) would be $4,226,250, and the proceeds to us, before expenses, would be $56,148,750.

The underwriters expect to deliver the shares on or about , 2007.

**Morgan Keegan & Company, Inc.**

**BB&T Capital Markets**
A Division of Scott & Stringfellow, Inc.

**Avondale Partners**

**Sterne, Agee & Leach, Inc.**

**The date of this prospectus is , 2007.**

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You should rely only on the information contained in this prospectus. Neither we nor the underwriters have authorized any other person to provide you with different information from that contained in this prospectus.

## PROSPECTUS SUMMARY

*This summary highlights some of the information in this prospectus. It is not complete and may not contain all of the information that you may want to consider. You should read the entire prospectus carefully, including "Risk Factors," "Selected Financial and Other Data," "Management's Discussion and Analysis of Financial Condition and Results of Operations" and the historical financial statements contained elsewhere in this prospectus.*

*Triangle Capital Corporation is a newly-organized Maryland corporation formed for the purpose of acquiring Triangle Mezzanine Fund LLLP and its general partner, Triangle Mezzanine LLC, conducting the offering described in this prospectus and, thereafter, operating as an internally managed business development company under the Investment Company Act of 1940, as amended, or the 1940 Act. Since 2003, our senior management team has operated Triangle Mezzanine Fund LLLP, or the Existing Fund, which has invested primarily in debt instruments, equity investments, warrants and other securities of lower middle market privately-held companies based in the United States. The Existing Fund is licensed as a small business investment company, or SBIC, by the United States Small Business Administration, or SBA. Triangle Mezzanine LLC, or TML, has been the general partner of the Existing Fund since its inception. Simultaneously with the consummation of this offering, we intend to acquire all of the equity interests in the Existing Fund and TML through two separate transactions described elsewhere in this prospectus under "Formation; Business Development Company and Regulated Investment Company Elections," and the Existing Fund will operate as our wholly owned subsidiary. Unless otherwise noted, the terms "we," "us," "our" and "Triangle" refer to the Existing Fund prior to the offering and to Triangle Capital Corporation and its subsidiaries after the offering.*

### Triangle Capital Corporation

Triangle Capital Corporation is a specialty finance company organized to provide customized financing solutions to lower middle market companies located throughout the United States, with an emphasis on the Southeast. Our goal is to be the premier provider of capital to these companies. We define lower middle market companies as those having revenues between $10.0 and $100.0 million. Our investment objective is to seek attractive returns by generating current income from our debt investments and capital appreciation from our equity related investments. Our investment philosophy is to partner with business owners, management teams and financial sponsors to provide flexible financing solutions to fund growth, changes of control, or other corporate events. We intend to invest primarily in senior subordinated debt securities secured by second lien security interests in portfolio company assets, coupled with equity interests.

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 believe that these companies have less access to capital and that the market for such capital is underserved relative to larger companies. Companies of this size are generally privately held and are less well known to traditional capital sources such as commercial and investment banks.

Historically, our investments generally have ranged from $2.0 to $4.0 million due to certain investment limitations imposed by the SBA. In certain situations, we have partnered with other funds to provide larger financing commitments. With the additional capital from this offering, we intend to increase our financing commitments to between $5.0 and $15.0 million per portfolio company. We intend to continue to operate the Existing 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 enhance returns to our stockholders. As of September 30, 2006, we had investments in 17 portfolio companies with an aggregate cost of $46.7 million.

Our principal executive offices are located at 3600 Glenwood Avenue, Suite 104, Raleigh, North Carolina 27612, and our telephone number is 919-719-4770. We maintain a website on the Internet at www.tcap.com. Information contained on our website is not incorporated by reference into this prospectus, and you should not consider that information to be part of this prospectus.

**Our Market Opportunity**

According to Dun & Bradstreet, as of December 2006, there were approximately 68,000 companies in the United States with revenues between $10.0 and $100.0 million, of which approximately 89.0% were privately held. We believe that these lower middle market companies, particularly those located in the Southeast, are relatively underserved by capital providers and present a significant opportunity for attractive returns. We also believe that the owners of many businesses founded in the years following World War II are selling or soon will sell their businesses. We expect that these factors will continue to foster a robust investment pipeline involving companies in this size range. These factors, coupled with the demand by these companies for flexible sources of financing, create significant investment opportunities for BDCs.

Another dynamic that we believe has contributed to attractive investment returns in our target market is the broad-based consolidation in the banking industry. Larger banks have scale and cost structures that we believe lessen their incentive to invest in lower middle market companies. Additionally, most small companies and private lower middle market companies are unable to issue public debt due to the small size of their offerings and corresponding lack of liquidity. We believe these factors have created an opportunity for non-bank lenders, such as BDCs, to provide lower middle market companies with flexible forms of financing. The relatively small number of institutions investing in lower middle market companies provides specialty finance companies, such as us, with opportunities to negotiate favorable transaction terms and equity participations, allowing us to enhance the potential for investor returns.

Finally, we are located, and much of the experience of certain members of our senior management team has been gained, in the Southeast. According to United States Census data, the southeast region contains ten of the top 25 fastest growing metropolitan areas in the United States. We believe that these high-growth areas promote entrepreneurship, which in turn results in the creation and growth of companies that meet our lower middle market target investment profile. We believe that our focus on lower middle market companies as well as the Southeast creates significant investment opportunities for us.

**Our Business Strategy**

We intend to accomplish our goal of becoming the premier provider of capital to lower middle market companies by:

- ***Focusing on Underserved Markets.*** We believe that broad-based consolidation in the financial services industry coupled with operating margin and growth pressures have caused financial institutions to de-emphasize services to lower middle market companies in favor of larger corporate clients and capital market transactions. We believe these dynamics have resulted in the financing market for lower middle market companies to be underserved, providing us with greater investment opportunities.
- ***Providing Customized Financing Solutions.*** We offer a variety of financing structures and have the flexibility to structure our investments to meet the needs of our portfolio companies. Typically we invest in senior subordinated debt securities, coupled with equity interests. We believe our ability to customize financing arrangements makes us an attractive partner to lower middle market companies.
- ***Leveraging the Experience of Our Management Team.*** Our senior management team has more than 100 years of combined experience advising, investing in, lending to and operating companies across changing market cycles. The members of our management team have diverse investment backgrounds, with prior experience at investment banks, specialty finance companies, commercial banks and privately and publicly held companies in the capacity of executive officers. We believe this diverse experience provides us with an in depth understanding of the strategic, financial and operational challenges and opportunities of lower middle market companies. We believe this understanding allows us to select and structure better investments and to efficiently monitor and provide managerial assistance to our portfolio companies.
- ***Applying Rigorous Underwriting Policies and Active Portfolio Management.*** Our senior management team has implemented rigorous underwriting policies that are followed in each transaction. These policies include a thorough analysis of each potential portfolio company's competitive position,

financial performance, management team operating discipline, growth potential and industry attractiveness, allowing us to better assess the company's prospects. After investing in a company, we monitor the investment closely, typically receiving monthly, quarterly and annual financial statements. We analyze and discuss in detail the company's financial performance with management in addition to attending regular board of directors meetings. We believe that our initial and ongoing portfolio review process allows us to monitor effectively the performance and prospects of our portfolio companies.

- ***Taking Advantage of Low Cost Debentures Guaranteed by the SBA.*** Our license to do business as an SBIC allows us to issue fixed-rate, low interest debentures which are guaranteed by the SBA and sold in the capital markets, potentially allowing us to increase our net interest income beyond the levels achievable by other BDCs utilizing traditional leverage.
- ***Maintaining Portfolio Diversification.*** While we focus our investments in lower middle market companies, we seek to diversify across various industries. We monitor our investment portfolio to ensure we have acceptable diversification, using industry and market metrics as key indicators. By monitoring our investment portfolio for diversification we seek to reduce the effects of economic downturns associated with any particular industry or market sector. However, we may from time to time hold securities of a single portfolio company that comprise more than 5.0% of our total assets and/or more than 10.0% of the outstanding voting securities of the portfolio company. For that reason, we are classified as a non-diversified management investment company under the 1940 Act.
- ***Utilizing Long-Standing Relationships to Source Deals.*** Our senior management team maintains extensive relationships with entrepreneurs, financial sponsors, attorneys, accountants, investment bankers, commercial bankers and other non-bank providers of capital who refer prospective portfolio companies to us. These relationships historically have generated significant investment opportunities. We believe that our network of relationships will continue to produce attractive investment opportunities and is likely to expand as a result of our enhanced profile as a publicly held BDC.

**Our Investment Criteria**

We utilize the following criteria and guidelines in evaluating investment opportunities. However, not all of these criteria and guidelines have been, or will be, met in connection with each of our investments.

- ***Established Companies With Positive Cash Flow.*** We seek to invest in established companies with a history of generating revenues and positive cash flows. We typically focus on companies with a history of profitability and minimum trailing twelve month EBITDA of $2.0 million. We do not invest in start-up companies, distressed situations, "turn-around" situations or companies that we believe have unproven business plans.
- ***Experienced Management Teams With Meaningful Equity Ownership.*** Based on our prior investment experience, we believe that a management team with significant experience with a portfolio company or relevant industry experience and meaningful equity ownership is more committed to a portfolio company. We believe management teams with these attributes are more likely to manage the companies in a manner that protects our debt investment and enhances the value of our equity investment.
- ***Strong Competitive Position.*** We seek to invest in companies that have developed strong positions within their respective markets, are well positioned to capitalize on growth opportunities and compete in industries with barriers to entry. We also seek to invest in companies that exhibit a competitive advantage, which may help to protect their market position and profitability.
- ***Diversified Customer and Supplier Base.*** We prefer to invest in companies that have a diversified customer and supplier base. Companies with a diversified customer and supplier base are generally better able to endure economic downturns, industry consolidation and shifting customer preferences.

- ***Significant Invested Capital.*** We believe the existence of significant underlying equity value provides important support to investments. We will look for portfolio companies that we believe have sufficient value beyond the layer of the capital structure in which we invest.

**Our Investment Portfolio**

As of September 30, 2006, we had investments in 17 portfolio companies with an aggregate cost of $46.7 million. At September 30, 2006, the weighted average yield on these outstanding investments was approximately 13.5% and the weighted average yield not including payment-in-kind interest, or PIK interest, was 11.1%. There is no assurance that the portfolio yields will remain at these levels after the offering. The following table sets forth certain unaudited information as of September 30, 2006 for each portfolio company in which we had a debt or equity investment.

| Portfolio Company | Nature of Principal Business (Location) | Date(s) of Investment | Title of Security | %Equity Held(1) | Cost(2) |
|---|---|---|---|---|---|
| AirServ Corporation | Airport services (Atlanta, GA) | June 21, 2004 | Subordinated debt | — | $ 3,762,467 |
| | | | Warrants | 4.0 | 414,285 |
| Ambient Air Corporation | Residential and commercial HVAC contractor (Panama City, FL) | April 19, 2006(3) | Subordinated debt | — | 3,868,394 |
| | | | Warrants | 7.6 | 142,361 |
| ARC Industries, LLC | Removal and disposal of industrial liquid waste (Charlotte, NC) | November 9, 2005 | Subordinated debt | — | 2,396,803 |
| | | | LLC interests | 30.0 | 175,000 |
| Art Headquarters, Inc. | Framed art supplier (Clearwater, FL) | January 31, 2005 | Subordinated debt | — | 2,650,578 |
| | | | Warrants | 15.0 | 40,800 |
| Assurance Operations Corp. | Specialty metal fabrication and stamping (Killen, AL) | March 22, 2006 | Subordinated debt | — | 3,594,509 |
| | | | Common stock | 3.6 | 200,000 |
| Axxiom Manufacturing, Inc. | Manufactures air blast equipment (Fresno, TX) | January 13, 2006 | Subordinated debt | —(4) | 2,029,186 |
| | | | Common stock | 21.5 | 200,000 |
| CV Holdings, LLC | Design and manufacture of polymer products (Amsterdam, NY) | April 28, 2005 | Subordinated debt(5) | — | 4,612,292 |
| | | | Royalties(6) | — | — |
| DataPath, Inc.(7) | Satellite communication systems (Duluth, GA) | September 16, 2004 | Common stock | 0.7 | 101,500 |
| Eastern Shore Ambulance, Inc. | Provides non-emergency and emergency ambulatory services (Portsmouth, VA) | July 20, 2006 | Subordinated debt | — | 946,881 |
| | | | Warrants | 6.0 | 55,268 |
| Fire Sprinkler Systems | Designs and installs sprinkler systems for residential construction (Corona, CA) | April 17, 2006 | Subordinated debt | — | 2,690,484 |
| | | | Common stock | 2.5 | 250,000 |
| Flint Trading Inc. | Traffic safety markings (Thomasville, NC) | September 15, 2004; February 28, 2006(8) | Subordinated debt | — | 3,765,639 |
| | | | Preferred stock | 4.7 | 308,333 |
| Garden Fresh Restaurant Corp. | Casual dining restaurant chain (San Diego, CA) | December 22, 2005 | Subordinated debt | — | 3,000,000 |
| | | | LLC interests | 0.9 | 500,000 |
| Genapure Corporation(9) | Lab testing services (Boca Raton, FL) | January 22, 2004; April 1, 2005(10) | Common stock | 6.1 | 500,000 |
| Gerli & Company | Designs and manufactures high-end decorative fabrics (New York, NY) | February 27, 2006 | Subordinated debt | — | 2,962,581 |
| | | | Warrants | 6.0 | 83,414 |
| Library Systems & Services | Provides outsourced library management services (Germantown, MD) | March 31, 2006 | Subordinated debt | — | 1,947,791 |
| | | | Warrants | 11.2 | 58,995 |
| Numo Manufacturing, Inc. | Manufactures and markets promotional and gift products (Kaufman, TX) | December 16, 2005 | Subordinated debt | — | 2,700,000 |
| | | | Warrants | 18.6 | — |
| Porter's Fabrications, LLC | Fabricated metal part supplier (Bessemer City, NC) | July 1, 2005 | Subordinated debt | — | 2,277,542 |
| | | | LLC interests | 7.2 | 250,000 |
| | | | Warrants | 28.0 | 221,154 |
| | **Total** | | | | $46,706,257 |

(1) Includes common stock, preferred stock or LLC interests held directly and any equity securities issuable upon exercise of warrants.

(2) Includes amortized original issue discount and PIK interest, where applicable, as of and through September 30, 2006. In each case, PIK interest involves securities of the same type and by the same issuer.

(3) On May 16, 2005, we invested in subordinated debt in the form of two notes, and we received warrant rights in the same transaction. On April 19, 2006, these two loans were repaid, and two new notes totaling $8.0 million were issued to us. We syndicated $4.0 million of this debt to two other participants.

(4) Does not include a warrant to purchase 1,000 shares of Axxiom's common stock at an exercise price of $5.00 per share, held by the Existing Fund upon completion of the formation transactions.

(5) On September 22, 2006, we invested an additional $250,000 in subordinated debt.

(6) Refers to the synthetic equity interest we have negotiated with CV Holdings, LLC. The royalties are exercisable upon the maturity of the loan, or other events as set forth in the agreement, for 0.7% of the "company value," calculated as the greater of twelve month trailing EBITDA, twenty-four month trailing EBITDA divided by two or fair market value of the portfolio company as determined by its board, whichever is greatest.

(7) The $3.2 million loan was prepaid on September 30, 2005 with a 4.0% prepayment penalty. We received an equity gain and return of capital during the nine months ended June 30, 2006. We still maintain an equity position in the portfolio company.

(8) On February 28, 2006, we invested an additional $250,000 in subordinated debt.

(9) The $3.5 million loan was prepaid on October 3, 2005 with a 4.0% prepayment penalty. We still maintain our equity position in the portfolio company.

(10) On April 1, 2005, we invested an additional $250,000 in common stock bringing our total equity investment to $500,000.

**Recent Developments**

On October 4, 2006, we closed a $1.5 million subordinated debt investment in Bruce Plastics, Inc., a plastic injection molding company based in Pittsburgh, Pennsylvania. Under the loan, the portfolio company will pay 14.0% current interest per annum and has the option to increase its debt by $1.0 million under specific circumstances. We also received a warrant to purchase up to 12.0% of the company's common stock.

On November 3, 2006, the Existing Fund increased its investment in AirServ Corporation by investing an additional $225,000 in subordinated debt, increasing its total investment to $4.2 million.

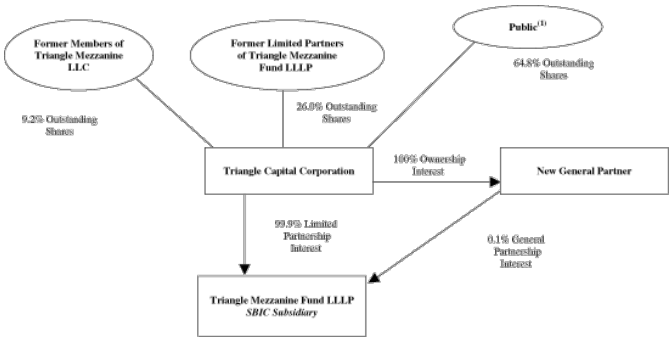
On November 3, 2006, the Existing Fund purchased $30,000 of common stock in Eastern Shore Ambulance, Inc.

**Formation Transactions**

Triangle Capital Corporation is a newly organized Maryland corporation formed on October 10, 2006, for the purpose of acquiring 100% of the equity interests in the Existing Fund and TML, raising capital in this offering and thereafter operating as an internally managed business development company under the 1940 Act. At the time of closing of this offering, we will consummate the following formation transactions:

- We will acquire 100% of the limited partnership interests in the Existing Fund, which will become our wholly owned subsidiary, retain its SBIC license, continue to hold its existing investments and make new investments with net proceeds of this offering. We will issue 1,416,667 shares of common stock, having an aggregate value based on the initial public offering price of $21,250,000, to the limited partners of the Existing Fund in exchange for their limited partnership interests.
- We will acquire 100% of the equity interests in TML, the general partner of the Existing Fund. We will issue to the members of TML 500,000 shares of common stock, having an aggregate value based on the initial public offering price of $7,500,000, in exchange for their equity interests in TML. Under the current agreement of limited partnership, or partnership agreement, of the Existing Fund, TML is entitled to 20.0% of the Existing Fund's profits and capital after the limited partners have received distributions of their entire investment and a 7.0% compound annual return on their investment. TML did not make a capital contribution to the Existing Fund, but rather has received this interest in exchange for performing the function of and assuming the risks as general partner of the Existing Fund. We call this a "carried interest." The value being received by the members of TML is based on the estimated present value of the 20.0% carried interest in the Existing Fund and was negotiated and agreed to by limited partners holding approximately 90% of the limited partnership interests in the Existing Fund.

The following diagram depicts our ownership structure upon completion of this offering and the formation transactions:




(1) Includes 30,000 shares of common stock issued to Triangle Capital Partners, LLC in December 2006.

After completion of this offering, we will be a closed-end, non-diversified investment company that has elected to be treated as a BDC under the 1940 Act. In addition, the Existing Fund will elect to be treated as a BDC. We will be internally managed by our executive officers under the supervision of our board of directors. As a result, we will not pay any external investment advisory fees, but instead we will incur the operating costs associated with employing investment and portfolio management professionals.

As a business development company, we will be required to comply with numerous regulatory requirements. We will be permitted to, and expect to, finance our investments using debt and equity. However, our ability to use debt will be limited in certain significant respects. See “Regulations.” We intend to elect to be treated for federal income tax purposes as a regulated investment company, or RIC, under the Internal Revenue Code of 1986, as amended, or the Code. See “Material U.S. Federal Income Tax Considerations.” As a RIC, we generally will not have to pay corporate-level federal income taxes on any net ordinary income or capital gains that we distribute to our stockholders as dividends if we meet certain source-of-income and asset diversification requirements.

| **The Offering** | |
|---|---|
| Common stock offered by us | 3,500,000 shares (1) |
| Common stock to be issued in formation transactions | 1,916,667 shares |
| Common stock outstanding prior to this offering | 30,000 shares |
| Common stock to be outstanding after this offering and completion of formation transactions | 5,446,667 shares (1) |
| Use of proceeds | Our net proceeds from this offering will be approximately $47.3 million. We intend to contribute approximately $41.0 million of the net proceeds from this offering to the Existing Fund to make investments in lower middle market companies in accordance with our investment objective and strategies described in this prospectus. Pending such use, we will invest the net proceeds primarily in short-term securities consistent with our BDC election and our election to be taxed as a RIC. We intend to retain the balance of the net proceeds to pay expenses, dividends and for general corporate purposes. See “Use of Proceeds.” |
| Proposed Nasdaq Global Market symbol | “TCAP” |
| Dividends and distributions | We intend to pay quarterly dividends to our stockholders out of assets legally available for distribution. Our dividends, if any, will be determined by our board of directors. |
| Taxation | We intend to elect to be treated as a RIC for federal income tax purposes. Accordingly, we generally will not pay corporate-level federal income taxes on any net ordinary income or capital gains that we distribute to our stockholders as dividends. To obtain and maintain our RIC tax treatment, we must meet specified source-of-income and asset diversification requirements and distribute annually at least 90.0% of our net ordinary income and realized net short-term capital gains in excess of realized net long-term capital losses, if any. See “Distributions.” |
| Dividend reinvestment plan | We have a dividend reinvestment plan for our stockholders. The dividend reinvestment plan is an “opt out” dividend reinvestment plan. As a result, if we declare a dividend, then stockholders’ cash dividends will be automatically reinvested in additional shares of our common stock, unless they specifically “opt out” of the dividend reinvestment plan so as to receive cash dividends. Stockholders who receive distributions in the form of stock will be subject to the same federal, state and local tax consequences as stockholders who elect to receive their distributions in cash. See “Dividend Reinvestment Plan.” |
| Trading at a discount | Shares of closed-end investment companies frequently trade at a discount to their net asset value. This risk is separate and distinct from the risk that our net asset value per share may decline. We cannot predict whether our shares will trade above, at or below net asset value. |

| | |
|---|---|
| Risk factors | See “Risk Factors” beginning on page 11 and the other information included in this prospectus for a discussion of factors you should carefully consider before deciding to invest in shares of our common stock. |
| Available information | After completion of this offering, we will be required to file periodic reports, proxy statements and other information with the SEC. This information will be available at the SEC’s public reference room in Washington, D.C. and on the SEC’s Internet website at www.sec.gov. We intend to provide much of the same information on our website at www.tcap.com. Information contained on our website is not part of this prospectus and should not be relied upon as such. |

(1) Does not include 525,000 shares of common stock issuable pursuant to the over-allotment option granted by us to the underwriters.

## FEES AND EXPENSES

The following table is intended to assist you in understanding the costs and expenses that an investor in this offering will bear directly or indirectly. We caution you that some of the percentages indicated in the table below are estimates and may vary. Except where the context suggests otherwise, whenever this prospectus contains a reference to fees or expenses paid by "you," "us" or "Triangle," or that "we" will pay fees or expenses, stockholders will indirectly bear such fees or expenses as investors in us.

| | |
|---|---|
| ***Stockholder Transaction Expenses:*** | |
| Sales load (as a percentage of offering price) | 7.0%(1) |
| Offering expenses borne by us (as a percentage of offering price) | 2.9%(2) |
| Dividend reinvestment plan expenses | — (3) |
| Total stockholder transaction expenses (as a percentage of offering price) | 9.9% |
| ***Annual Expenses (as a percentage of net assets attributable to common stock):*** | |
| Operating expenses | 5.7%(4) |
| Interest payments on borrowed funds | 2.6%(5) |
| Total annual expenses | 8.3%(6) |

***Example***

The following example demonstrates the projected dollar amount of total cumulative expenses that would be incurred over various periods with respect to a hypothetical investment in our common stock. In calculating the following expense amounts, we have assumed we would have no additional leverage and that our annual operating expenses would remain at the levels set forth in the table above, and that you would pay a sales load of 7.0% (the underwriting discount to be paid by us with respect to common stock sold by us in this offering).

| | 1 Year | 3 Years | 5 Years | 10 Years |
|---|---|---|---|---|
| You would pay the following expenses on a $1,000 investment, assuming a 5.0% annual return | $ 184 | $ 346 | $ 496 | $ 828 |

(1) The underwriting discount with respect to shares sold in this offering, which is a one-time fee, is the only sales load paid in connection with this offering.

(2) Amount reflects estimated offering expenses of approximately $1,500,000 to be paid by us.

(3) The expenses of administering our dividend reinvestment plan are included in operating expenses.

(4) Operating expenses represent our annualized estimated operating expenses for our first twelve months of operations commencing immediately after the offering, excluding interest payments on borrowed funds. We do not have an investment adviser and are internally managed by our executive officers under the supervision of our board of directors. As a result, we do not pay investment advisory fees, but instead we pay the operating costs associated with employing investment management professionals.

(5) Interest payments on borrowed funds represent our annualized interest payments on borrowed funds based on actual results for the nine months ended September 30, 2006.

(6) The total annual expenses are the sum of operating expenses and interest payments on borrowed funds. We will borrow money to leverage our net assets and increase our total assets. The SEC requires that "Total annual expenses" percentage be calculated as a percentage of net assets, rather than the total assets, which includes assets that have been funded with borrowed money. If the "Total annual expenses" percentage were calculated instead as a percentage of total assets, our "Total annual expenses" would be 3.9% of total assets.

**The example and the expenses in the tables above should not be considered a representation of our future expenses, and actual expenses may be greater or lesser than those shown.** While the example assumes, as required by the SEC, a 5.0% annual return, our performance will vary and may result in a return greater or less than 5.0%. The table above does not reflect additional SBA leverage that we intend to employ in the future. In addition, while the example assumes reinvestment of all dividends at net asset value, participants in our dividend reinvestment plan will receive a number of shares of our common stock, determined by dividing the total dollar amount of the dividend payable to a participant by the market price per share of our common stock at the close of trading on the dividend payment date, which may be at, above or below net asset value. See "Dividend Reinvestment Plan" for additional information regarding our dividend reinvestment plan.

## SELECTED FINANCIAL AND OTHER DATA

The selected historical financial and other data below reflects the operations of Triangle Mezzanine Fund LLLP. See "Formation; Business Development Company and Regulated Investment Company Elections." The selected financial data at and for the fiscal years ended December 31, 2003, 2004 and 2005 and at and for the nine months ended September 30, 2006 have been derived from our financial statements that have been audited by Ernst & Young LLP, an independent registered public accounting firm. The selected financial data at and for the nine months ended September 30, 2005 have been derived from unaudited financial data, but in the opinion of management, reflect all adjustments (consisting only of normal recurring adjustments) that are necessary to present fairly the results for such interim periods. Interim results at and for the nine months ended September 30, 2006, are not necessarily indicative of the results that may be expected for the year ending December 31, 2006. You should read this selected financial and other data in conjunction with our "Management's Discussion and Analysis of Financial Condition and Results of Operations" and the financial statements and notes thereto.

| | Year Ended December 31, | | | Nine Months Ended September 30, | |
|---|---|---|---|---|---|
| | 2003 | 2004 | 2005 | 2005 | 2006 |
| | | | (Dollars in thousands) | | |
| **Income statement data:** | | | | | |
| Investment income: | | | | | |
| Total interest, fee and dividend income | $ 26 | $ 1,969 | $ 5,855 | $ 4,332 | $ 4,802 |
| Interest income from cash and cash equivalent investments | 15 | 18 | 108 | 16 | 212 |
| Total investment income | 41 | 1,987 | 5,963 | 4,348 | 5,014 |
| Expenses: | | | | | |
| Interest expense | — | 339 | 1,543 | 1,083 | 1,379 |
| Amortization of deferred financing fees | — | 38 | 90 | 66 | 74 |
| Management fees | 1,048 | 1,564 | 1,574 | 1,180 | 1,190 |
| General and administrative expenses | 165 | 83 | 58 | 55 | 40 |
| Total expenses | 1,213 | 2,024 | 3,265 | 2,384 | 2,683 |
| Net investment income (loss) | (1,172) | (37) | 2,698 | 1,964 | 2,331 |
| Net realized gain (loss) on investments — non-control/non-affiliate | — | — | (3,500) | (3,500) | 5,977 |
| Net unrealized appreciation (depreciation) of investments | — | (1,225) | 3,975 | 2,975 | (2,553) |
| Total net gain (loss) on investments | — | (1,225) | 475 | (525) | 3,424 |
| Net increase (decrease) in net assets resulting from operations | $ (1,172) | $ (1,262) | $ 3,173 | $ 1,439 | $ 5,755 |
| **Balance sheet data:** | | | | | |
| Assets: | | | | | |
| Investments at fair value | $ — | $ 19,701 | $ 37,144 | $ 34,541 | $ 46,903 |
| Deferred loan origination revenue | (35) | (537) | (602) | (621) | (676) |
| Cash and cash equivalents | 2,973 | 2,849 | 6,067 | 6,468 | 7,358 |
| Interest and fees receivable | — | 98 | 50 | 39 | 100 |
| Deferred financing fees | — | 823 | 1,085 | 1,110 | 1,011 |
| Total assets | $ 2,938 | $ 22,934 | $ 43,744 | $ 41,537 | $ 54,696 |
| Liabilities and partners' capital: | | | | | |
| Accounts payable and accrued liabilities | $ 10 | $ — | $ 13 | $ — | $ — |
| Interest payable | — | 230 | 566 | 106 | 152 |
| SBA-guaranteed debentures payable | — | 17,700 | 31,800 | 31,800 | 31,800 |
| Total liabilities | 10 | 17,930 | 32,379 | 31,906 | 31,952 |
| Total partners' capital | 2,928 | 5,004 | 11,365 | 9,631 | 22,744 |
| Total liabilities and partners' capital | $ 2,938 | $ 22,934 | $ 43,744 | $ 41,537 | $ 54,696 |
| **Other data:** | | | | | |
| Weighted average yield on investments | — | 15.5% | 14.2% | 14.6% | 13.5% |
| Number of portfolio companies | — | 6 | 12 | 10 | 17 |
| Expense ratios (as percentage of average net assets): | | | | | |
| Operating expenses | 107.4% | 32.2% | 21.3% | 17.8% | 6.2% |
| Interest expense and deferred financing fees | — | 7.4 | 21.4 | 16.6 | 7.4 |
| Total expenses | 107.4% | 39.6% | 42.7% | 34.4% | 13.6% |

## RISK FACTORS

*Investing in our common stock involves a number of significant risks. In addition to the other information contained in this prospectus, you should consider carefully the following information before making an investment in our common stock. The risks set out below are not the only risks we face. Additional risks and uncertainties not presently known to us or not presently deemed material by us might also impair our operations and performance. If any of the following events occur, our business, financial condition and results of operations could be materially and adversely affected. In such case, our net asset value and the trading price of our common stock could decline, and you may lose all or part of your investment.*

### Risks Relating to Our Business and Structure

***Our financial condition and results of operations will depend on our ability to manage and deploy capital effectively.***

Our ability to achieve our investment objective will depend on our ability to effectively manage and deploy capital raised in this offering, which will depend, in turn, on our management team's ability to identify, evaluate and monitor, and our ability to finance and invest in, companies that meet our investment criteria. We cannot assure you that we will achieve our investment objective.

Accomplishing this result on a cost-effective basis will be largely a function of our management team's handling of the investment process, its ability to provide competent, attentive and efficient services and our access to investments offering acceptable terms. In addition to monitoring the performance of our existing investments, members of our management team and our investment professionals may also be called upon to provide managerial assistance to our portfolio companies. These demands on their time may distract them or slow the rate of investment.

Even if we are able to grow and build upon our investment operations in a manner commensurate with the increased capital available to us as a result of this offering, any failure to manage our growth effectively could have a material adverse effect on our business, financial condition, results of operations and prospects. The results of our operations will depend on many factors, including the availability of opportunities for investment, readily accessible short and long-term funding alternatives in the financial markets and economic conditions. Furthermore, if we cannot successfully operate our business or implement our investment policies and strategies as described in this prospectus, it could negatively impact our ability to pay dividends and cause you to lose all or part of your investment.

***There may be uncertainty as to the value of our portfolio investments.***

Under the 1940 Act, we will be required to carry our portfolio investments at market value or, if there is no readily available market value, at fair value as determined by our board of directors. Typically there is not a public market for the securities of the privately held companies in which we have invested and will generally continue to invest. As a result, we will value these securities quarterly at fair value as determined in good faith by our board of directors based on input from management, a third party independent valuation firm and our audit committee.

Our board of directors intends to utilize the services of an independent valuation firm, presently Duff & Phelps, LLC, to assist in determining the fair value of any securities. The determination of fair value and consequently, the amount of unrealized gains and losses in our portfolio, is to a certain degree subjective and dependent on the judgment of our board. Certain factors that may be considered in determining the fair value of our investments include the nature and realizable value of any collateral, the portfolio company's earnings and its ability to make payments on its indebtedness, the markets in which the portfolio company does business, comparison to comparable publicly-traded companies, discounted cash flow and other relevant factors. Because such valuations, and particularly valuations of private securities and private companies, are inherently uncertain, may fluctuate over short periods of time and may be based on estimates, our determinations of fair value may differ materially from the values that would have been used if a ready market for these securities existed. Due to this uncertainty, our fair value determination may cause our net asset value

on a given date to materially understate or overstate the value that we may ultimately realize upon one or more of our investments. As a result, investors purchasing our common stock based on an overstated net asset value would pay a higher price than the value of our investments might warrant. Conversely, investors selling shares during a period in which the net asset value understates the value of our investments will receive a lower price for their shares than the value of our investment portfolio might warrant.

***We operate in a highly competitive market for investment opportunities.***

We compete for investments with other business development companies and investment funds (including private equity funds and mezzanine funds), as well as traditional financial services companies such as commercial banks and other sources of funding. Many of our competitors are substantially larger and have considerably greater financial, technical and marketing resources than we do. For example, some competitors may have a lower cost of funds and access to funding sources that are not available to us. In addition, some of our competitors may have higher risk tolerances or different risk assessments. These characteristics could allow our competitors to consider a wider variety of investments, establish more relationships and offer better pricing and more flexible structuring than we. We may lose investment opportunities if we do not match our competitors' pricing, terms and structure. If we are forced to match our competitors' pricing, terms and structure, we may not be able to achieve acceptable returns on our investments or may bear substantial risk of capital loss. A significant part of our competitive advantage stems from the fact that the lower middle market is underserved by traditional commercial and investment banks, and generally has less access to capital. A significant increase in the number and/or the size of our competitors in this target market could force us to accept less attractive investment terms. Furthermore, many of our competitors have greater experience operating under, or are not subject to, the regulatory restrictions that the 1940 Act will impose on us as a business development company.

***We have not identified specific investments in which to invest all of the proceeds of this offering.***

As of the date of this prospectus, we have not entered into definitive agreements for any specific investments in which to invest the net proceeds of this offering. Currently we have a number of term sheets outstanding, representing potential new investments. These potential investments, however, are still subject to further research and due diligence, and may not materialize. Although we are and will continue to evaluate and seek new investment opportunities, you will not be able to evaluate prior to your purchase of common stock in this offering the manner in which we will invest the net proceeds of this offering, or the economic merits of any new investment.

***We are dependent upon our key investment personnel for our future success.***

We depend on the members of our senior management team, particularly Garland S. Tucker III, Brent P.W. Burgess, Steven C. Lilly, Tarlton H. Long and David F. Parker, for the identification, final selection, structuring, closing and monitoring of our investments. These employees have critical industry experience and relationships that we rely on to implement our business plan. If we lose the services of these individuals, we may not be able to operate our business as we expect, and our ability to compete could be harmed, which could cause our operating results to suffer. We intend to enter into employment agreements with each of our executive officers upon consummation of our initial public offering.

Additionally, the increase in available capital for investment resulting from this offering will require that we retain new investment and administrative personnel. We believe our future success will depend, in part, on our ability to identify, attract and retain sufficient numbers of highly skilled employees. If we do not succeed in identifying, attracting and retaining these personnel, we may not be able to operate our business as we expect.

***Our business model depends to a significant extent upon strong referral relationships, and our inability to maintain or develop these relationships, as well as the failure of these relationships to generate investment opportunities, could adversely affect our business.***

We expect that members of our management team will maintain their relationships with financial institutions, private equity and other non-bank investors, investment bankers, commercial bankers, attorneys, accountants and consultants, and we will rely to a significant extent upon these relationships to provide us with potential investment opportunities. If our management team fails to maintain its existing relationships or develop new relationships with other sponsors or sources of investment opportunities, we will not be able to grow our investment portfolio. In addition, individuals with whom members of our management team have relationships are not obligated to provide us with investment opportunities, and, therefore, there is no assurance that such relationships will generate investment opportunities for us.

***We have no operating history as a business development company or as a regulated investment company, which may impair your ability to assess our prospects.***

The Existing Fund was formed in 2003 by certain members of our senior management team. Prior to this offering, however, we have not operated, and our management team has no experience operating, as a business development company under the 1940 Act or as a regulated investment company under Subchapter M of the Code. As a result, we have no operating results under these regulatory frameworks that can demonstrate to you either their effect on our business or our ability to manage our business under these frameworks. If we fail to operate our business so as to maintain our status as a business development company or a RIC, our operating flexibility will be significantly reduced.

***The Existing Fund is licensed by the SBA, and therefore subject to SBA regulations.***

The Existing Fund is licensed to act as a small business investment company and is regulated by the SBA. Under current SBA regulations, a licensed SBIC can provide capital to those entities that have a tangible net worth not exceeding $18.0 million and an average annual net income after Federal income taxes not exceeding $6.0 million for the two most recent fiscal years. In addition, a licensed SBIC must devote 20.0% of its investment activity to those entities that have a tangible net worth not exceeding $6.0 million and an average annual net income after Federal income taxes not exceeding $2.0 million for the two most recent fiscal years. The SBA regulations also provide alternative size standard criteria to determine eligibility, which depend on the industry in which the business is engaged and are based on factors such as the number of employees and gross sales. The SBA regulations permit licensed SBICs to make long term loans to small businesses, invest in the equity securities of such businesses and provide them with consulting and advisory services. The SBA also places certain limitations on the financing terms of investments by SBICs in portfolio companies and prohibits SBICs from providing funds for certain purposes or to businesses in a few prohibited industries. Compliance with SBA requirements may cause the Existing Fund to forego attractive investment opportunities that are not permitted under SBA regulations.

Further, the SBA regulations require that a licensed SBIC be periodically examined and audited by the SBA to determine its compliance with the relevant SBA regulations. The SBA prohibits, without prior SBA approval, a “change of control” of an SBIC or transfers that would result in any person (or a group of persons acting in concert) owning 10.0% or more of a class of capital stock of a licensed SBIC. If the Existing Fund fails to comply with applicable SBA regulations, the SBA could, depending on the severity of the violation, limit or prohibit the Existing Fund’s use of debentures, declare outstanding debentures immediately due and payable, and/or limit the Existing Fund from making new investments.

***Because we borrow money, the potential for gain or loss on amounts invested in us is magnified and may increase the risk of investing in us.***

Borrowings, also known as leverage, magnify the potential for gain or loss on amounts invested and, therefore, increases the risks associated with investing in us. The Existing Fund issues debt securities guaranteed by the SBA and sold in the capital markets. As a result of its guarantee of the debt securities, the

SBA has fixed dollar claims on the Existing Fund's assets that are superior to the claims of our common stockholders. We may also borrow from banks and other lenders in the future. If the value of our assets increases, then leveraging would cause the net asset value attributable to our common stock to increase more sharply than it would have had we not leveraged. Conversely, if the value of our assets decreases, leveraging would cause net asset value to decline more sharply than it otherwise would have had we not leveraged. Similarly, any increase in our income in excess of interest payable on the borrowed funds would cause our net income to increase more than it would without the leverage, while any decrease in our income would cause net income to decline more sharply than it would have had we not borrowed. Such a decline could negatively affect our ability to make common stock dividend payments. Leverage is generally considered a speculative investment technique.

On September 30, 2006, we had $31.8 million of outstanding indebtedness guaranteed by the SBA, which had a weighted average annualized interest cost of 5.77% for the nine months ended September 30, 2006.

*Illustration.* The following table illustrates the effect of leverage on returns from an investment in our common stock assuming various annual returns, net of expenses. The calculations in the table below are hypothetical based on our weighted average annualized interest cost of 5.77%. Our actual borrowing rate may be higher or lower than the assumed rate and actual returns may be higher or lower than those appearing below.

| | **Assumed Return on Our Portfolio (net of expenses)** | | | | |
|---|---|---|---|---|---|
| | **(10.0)%** | **(5.0)%** | **0.0%** | **5.0%** | **10.0%** |
| Corresponding net return to common stockholder | (32.1)% | (20.1)% | (8.1)% | 4.0% | 16.0% |

The calculation also assumes that we will be fully invested as of the close of this offering; however, as noted above, it may take us 12 months or longer to fully invest all of the net proceeds from this offering.

Our ability to achieve our investment objectives may depend in part on our ability to achieve additional leverage on favorable terms by issuing debentures guaranteed by the SBA or by borrowing from banks, or insurance companies, and there can be no assurance that such additional leverage can in fact be achieved.

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

The SBA regulations currently limit the dollar amount of SBA-guaranteed debentures that can be issued by any one SBIC or group of SBICs under common control to $124.4 million (which amount is subject to increase on an annual basis based on cost of living increases). Moreover, an SBIC may not borrow an amount in excess of two times its regulatory capital. As of September 30, 2006, the Existing Fund had issued $31.8 million in debentures guaranteed by the SBA. After our contribution of net proceeds of this offering to the Existing Fund, we expect the Existing Fund to have sufficient regulatory capital to issue the maximum amount of guaranteed debentures permitted by the SBA regulations. While we cannot presently predict whether or not we will borrow the maximum permitted amount, if we reach the maximum dollar amount of SBA-guaranteed debentures permitted, and thereafter require additional capital, our cost of capital may increase, and there is no assurance that we will be able to obtain additional financing on acceptable terms.

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

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

liquidate the Existing Fund or the SBA exercises its remedies under such debentures as the result of a default by us. In addition, the SBA must approve our independent directors before the Existing Fund will be permitted to issue additional debentures guaranteed by the SBA.

***We may experience fluctuations in our quarterly results.***

We could experience fluctuations in our quarterly operating results due to a number of factors, including our ability or inability to make investments in companies that meet our investment criteria, the interest rate payable on the debt securities we acquire, the level of our expenses, variations in and the timing of the recognition of realized and unrealized gains or losses, the degree to which we encounter competition in our markets and general economic conditions. As a result of these factors, results for any period should not be relied upon as being indicative of performance in future periods.

***Our ability to enter into transactions with our affiliates will be restricted.***

Except in those instances where we have received prior exemptive relief from the SEC, we will be prohibited under the 1940 Act from knowingly participating in certain transactions with our affiliates without the prior approval of our independent directors. Any person that owns, directly or indirectly, 5.0% or more of our outstanding voting securities will be our affiliate for purposes of the 1940 Act and we will generally be prohibited from buying or selling any security from or to such affiliate, absent the prior approval of our independent directors. The 1940 Act also prohibits "joint" transactions with an affiliate, which could include investments in the same portfolio company (whether at the same or different times), without prior approval of our independent directors. If a person acquires more than 25.0% of our voting securities, we will be prohibited from buying or selling any security from or to such person, or entering into joint transactions with such person, absent the prior approval of the SEC. These restrictions could limit or prohibit us from making certain attractive investments that we might otherwise make absent such restrictions.

***We expect to file an application with the SEC requesting exemptive relief from certain provisions of the 1940 Act and the Securities and Exchange Act of 1934.***

The 1940 Act prohibits certain transactions between us, the Existing Fund and their affiliates without first obtaining an exemptive order from the SEC. We expect to file an application with the SEC requesting an order exempting the Existing Fund and us from certain provisions of the 1940 Act and from certain reporting requirements mandated by the Securities and Exchange Act of 1934, or the Exchange Act. While the SEC has granted exemptive relief in substantially similar circumstances in the past, no assurance can be given that an exemptive order will be granted. Delays and costs involved in obtaining necessary approvals may make certain transactions impracticable or impossible to consummate, and there is no assurance that the application for exemptive relief will be granted by the SEC.

***Our board of directors may change our operating policies and strategies without prior notice or stockholder approval, the effects of which may be adverse.***

Our board of directors has the authority to modify or waive our current operating policies and strategies without prior notice and without stockholder approval. We cannot predict the effect any changes to our current operating policies and strategies would have on our business, operating results and value of our stock. However, the effects might be adverse, which could negatively impact our ability to pay you dividends and cause you to lose all or part of your investment. Moreover, we will have significant flexibility in investing the net proceeds of this offering and may use the net proceeds from this offering in ways with which investors may not agree or for purposes other than those contemplated at the time of this offering.

***We will be subject to corporate-level income tax if we are unable to qualify as a RIC under Subchapter M of the Code.***

Although we intend to elect to be treated as a RIC under the Code, which generally will allow us to avoid being subject to an entity-level tax, we will not, at least initially, be a RIC. To obtain and maintain RIC

tax treatment under the Code, we must meet the following annual distribution, income source and asset diversification requirements.

The annual distribution requirement for a RIC will be satisfied if we distribute to our stockholders on an annual basis at least 90.0% of our net ordinary income and realized net short-term capital gains in excess of realized net long-term capital losses, if any. We will be subject to a 4.0% nondeductible federal excise tax, however, to the extent that we do not satisfy certain additional minimum distribution requirements on a calendar year basis. See "Material U.S. Federal Income Tax Considerations." Because we use debt financing, we are subject to certain asset coverage ratio requirements under the 1940 Act and may in the future become subject to certain financial covenants under loan and credit agreements that could, under certain circumstances, restrict us from making distributions necessary to satisfy the distribution requirement. If we are unable to obtain cash from other sources, we could fail to qualify for RIC tax treatment and thus become subject to corporate-level income tax.

The income source requirement will be satisfied if we obtain at least 90.0% of our income for each year from dividends, interest, gains from the sale of stock or securities or similar sources. The asset diversification requirement will be satisfied if we meet certain asset diversification requirements at the end of each quarter of our taxable year. Failure to meet those requirements may result in our having to dispose of certain investments quickly in order to prevent the loss of RIC status. Because most of our investments will be in private companies, and therefore will be relatively illiquid, any such dispositions could be made at disadvantageous prices and could result in substantial losses.

If we fail to qualify for or maintain RIC tax treatment for any reason and are subject to corporate income tax, the resulting corporate taxes could substantially reduce our net assets, the amount of income available for distribution and the amount of our distributions.

***We may not be able to pay you dividends, and our dividends may not grow over time.***

We intend to pay quarterly dividends to our stockholders out of assets legally available for distribution. We cannot assure you that we will achieve investment results that will allow us to make a specified level of cash dividends or year-to-year increases in cash dividends. Our ability to pay dividends might be harmed by, among other things, the risk factors described in this prospectus. In addition, the inability to satisfy the asset coverage test applicable to us as a business development company can limit our ability to pay dividends. All dividends will be paid at the discretion of our board of directors and will depend on our earnings, our financial condition, maintenance of our RIC status, compliance with applicable BDC regulations, the Existing Fund's compliance with applicable SBIC regulations and such other factors as our board of directors may deem relevant from time to time. We cannot assure you that we will pay dividends to our stockholders in the future.

***We may have difficulty paying our required distributions if we recognize income before or without receiving cash representing such income.***

For federal income tax purposes, we will include in income certain amounts that we have not yet received in cash, such as original issue discount, which may arise if we receive warrants in connection with the origination of a loan or possibly in other circumstances, or contractual PIK interest, which represents contractual interest added to the loan balance and due at the end of the loan term. Such original issue discounts or increases in loan balances as a result of contractual PIK arrangements will be included in income before we receive any corresponding cash payments. We also may be required to include in income certain other amounts that we will not receive in cash.

Since, in certain cases, we may recognize income before or without receiving cash representing such income, we may have difficulty meeting the annual distribution requirement necessary to obtain and maintain RIC tax treatment under the Code. Accordingly, we may have to sell some of our investments at times and/or at prices we would not consider advantageous, raise additional debt or equity capital or reduce new investment originations for this purpose. If we are not able to obtain cash from other sources, we may fail to qualify for RIC tax treatment and thus become subject to corporate-level income tax. For additional discussion regarding

the tax implications of a RIC, please see "Material U.S. Federal Income Tax Considerations — Taxation as a RIC."

***The Existing Fund, as an SBIC, may be unable to make distributions to us that will enable us to meet registered investment company requirements, which could result in the imposition of an entity-level tax.***

In order for us to continue to qualify as a RIC, we will be required to distribute on an annual basis substantially all of our taxable income, including income from our subsidiaries, including the Existing Fund. As all of our investments will initially be made by the Existing Fund, we will be substantially dependent on the Existing Fund for cash distributions to enable us to meet the RIC distribution requirements. The Existing Fund may be limited by the Small Business Investment Act of 1958, and SBA regulations governing SBICs, from making certain distributions to us that may be necessary to enable us to qualify as a RIC. We may have to request a waiver of the SBA's restrictions for the Existing Fund to make certain distributions to maintain our status as a RIC. We cannot assure you that the SBA will grant such waiver and if the Existing Fund is unable to obtain a waiver, compliance with the SBA regulations may result in loss of RIC status and a consequent imposition of an entity-level tax on us.

***Because we intend to distribute substantially all of our income to our stockholders upon our election to be treated as a RIC, we will continue to need additional capital to finance our growth and regulations governing our operation as a BDC will affect our ability to, and the way in which we, raise additional capital.***

In order to satisfy the requirements applicable to a RIC and to avoid payment of excise taxes, we intend to distribute to our stockholders substantially all of our net ordinary income and net capital gain income except for certain net long-term capital gains recognized after we become a RIC, which we intend to retain, pay applicable income taxes with respect thereto, and elect to treat as deemed distributions to our stockholders. As a business development company, we generally are required to meet a coverage ratio of total assets to total senior securities, which includes all of our borrowings and any preferred stock we may issue in the future, of at least 200.0%. This requirement limits the amount that we may borrow. If the value of our assets declines, we may be unable to satisfy this test. If that happens, we may be required to sell a portion of our investments or sell additional shares of common stock and, depending on the nature of our leverage, to repay a portion of our indebtedness at a time when such sales may be disadvantageous. In addition, issuance of additional securities could dilute the percentage ownership of our current stockholders in us.

While we expect to be able to borrow and to issue additional debt and equity securities, we cannot assure you that debt and equity financing will be available to us on favorable terms, or at all. In addition, as a business development company, we generally will not be permitted to issue equity securities priced below net asset value without stockholder approval. If additional funds are not available to us, we could be forced to curtail or cease new investment activities, and our net asset value could decline.

***Changes in laws or regulations governing our operations may adversely affect our business or cause us to alter our business strategy.***

We and our portfolio companies will be subject to regulation at the local, state and federal level. New legislation may be enacted or new interpretations, rulings or regulations could be adopted, including those governing the types of investments we are permitted to make, any of which could harm us and our stockholders, potentially with retroactive effect. In addition, any change to the SBA's current debenture program could have a significant impact on our ability to obtain low-cost leverage and, therefore, our competitive advantage over other funds.

Additionally, any changes to the laws and regulations governing our operations relating to permitted investments may cause us to alter our investment strategy in order to avail ourselves of new or different opportunities. Such changes could result in material differences to the strategies and plans set forth in this prospectus and may result in our investment focus shifting from the areas of expertise of our management team to other types of investments in which our management team may have less expertise or little or no

experience. Thus, any such changes, if they occur, could have a material adverse effect on our results of operations and the value of your investment.

***Efforts to comply with the Sarbanes-Oxley Act will involve significant expenditures, and non-compliance with the Sarbanes-Oxley Act may adversely affect us.***

Upon completion of our initial public offering, we will be subject to the Sarbanes-Oxley Act of 2002, and the related rules and regulations promulgated by the SEC. Under current SEC rules, beginning with our fiscal year ending December 31, 2007, our management will be required to report on our internal controls over financial reporting pursuant to Section 404 of the Sarbanes-Oxley Act of 2002 and rules and regulations of the SEC thereunder. We will be required to review on an annual basis our internal controls over financial reporting, and on a quarterly and annual basis to evaluate and disclose changes in our internal controls over financial reporting. As a result, we expect to incur significant additional expenses in the near term, which may negatively impact our financial performance and our ability to make distributions. This process also will result in a diversion of management's time and attention. We cannot be certain as to the timing of completion of our evaluation, testing and remediation actions or the impact of the same on our operations and may not be able to ensure that the process is effective or that the internal controls are or will be effective in a timely manner. There can be no assurance that we will successfully identify and resolve all issues required to be disclosed prior to becoming a public company or that our quarterly reviews will not identify additional material weaknesses. In the event that we are unable to maintain or achieve compliance with the Sarbanes-Oxley Act and related rules, we may be adversely affected.

**Risks Related to Our Investments**

***Our investments in portfolio companies may be risky, and we could lose all or part of our investment.***

Investing in lower middle market companies involves a number of significant risks. Among other things, these companies:

- may have limited financial resources and may be unable to meet their obligations under their debt instruments that we hold, which may be accompanied by a deterioration in the value of any collateral and a reduction in the likelihood of us realizing any guarantees from subsidiaries or affiliates of our portfolio companies that we may have obtained in connection with our investment;
- may have shorter operating histories, narrower product lines, smaller market shares and/or significant customer concentration than larger businesses, which tend to render them more vulnerable to competitors' actions and market conditions, as well as general economic downturns;
- are more likely to depend on the management talents and efforts of a small group of persons; therefore, the death, disability, resignation or termination of one or more of these persons could have a material adverse impact on our portfolio company and, in turn, on us;
- generally have less predictable operating results, may from time to time be parties to litigation, may be engaged in rapidly changing businesses with products subject to a substantial risk of obsolescence, and may require substantial additional capital to support their operations, finance expansion or maintain their competitive position; and
- generally have less publicly available information about their businesses, operations and financial condition. If we are unable to uncover all material information about these companies, we may not make a fully informed investment decision, and may lose all or part of our investment.

In addition, in the course of providing significant managerial assistance to certain of our portfolio companies, certain of our officers and directors may serve as directors on the boards of such companies. To the extent that litigation arises out of our investments in these companies, our officers and directors may be named as defendants in such litigation, which could result in an expenditure of funds (through our indemnification of such officers and directors) and the diversion of management time and resources.

***The lack of liquidity in our investments may adversely affect our business.***

We invest, and will continue to invest in companies whose securities are not publicly traded, and whose securities will be subject to legal and other restrictions on resale or will otherwise be less liquid than publicly traded securities. The illiquidity of these investments may make it difficult for us to sell these investments when desired. In addition, if we are required to liquidate all or a portion of our portfolio quickly, we may realize significantly less than the value at which we had previously recorded these investments. As a result, we do not expect to achieve liquidity in our investments in the near-term. Our investments are usually subject to contractual or legal restrictions on resale or are otherwise illiquid because there is usually no established trading market for such investments. The illiquidity of most of our investments may make it difficult for us to dispose of them at a favorable price, and, as a result, we may suffer losses.

***We may not have the funds to make additional investments in our portfolio companies.***

We may not have the funds to make additional investments in our portfolio companies. After our initial investment in a portfolio company, we may be called upon from time to time to provide additional funds to such company or have the opportunity to increase our investment through the exercise of a warrant to purchase common stock. There is no assurance that we will make, or will have sufficient funds to make, follow-on investments. Any decisions not to make a follow-on investment or any inability on our part to make such an investment may have a negative impact on a portfolio company in need of such an investment, may result in a missed opportunity for us to increase our participation in a successful operation or may reduce the expected yield on the investment.

***Our portfolio companies may incur debt that ranks equally with, or senior to, our investments in such companies.***

We invest primarily in senior subordinated debt as well as equity issued by lower middle market companies. Our portfolio companies may have, or may be permitted to incur, other debt that ranks equally with, or senior to, the debt in which we invest. By their terms, such debt instruments may entitle the holders to receive payment of interest or principal on or before the dates on which we are entitled to receive payments with respect to the debt instruments in which we invest. Also, in the event of insolvency, liquidation, dissolution, reorganization or bankruptcy of a portfolio company, holders of debt instruments ranking senior to our investment in that portfolio company would typically be entitled to receive payment in full before we receive any distribution. After repaying such senior creditors, such portfolio company may not have any remaining assets to use for repaying its obligation to us. In the case of debt ranking equally with debt instruments in which we invest, we would have to share on an equal basis any distributions with other creditors holding such debt in the event of an insolvency, liquidation, dissolution, reorganization or bankruptcy of the relevant portfolio company.

***There may be circumstances where our debt investments could be subordinated to claims of other creditors or we could be subject to lender liability claims.***

Even though we may have structured certain of our investments as senior loans, if one of our portfolio companies were to go bankrupt, depending on the facts and circumstances, including the extent to which we actually provided managerial assistance to that portfolio company, a bankruptcy court might recharacterize our debt investment and subordinate all or a portion of our claim to that of other creditors. We may also be subject to lender liability claims for actions taken by us with respect to a borrower's business or instances where we exercise control over the borrower. It is possible that we could become subject to a lender's liability claim, including as a result of actions taken in rendering significant managerial assistance.

***Second priority liens on collateral securing loans that we make to our portfolio companies may be subject to control by senior creditors with first priority liens. If there is a default, the value of the collateral may not be sufficient to repay in full both the first priority creditors and us.***

Certain loans that we make to portfolio companies will be secured on a second priority basis by the same collateral securing senior secured debt of such companies. The first priority liens on the collateral will secure the portfolio company's obligations under any outstanding senior debt and may secure certain other future debt that may be permitted to be incurred by the company under the agreements governing the loans. The holders of obligations secured by the first priority liens on the collateral will be entitled to receive proceeds from any realization of the collateral to repay their obligations in full before us. In addition, the value of the collateral in the event of liquidation will depend on market and economic conditions, the availability of buyers and other factors. There can be no assurance that the proceeds, if any, from the sale or sales of all of the collateral would be sufficient to satisfy the loan obligations secured by the second priority liens after payment in full of all obligations secured by the first priority liens on the collateral. If such proceeds are not sufficient to repay amounts outstanding under the loan obligations secured by the second priority liens, then we, to the extent not repaid from the proceeds of the sale of the collateral, will only have an unsecured claim against the company's remaining assets, if any.

The rights we may have with respect to the collateral securing the loans we make to our portfolio companies with senior debt outstanding may also be limited pursuant to the terms of one or more intercreditor agreements that we enter into with the holders of senior debt. Under such an intercreditor agreement, at any time that obligations that have the benefit of the first priority liens are outstanding, any of the following actions that may be taken in respect of the collateral will be at the direction of the holders of the obligations secured by the first priority liens: the ability to cause the commencement of enforcement proceedings against the collateral; the ability to control the conduct of such proceedings; the approval of amendments to collateral documents; releases of liens on the collateral; and waivers of past defaults under collateral documents. We may not have the ability to control or direct such actions, even if our rights are adversely affected.

***We generally will not control our portfolio companies.***

We do not, and do not expect to, control many of our portfolio companies, even though we may have board representation or board observation rights, and our debt agreements may contain certain restrictive covenants. As a result, we are subject to the risk that a portfolio company in which we invest may make business decisions with which we disagree and the management of such company, as representatives of the holders of their common equity, may take risks or otherwise act in ways that do not serve our interests as debt investors. Due to the lack of liquidity for our investments in non-traded companies, we may not be able to dispose of our interests in our portfolio companies as readily as we would like or at an appropriate valuation. As a result, a portfolio company may make decisions that could decrease the value of our portfolio holdings.

***Economic recessions or downturns could impair our portfolio companies and harm our operating results.***

Many of our portfolio companies may be susceptible to economic slowdowns or recessions and may be unable to repay our debt investments during these periods. Therefore, our non-performing assets are likely to increase, and the value of our portfolio is likely to decrease during these periods. Adverse economic conditions also may decrease the value of collateral securing some of our debt investments and the value of our equity investments. Economic slowdowns or recessions could lead to financial losses in our portfolio and a decrease in revenues, net income and assets. Unfavorable economic conditions also could increase our funding costs, limit our access to the capital markets or result in a decision by lenders not to extend credit to us. These events could prevent us from increasing investments and harm our operating results.

***Defaults by our portfolio companies will harm our operating results.***

A portfolio company's failure to satisfy financial or operating covenants imposed by us or other lenders could lead to defaults and, potentially, termination of its loans and foreclosure on its secured assets, which could trigger cross-defaults under other agreements and jeopardize a portfolio company's ability to meet its

obligations under the debt or equity securities that we hold. We may incur expenses to the extent necessary to seek recovery upon default or to negotiate new terms, which may include the waiver of certain financial covenants, with a defaulting portfolio company.

***Prepayments of our debt investments by our portfolio companies could adversely impact our results of operations and reduce our return on equity.***

We are subject to the risk that the investments we make in our portfolio companies may be repaid prior to maturity. When this occurs, we will generally reinvest these proceeds in temporary investments, pending their future investment in new portfolio companies. These temporary investments will typically have substantially lower yields than the debt being prepaid and we could experience significant delays in reinvesting these amounts. Any future investment in a new portfolio company may also be at lower yields than the debt that was repaid. As a result, our results of operations could be materially adversely affected if one or more of our portfolio companies elect to prepay amounts owed to us. Additionally, prepayments could negatively impact our return on equity, which could result in a decline in the market price of our common stock.

***Changes in interest rates may affect our cost of capital and net investment income.***

Most of our debt investments will bear interest at fixed rates and the value of these investments could be negatively affected by increases in market interest rates. In addition, an increase in interest rates would make it more expensive to use debt to finance our investments. As a result, a significant increase in market interest rates could both reduce the value of our portfolio investments and increase our cost of capital, which would reduce our net investment income. Conversely, a decrease in interest rates may have an adverse impact on our returns by requiring us to seek lower yields on our debt investments and by increasing the risk that our portfolio companies will prepay our debt investments, resulting in the need to redeploy capital at potentially lower rates.

***We may not realize gains from our equity investments.***

Certain investments that we have made in the past and may make in the future include warrants or other equity securities. Investments in equity securities involve a number of significant risks, including the risk of further dilution as a result of additional issuances, inability to access additional capital and failure to pay current distributions. Investments in preferred securities involve special risks, such as the risk of deferred distributions, credit risk, illiquidity and limited voting rights. In addition, we may from time to time make non-control, equity co-investments in companies in conjunction with private equity sponsors. Our goal is ultimately to realize gains upon our disposition of such equity interests. However, the equity interests we receive may not appreciate in value and, in fact, may decline in value. Accordingly, we may not be able to realize gains from our equity interests, and any gains that we do realize on the disposition of any equity interests may not be sufficient to offset any other losses we experience. We also may be unable to realize any value if a portfolio company does not have a liquidity event, such as a sale of the business, recapitalization or public offering, which would allow us to sell the underlying equity interests. We often seek puts or similar rights to give us the right to sell our equity securities back to the portfolio company issuer. We may be unable to exercise these puts rights for the consideration provided in our investment documents if the issuer is in financial distress.

**Risks Relating to this Offering and Our Common Stock**

***We may be unable to invest a significant portion of the net proceeds of this offering on acceptable terms in the timeframe contemplated by this prospectus.***

Delays in investing the net proceeds of this offering may cause our performance to be worse than that of other fully invested business development companies or other lenders or investors pursuing comparable investment strategies. We cannot assure you that we will be able to identify any investments that meet our investment objective or that any investment that we make will produce a positive return. We may be unable to

invest the net proceeds of this offering on acceptable terms within the time period that we anticipate or at all, which could harm our financial condition and operating results.

We anticipate that, depending on market conditions, it may take us up to twelve months to invest substantially all of the net proceeds of this offering in securities meeting our investment objective. During this period, we will invest the net proceeds of this offering primarily in cash, cash equivalents, U.S. government securities, repurchase agreements and high-quality debt instruments maturing in one year or less from the time of investment, which may produce returns that are significantly lower than the returns which we expect to achieve when our portfolio is fully invested in securities meeting our investment objective. As a result, any dividends that we pay during this period may be substantially lower than the dividends that we may be able to pay when our portfolio is fully invested in securities meeting our investment objective. In addition, until such time as the net proceeds of this offering are invested in securities meeting our investment objective, the market price for our common stock may decline. Thus, the initial return on your investment may be lower than when, if ever, our portfolio is fully invested in securities meeting our investment objective.

***Shares of closed-end investment companies, including BDCs, may trade at a discount to their net asset value.***

Shares of closed-end investment companies, including business development companies, may trade at a discount from net asset value. This characteristic of closed-end investment companies and business development companies is separate and distinct from the risk that our net asset value per share may decline. We cannot predict whether our common stock will trade at, above or below net asset value.

***Investing in our common stock may involve an above average degree of risk.***

The investments we make in accordance with our investment objective may result in a higher amount of risk than alternative investment options and a higher risk of volatility or loss of principal. Our investments in portfolio companies may be highly speculative, and therefore, an investment in our shares may not be suitable for someone with lower risk tolerance.

***The value of common stock issued in the formation transactions is not based on an appraisal or arms-length negotiation.***

The limited partners of the Existing Fund and the members of TML will receive common stock in the formation transactions having an aggregate value of $28,750,000. The value of common stock to be issued in the formation transactions is not based on an independent appraisal, nor was such value based on arms-length negotiations with third parties who had no interest in the formation transactions.

***Investors in this offering will incur immediate dilution upon the closing of this offering.***

The initial public offering price will be substantially higher than our as-adjusted pro forma net asset value per share of $12.87. As a result, investors purchasing stock in this offering will incur immediate dilution of $2.13 per share at the assumed initial public offering price of $15.00 per share. See “Dilution” for more information.

***The market price of our common stock may fluctuate significantly.***

The market price and liquidity of the market for shares of our common stock may be significantly affected by numerous factors, some of which are beyond our control and may not be directly related to our operating performance. These factors include:

- significant volatility in the market price and trading volume of securities of business development companies or other companies in our sector, which are not necessarily related to the operating performance of these companies;
- changes in regulatory policies or tax guidelines, particularly with respect to RICs, business development companies or SBICs;

- loss of RIC status or the Existing Fund's status as an SBIC;
- changes in earnings or variations in operating results;
- changes in the value of our portfolio of investments;
- any shortfall in revenue or net income or any increase in losses from levels expected by investors or securities analysts;
- departure of our key personnel; and
- general economic trends and other external factors.

***Prior to this offering, there has been no public market for our common stock, and we cannot assure you that the market price of our shares will not decline following the offering.***

Prior to this offering, there has been no public market for our common stock. Consequently, the initial public offering price of our common stock was determined through negotiations among us and the underwriters. We cannot assure you that a trading market will develop for our common stock after this offering or, if one develops, that such trading market can be sustained. Initially, the market for our common stock will be extremely limited. Following this offering, sales of substantial amounts of our common stock or the availability of such shares for sale, could adversely affect the prevailing market prices for our common stock.

In connection with our formation and organization, we will issue restricted common stock in consideration for interests in the Existing Fund. The value of this common stock to be issued and the acquired interests in the Existing Fund have not been negotiated at arms length. See "Formation; Business Development Company and Regulated Investment Company Elections-Formation." This stock may be transferred subject to certain terms and limitations under Rule 144 (a non-exclusive resale exemption under the Securities Act of 1933) following the first anniversary of issuance. Moreover, we have agreed to use reasonable best efforts to register the resale of this restricted stock as soon as practicable following the first anniversary of the closing. Thus, this restricted stock represents a significant "overhang," and significant sales of this stock, once it becomes tradable following the first anniversary of the closing, could have an adverse affect on the price of our shares. Any such adverse effects upon our share price could impair our ability to raise additional capital through the sale of equity securities should we desire to do so.

***Provisions of the Maryland General Corporation Law and our articles of incorporation and bylaws could deter takeover attempts and have an adverse impact on the price of our common stock.***

The Maryland General Corporation Law and our articles of incorporation and bylaws contain provisions that may have the effect of discouraging, delaying or making difficult a change in control of our company or the removal of our incumbent directors. Specifically, our board of directors may adopt resolutions to classify our board of directors so that stockholders do not elect every director on an annual basis. Also, our articles of incorporation provide that a director may be removed only for cause by the vote of at least two-thirds of the votes entitled to be cast for the election of directors generally. In addition, our bylaws provide that a special meeting of stockholders may be called by the stockholders only upon the written request of the stockholders entitled to cast at least a majority of all the votes entitled to be cast at the meeting.

In addition, subject to the provisions of the 1940 Act, our articles of incorporation permit our board of directors, without stockholder action, to authorize the issuance of shares of stock in one or more classes or series, including preferred stock. See "Description of Capital Stock." Subject to compliance with the 1940 Act, our board of directors may, without stockholder action, amend our articles of incorporation to increase the number of shares of stock of any class or series that we have authority to issue. The existence of these provisions, among others, may have a negative impact on the price of our common stock and may discourage third party bids for ownership of our company. These provisions may prevent any premiums being offered to you for shares of our common stock.

## SPECIAL NOTE REGARDING FORWARD-LOOKING STATEMENTS

Some of the statements in this prospectus constitute forward-looking statements because they relate to future events or our future performance or financial condition. The forward-looking statements contained in this prospectus may include 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.

In addition, words such as “anticipate,” “believe,” “expect” and “intend” indicate a forward-looking statement, although not all forward-looking statements include these words. The forward-looking statements contained in this prospectus involve risks and uncertainties. Our actual results could differ materially from those implied or expressed in the forward-looking statements for any reason, including the factors set forth in “Risk Factors” and elsewhere in this prospectus. Other factors that could cause actual results to differ materially include:

- changes in the economy;
- risks associated with possible disruption in our operations or the economy generally due to terrorism; and
- future changes in laws or regulations and conditions in our operating areas.

We have based the forward-looking statements included in this prospectus on information available to us on the date of this prospectus, and we assume no obligation to update any such forward-looking statements. Although we undertake no obligation to revise or update any forward-looking statements, whether as a result of new information, future events or otherwise, you are advised to consult any additional disclosures that we may make directly to you or through reports that we 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. We note that the safe harbor for forward-looking statements provided by the Private Securities Litigation Reform Act of 1995 does not apply to statements made in this prospectus.

## FORMATION; BUSINESS DEVELOPMENT COMPANY AND REGULATED INVESTMENT COMPANY ELECTIONS

### Formation

Prior to the closing of this offering and the transactions described below, our senior management team has operated and made investments through the Existing Fund, a privately-held North Carolina limited liability limited partnership which holds a license as an SBIC. Prior to the closing, the Existing Fund has 35 limited partners (most of which are commercial banks), and a general partner, TML.

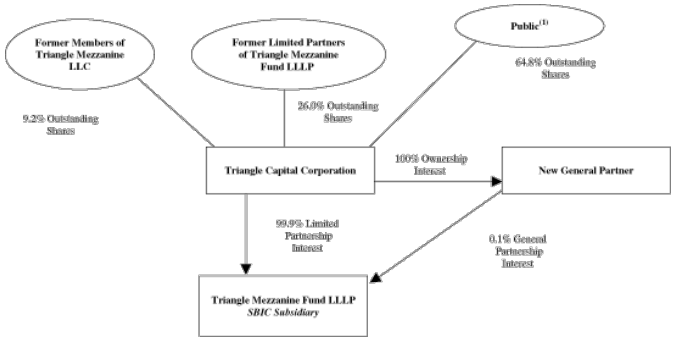
Triangle Capital Corporation was incorporated as a Maryland corporation on October 10, 2006, for the purpose of acquiring 100% of the outstanding equity interests in the Existing Fund and TML, raising capital in this offering, contributing capital to the Existing Fund and thereafter operating as an internally managed business development company under the 1940 Act. Upon the closing of this offering, we will own 100% of the outstanding equity interests in the Existing Fund and operate the Existing Fund through the corporate structure described below.

On November 2, 2006, we entered into merger agreements with the Existing Fund and TML to effect the following transactions. Pursuant to these agreements:

- Effective concurrently with the closing of this offering, Triangle Capital Corporation will acquire 100% of the limited partnership interests in the Existing Fund, which will become our wholly owned subsidiary, retain its SBIC license, continue to hold its existing investments and make new investments with net proceeds of this offering. We will issue 1,416,667 shares of common stock, having an aggregate value based on the initial public offering price of $21,250,000, to the limited partners of the Existing Fund in exchange for their limited partnership interests.
- Effective concurrently with the closing of this offering, Triangle Capital Corporation will acquire all of the outstanding equity interests in TML. We will issue to the members of TML 500,000 shares of common stock, having an aggregate value based on the initial public offering price of $7,500,000, in exchange for their equity interests in TML. Under the Existing Fund's partnership agreement, TML is entitled to 20.0% of the Existing Fund's profits and capital after the limited partners have received distributions of their entire investment and a 7.0% compound annual return on their investment. TML did not make a capital contribution to the Existing Fund, but rather has received this interest for performing the function of and assuming the risks as general partner of the Existing Fund. The value being received by members of TML is based on the estimated present value of the 20.0% carried interest in the Existing Fund and was negotiated and agreed to by limited partners holding approximately 90% of the limited partnership interests in the Existing Fund.

The shares of common stock issued to the limited partners of the Existing Fund and members of TML in the formation transactions will be subject to restrictions on transfer for a period of one year following completion of the offering. See "Shares Eligible for Future Sale."

The following diagram depicts our ownership structure upon completion of this offering and the formation transactions:




(1) Includes 30,000 shares of common stock issued to Triangle Capital Partners, LLC in December 2006.

Upon the closing of this offering, the current management services agreement between the Existing Fund and Triangle Capital Partners, LLC will terminate, and we will be internally managed. As a result, following the closing, we will not pay investment advisory fees to any outside party, but instead will incur operating costs associated with employing investment and portfolio management professionals. The Existing Fund and Triangle Capital Corporation will enter into a management services agreement effective as of the closing, pursuant to which Triangle Capital Corporation will provide management and administrative services to the Existing Fund. Under the terms of this agreement, the Existing Fund will pay Triangle Capital Corporation an intra-company service fee on a quarterly basis. Notwithstanding the foregoing, the Existing Fund will not pay this intra-company service fee to Triangle Capital Corporation until such time that the SEC has granted exemptive relief with respect to the payment of such fees or Triangle Capital Corporation otherwise determines that such fees are permissible under the 1940 Act. In addition, upon the closing of these transactions, the senior management of TML and Triangle Capital Partners, LLC will be our initial executive officers and will also be the executive officers of the new general partner. See “Management.”

Because the SBA prohibits, without prior SBA approval, a “change of control” of an SBIC or issuances or transfers that would result in any person (or group of persons acting in concert) owning 10.0% or more of a class of stock of an SBIC, the formation transactions described above and this offering require the written consent of the SBA. The Existing Fund is seeking the SBA’s written approval to these transactions and this offering. The Existing Fund will continue to hold its SBIC license upon the closing of this offering and be subject to the rules and regulations of the SBA.

The consummation of the formation transactions is subject only to the receipt of the SBA approval described above, the closing of this offering, and the accuracy in all material respects of the representations and warranties of the respective merger agreements. The formation transactions have been structured in a manner intended to cause the issuance of our shares of common stock to the limited partners of the Existing Fund and the members of TML to be exempt from registration under Section 4(2) of the Securities Act and/or Rule 506 of Regulation D thereunder as a private placement of securities.

***Business Development Company and Regulated Investment Company Elections***

In connection with this offering, we and the Existing Fund will each file an election to be regulated as a business development company under the 1940 Act. In addition, we intend to elect to be treated as a RIC

under Subchapter M of the Code. Our election to be regulated as a business development company and our election to be treated as a RIC will have a significant impact on our future operations. Some of the most important effects on our future operations of our election to be regulated as a business development company and our election to be treated as a RIC are outlined below.

- **We will report our investments at market value or fair value with changes in value reported through our statement of operations.**

  In accordance with the requirements of Article 6 of Regulation S-X, we will report all of our investments, including debt investments, at market value or, for investments that do not have a readily available market value, at their "fair value" as determined by our board of directors. Changes in these values will be reported through our statement of operations under the caption of "net unrealized appreciation (depreciation) of investments." See "Business — Portfolio Management — Valuation Process and Determination of Net Asset Value."

- **We generally will be required to pay income taxes only on the portion of our taxable income we do not distribute to stockholders (actually or constructively).**

  We intend to elect to be treated as a RIC under Subchapter M of the Code, effective as of December 31, 2006. As a RIC, so long as we meet certain minimum distribution, source-of-income and asset diversification requirements, we generally will be required to pay income taxes only on the portion of our taxable income and gains we do not distribute (actually or constructively) and certain built-in gains. Any capital gains we recognize prior to the effective date of our election to be taxed as a RIC will, when distributed to you, be taxed as ordinary income and not as capital gains, as would have been the case had we been taxed as a RIC as of the date of this offering. However, such distribution may qualify for taxation at reduced rates applicable to qualifying dividend income.

- **Our ability to use leverage as a means of financing our portfolio of investments will be limited.**

As a business development company, we will be required to meet a coverage ratio of total assets to total senior securities of at least 200.0%. For this purpose, senior securities include all borrowings and any preferred stock we may issue in the future. Additionally, our ability to continue to utilize leverage as a means of financing our portfolio of investments will be limited by this asset coverage test.

In connection with this offering and our intended election to be regulated as a BDC, we expect to file a request with the SEC for exemptive relief to allow us to take certain actions that would otherwise be prohibited by the 1940 Act, as applicable to BDCs. In addition, we expect to request that the SEC allow us to exclude any indebtedness guaranteed by the SBA and issued by the Existing Fund from the 200.0% asset coverage requirements applicable to us. While the SEC has granted exemptive relief in substantially similar circumstances in the past, no assurance can be given that an exemptive order will be granted.

- **We intend to distribute substantially all of our income to our stockholders.**

  As a RIC, we intend to distribute to our stockholders substantially all of our income, except for certain net long-term capital gains. We intend to make deemed distributions to our stockholders of any retained net long-term capital gains. If this happens, you will be treated as if you received an actual distribution of the capital gains and reinvested the net after-tax proceeds in us. You also may be eligible to claim a tax credit (or, in certain circumstances, a tax refund) equal to your allocable share of the tax we pay on the deemed distribution. See "Material U.S. Federal Income Tax Considerations."

## USE OF PROCEEDS

We estimate that the net proceeds we will receive from the sale of 3,500,000 shares of our common stock in this offering will be approximately $47.3 million, or approximately $54.6 million if the underwriters fully exercise their over-allotment option, after deducting the underwriting discounts and commissions and estimated offering expenses of approximately $1.5 million.

We intend to contribute approximately $41.0 million of the net proceeds from this offering to the Existing Fund to invest in lower middle market companies in accordance with our investment objective and strategies described in this prospectus. Based on current market conditions, we anticipate that it may take up to 12 months to fully invest the net proceeds we contribute to the Existing Fund depending on the availability of investment opportunities that are consistent with our investment objective and strategies. However, if market conditions change, it may take us longer than 12 months to fully invest the net proceeds from this offering. Pending such use, we will invest the net proceeds primarily in short-term securities consistent with our BDC election and our election to be taxed as a RIC. See “Regulation — Temporary Investments.” In addition, we will have the ability to use SBA-guaranteed leverage to make additional investments, subject to the limitations described elsewhere in this prospectus.

We intend to retain the balance of the net proceeds of this offering to pay certain expenses, dividends required in order to maintain our status as a RIC, amounts needed to implement our dividend reinvestment plan, and for general corporate purposes. We currently intend to invest retained cash in short-term securities consistent with our BDC election and our election to be taxed as a RIC, but could use all or a portion of these funds for portfolio investments in the future.

## DISTRIBUTIONS

We intend to distribute quarterly dividends to our stockholders following our election to be taxed as a RIC. Our quarterly dividends, if any, will be determined by our board of directors.

To obtain and maintain RIC tax treatment, we must, among other things, distribute at least 90.0% of our net ordinary income and realized net short-term capital gains in excess of realized net long-term capital losses, if any. In order to avoid certain excise taxes imposed on RICs, we currently intend to distribute during each calendar year an amount at least equal to the sum of (1) 98.0% of our net ordinary income for the calendar year, (2) 98.0% of our capital gains in excess of capital losses for the one-year period ending on October 31 of the calendar year and (3) any net ordinary income and net capital gains for preceding years that were not distributed during such years. We currently intend to retain for investment some or all of our net capital gains (i.e., realized net long-term capital gains in excess of realized net short-term capital losses) and treat such amounts as deemed distributions to our stockholders. If we do this, you will be treated as if you received an actual distribution of the capital gains we retain and then reinvested the net after-tax proceeds in our common stock. You also may be eligible to claim a tax credit (or, in certain circumstances, a tax refund) equal to your allocable share of the tax we paid on the capital gains deemed distributed to you. Please refer to “Material U.S. Federal Income Tax Considerations” for further information regarding the consequences of our retention of net capital gains. We may, in the future, make actual distributions to our stockholders of our net capital gains. We can offer no assurance that we will achieve results that will permit the payment of any cash distributions and, if we issue senior securities, we will be prohibited from making distributions if doing so causes us to fail to maintain the asset coverage ratios stipulated by the 1940 Act or if distributions are limited by the terms of any of our borrowings. See “Regulation” and “Material U.S. Federal Income Tax Considerations.”

We have adopted an “opt out” dividend reinvestment plan for our common stockholders. As a result, if we declare a dividend, then stockholders’ cash dividends will be automatically reinvested in additional shares of our common stock, unless they specifically “opt out” of the dividend reinvestment plan so as to receive cash dividends. See “Dividend Reinvestment Plan.”

## CAPITALIZATION

The following table sets forth our capitalization as of September 30, 2006:

- on an actual basis; and
- as adjusted to reflect the sale by us of 3,500,000 shares of common stock in this offering at an initial public offering price of $15.00 per share, after deducting the estimated underwriting discounts and commissions and estimated offering expenses payable by us.

This table assumes no exercise of the underwriters' over-allotment option of shares. You should read this table together with "Use of Proceeds" and our balance sheet included elsewhere in this prospectus.

| | As of September 30, 2006 | |
|---|---|---|
| | Actual | As Adjusted |
| | *(dollars in thousands)* | |
| Cash and cash equivalents | $ 7,358 | $ 54,713 |
| Borrowings (SBA-guaranteed debentures payable) | $ 31,800 | $ 31,800 |
| Equity: | | |
| Partners' capital contributions | 21,250 | — |
| Common stock, $0.001 par value per share; no shares authorized, no shares issued and outstanding, actual (150,000,000 shares authorized; 5,446,667 shares issued and outstanding, as adjusted) | — | 5 |
| Additional paid-in capital | — | 68,600 |
| Accumulated undistributed investment gains | 1,494 | 1,494 |
| Total partners'/stockholders' equity | 22,744 | 70,099 |
| Total capitalization | $ 54,544 | $ 101,899 |

## DILUTION

If you invest in our common stock, your interest will be diluted to the extent of the difference between the initial public offering price per share of our common stock and the as-adjusted pro forma net asset value per share of our common stock immediately after the completion of this offering.

The net asset value of our common stock as of September 30, 2006 (on a pro forma basis assuming completion of the formation transactions and acquisition of the Existing Fund on that date) was $22.7 million. Our as-adjusted net asset value, as of September 30, 2006, would have been $11.87 per share. We determined our as-adjusted net asset value per share before this offering by dividing the net asset value (total assets less total liabilities) as of September 30, 2006 by the number of shares of common stock outstanding as of September 30, 2006, after giving effect to the formation transactions occurring concurrently with this offering. See "Formation; Business Development Company and Regulated Investment Company Elections-Formation."

After giving effect to the sale of our common stock in this offering at an assumed initial public offering price of $15.00 per share, the application of the net proceeds from this offering as set forth in "Use of Proceeds" and after deducting estimated underwriting discounts and commissions and estimated offering expenses payable by us, our as-adjusted pro forma net asset value as of September 30, 2006 would have been $70.1 million or approximately $12.87 per share. This represents an immediate increase in our net asset value per share of $1.00 to existing stockholders and dilution in net asset value per share of $2.13 to new investors who purchase shares in this offering. The following table illustrates this per share dilution:

| | | |
|---|---|---|
| Assumed initial public offering price per share | | $ 15.00 |
| As-adjusted net asset value per share after giving effect to the formation transactions | $ 11.87 | |
| Increase (decrease) in net asset value per share attributable to new investors in this offering | $ 1.00 | |
| As-adjusted pro forma net asset value per share after this offering | | $ 12.87 |
| Dilution per share to new investors[1] | | $ 2.13 |

(1) To the extent the underwriters' over-allotment option is exercised, there will be further dilution to new investors.

The following table summarizes, as of September 30, 2006, the number of shares of common stock purchased from us, the total consideration paid to us and the average price per share paid by existing stockholders and to be paid by new investors purchasing shares of common stock in this offering assuming an initial public offering price of $15.00 per share, before deducting the underwriting discounts and commissions and estimated offering expenses payable by us.

| | Shares Purchased | | Total Consideration | | Average Price per Share |
|---|---|---|---|---|---|
| | Number | Percent | Amount | Percent | |
| Existing stockholders[1] | 1,946,767 | 35.7% | 21,281,500 | 28.8% | $ 10.93 |
| New investors | 3,500,000 | 64.3% | 52,500,000 | 71.2% | $ 15.00 |
| Total | 5,446,767 | 100.0% | 73,781,500 | 100.0% | |

(1) Reflects the formation transactions that we expect to occur concurrently with the closing of this offering.

## SELECTED FINANCIAL AND OTHER DATA

The selected historical financial and other data below reflects the operations of Triangle Mezzanine Fund LLLP. The selected financial data at and for the fiscal years ended December 31, 2003, 2004 and 2005 and at and for the nine months ended September 30, 2006, have been derived from our financial statements that have been audited by Ernst & Young LLP, an independent registered public accounting firm. The selected financial data at and for the nine month period ended September 30, 2005 have been derived from unaudited financial data, but in the opinion of management, reflect all adjustments (consisting only of normal recurring adjustments) that are necessary to present fairly the results for such interim periods. Interim results at and for the nine months ended September 30, 2006 are not necessarily indicative of the results that may be expected for the year ending December 31, 2006. You should read this selected financial and other data in conjunction with our "Management's Discussion and Analysis of Financial Condition and Results of Operations" and the financial statements and notes thereto.

| | Year Ended December 31, | | | Nine Months Ended September 30, | |
|---|---|---|---|---|---|
| | 2003 | 2004 | 2005 | 2005 | 2006 |
| | | | (Dollars in thousands) | | |
| **Income statement data:** | | | | | |
| Investment income: | | | | | |
| Total interest, fee and dividend income | $ 26 | $ 1,969 | $ 5,855 | $ 4,332 | $ 4,802 |
| Interest income from cash and cash equivalent investments | 15 | 18 | 108 | 16 | 212 |
| Total investment income | 41 | 1,987 | 5,963 | 4,348 | 5,014 |
| Expenses: | | | | | |
| Interest expense | — | 339 | 1,543 | 1,083 | 1,379 |
| Amortization of deferred financing fees | — | 38 | 90 | 66 | 74 |
| Management fees | 1,048 | 1,564 | 1,574 | 1,180 | 1,190 |
| General and administrative expenses | 165 | 83 | 58 | 55 | 40 |
| Total expenses | 1,213 | 2,024 | 3,265 | 2,384 | 2,683 |
| Net investment income (loss) | (1,172) | (37) | 2,698 | 1,964 | 2,331 |
| Net realized gain (loss) on investments — non-control/non-affiliate | — | — | (3,500) | (3,500) | 5,977 |
| Net unrealized appreciation (depreciation) of investments | — | (1,225) | 3,975 | 2,975 | (2,553) |
| Total net gain (loss) on investments | — | (1,225) | 475 | (525) | 3,424 |
| Net increase (decrease) in net assets resulting from operations | $ (1,172) | $ (1,262) | $ 3,173 | $ 1,439 | $ 5,755 |
| **Balance sheet data:** | | | | | |
| Assets: | | | | | |
| Investments at fair value | $ — | $ 19,701 | $ 37,144 | $ 34,541 | $ 46,903 |
| Deferred loan origination revenue | (35) | (537) | (602) | (621) | (676) |
| Cash and cash equivalents | 2,973 | 2,849 | 6,067 | 6,468 | 7,358 |
| Interest and fees receivable | — | 98 | 50 | 39 | 100 |
| Deferred financing fees | — | 823 | 1,085 | 1,110 | 1,011 |
| Total assets | $ 2,938 | $ 22,934 | $ 43,744 | $ 41,537 | $ 54,696 |
| Liabilities and partners' capital: | | | | | |
| Accounts payable and accrued liabilities | $ 10 | $ — | $ 13 | $ — | $ — |
| Interest payable | — | 230 | 566 | 106 | 152 |
| SBA-guaranteed debentures payable | — | 17,700 | 31,800 | 31,800 | 31,800 |
| Total liabilities | 10 | 17,930 | 32,379 | 31,906 | 31,952 |
| Total partners' capital | 2,928 | 5,004 | 11,365 | 9,631 | 22,744 |
| Total liabilities and partners' capital | $ 2,938 | $ 22,934 | $ 43,744 | $ 41,537 | $ 54,696 |
| **Other data:** | | | | | |
| Weighted average yield on investments | — | 15.5% | 14.2% | 14.6% | 13.5% |
| Number of portfolio companies | — | 6 | 12 | 10 | 17 |
| **Expense ratios (as percentage of average net assets):** | | | | | |
| Operating expenses | 107.4% | 32.2% | 21.3% | 17.8% | 6.2% |
| Interest expense and deferred financing fees | — | 7.4 | 21.4 | 16.6 | 7.4 |
| Total expenses | 107.4% | 39.6% | 42.7% | 34.4% | 13.6% |

## MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

*The information in this section contains forward-looking statements that involve risks and uncertainties. Please see "Risk Factors" and "Special Note Regarding Forward-Looking Statements" for a discussion of the uncertainties, risks and assumptions associated with these statements. You should read the following discussion in conjunction with the combined financial statements and related notes and other financial information appearing elsewhere in this prospectus.*

### Overview

Triangle Capital Corporation is a Maryland corporation incorporated on October 10, 2006, for the purpose of acquiring the Existing Fund and TML, raising capital in this offering and thereafter operating as an internally managed BDC under the 1940 Act. The Existing Fund is licensed as a small business investment company, or SBIC, by the United States Small Business Administration, or SBA and intends to elect to be treated as a BDC upon completion of this offering. The Existing Fund has invested primarily in debt instruments, equity investments, warrants and other securities of lower middle market privately held companies located primarily in the United States. Simultaneously with the offering, we will complete the formation transactions described elsewhere in this prospectus, at which time the Existing Fund will become our wholly owned subsidiary and the former partners of the Existing Fund will become 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 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 Existing Fund's size. In certain situations, we have partnered with other funds to provide larger financing commitments. With the additional capital from this offering, we intend to increase our financing commitments to between $5.0 and $15.0 million per portfolio company. The Existing 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 Existing 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 enhance returns to our stockholders. As of September 30, 2006, we had investments in 17 portfolio companies with an aggregate cost of $46.7 million.

### Critical Accounting Policies

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 consolidated 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. We have engaged Duff & Phelps, LLC, 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 September 30, 2006, none of the debt securities in our portfolio was 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 limited 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 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 sheet and are separately reflected on the income statement in determining net increase or decrease in stockholders' equity resulting from operations.

Using the investment rating designation described elsewhere in this document, 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;
- 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.

***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 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.

**Discussion and Analysis of Results of Operations**

***Comparison of nine months ended September 30, 2006, with nine months ended September 30, 2005***

*Investment Income*

For the nine months ended September 30, 2006, total investment income was $5.0 million, a $0.7 million, or a 15.3%, increase over the $4.3 million of total investment income for the nine months ended September 30, 2005. The increase was primarily attributable to a $0.7 million increase in total loan interest, fee and dividend income due to the addition of eight new investments totaling $19.7 million which were closed during the nine months ended September 30, 2006.

*Expenses*

For the nine months ended September 30, 2006, expenses increased by $0.3 million, or 12.6%, to $2.7 million from $2.4 million for the nine months ended September 30, 2005. The increase in expenses was primarily attributable to a $0.3 million increase in interest expense relating to SBA-guaranteed debentures which totaled $31.8 million for the entire nine month period ended September 30, 2006, and which had an average balance substantially less than that amount during the nine month period ended September 30, 2005.

During May 2005 the Existing Fund increased its SBA-guaranteed debentures by $9.5 million to fund new investment activity during the last half of 2005 and the first nine months of 2006.

*Net Investment Income*

As a result of the $0.7 million increase in total investment income and the $0.3 million increase in expenses, net investment income for the nine months ended September 30, 2006, was $2.3 million compared to net investment income of $2.0 million during the nine months ended September 30, 2005.

*Net Increase (Decrease) in Net Assets Resulting From Operations*

For the nine months ended September 30, 2006, net realized gains on investments were $6.0 million as compared to a net realized loss of $3.5 million during the nine months ended September 30, 2005. During 2006 we experienced a gain on two investments. During the nine months ended September 30, 2006, we recorded net unrealized depreciation in the amount of $2.6 million, comprised primarily of an unrealized loss on one investment in the amount of $2.7 million. We also recorded $2.9 million in unrealized appreciation relating to the write up of four investments. The remaining amount of the net unrealized depreciation related to the reclassification of an unrealized gain to a realized gain on one investment in the amount of $2.7 million.

As a result of these events, our net increase in net assets from operations during the nine month period ended September 30, 2006, was $5.8 million as compared to $1.4 million during the nine month period ended September 30, 2005.

***Comparison of fiscal years ended December 31, 2005 and December 31, 2004***

*Investment Income*

For the twelve months ended December 31, 2005, total investment income was $6.0 million, a $4.0 million, or 200.1%, increase over the $2.0 million of total investment income for the twelve months ended December 31, 2004. The increase was primarily attributable to a $3.1 million increase in total loan interest, fee and dividend income and a $0.8 million increase in total PIK interest income. These increases were primarily attributable to the addition of ten new investments totaling $29.1 million that were closed during the twelve months ended December 31, 2005.

*Expenses*

For the twelve months ended December 31, 2005, expenses increased by approximately $1.2 million, or 61.3%, to approximately $3.3 million from $2.0 million for the twelve months ended December 31, 2004. The increase in expenses was primarily attributable to a $1.2 million increase in interest expense relating to SBA-guaranteed debentures which totaled $31.8 million as of December 31, 2005, as compared to $17.7 million as of December 31, 2004. The incremental SBA-guaranteed debentures were issued to fund new investment activity during 2005.

*Net Investment Income*

As a result of the $4.0 million increase in total investment income as compared to the $1.2 million increase in expenses, net investment income for the twelve months ended December 31, 2005, was $2.7 million compared to a net investment loss of less than $0.1 million during the twelve months ended December 31, 2004.

*Net Increase (Decrease) in Net Assets Resulting From Operations*

For the twelve months ended December 31, 2005, net realized losses on investments were $3.5 million. There were no net realized losses during the twelve months ended December 31, 2004. The realized loss during 2005 related to the write-off of one investment. During the twelve months ended December 31, 2005, we recorded net unrealized appreciation in the amount of $4.0 million relating to the write up of our equity position in two portfolio companies offset by the reclassification of an unrealized loss to a realized loss in the amount of $1.2 million.

As a result of these events, our net increase in net assets resulting from operations during the year ended December 31, 2005, was $3.2 million as compared to a net decrease of $1.3 million during the year December 31, 2004.

***Comparison of fiscal years ended December 31, 2004 and December 31, 2003***

The Existing Fund received its SBIC license in September 2003 and closed on its first investment in January 2004. As a result, a discussion of our operations in 2003 has been excluded.

During 2004, we generated total investment income of $2.0 million from six investments totaling $20.4 million. Total expenses during 2004 were $2.0 million consisting primarily of $1.6 million in management fees and $0.3 million in interest expense relating to SBA-guaranteed debentures, which totaled $17.7 million at December 31, 2004.

During the fourth quarter of 2004, we recorded net unrealized depreciation of $1.2 million in one investment. As a result of these factors our net decrease in net assets resulting from operations for the period ended December 31, 2004 was approximately $1.3 million.

***Liquidity and Capital Resources***

*Cash Flows*

For the nine months ended September 30, 2006, we experienced a net increase in cash and cash equivalents in the amount of $1.3 million. During that period, we used $4.3 million in cash to fund operating activities and we generated $5.6 million of cash from financing activities, consisting of limited partner capital contributions in the amount of $10.6 million offset by a distribution to limited partners in the amount of $5.0 million. We invested the entire $10.6 million of cash from financing activities in eight new subordinated debt investments during the first nine months of 2006. As of September 30, 2006, all limited partners in the Existing Fund had fully funded their committed capital. At September 30, 2006, we had $7.4 million of cash on hand.

For the twelve months ended December 31, 2005, we experienced a net increase in cash and cash equivalents in the amount of $3.2 million. During that period, we used $13.7 million in cash to fund operating activities and we generated $16.9 million of cash from financing activities, consisting of borrowings under SBA-guaranteed debentures in the amount of $14.1 million and limited partner capital contributions in the amount of $3.2 million. These amounts were offset by financing fees paid by us in the amount of $0.4 million. We invested the entire $16.9 million of cash from financing activities in ten new investments during 2005.

For the twelve months ended December 31, 2004, we experienced a net decrease in cash and cash equivalents in the amount of $0.1 million. During that period we used $20.3 million in cash to fund operating activities and we generated $20.2 million from financing activities, consisting of borrowings under SBA-guaranteed debentures in the amount of $17.7 million and limited partner capital contributions in the amount of $3.3 million. These amounts were offset by financing fees paid by we in the amount of $0.9 million. We invested the entire $20.2 million of cash from financing activities in six new investments during 2004.

*Financing Transactions*

Due to the Existing Fund's status as a licensed SBIC, the Existing Fund has the ability to issue debentures guaranteed by the SBA at favorable interest rates. Under the Small Business Investment Act and the SBA rules applicable to SBICs, an SBIC (or group of SBICs under common control) can have outstanding at any time debentures guaranteed by the SBA in an amount up to twice the amount of its regulatory capital, which generally is the amount raised from private investors. The maximum statutory limit on the dollar amount of outstanding debentures guaranteed by the SBA issued by a single SBIC as of September 30, 2006 is currently $124.4 million (which amount is subject to increase on an annual basis based on cost of living increases). 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 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 September 30, 2006, the Existing Fund had issued $31.8 million of debentures guaranteed by the SBA, which debentures had a weighted average interest rate of 5.77% per annum. Based on its $21.3 million regulatory capital, the Existing Fund has the current capacity to issue up to an additional $10.7 million of debentures guaranteed by the SBA.

Following the offering, we anticipate that the Existing Fund will be able to have up to the $124.4 statutory maximum outstanding in debentures guaranteed by the SBA.

***Recently Issued Accounting Standards***

In December 2004, the Financial Accounting Standards Board (FASB) issued FASB Statement No. 123 (revised 2004), *Share Based Payment* (SFAS 123R), which is a revision of FASB Statement No. 123, *Accounting for Stock-Based Compensation* (SFAS 123). This statement supersedes APB Opinion 25, *Accounting for Stock Issued to Employees* (APB 25), and amends FASB Statement No. 95, *Statement of Cash Flows*. Generally, the approach in SFAS 123R is similar to the approach described in SFAS 123; however, SFAS 123R requires all share-based payments to employees, including grants of employee stock options, to be recognized in the income statement based on their fair values. Pro forma disclosure is no longer an alternative.

We have not issued any share-based payment awards since inception, however if we issue share-based payment awards in the future, the adoption of SFAS 123R's fair value method may result in significant non-cash charges which will increase reported operating expenses; however, it will have no impact on cash flows. The impact of adoption of SFAS 123R cannot be predicted at this time because it will depend on the level of share-based payments granted in the future.

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. Management does not believe the adoption of this statement will have a material impact on our financial position or results of operations.

***Off-Balance Sheet Arrangements***

We currently have no off-balance sheet arrangements.

***Quantitative and Qualitative Disclosure 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 September 30, 2006, approximately 93.0% of our investment portfolio bore interest at fixed rates. All of our leverage is currently at fixed rates.

***Related Party Transactions***

Effective concurrently with the closing of the offering, TML, the general partner of the Existing Fund, will merge into a wholly owned subsidiary of Triangle Capital Corporation. A substantial majority of the ownership interests of TML are owned by Messrs. Tucker, Burgess, Lilly, Long and Parker. As a result of such merger, Messrs. Tucker, Burgess, Lilly, Long and Parker will collectively receive shares of our common stock valued at approximately $6.7 million.

Certain members of our management (Garland S. Tucker, III, Tarlton H. Long and David F. Parker) collectively own approximately 67% of Triangle Capital Partners, LLC. Prior to the closing of this offering, Triangle Capital Partners, LLC provided management and advisory services to the Existing 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 $1.6 million in management fees from the Existing Fund during each of the fiscal years ended December 31, 2005 and December 31, 2004. This agreement will terminate upon the closing of this offering.

## SENIOR SECURITIES

Information about our senior securities is shown in the following table as of September 30, 2006 and for the years indicated in the table, unless otherwise noted. Ernst &Young LLP's report on the senior securities table as of September 30, 2006 is attached as an exhibit to the registration statement of which this prospectus is a part.

| Class and Year | Total Amount Outstanding Exclusive of Treasury Securities(a) | Asset Coverage Per Unit (b) | Involuntary Liquidating Preference Per Unit(c) | Average Market Value Per Unit (d) |
|---|---|---|---|---|
| | *(Dollars in thousands)* | | | |
| SBA-guaranteed debentures payable | | | | |
| 2003 | $ — | — | — | N/A |
| 2004 | 17,700 | 1,283 | — | N/A |
| 2005 | 31,800 | 1,357 | — | N/A |
| 2006 (as of September 30) | 31,800 | 1,715 | — | N/A |

(a) Total amount of each class of senior securities outstanding at the end of the period presented.

(b) Asset coverage per unit is the ratio of the carrying value of our total consolidated assets, less all liabilities and indebtedness not represented by senior securities, to the aggregate amount of senior securities representing indebtedness. Asset coverage per unit is expressed in terms of dollar amounts per $1,000 of indebtedness.

(c) The amount to which such class of senior security would be entitled upon the involuntary liquidation of the issuer in preference to any security junior to it. The "—" indicates information which the Securities and Exchange Commission expressly does not require to be disclosed for certain types of senior securities.

(d) Not applicable because senior securities are not registered for public trading.

## BUSINESS

We are a specialty finance company that provides customized financing solutions to lower middle market companies located throughout the United States, with an emphasis on the Southeast. Our goal is to be the premier provider of capital to these companies. We define lower middle market companies as those having revenues between $10.0 and $100.0 million. Our investment objective is to seek attractive returns by generating current income from our debt investments and capital appreciation from our equity related investments. Our investment philosophy is to partner with business owners, management teams and financial sponsors to provide flexible financing solutions to fund growth, changes of control, or other corporate events. We invest primarily in senior subordinated debt securities secured by second lien security interests in portfolio company assets, coupled with equity interests.

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 EBITDA between $2.0 and $10.0 million. We believe that these companies have less access to capital and that the market for such capital is underserved relative to larger companies. Companies of this size are generally privately held and are less well known to traditional capital sources such as commercial and investment banks.

Historically, our investments generally have ranged from $2.0 to $4.0 million due to certain investment limitations imposed by the SBA. In certain situations, we have partnered with other funds to provide larger financing commitments. With the additional capital from this offering, we intend to increase our financing commitments to between $5.0 and $15.0 million per portfolio company. We intend to continue to operate the Existing 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 enhance returns to our stockholders. As of September 30, 2006, we had investments in 17 portfolio companies, with an aggregate cost of $46.7 million.

### Our Market Opportunity

According to Dun & Bradstreet, as of December 2006, there were approximately 68,000 companies in the United States with revenues between $10.0 and $100.0 million, of which approximately 89.0% were privately held. We believe that these lower middle market companies, particularly those located in the Southeast, are relatively underserved by capital providers and present a significant opportunity for attractive returns. We also believe that the owners of many businesses founded in the years following World War II are selling or soon will sell their businesses. We expect that these factors will continue to foster a robust investment pipeline involving companies in this size range. These factors, coupled with the demand by these companies for flexible sources of financing, create significant investment opportunities for BDCs.

Another dynamic that we believe has contributed to attractive investment returns in our target market is the broad-based consolidation in the banking industry. Larger banks have scale and cost structures that we believe lessen their incentive to invest in lower middle market companies. Additionally, most small companies and private lower middle market companies are unable to issue public debt due to the small size of their offerings and corresponding lack of liquidity. We believe these factors have created an opportunity for non-bank lenders, such as BDCs, to provide lower middle market companies with flexible forms of financing. The relatively small number of institutions investing in lower middle market companies provides specialty finance companies, such as us, with opportunities to negotiate favorable transaction terms and equity participations, allowing us to enhance the potential for investor returns.

Finally, we are located, and much of the experience of certain members of our senior management team has been gained, in the Southeast. According to United States Census data, the southeast region contains 10 of the top 25 fastest growing metropolitan areas in the United States. We believe that these high-growth areas promote entrepreneurship, which in turn results in the creation and growth of companies that meet our lower middle market target investment profile. We believe that our focus on lower middle market companies as well as the Southeast creates significant investment opportunities for us.

**Our Business Strategy**

We intend to accomplish our goal of becoming the premier provider of capital to lower middle market companies by:

- ***Focusing on Underserved Markets.*** We believe that broad-based consolidation in the financial services industry coupled with operating margin and growth pressures have caused financial institutions to de-emphasize services to lower middle market companies in favor of larger corporate clients and capital market transactions. We believe these dynamics have resulted in the financing market for lower middle market companies to be underserved, providing us with greater investment opportunities.
- ***Providing Customized Financing Solutions.*** We offer a variety of financing structures and have the flexibility to structure our investments to meet the needs of our portfolio companies. Typically we invest in senior subordinated debt securities, coupled with equity interests. We believe our ability to customize financing arrangements makes us an attractive partner to lower middle market companies.
- ***Leveraging the Experience of Our Management Team.*** Our senior management team has more than 100 years of combined experience advising, investing in, lending to and operating companies across changing market cycles. The members of our management team have diverse investment backgrounds, with prior experience at investment banks, specialty finance companies, commercial banks, and privately and publicly held companies in the capacity of executive officers. We believe this diverse experience provides us with an in depth understanding of the strategic, financial and operational challenges and opportunities of lower middle market companies. We believe this understanding allows us to select and structure better investments and to efficiently monitor and provide managerial assistance to our portfolio companies.
- ***Applying Rigorous Underwriting Policies and Active Portfolio Management.*** Our senior management team has implemented rigorous underwriting policies that are followed in each transaction. These policies include a thorough analysis of each potential portfolio company's competitive position, financial performance, management team operating discipline, growth potential and industry attractiveness, allowing us to better assess the company's prospects. After investing in a company, we monitor the investment closely, typically receiving monthly, quarterly and annual financial statements. We analyze and discuss in detail the company's financial performance with management in addition to attending regular board of directors meetings. We believe that our initial and ongoing portfolio review process allows us to monitor effectively the performance and prospects of our portfolio companies.
- ***Taking Advantage of Low Cost Debentures Guaranteed by the SBA.*** Our license to do business as an SBIC allows us to issue fixed-rate, low interest debentures which are guaranteed by the SBA and sold in the capital markets, potentially allowing us to increase our net interest income beyond the levels achievable by other BDCs utilizing traditional leverage.
- ***Maintaining Portfolio Diversification.*** While we focus our investments in lower middle market companies, we seek to diversify across various industries. We monitor our investment portfolio to ensure we have acceptable diversification, using industry and market metrics as key indicators. By monitoring our investment portfolio for diversification we seek to reduce the effects of economic downturns associated with any particular industry or market sector. However, we may from time to time hold securities of a single portfolio company that comprise more than 5.0% of our total assets and/or more than 10.0% of the outstanding voting securities of the portfolio company. For that reason, we are classified as a non-diversified management investment company under the 1940 Act.
- ***Utilizing Long-Standing Relationships to Source Deals.*** Our senior management team maintains extensive relationships with entrepreneurs, financial sponsors, attorneys, accountants, investment bankers, commercial bankers and other non-bank providers of capital who refer prospective portfolio companies to us. These relationships historically have generated significant investment opportunities. We believe that our network of relationships will continue to produce attractive investment opportunities and is likely to expand as a result of our enhanced profile as a publicly held BDC.

**Investment Criteria**

We utilize the following criteria and guidelines in evaluating investment opportunities. However, not all of these criteria and guidelines have been, or will be, met in connection with each of our investments.

- ***Established Companies With Positive Cash Flow.*** We seek to invest in established companies with a history of generating revenues and positive cash flows. We typically focus on companies with a history of profitability and minimum trailing twelve month EBITDA of $2.0 million. We do not invest in start-up companies, distressed situations, "turn-around" situations or companies that we believe have unproven business plans.
- ***Experienced Management Teams With Meaningful Equity Ownership.*** Based on our prior investment experience, we believe that a management team with significant experience with a portfolio company or relevant industry experience and meaningful equity ownership is more committed to a portfolio company. We believe management teams with these attributes are more likely to manage the companies in a manner that protects our debt investment and enhances the value of our equity investment.
- ***Strong Competitive Position.*** We seek to invest in companies that have developed strong positions within their respective markets, are well positioned to capitalize on growth opportunities and compete in industries with barriers to entry. We also seek to invest in companies that exhibit a competitive advantage, which may help to protect their market position and profitability.
- ***Diversified Customer and Supplier Base.*** We prefer to invest in companies that have a diversified customer and supplier base. Companies with a diversified customer and supplier base are generally better able to endure economic downturns, industry consolidation and shifting customer preferences.
- ***Significant Invested Capital.*** We believe the existence of significant underlying equity value provides important support to investments. We will look for portfolio companies that we believe have sufficient value beyond the layer of the capital structure in which we invest.

**Investments**

***Debt Investments***

We tailor the terms of our debt investments to the facts and circumstances of each transaction and prospective portfolio company, negotiating a structure that seeks to protect our rights and manage our risk while creating incentives for the portfolio company to achieve its business plan. To that end, we typically seek board observation rights with each of our portfolio companies and offer managerial assistance. We also seek to limit the downside risks of our investments by negotiating covenants that are designed to protect our investments while affording our portfolio companies as much flexibility in managing their businesses as possible. Such restrictions may include affirmative and negative covenants, default penalties, lien protection, change of control provisions and put rights. We typically add a prepayment penalty structure to enhance our total return on our investments.

We typically invest in senior subordinated notes. Senior subordinated notes are junior to senior secured debt but senior to other series of subordinated notes. Our subordinated debt investments generally have terms of 3 to 6 years and provide for fixed interest rates between 11.0% and 13.0% per annum. Our subordinated note investments generally are secured by a second priority security interest in the assets of the borrower. Our subordinated debt investments generally include an equity component, such as warrants to purchase common stock in the portfolio company. In addition, certain loan investments may have a form of interest that is not paid currently but is accrued and added to the loan balance and paid at the end of the term, referred to as PIK interest. In our negotiations with potential portfolio companies, we will generally seek to minimize PIK interest as we have to pay out such accrued interest as dividends to our stockholders, and we may have to borrow money or raise additional capital in order to meet the taxation test for RICs by having to pay out at least 90.0% of our income. At September 30, 2006, the weighted average yield on all of our outstanding debt investments was approximately 13.5% and the weighted average yield, not including PIK interest, was 11.1%.

***Equity Investments***

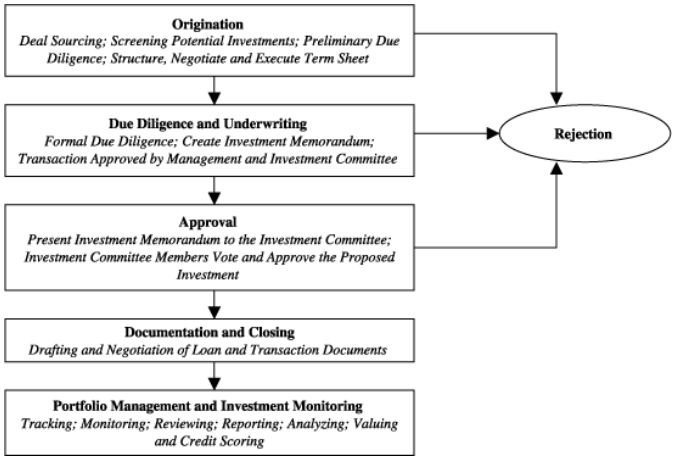
When we provide financing, we may acquire equity interests in the portfolio company. We generally seek to structure our equity investments as non-control investments to provide us with minority rights provisions and event-driven or time-driven puts. We also seek to obtain registration rights in connection with these investments, which may include demand and "piggyback" registration rights, board observation rights and put rights. Our investments have in the past and may in the future contain a synthetic equity position pursuant to a formula typically setting forth royalty rights we may exercise in accordance with such formula.

**Investment Process**

Our investment committee is responsible for all aspects of our investment process. The members of our investment committee are Messrs. Garland S. Tucker III, Brent P.W. Burgess, Steven C. Lilly, Tarlton H. Long, and David F. Parker. Our investment committee meets once a week but also meets on an as needed basis depending on transaction volume. Our investment committee has organized our investment process into five distinct stages:

- Origination
- Due Diligence and Underwriting
- Approval
- Documentation and Closing
- Portfolio Management and Investment Monitoring

Our investment process is summarized in the following chart:




***Origination***

The origination process for our investments includes sourcing, screening, preliminary due diligence, transaction structuring, and negotiation. Our origination process ultimately leads to the issuance of a non-binding term sheet. Investment origination is conducted by our six investment professionals who are responsible for sourcing potential investment opportunities. Our investment professionals utilize their extensive

relationships with various financial sponsors, entrepreneurs, attorneys, accountants, investment bankers and other non-bank providers of capital to source transactions with prospective portfolio companies.

If a transaction meets our investment criteria, we perform preliminary due diligence, taking into consideration some or all of the following factors:

- A comprehensive financial model that we prepare based on quantitative analysis of historical financial performance, financial projections and pro forma financial ratios assuming investment;
- Competitive landscape surrounding the potential investment;
- Strengths and weaknesses of the potential investment's business strategy and industry;
- Results of a broad qualitative analysis of the company's products or services, market position, market dynamics and customers and suppliers; and
- Potential investment structures, certain financing ratios and investment pricing terms.

If the results of our preliminary due diligence are satisfactory, the origination team prepares a Summary Transaction Memorandum which is presented to our investment committee. If our investment committee recommends moving forward, we issue a non-binding term sheet to the potential portfolio company. Upon execution of a term sheet, we begin our formal due diligence and underwriting process as we move toward investment approval.

***Due Diligence and Underwriting***

Our due diligence on a prospective investment is completed by a minimum of two investment professionals, which we define as the underwriting team. The members of the underwriting team work together to conduct due diligence and to understand the relationships among the prospective portfolio company's business plan, operations and financial performance. Our due diligence review includes some or all of the following:

- Initial or additional on-site visits with management and relevant employees;
- Additional in-depth review of historical and projected financial statements and projected financing ratios;
- Interviews with customers and suppliers;
- Management background checks;
- Review of reports by third-party accountants which have been retained by us, or by a financial sponsor;
- Review of material contracts;
- Review by legal, environmental or other industry consultants, if applicable; and
- Financial sponsor diligence, if applicable, including portfolio company and other reference checks.

In most circumstances, we utilize outside experts to review the legal affairs, accounting systems and results, and, where appropriate, we engage specialists to investigate issues like environmental matters and general industry outlooks. During the underwriting process, significant attention is given to sensitivity analyses and how companies might be expected to perform in a protracted "downside" operating environment. In addition, we analyze key financing ratios and other industry metrics, including total debt to EBITDA, EBITDA to fixed charges, EBITDA to total interest expense, total debt to total capitalization and total senior debt to total capitalization.

Upon completion of a satisfactory due diligence review and as part of our evaluation of a proposed investment, the underwriting team prepares an Investment Memorandum for presentation to our investment committee. The Investment Memorandum contains information including, but not limited to, the following:

- Company history and overview;
- Transaction overview, history and rationale, including an analysis of transaction strengths and risks;
- Analysis of key customers and suppliers and key contracts;
- A working capital analysis;
- An analysis of the company's business strategy;
- A management assessment;
- Third party accounting, legal, environmental or other due diligence findings;
- Investment structure and expected returns;
- Anticipated sources of repayment and potential exit strategies;
- Pro forma capitalization and ownership;
- An analysis of historical financial results and key financial ratios;
- Sensitivities to management's financial projections; and
- Detailed reconciliations from historical results to pro forma starting points.

***Approval***

The underwriting team for the proposed investment presents the Investment Memorandum to our investment committee for consideration and approval. After reviewing the Investment Memorandum, members of the investment committee may request additional due diligence or modify the proposed financing structure or terms of the proposed investment. Before we proceed with any investment, the investment committee must approve the proposed investment at a meeting at which all committee members are present. Upon receipt of transaction approval, the involved investment professionals proceed to document and, upon satisfaction of applicable closing conditions, fund the investment.

***Documentation and Closing***

The underwriting team is responsible for leading the negotiation of all documentation related to investment closings. We also rely on law firms with whom we have worked on multiple transactions to help us complete the necessary documentation associated with transaction closings. If a transaction changes materially from what was originally approved by the investment committee, the underwriting team requests a formal meeting of the investment committee to communicate the contemplated changes. The investment committee has the right to approve the amended transaction structure, to suggest alternative structures or not to approve the contemplated changes.

***Portfolio Management and Investment Monitoring***

Our investment professionals generally employ several methods of evaluating and monitoring the performance of our portfolio companies, which, depending on the particular investment, may include the following specific processes, procedures and reports:

- Monthly and quarterly review of actual financial performance versus the corresponding period of the prior year and financial projections;
- Monthly and quarterly monitoring of all transaction covenants, financial and otherwise;
- Review of senior lender loan compliance certificates, where applicable;

- Quarterly review of operating results, and general business performance, including the preparation of a portfolio monitoring report which is distributed to members of our investment committee;
- Periodic face-to-face meetings with management teams and financial sponsors of portfolio companies;
- Attendance at portfolio company board meetings through board seats or observation rights; and
- Application of our investment rating system to each investment.

In the event that our investment committee determines that an investment is underperforming, or circumstances suggest that the risk associated with a particular investment has significantly increased, we undertake more aggressive monitoring of the affected portfolio company. The frequency of our monitoring of an investment is determined by a number of factors, including, but not limited to, the trends in the financial performance of the portfolio company, the investment structure and the type of collateral securing our investment, if any.

***Investment Rating System***

We monitor a wide variety of key credit statistics that provide information regarding our portfolio companies to help us assess credit quality and portfolio performance. We generally require our portfolio companies to provide annual audits in addition to monthly and quarterly unaudited financial statements. Using these statements, we calculate and evaluate certain financing ratios. For purposes of analyzing the financial performance of our portfolio companies, we may make certain adjustments to their financial statements to reflect the pro forma results of a company consistent with a change of control transaction, to reflect anticipated cost savings resulting from a merger or restructuring, costs related to new product development, compensation to previous owners, and other acquisition or restructuring related items.

As part of our valuation procedures we risk rate all of our investments in debt securities. Our investment rating system uses a scale of 0 to 10, with 10 being the lowest probability of default and principal loss. This system is used to estimate the probability of default on our debt securities and the probability of loss if there is a default. The system is also used to assist us in estimating the fair value of equity related securities. These types of systems are referred to as risk rating systems and are used by banks and rating agencies. Our risk rating system covers both qualitative and quantitative aspects of the business and the securities we hold.

In connection with the monitoring of our portfolio companies, each investment we hold is rated based upon the following ten-level numeric investment rating system:

| Investment Rating | Description |
|---|---|
| 10 | Investment is performing above original expectations and possibly 30.0% or more above original projections provided by the portfolio company. Investment has been positively influenced by an unforeseen external event. Full return of principal and interest is expected. Capital gain is expected. |
| 9 | Investment is performing above original expectations and possibly 30.0% or more above original projections provided by the portfolio company. Investment may have been or is soon to be positively influenced by an unforeseen external event. Full return of principal and interest is expected. Capital gain is expected. |
| 8 | Investment is performing above original expectations and possibly 21.0% to 30.0% above original projections provided by the portfolio company. Full return of principal and interest is expected. Capital gain is expected. |
| 7 | Investment is performing above original expectations and possibly 11.0% to 21.0% above original projections provided by the portfolio company. Full return of principal and interest is expected. Depending on age of transaction, potential for capital gain exists. |
| 6 | Investment is performing above original expectations and possibly 5.0% to 11.0% above original projections provided by the portfolio company. Full return of principal and interest is expected. Depending on age of transaction, potential for capital gain exists. |

| Investment Rating | Description |
|---|---|
| 5 | Investment is performing in line with expectations. Full return of principal and interest is expected. Depending on age of transaction, potential for nominal capital gain may be expected. |
| 4 | Investment is performing below expectations, but no covenant defaults have occurred. Full return of principal and interest is expected. Little to no capital gain is expected. |
| 3 | Investment is in default of transaction covenants but interest payments are current. No loss of principal is expected. |
| 2 | Investment is in default of transaction covenants and interest payments are not current. A principal loss of between 1.0% and 33.0% is expected. |
| 1 | Investment is in default of transaction covenants and interest (and possibly principal) payments are not current. A principal loss of between 34.0% and 67.0% is expected. |
| 0 | Investment is in default and a principal loss of between 68.0% and 100.0% is expected. |

***Valuation Process and Determination of Net Asset Value***

We will determine the net asset value per share of our common stock on a quarterly basis. The net asset value per share is equal to the value of our total assets minus liabilities and any preferred stock outstanding divided by the total number of shares of common stock outstanding.

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 which are not traded on a public exchange or securities market, but for which a limited market exists, such as participations in syndicated loans, are valued at the indicative bid price offered by the syndication agent on the valuation date. Debt and equity securities that are not publicly traded, for which a limited market does not exist, or for which we have various degrees of trading restrictions are valued at fair value as determined in good faith by our board of directors. We have engaged Duff & Phelps, LLC, an independent valuation firm, to assist us in our valuation process.

Determination of the fair value involves subjective judgments and estimates not susceptible to substantiation by auditing procedures. Accordingly, under current auditing standards, the notes to our financial statements will refer to the uncertainty with respect to the possible effect of such valuations, and any change in such valuations, on our financial statements. In addition, the SBA has established certain valuation guidelines for SBIC's to follow when valuing portfolio investments.

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. We prepare the valuations of our investments in portfolio companies using the most recent portfolio company financial statements and forecasts. We also consult with members of the senior management team of each portfolio company to obtain further updates on the portfolio company's performance, including information such as industry trends, new product development, and other operational issues. 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.

For debt securities that are not publicly traded or for which there is no market, we begin with our investment rating of the security as described under " — Investment Rating System." Using this investment rating, we seek to determine the value of the security as if we intended to sell the security in a current sale. The factors that may be taken into account in fairly valuing such security include, as relevant, the portfolio company's ability to make payments, its estimated earnings and projected discounted cash flows, the nature and realizable value of any collateral, the financial environment in which the portfolio company operates, comparisons to securities of similar publicly traded companies, statistical ratios compared to lending standards and to other similar securities and other relevant factors.

For convertible debt, equity, success fees or other equity-like securities, that are not publicly traded or for which there is no market, we use the same information we would use for a debt security valuation described above, except risk-rating, as well as standard valuation techniques used by major valuation firms to value the equity securities of private companies. 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.

As part of the fair valuation process, the audit committee reviews the preliminary evaluations prepared by the independent valuation firm engaged by the board of directors, as well as management's valuation recommendations. Management and the independent valuation firm respond to the preliminary evaluation to reflect comments provided by the audit committee. The audit committee reviews the final valuation report and management's valuation recommendations and makes a recommendation to the board of directors based on its analysis of the methodologies employed and the various weights that should be accorded to each portion of the valuation as well as factors that the independent valuation firm and management may not have included in their evaluation processes. The board of directors then evaluates the audit committee recommendations and undertakes a similar analysis to determine the fair value of each investment in the portfolio in good faith.

Due to the inherent uncertainty of determining the fair value of investments that do not have a readily available market value, the fair value of our investments may differ significantly from the values that would have been used had a ready market existed for such investments, and the differences could be material. For a discussion of the risks inherent in determining the value of securities for which readily available market values do not exist, see "Risk Factors — There may be uncertainty as to the value of our portfolio investments."

**Managerial Assistance**

As a business development company, we will offer, and must provide upon request, managerial assistance to certain of our portfolio companies. This assistance will typically involve, among other things, monitoring the operations of our portfolio companies, participating in board and management meetings, consulting with and advising officers of portfolio companies and providing other organizational and financial guidance. Our senior management team, consisting of Messrs. Tucker, Burgess, Lilly, Long and Parker, will provide such services. We believe, based on our management team's combined experience at investment banks, specialty finance companies, and commercial banks, we can offer this assistance effectively. We may receive fees for these services.

**Competition**

We compete for investments with a number of business development companies and investment funds (including private equity funds, mezzanine funds and other SBICs), as well as traditional financial services companies such as commercial banks and other sources of financing. Many of these entities have greater financial and managerial resources than we do. We believe we compete with these entities primarily on the basis of our willingness to make smaller investments, the experience and contacts of our management team, our responsive and efficient investment analysis and decision-making processes, our comprehensive suite of customized financing solutions and the investment terms we offer.

We believe that some of our competitors make senior secured loans, junior secured loans and subordinated debt investments with interest rates that are comparable to or lower than the rates we offer. Therefore, we do not seek to compete primarily on the interest rates we offer to potential portfolio companies. Our competitors also do not always require equity components in their investments. For additional information concerning the competitive risks we face, see "Risk Factors — We operate in a highly competitive market for investment opportunities."

**Employees**

At September 30, 2006, we employed seven individuals, including investment and portfolio management professionals, operations professionals and administrative staff. Upon the completion of this offering, we intend to hire additional investment professionals as well as additional administrative personnel.

**Properties**

Our executive office is located at 3600 Glenwood Avenue, Suite 104, Raleigh, North Carolina 27612. We believe that our current office facilities are adequate for our business as we intend to conduct it.

**Legal Proceedings**

Although we may, from time to time, be involved in litigation arising out of our operations in the normal course of business or otherwise, we are currently not a party to any pending material legal proceedings.

**PORTFOLIO COMPANIES**

The following table sets forth certain information as of September 30, 2006 for each portfolio company in which we had a debt or equity investment. Other than these investments, our only relationships with our portfolio companies are the managerial assistance we may separately provide to our portfolio companies, which services would be ancillary to our investments, and the board observer or participation rights we may receive.

| Portfolio Company | Nature of Principal Business (Location) | Date(s) of Investment | Title of Security | %Equity Held(1) | Cost(2) | Fair Value |
|---|---|---|---|---|---|---|
| *Non-Control/Non-Affiliate Investments:* | | | | | | |
| AirServ Corporation | Airport services (Atlanta, GA) | June 21, 2004 | Subordinated debt<br>Warrants | —<br>4.0 | $ 3,762,467<br>414,285 | $ 3,762,467<br>414,285 |
| Art Headquarters, Inc. | Framed art supplier (Clearwater, FL) | January 31, 2005 | Subordinated debt<br>Warrants | —<br>15.0 | 2,650,578<br>40,800 | 2,650,578<br>19,500 |
| Assurance Operations Corp. | Specialty metal fabrication and stamping (Killen, AL) | March 22, 2006 | Subordinated debt<br>Common stock | —<br>3.6 | 3,594,509<br>200,000 | 3,594,509<br>200,000 |
| CV Holdings, LLC | Design and manufacture of polymer products (Amsterdam, NY) | April 28, 2005 | Subordinated debt (3) Royalties (4) | —<br>— | 4,612,292<br>— | 4,612,292<br>250,000 |
| DataPath, Inc.(5) | Satellite communication systems (Duluth, GA) | September 16, 2004 | Common stock | 0.7 | 101,500 | 2,070,000 |
| Eastern Shore Ambulance, Inc. | Provides non-emergency and emergency ambulatory services (Portsmouth, VA) | July 20, 2006 | Subordinated debt Warrants | —<br>6.0 | 946,881<br>55,268 | 946,881<br>55,268 |
| Fire Sprinkler Systems | Designs and installs sprinkler systems for residential construction (Corona, CA) | April 17, 2006 | Subordinated debt<br>Common stock | —<br>2.5 | 2,690,484<br>250,000 | 2,690,484<br>250,000 |
| Flint Trading Inc. | Traffic safety markings (Thomasville, NC) | September 15, 2004; February 28, 2006(6) | Subordinated debt<br>Preferred stock | —<br>4.7 | 3,765,639<br>308,333 | 3,765,639<br>558,333 |
| Garden Fresh Restaurant Corp. | Casual dining restaurant chain (San Diego, CA) | December 22, 2005 | Subordinated debt<br>LLC interests | —<br>0.9 | 3,000,000<br>500,000 | 3,000,000<br>500,000 |
| Gerli & Company | Designs and manufactures high-end decorative fabrics (New York, NY) | February 27, 2006 | Subordinated debt<br>Warrants | —<br>6.0 | 2,962,581<br>83,414 | 2,962,581<br>83,414 |
| Ambient Air Corporation | Residential and commercial HVACcontractor (Panama City, FL) | April 19, 2006 (7) | Subordinated debt<br>Warrants | —<br>7.6 | 3,868,394<br>142,361 | 3,868,394<br>142,361 |
| Library Systems & Services | Provides outsourced library management services (Germantown, MD) | March 31, 2006 | Subordinated debt<br>Warrants | —<br>11.2 | 1,947,791<br>58,995 | 1,947,791<br>58,995 |
| Numo Manufacturing, Inc. | Manufactures and markets promotional and gift products (Kaufman, TX) | December 16, 2005 | Subordinated debt<br>Warrants | —<br>18.6 | 2,700,000<br>— | —<br>— |
| *Affiliate Investments:* | | | | | | |
| Axxiom Manufacturing, Inc. | Manufactures air blast equipment (Fresno, TX) | January 13, 2006 | Subordinated debt<br>Common stock | —(10)<br>21.5 | 2,029,186<br>200,000 | 2,029,186<br>200,000 |
| Genapure Corporation (8) | Lab testing services (Boca Raton, FL) | January 22, 2004; April 1, 2005(9) | Common stock | 6.1 | 500,000 | 500,000 |
| Porter's Fabrications, LLC | Fabricated metal part supplier (Bessemer City, NC) | July 1, 2005 | Subordinated debt<br>LLC interests<br>Warrants | —<br>7.2<br>28.0 | 2,277,542<br>250,000<br>221,154 | 2,277,542<br>343,050<br>578,104 |
| *Control Investments:* | | | | | | |
| ARC Industries, LLC | Removal and disposal of industrial liquid waste (Charlotte, NC) | November 9, 2005 | Subordinated debt<br>LLC interests | —<br>30.0 | 2,396,803<br>175,000 | 2,396,803<br>175,000 |
| | | **Total** | | | $ 46,706,257 | $ 46,903,457 |

(1) Includes common stock, preferred stock or LLC interests held directly and any equity securities issuable upon exercise of warrants.

(2) Includes amortized original issue discount and PIK interest, where applicable, as of and through September 30, 2006. In each case, PIK interest involves securities of the same type and by the same issuer.

(3) On September 22, 2006, we invested an additional $250,000 in subordinated debt.

(4) Refers to the synthetic equity interest we have negotiated with CV Holdings, LLC. The royalties are exercisable upon the maturity of the loan, or other events as set forth in the agreement, for 0.7% of the "company value," calculated as the greater of twelve month trailing EBITDA, twenty-four month trailing EBITDA divided by two or fair market value of the portfolio company as determined by its board, whichever is greatest.

(5) The $3.2 million loan was prepaid on September 30, 2005 with a 4.0% prepayment penalty. We received an equity gain and return of capital during the nine months ended September 30, 2006. We still maintain an equity position in the portfolio company.

(6) On February 28, 2006, we invested an additional $250,000 in subordinated debt.

(7) On May 16, 2005, we invested in subordinated debt in the form of two notes, and we received warrant rights in the same transaction. On April 19, 2006, these two loans were repaid, and two new notes totaling $8.0 million were issued to us. We syndicated $4.0 million of this debt to two other participants.

(8) The $3.5 million loan was prepaid on October 3, 2005 with a 4.0% prepayment penalty. We still maintain our equity position in the portfolio company.

(9) On April 1, 2005, we invested an additional $250,000 in common stock bringing our total equity investment to $500,000.

(10) Does not include a warrant to purchase 1,000 shares of Axxiom's common stock with an exercise price of $5.00 per share, held by the Existing Fund upon completion of the formation transactions.

**Recent Developments**

On October 4, 2006, we closed a $1.5 million subordinated debt investment in Bruce Plastics, Inc., a plastic injection molding company based in Pittsburgh, Pennsylvania. Under the loan, the portfolio company will pay 14.0% current interest per annum and has the option to increase its debt by $1.0 million under specific circumstances. We also received a warrant to purchase up to 12.0% of the company's common stock.

On November 3, 2006, the Existing Fund increased its investment in AirServ Corporation by investing an additional $225,000 in subordinated debt, increasing its total investment to $4.2 million.

On November 3, 2006, the Existing Fund purchased $30,000 of common stock in Eastern Shore Ambulance, Inc.

**Description of Portfolio Companies**

Set forth below is a brief description of each of our portfolio companies.

***AirServ Corporation***

AirServ Corporation provides in-airport services to major airlines and air transportation companies. Services include bus transportation of airline employees from remote parking lots to the terminal, baggage handling, skycap services, ticket verification, cabin cleaning and wheelchair services.

***Art Headquarters, Inc.***

Art Headquarters, Inc. is a supplier of custom frame shop-quality, mid-priced framed art sold throughout the eastern United States.

***Assurance Operations Corp.***

Assurance Operations Corp. designs and fabricates custom racking products for the automotive industry, and provides light to medium duty stamping for a variety of industries.

***CV Holdings, LLC***

CV Holdings, LLC designs, manufactures and markets customized, high-performance polymer products.

***DataPath, Inc.***

DataPath, Inc. is an integrator and provider of ground based satellite communications systems for government and commercial customers.

***Eastern Shore Acquisition Corp.***

Eastern Shore Acquisition Corp. provides non-emergency, inter-facility transport services on a pre-scheduled basis to patients requiring medical care.

***Fire Sprinkler Systems***

Fire Sprinkler Systems, Inc., designs and installs sprinkler systems for residential applications throughout southern California.

***Flint Acquisition (d/b/a Flint Trading)***

Flint Trading and related entities serve the traffic safety market with a focus on road markings, street graphics and road warning markers.

***Garden Fresh Restaurant Corp.***

Garden Fresh Restaurant Corp., located in San Diego, California, is a casual dining restaurant chain focused on serving fresh, wholesome meals in an upscale, self-service format. The company operates approximately 100 restaurants in 15 states under the Sweet Tomatoes and Souplantation brand names.

***Gerli & Company***

Gerli & Company markets high-end decorative fabrics to a diverse customer base focusing on interior design. The company has dobby and jacquard manufacturing in Plains, Pennsylvania and sources fabrics worldwide. It is best known for its color direction and design aesthetic in the broad range of fabric types offered.

***Ambient Air Corporation (f/k/a JR Hobbs Acquisition Corp.)***

Ambient Air Corporation is a leading design/build contractor for HVAC systems in the multi-family housing industry with an emphasis on the Southeast.

***Library Systems & Services***

Library Systems & Services is a provider of outsourced library management services in the U.S., with customers including federal libraries such as the Library of Congress and the Smithsonian.

***Numo Manufacturing, Inc.***

Numo Manufacturing, Inc. is a specialty advertising business marketing unique promotional and gift products to customers in a variety of industries.

***Axxiom Manufacturing, Inc.***

Axxiom Manufacturing Inc., based in Fresno, Texas, is the exclusive provider of Axxiom and Schmidt abrasive air blast equipment.

***Genapure (QC Labs)***

Genapure provides lab testing services for the environmental engineering, food and pharmaceutical industries. Services include groundwater monitoring, stream surveys, soil testing, swimming pool testing, and dairy product testing.

***Porter's Group, LLC (d/b/a Porter's Fabrications)***

Porter's Group, LLC is a supplier of high-quality custom fabricated metal parts to customers in the transportation, industrial and commercial sectors.

***ARC Industries, LLC (d/b/a Haz-Mat)***

ARC Industries, LLC provides environmental services through removal and disposal services of industrial liquid wastes, including waste water, sludges and waste oils, to industrial customers generally within a 200-mile radius of Charlotte, North Carolina.

***Bruce Plastics, Inc.***

Bruce Plastics, Inc. is a supplier of both custom molded and standard components to original equipment manufacturers in the electronics and consumer end markets.

## MANAGEMENT

Our business and affairs are managed under the direction of our board of directors. Our board of directors elects our officers, who serve at the discretion of the board of directors. Day-to-day management of our portfolio is the responsibility of our investment committee. As a result, our investment committee must approve the acquisition and disposition of all of our investments.

### Board of Directors and Executive Officers

Upon consummation of this offering, our board of directors will consist of seven members, four of whom are expected to be classified under applicable Nasdaq listing standards as "independent" directors. Pursuant to our amended and restated articles of incorporation, each member of our board of directors will serve a one year term, with each current director serving until the 2008 annual meeting of stockholders and until his respective successor is duly qualified and elected. Our amended and restated articles of incorporation permit the board of directors to elect directors to fill vacancies that are created either through an increase in the number of directors or due to the resignation, removal or death of any director.

#### *Directors*

Information regarding our board of directors is set forth below. We have divided the directors into two groups — independent directors and interested directors. Interested directors are "interested persons" of Triangle Capital Corporation as defined in Section 2(a)(19) of the 1940 Act. The address for each director is c/o Triangle Capital Corporation 3600 Glenwood Avenue, Suite 104, Raleigh, North Carolina, 27612.

*Independent Directors*

| Name | Age | Director Since | Expiration of Term |
|---|---|---|---|

*Interested Directors*

| Name | Age | Director Since | Expiration of Term |
|---|---|---|---|
| Garland S. Tucker, III | 59 | October 2006 | |
| Brent P. W. Burgess | 40 | October 2006 | |
| Steven C. Lilly | 37 | October 2006 | |

#### *Executive Officers*

The following persons serve as our executive officers in the following capacities:

| Name | Age | Position(s) Held with the Company |
|---|---|---|
| Garland S. Tucker, III | 59 | Chairman of the Board, Chief Executive Officer and President |
| Brent P.W. Burgess | 40 | Director and Chief Investment Officer |
| Steven C. Lilly | 37 | Director, Chief Financial Officer, Secretary and Treasurer |
| Tarlton H. Long | 56 | Managing Director |
| David F. Parker | 60 | Managing Director |

In addition to the positions described above, each of our executive officers is a member of our investment committee. The address for each executive officer is c/o Triangle Capital Corporation 3600 Glenwood Avenue, Suite 104, Raleigh, North Carolina, 27612.

**Biographical Information**

***Independent Directors***

***Interested Directors***

*Garland S. Tucker, III.* Mr. Tucker serves as Chairman of our board of directors, Chief Executive Officer, President and is a member of our investment committee. Prior to co-founding Triangle Capital Partners, LLC in 2000, Mr. Tucker and an outside investor group sold First Travelcorp, a corporate travel services company that he and the investors founded in 1991. For the two years preceding the founding of First Travelcorp, Mr. Tucker served as Group Vice President, Chemical Bank, New York, with responsibility for southeastern corporate finance. Prior to Chemical Bank, Mr. Tucker spent a decade with Carolina Securities Corporation, serving as President and Chief Executive Officer until 1988. During his tenure Carolina Securities Corporation was a member of the New York Stock Exchange, and Mr. Tucker served a term as President of the Mid-Atlantic Securities Industry Association. Mr. Tucker entered the securities business in 1975 with Investment Corporation of Virginia. He is a graduate of Washington & Lee University and Harvard Business School.

*Brent P. W. Burgess.* Mr. Burgess serves as our Chief Investment Officer and is a member of our board of directors and our investment committee. He is currently on the board of governors of the National Association of SBICs and is a past president of the Southern Regional Association of SBICs. Prior to joining Triangle Capital Partners, LLC, he was Vice President of an SBIC mezzanine fund known as Oberlin Capital. He began his private equity career in 1996 with Cherokee International Management, Raleigh, North Carolina, where he worked as an analyst and associate. He is a graduate of the University of Regina and Regent College, Vancouver.

*Steven C. Lilly.* Mr. Lilly serves as our Chief Financial Officer, Secretary, Treasurer and is a member of our board of directors and our investment committee. Prior to joining Triangle Capital Partners in December, 2005, Mr. Lilly spent six and a half years with SpectraSite, Inc., which prior to its sale in August, 2005, was the third largest independent wireless tower company in the United States. At SpectraSite, Mr. Lilly served as Senior Vice President-Finance & Treasurer and Interim Chief Financial Officer. On November 15, 2002, SpectraSite Holdings, Inc., a predecessor company, filed a voluntary petition for relief under Chapter 11 of the Bankruptcy Code in the United States Bankruptcy Court for the Eastern District of North Carolina, Raleigh Division to implement a pre-negotiated financial restructuring pursuant to the company's Plan of Reorganization, which was confirmed by the Bankruptcy Court on January 28, 2003. Prior to SpectraSite, Mr. Lilly was Vice President of the Media & Communications Group with First Union Capital Markets (now Wachovia Securities), specializing in arranging financings for high growth, financial sponsor driven companies across the media and telecommunications sector. Mr. Lilly is a graduate of Davidson College and has completed the executive education program at the University of North Carolina's Kenan-Flagler School of Business.

***Executive Officers Who Are Not Directors***

*Tarlton H. Long.* Mr. Long is a managing director and member of our investment committee. From 1990 to 2000, prior to co-founding Triangle Capital Partners, LLC, he was with Banc of America Securities and its predecessor organizations as they initiated development of a full service investment banking platform. As a managing director with Banc of America Securities, he established and headed the Industrial Growth Group. From 1979 to 1990, he was with The First Boston Corporation (now Credit Suisse) becoming a Director in the Corporate Finance Department. He began his career in finance in 1976 with White Weld & Co., New York. He is a graduate of the University of North Carolina at Chapel Hill and New York University.

*David F. Parker.* Mr. Parker is a managing director and member of our investment committee. Prior to joining Triangle, Mr. Parker was a partner in Crimson Capital Company, a Greensboro, North Carolina private investment banking firm that specialized in management buyouts of middle market companies in a variety of

industries. Before joining Crimson, he was Vice-President and Treasurer at Marion Laboratories, Inc., a Fortune 500 pharmaceutical company, where he was responsible for Marion's public and private financings, venture capital investments, divestitures, and investor communications. Before working at Marion Laboratories, he worked six years as Vice-President and Director of Private Placements at J. Henry Schroder Corp, a position that followed three years at Kidder, Peabody & Co., on its private placement desk. Mr. Parker began his career in 1971 at Shearson, Hammill & Co. in New York. He is a graduate of North Carolina State University and Harvard Business School.

**Committees of the Board of Directors**

Our board of directors has the following committees:

***Audit Committee***

The audit committee is responsible for selecting our independent accountants, reviewing the plans, scope and results of the audit engagement with our independent accountants, approving professional services provided by our independent accountants, reviewing the independence of our independent accountants and reviewing the adequacy of our internal accounting controls. In addition, the audit committee is responsible for reviewing and approving for submission to our board of directors, in good faith, the fair value of debt and equity securities that are not publicly traded or for which current market values are not readily available. The members of the audit committee are , and , each of whom is independent for purposes of the 1940 Act and the Nasdaq Global Market corporate governance listing standards. serves as the chairman of the audit committee. Our board of directors has determined that is an "audit committee financial expert" as defined under SEC rules.

***Compensation Committee***

The compensation committee determines the compensation for our executive officers and the amount of salary and bonus to be included in the compensation package for each of our executive officers. The members of the compensation committee are Messrs. , and , each of whom is independent for purposes of the 1940 Act and the Nasdaq Global Market corporate governance listing standards. serves as the chairman of the compensation committee.

***Nominating and Corporate Governance Committee***

The nominating and corporate governance committee is responsible for identifying, researching and nominating directors for election by our stockholders, selecting nominees to fill vacancies on our board of directors or a committee of the board, developing and recommending to the board of directors a set of corporate governance principles and overseeing the evaluation of the board of directors and our management. The nominating and corporate governance committee considers nominees properly recommended by our stockholders. The members of the nominating and corporate governance committee are , and , each of whom is independent for purposes of the 1940 Act and the Nasdaq Global Market corporate governance listing standards. serves as the chairman of the nominating and corporate governance committee.

**Compensation of Directors and Officers**

***Director Compensation***

Each of our directors who is not one of our employees or an employee of our subsidiaries will receive an annual fee of $ for services as a director, payable quarterly. Independent directors will receive a fee of $ for each board meeting attended in person and $ for each board meeting attended by conference telephone or similar communications equipment. Independent directors will receive a fee of $ for each committee meeting attended, except that committee chairmen will receive an additional $ for attendance at each meeting of the committee for which they serve as chair. We will reimburse our independent directors

for all reasonable expenses incurred in connection with their service on the board. Directors who are also our employees or employees of our subsidiaries will not receive compensation for their services as directors.

***Executive Officer Compensation***

The following table sets forth information regarding the compensation paid to our executive officers for the year ended December 31, 2005.

| Name and Principal Position | Salary ($) | Bonus ($) | All Other Compensation ($) | Total ($) |
|---|---|---|---|---|
| Garland S. Tucker, III | 120,000 | 192,000 | — | 312,000 |
| Brent P. W. Burgess | 120,000 | 120,000 | — | 240,000 |
| Steven C. Lilly(1) | 14,166 | — | — | 14,166 |
| Tarlton H. Long | 120,000 | 234,000 | — | 354,000 |
| David F. Parker | 120,000 | 150,000 | — | 270,000 |

(1) Mr. Lilly commenced employment on December 1, 2005.

***Employment Agreements***

At the time of the offering, we will enter into employment agreements with Messrs. Tucker, Burgess, and Lilly that provide for a two year term. The initial base salary under the employment agreements for Messrs. Tucker, Burgess, and Lilly will be $265,000, $240,000, and $240,000, respectively. At the time of the offering, we will enter into employment agreements with Messrs. Long and Parker that provide for a one year term. The initial base salary under the employment agreements for Messrs. Long and Parker will be $200,000. Our board of directors will have the right to increase the base salary of each of our executive officers during the term of the employment agreements and also to decrease it if certain conditions are satisfied.

In addition, each executive officer will be entitled to receive an annual bonus of up to a maximum of 100.0% of the executive officer's then current base salary for achieving certain performance objectives. The compensation committee of the board of directors will establish such performance objectives, as well as the bonus awarded to each executive officer, annually.

***Compensation Plans***

*Equity Incentive Plan*

Our board of directors and current stockholders have approved our Equity Incentive Plan, to be effective upon consummation of this offering, for the purpose of attracting and retaining the services of executive officers, directors and other key employees. Under our Equity Incentive Plan, our compensation committee may award stock options, restricted stock, or other stock-based incentive awards to our executive officers, employees and directors.

Our compensation committee will administer the Equity Incentive Plan and has the authority, subject to the provisions of the Equity Incentive Plan, to determine who will receive awards under the Equity Incentive Plan and the terms of such awards. Our compensation committee will be required to adjust the number of shares available for awards, the number of shares subject to outstanding awards and the exercise price for awards following the occurrence of certain specified events such as stock splits, dividends, distributions and recapitalizations.

Upon specified covered transactions (as defined in the Equity Incentive Plan), all outstanding awards under the Equity Incentive Plan may either be assumed or substituted for by the surviving entity. If the surviving entity does not assume or substitute similar awards, the awards held by the participants will be accelerated in full and then terminated to the extent not exercised prior to the covered transaction.

Awards under the Equity Incentive Plan will be granted to our executive officers and other employees as determined by our compensation committee at the time of each issuance.

Under current SEC rules and regulations applicable to BDCs, a BDC may not grant options to directors who are not officers or employees of the BDC. In connection with this offering, we expect to apply for exemptive relief from the SEC to permit us to grant options to purchase shares of our common stock to our independent directors as a portion of their compensation for service on our board of directors. Similarly, under the 1940 Act, BDCs cannot issue stock for services. In connection with this offering, we expect to apply for exemptive relief from the SEC to permit us to grant restricted stock or other non-option stock-based compensation in exchange for or in recognition of services. We cannot provide any assurance that we will receive the exemptive relief from the SEC in either case.

*401(k) Plan*

We intend to maintain a 401(k) plan in which all full-time employees who are at least 21 years of age and have 3 months of service will be eligible to participate. Eligible employees will have the opportunity to contribute their compensation on a pretax salary basis into the 401(k) plan up to $15,500 annually for the 2007 plan year, and to direct the investment of these contributions. Plan participants who reach the age of 50 prior to or during the 2007 plan year will be eligible to defer an additional $5,000 during 2007.

## CERTAIN RELATIONSHIPS AND TRANSACTIONS

Effective concurrently with the closing of the offering, Triangle Mezzanine LLC, the general partner of the Existing Fund, will merge into a wholly owned subsidiary of Triangle Capital Corporation. A substantial majority of the ownership interests of Triangle Mezzanine LLC are owned by Messrs. Tucker, Burgess, Lilly, Long and Parker. As a result of such merger, Messrs. Tucker, Burgess, Lilly, Long and Parker will collectively receive shares of our common stock valued at approximately $6.7 million.

Certain members of our management (Garland S. Tucker, III, Tarlton H. Long and David F. Parker) collectively own approximately 67% of Triangle Capital Partners, LLC. Prior to the closing of this offering, Triangle Capital Partners, LLC provided management and advisory services to the Existing 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 $1.6 million in management fees from the Existing Fund during each of the fiscal years ended December 31, 2005 and December 31, 2004. This agreement will terminate upon the closing of this offering.

For additional information regarding the amount of common stock that will be owned by members of management upon the closing of this offering, see “Control Persons and Principal Stockholders.”

## CONTROL PERSONS AND PRINCIPAL STOCKHOLDERS

After this offering, no person will be deemed to control us, as such term is defined in the 1940 Act. The following table sets forth on a pro forma, as adjusted basis, as of the time of completion of the offering and consummation of the formation transactions described elsewhere in this prospectus, information with respect to the beneficial ownership of our common stock by:

- each person known to us to beneficially own more than 5.0% of the outstanding shares of our common stock;
- each of our directors and each executive officers; and
- all of our directors and executive officers as a group.

Beneficial ownership is determined in accordance with the rules of the SEC and includes voting or investment power with respect to the securities. There is no common stock subject to options or warrants that are currently exercisable or exercisable within 60 days of the offering. Percentage of beneficial ownership is based on 5,446,667 shares of common stock outstanding at the time of the offering and expected consummation of the formation transactions.

| | Shares of Common Stock Beneficially Owned | |
|---|---|---|
| Name | Number of Shares | Percentage of Class Before Offering |
| **Executive Officers:** | | |
| Garland S. Tucker, III | | |
| Brent P. W. Burgess | | |
| Steven C. Lilly | | |
| Tarlton H. Long | | |
| David F. Parker | | |
| **Independent Directors:** | | |
| All Directors and Officers as a Group (9 persons) | | |

* Less than 1.0%

The following table sets forth, as of the date of the completion of this offering, the dollar range of our equity securities that is expected to be beneficially owned by each of our directors.

| | Dollar Range of Equity Securities Beneficially Owned(1)(2)(3) |
|---|---|
| **Interested Directors** | |
| Garland S. Tucker, III | |
| Brent P. W. Burgess | |
| Steven C. Lilly | |
| **Independent Directors** | |

(1) Beneficial ownership has been determined in accordance with Rule 16a-1(a)(2) of the Exchange Act.

(2) The dollar range of equities securities beneficially owned by our directors is based on a public offering price of $15.00 per share.

(3) The dollar range of equity securities beneficially owned are: none, $1-$10,000, $10,001-$50,000, $50,001-$100,000, or over $100,000.

## DIVIDEND REINVESTMENT PLAN

We have adopted a dividend reinvestment plan that provides for reinvestment of our distributions on behalf of our stockholders, unless a stockholder elects to receive cash as provided below. As a result, if our board of directors authorizes, and we declare, a cash dividend, then our stockholders who have not "opted out" of our dividend reinvestment plan will have their cash dividends automatically reinvested in additional shares of our common stock, rather than receiving the cash dividends.

No action will be required on the part of a registered stockholder to have their cash dividend reinvested in shares of our common stock. A registered stockholder may elect to receive an entire dividend in cash by notifying , the plan administrator and our transfer agent and registrar, in writing so that such notice is received by the plan administrator no later than the record date for dividends to stockholders. The plan administrator will set up an account for shares acquired through the plan for each stockholder who has not elected to receive dividends in cash and hold such shares in non-certificated form. Upon request by a stockholder participating in the plan, received in writing not less than 10 days prior to the record date, the plan administrator will, instead of crediting shares to the participant's account, issue a certificate registered in the participant's name for the number of whole shares of our common stock and a check for any fractional share. Those stockholders whose shares are held by a broker or other financial intermediary may receive dividends in cash by notifying their broker or other financial intermediary of their election.

We intend to use primarily newly issued shares to implement the plan, so long as our shares are trading at or above net asset value. If our shares are trading below net asset value, we intend to purchase shares in the open market in connection with our implementation of the plan. The number of shares to be issued to a stockholder is determined by dividing the total dollar amount of the dividend payable to such stockholder by the market price per share of our common stock at the close of regular trading on the Nasdaq Global Market on the dividend payment date. Market price per share on that date will be the closing price for such shares on the Nasdaq Global Market or, if no sale is reported for such day, at the average of their reported bid and asked prices. The number of shares of our common stock to be outstanding after giving effect to payment of the dividend cannot be established until the value per share at which additional shares will be issued has been determined and elections of our stockholders have been tabulated.

There will be no brokerage charges or other charges to stockholders who participate in the plan. We will pay the plan administrator's fees under the plan. If a participant elects by written notice to the plan administrator to have the plan administrator sell part or all of the shares held by the plan administrator in the participant's account and remit the proceeds to the participant, the plan administrator is authorized to deduct a $ transaction fee plus a $ per share brokerage commissions from the proceeds.

Stockholders who receive dividends in the form of stock generally are subject to the same federal, state and local tax consequences as are stockholders who elect to receive their dividends in cash. A stockholder's basis for determining gain or loss upon the sale of stock received in a dividend from us will be equal to the total dollar amount of the dividend payable to the stockholder. Any stock received in a dividend will have a holding period for tax purposes commencing on the day following the day on which the shares are credited to the U.S. stockholder's account.

Participants may terminate their accounts under the plan by notifying the plan administrator via its website at , by filling out the transaction request form located at the bottom of their statement and sending it to the plan administrator at or by calling the plan administrator's at .

We may terminate the plan upon notice in writing mailed to each participant at least 30 days prior to any record date for the payment of any dividend by us. All correspondence concerning the plan should be directed to the plan administrator by mail at or by telephone at .

## DESCRIPTION OF CAPITAL STOCK

*The following description is based on relevant portions of the Maryland General Corporation Law and on our articles of incorporation and bylaws. This summary may not contain all of the information that is important to you, and we refer you to the Maryland General Corporation Law and our articles of incorporation and bylaws for a more detailed description of the provisions summarized below.*

### Capital Stock

Under the terms of our articles of incorporation, as amended and restated immediately prior to the completion of this offering, our authorized capital stock will consist of 150,000,000 shares of common stock, par value $0.001 per share, of which immediately after this offering and completion of the formation transactions 5,446,667 shares will be outstanding. Under our articles of incorporation, our board of directors is authorized to classify and reclassify any unissued shares of stock into other classes or series of stock, and to cause the issuance of such shares, without obtaining stockholder approval. In addition, as permitted by the Maryland General Corporation Law, but subject to the 1940 Act, our articles of incorporation provides that the board of directors, without any action by our stockholders, may amend the articles of incorporation from time to time to increase or decrease the aggregate number of shares of stock or the number of shares of stock of any class or series that we have authority to issue. Under Maryland law, our stockholders generally are not personally liable for our debts or obligations.

#### *Common Stock*

All shares of our common stock have equal rights as to earnings, assets, dividends and voting privileges, except as described below, and, when they are issued, will be duly authorized, validly issued, fully paid and nonassessable. Distributions may be paid to the holders of our common stock if, as and when authorized by our board of directors and declared by us out of assets legally available therefor. Shares of our common stock have no conversion, exchange, preemptive or redemption rights. In the event of a liquidation, dissolution or winding up of the Company, each share of our common stock would be entitled to share ratably in all of our assets that are legally available for distribution after we pay all debts and other liabilities and subject to any preferential rights of holders of our preferred stock, if any preferred stock is outstanding at such time. Each share of our common stock is entitled to one vote on all matters submitted to a vote of stockholders, including the election of directors. Except as provided with respect to any other class or series of stock, the holders of our common stock will possess exclusive voting power. There is no cumulative voting in the election of directors, which means that holders of a majority of the outstanding shares of common stock will elect all of our directors, and holders of less than a majority of such shares will be unable to elect any director.

#### *Preferred Stock*

Our articles of incorporation authorize our board of directors to classify and reclassify any unissued shares of stock into other classes or series of stock, including preferred stock. Prior to issuance of shares of each class or series, the board of directors is required by Maryland law and by our articles of incorporation to set the terms, preferences, conversion or other rights, voting powers, restrictions, limitations as to dividends or other distributions, qualifications and terms or conditions of redemption for each class or series. Thus, the board of directors could authorize the issuance of shares of preferred stock with terms and conditions which could have the effect of delaying, deferring or preventing a transaction or a change in control that might involve a premium price for holders of our common stock or otherwise be in their best interest. You should note, however, that any issuance of preferred stock must comply with the requirements of the 1940 Act. The 1940 Act requires, among other things, that (1) immediately after issuance and before any dividend or other distribution is made with respect to our common stock and before any purchase of common stock is made, such preferred stock together with all other senior securities must not exceed an amount equal to 50.0% of our total assets after deducting the amount of such dividend, distribution or purchase price, as the case may be, and (2) the holders of shares of preferred stock, if any are issued, must be entitled as a class to elect two directors at all times and to elect a majority of the directors if dividends on such preferred stock are in arrears by two years or more. Certain matters under the 1940 Act require the separate vote of the holders of any

issued and outstanding preferred stock. We believe that the availability for issuance of preferred stock will provide us with increased flexibility in structuring future financings and acquisitions.

**Limitation on Liability of Directors and Officers; Indemnification and Advance of Expenses**

Maryland law permits a Maryland corporation to include in its articles of incorporation a provision limiting the liability of its directors and officers to the corporation and its stockholders for money damages except for liability resulting from (a) actual receipt of an improper benefit or profit in money, property or services or (b) active and deliberate dishonesty established by a final judgment as being material to the cause of action. Our articles of incorporation contain such a provision that eliminates directors' and officers' liability to the maximum extent permitted by Maryland law, subject to the requirements of the 1940 Act.

Our articles of incorporation authorize us, to the maximum extent permitted by Maryland law and subject to the requirements of the 1940 Act, to indemnify any present or former director or officer or any individual who, while a director or officer and at our request, serves or has served another corporation, partnership, joint venture, trust, employee benefit plan or other enterprise as a director, officer, partner or trustee, from and against any claim or liability to which such person may become subject or which such person may incur by reason of his or her service in any such capacity.

Our bylaws obligate us, to the maximum extent permitted by Maryland law and subject to the requirements of the 1940 Act, to indemnify any present or former director or officer or any individual who, while a director or officer and at our request, serves or has served another corporation, partnership, joint venture, trust, employee benefit plan or other enterprise as a director, officer, partner or trustee and who is made, or threatened to be made, a party to the proceeding by reason of his or her service in any such capacity from and against any claim or liability to which that person may become subject or which that person may incur by reason of his or her service in any such capacity. Our bylaws also provide that, to the maximum extent permitted by Maryland law, with the approval of our board of directors and provided that certain conditions described in our bylaws are met, we may pay certain expenses incurred by any such indemnified person in advance of the final disposition of a proceeding upon receipt of an undertaking by or on behalf of such indemnified person to repay amounts we have so paid if it is ultimately determined that indemnification of such expenses is not authorized under our bylaws.

Maryland law requires a corporation (unless its articles of incorporation provide otherwise, which our articles of incorporation do not) to indemnify a director or officer who has been successful in the defense of any proceeding to which he or she is made, or threatened to be made, a party by reason of his or her service in that capacity. Maryland law permits a corporation to indemnify its present and former directors and officers, among others, against judgments, penalties, fines, settlements and reasonable expenses actually incurred by them in connection with any proceeding to which they may be made, or threatened to be made, a party by reason of their service in those or other capacities unless it is established that (a) the act or omission of the director or officer was material to the matter giving rise to the proceeding and (1) was committed in bad faith or (2) was the result of active and deliberate dishonesty, (b) the director or officer actually received an improper personal benefit in money, property or services or (c) in the case of any criminal proceeding, the director or officer had reasonable cause to believe that the act or omission was unlawful. However, under Maryland law, a Maryland corporation may not indemnify for an adverse judgment in a suit by or in the right of the corporation or for a judgment of liability on the basis that a personal benefit was improperly received, unless in either case a court orders indemnification, and then only for expenses. In addition, Maryland law permits a corporation to advance reasonable expenses to a director or officer upon the corporation's receipt of (a) a written affirmation by the director or officer of his or her good faith belief that he or she has met the standard of conduct necessary for indemnification by the corporation and (b) a written undertaking by him or her or on his or her behalf to repay the amount paid or reimbursed by the corporation if it is ultimately determined that the standard of conduct was not met.

We expect to purchase a directors' and officers' insurance policy covering our directors and officers and us for any acts and omissions committed, attempted or allegedly committed by any director or officer during the policy period. The policy is subject to customary exclusions.

**Provisions Of The Maryland General Corporation Law And Our Articles Of Incorporation And Bylaws**

The Maryland General Corporation Law and our articles of incorporation and bylaws contain provisions that could make it more difficult for a potential acquiror to acquire us by means of a tender offer, proxy contest or otherwise. These provisions are expected to discourage certain coercive takeover practices and inadequate takeover bids and to encourage persons seeking to acquire control of us to negotiate first with our board of directors. We believe that the benefits of these provisions outweigh the potential disadvantages of discouraging any such acquisition proposals because, among other things, the negotiation of such proposals may improve their terms.

***Director Terms; Election of Directors***

Our articles of incorporation provide that the term of each director is one year unless and until the board of directors, acting by authority provided under Section 3-802 of the Maryland General Corporation Law, establishes staggered terms in the manner provided in Section 3-803 of the Maryland General Corporation Law. Our bylaws currently provide that directors are elected by a plurality of the votes cast in the election of directors. Pursuant to our articles of incorporation and bylaws, our board of directors may amend the bylaws to alter the vote required to elect directors.

***Number of Directors; Vacancies; Removal***

Our articles of incorporation provide that the number of directors will be set only by the board of directors in accordance with our bylaws. Our bylaws provide that a majority of our entire board of directors may at any time increase or decrease the number of directors. However, unless the bylaws are amended, the number of directors may never be less than one nor more than 12. We have elected to be subject to the provision of Subtitle 8 of Title 3 of the Maryland General Corporation Law regarding the filling of vacancies on the board of directors. Accordingly, at such time, except as may be provided by the board of directors in setting the terms of any class or series of preferred stock, any and all vacancies on the board of directors may be filled only by the affirmative vote of a majority of the remaining directors in office, even if the remaining directors do not constitute a quorum, and any director elected to fill a vacancy shall serve for the remainder of the full term of the directorship in which the vacancy occurred and until a successor is elected and qualifies, subject to any applicable requirements of the 1940 Act. Our articles of incorporation provide that a director may be removed only for cause, as defined in the articles of incorporation, and then only by the affirmative vote of at least two-thirds of the votes entitled to be cast in the election of directors.

***Action by Stockholders***

Under the Maryland General Corporation Law, stockholder action may be taken only at an annual or special meeting of stockholders or by unanimous consent in lieu of a meeting (unless the articles of incorporation provide for stockholder action by less than unanimous written consent, which our articles of incorporation permit only with respect to actions recommended by the board of directors). These provisions, combined with the requirements of our bylaws regarding the calling of a stockholder-requested special meeting of stockholders discussed below, may have the effect of delaying consideration of a stockholder proposal until the next annual meeting.

***Advance Notice Provisions for Stockholder Nominations and Stockholder Proposals***

Our bylaws provide that with respect to an annual meeting of stockholders, nominations of persons for election to the board of directors and the proposal of business to be considered by stockholders may be made only (1) pursuant to our notice of the meeting, (2) by the board of directors or (3) by a stockholder who is entitled to vote at the meeting and who has complied with the advance notice procedures of the bylaws. With respect to special meetings of stockholders, only the business specified in our notice of the meeting may be brought before the meeting. Nominations of persons for election to the board of directors at a special meeting may be made only (1) pursuant to our notice of the meeting, (2) by the board of directors or (3) provided that

the board of directors has determined that directors will be elected at the meeting, by a stockholder who is entitled to vote at the meeting and who has complied with the advance notice provisions of the bylaws.

The purpose of requiring stockholders to give us advance notice of nominations and other business is to afford our board of directors a meaningful opportunity to consider the qualifications of the proposed nominees and the advisability of any other proposed business and, to the extent deemed necessary or desirable by our board of directors, to inform stockholders and make recommendations about such qualifications or business, as well as to provide a more orderly procedure for conducting meetings of stockholders. Although our bylaws do not give our board of directors any power to disapprove stockholder nominations for the election of directors or proposals recommending certain action, they may have the effect of precluding a contest for the election of directors or the consideration of stockholder proposals if proper procedures are not followed and of discouraging or deterring a third party from conducting a solicitation of proxies to elect its own slate of directors or to approve its own proposal without regard to whether consideration of such nominees or proposals might be harmful or beneficial to us and our stockholders.

***Calling of Special Meeting of Stockholders***

Our bylaws provide that special meetings of stockholders may be called by our board of directors and certain of our officers. Additionally, our bylaws provide that, subject to the satisfaction of certain procedural and informational requirements by the stockholders requesting the meeting, a special meeting of stockholders shall be called by our secretary upon the written request of stockholders entitled to cast not less than a majority of all of the votes entitled to be cast at such meeting.

***Approval of Extraordinary Corporate Action; Amendment of Articles of Incorporation and Bylaws***

Under Maryland law, a Maryland corporation generally cannot dissolve, amend its articles of incorporation, merge, sell all or substantially all of its assets, engage in a share exchange or engage in similar transactions outside the ordinary course of business, unless approved by the affirmative vote of stockholders entitled to cast at least two-thirds of the votes entitled to be cast on the matter. However, a Maryland corporation may provide in its articles of incorporation for approval of these matters by a lesser percentage, but not less than a majority of all of the votes entitled to be cast on the matter. Our articles of incorporation generally provide for approval of amendments to our articles of incorporation and extraordinary transactions by the stockholders entitled to cast at least a majority of the votes entitled to be cast on the matter. Our articles of incorporation also provide that certain amendments and any proposal for our conversion, whether by merger or otherwise, from a closed-end company to an open-end company or any proposal for our liquidation or dissolution requires the approval of the stockholders entitled to cast at least 75.0% of the votes entitled to be cast on such matter. However, if such amendment or proposal is approved by at least 75.0% of our continuing directors (in addition to approval by our board of directors), such amendment or proposal may be approved by the stockholders entitled to cast a majority of the votes entitled to be cast on such a matter. The “continuing directors” are defined in our articles of incorporation as our current directors, as well as those directors whose nomination for election by the stockholders or whose election by the directors to fill vacancies is approved by a majority of the continuing directors then on the board of directors.

Our articles of incorporation and bylaws provide that the board of directors will have the exclusive power to make, alter, amend or repeal any provision of our bylaws.

***No Appraisal Rights***

Except with respect to appraisal rights arising in connection with the Maryland Control Share Acquisition Act, or Control Share Act, discussed below, as permitted by the Maryland General Corporation Law, our articles of incorporation provide that stockholders will not be entitled to exercise appraisal rights, unless the board of directors, upon the affirmative vote of a majority of the board of directors, shall determine that such rights apply, with respect to all or any class or series of stock, to one or more transactions occurring after the date of determination in connection with which holders of such shares would otherwise be entitled to exercise such rights.

***Control Share Acquisitions***

The Control Share Act provides that control shares of a Maryland corporation acquired in a control share acquisition have no voting rights except to the extent approved by a vote of two-thirds of the votes entitled to be cast on the matter. Shares owned by the acquiror, by officers or by employees who are directors of the corporation are excluded from shares entitled to vote on the matter. Control shares are voting shares of stock which, if aggregated with all other shares of stock owned by the acquiror or in respect of which the acquiror is able to exercise or direct the exercise of voting power (except solely by virtue of a revocable proxy), would entitle the acquiror to exercise voting power in electing directors within one of the following ranges of voting power:

- one-tenth or more but less than one-third;
- one-third or more but less than a majority; or
- a majority or more of all voting power.

The requisite stockholder approval must be obtained each time an acquiror crosses one of the thresholds of voting power set forth above. Control shares do not include shares the acquiring person is then entitled to vote as a result of having previously obtained stockholder approval. A control share acquisition means the acquisition of control shares, subject to certain exceptions.

A person who has made or proposes to make a control share acquisition may compel the board of directors of the corporation to call a special meeting of stockholders to be held within 50 days of demand to consider the voting rights of the shares. The right to compel the calling of a special meeting is subject to the satisfaction of certain conditions, including an undertaking to pay the expenses of the meeting. If no request for a meeting is made, the corporation may itself present the question at any stockholders meeting.

If voting rights are not approved at the meeting or if the acquiring person does not deliver an acquiring person statement as required by the statute, then the corporation may repurchase for fair value any or all of the control shares, except those for which voting rights have previously been approved. The right of the corporation to repurchase control shares is subject to certain conditions and limitations. Fair value is determined, without regard to the absence of voting rights for the control shares, as of the date of the last control share acquisition by the acquiror or of any meeting of stockholders at which the voting rights of the shares are considered and not approved. If voting rights for control shares are approved at a stockholders meeting and the acquiror becomes entitled to vote a majority of the shares entitled to vote, all other stockholders may exercise appraisal rights. The fair value of the shares as determined for purposes of appraisal rights may not be less than the highest price per share paid by the acquiror in the control share acquisition.

The Control Share Act does not apply (a) to shares acquired in a merger, consolidation or share exchange if the corporation is a party to the transaction or (b) to acquisitions approved or exempted by the articles of incorporation or bylaws of the corporation. Moreover, it does not apply to a corporation, such as us, registered under the 1940 Act as a closed-end investment company unless the board of directors adopts a resolution that the corporation will be subject to the Control Share Act. Our board of directors has not adopted and does not presently intend to adopt, such a resolution.

***Business Combinations***

Under the Maryland Business Combination Act, or the Business Combination Act, “business combinations” between a Maryland corporation and an interested stockholder or an affiliate of an interested stockholder are prohibited for five years after the most recent date on which the interested stockholder becomes an interested stockholder. These business combinations include a merger, consolidation, share exchange or, in circumstances specified in the statute, an asset transfer or issuance or reclassification of equity securities. An interested stockholder is defined as:

- any person who beneficially owns 10.0% or more of the voting power of the corporation’s shares; or

- an affiliate or associate of the corporation who, at any time within the two-year period prior to the date in question, was the beneficial owner of 10.0% or more of the voting power of the then outstanding voting stock of the corporation.

A person is not an interested stockholder under this statute if the board of directors approved in advance the transaction by which such stockholder otherwise would have become an interested stockholder. However, in approving a transaction, the board of directors may provide that its approval is subject to compliance, at or after the time of approval, with any terms and conditions determined by the board.

After the 5-year prohibition, any business combination between the Maryland corporation and an interested stockholder generally must be recommended by the board of directors of the corporation and approved by the affirmative vote of at least:

- 80.0% of the votes entitled to be cast by holders of outstanding shares of voting stock of the corporation; and
- two-thirds of the votes entitled to be cast by holders of voting stock of the corporation other than shares held by the interested stockholder with whom or with whose affiliate the business combination is to be effected or held by an affiliate or associate of the interested stockholder.

These super-majority vote requirements do not apply if the corporation's common stockholders receive a minimum price, as defined under Maryland law, for their shares in the form of cash or other consideration in the same form as previously paid by the interested stockholder for its shares.

The statute permits various exemptions from its provisions, including business combinations that are exempted by the board of directors before the time that the interested stockholder becomes an interested stockholder. Moreover, it does not apply to a corporation, such as us, registered under the 1940 Act as a closed-end investment company unless the board of directors adopts a resolution that the corporation will be subject to the Control Share Act.

***Conflict with 1940 Act***

Our bylaws provide that, if and to the extent that any provision of the Maryland General Corporation Law, or any provision of our articles of incorporation or bylaws conflicts with any provision of the 1940 Act, the applicable provision of the 1940 Act will control.

## SHARES ELIGIBLE FOR FUTURE SALE

Upon the completion of this offering, we will have 5,446,667 shares of common stock outstanding, assuming no exercise of the underwriters' over-allotment option. The 3,500,000 shares of common stock (assuming no exercise of the underwriters' over-allotment option) sold in this offering will be freely tradable without restriction or limitation under the Securities Act, other than any such shares purchased by our affiliates. Any shares purchased in this offering by our affiliates will be subject to the public information, manner of sale and volume limitations of Rule 144 under the Securities Act. Our remaining 1,946,667 shares of common stock that will be outstanding upon the completion of this offering (including all shares issued in the formation transactions occurring concurrently with the closing of this offering) will be "restricted securities" under the meaning of Rule 144 promulgated under the Securities Act and may not be sold in the absence of registration under the Securities Act unless an exemption from registration is available, including exemptions contained in Rule 144. We have agreed with the limited partners of the Existing Fund to use our reasonable best efforts following the first anniversary of the offering to effect the registration of the 1,416,667 shares of common stock to be received by them upon completion of the formation transactions, unless our board of directors decides such registration would be seriously detrimental to us. In the event our board of directors elects to defer such registration, we would effect such registration if and when such registration would not be detrimental. Upon such registration, all of the 1,416,667 shares of common stock registered would be freely tradable.

In general, under Rule 144 as currently in effect, if one year has elapsed since the date of acquisition of restricted securities from us or any of our affiliates, the holder of such restricted securities can sell such securities; provided that the number of securities sold by such person within any three-month period cannot exceed the greater of:

- 1.0% of the total number of securities then outstanding, or
- the average weekly trading volume of our securities during the four calendar weeks preceding the date on which notice of the sale is filed with the SEC.

Sales under Rule 144 also are subject to certain manner of sale provisions, notice requirements and the availability of current public information about us. If two years have elapsed since the date of acquisition of restricted securities from us or any of our affiliates and the holder is not one of our affiliates at any time during the three months preceding the proposed sale, such person can sell such securities in the public market under Rule 144(k) without regard to the volume limitations, manner of sale provisions, public information requirements or notice requirements. No assurance can be given as to (1) the likelihood that an active market for our common stock will develop, (2) the liquidity of any such market, (3) the ability of our stockholders to sell our securities or (4) the prices that stockholders may obtain for any of our securities. No prediction can be made as to the effect, if any, that future sales of securities, or the availability of securities for future sale, will have on the market price prevailing from time to time. Sales of substantial amounts of our securities, or the perception that such sales could occur, may affect adversely prevailing market prices of the common stock. See "Risk Factors — Risks Relating to this Offering and Our Common Stock."

We and certain of our executive officers, directors and employees will be subject to agreements with the underwriters that restrict our and their ability to transfer shares of our stock for a period of up to 1 year from the date of this prospectus. After the lock-up agreements expire, an aggregate of 530,000 additional shares will be eligible for sale in the public market in accordance with Rule 144. These lock-up agreements provide that these persons will not, subject to certain expectations, issue, sell, offer to sell, contract or agree to sell, hypothecate, pledge, transfer, grant any option to purchase, establish an open put equivalent position or otherwise dispose of or agree to dispose of directly or indirectly, any shares of our common stock, or any securities convertible into or exercisable or exchangeable for any shares of our common stock or any right to acquire shares of our common stock owned by them, for a period specified in the agreement without the prior written consent of Morgan Keegan & Company, Inc.

## MATERIAL U.S. FEDERAL INCOME TAX CONSIDERATIONS

The following discussion is a general summary of the material U.S. federal income tax considerations applicable to us and to an investment in our shares. This summary does not purport to be a complete description of the income tax considerations applicable to such an investment. For example, we have not described tax consequences that may be relevant to certain types of holders subject to special treatment under U.S. federal income tax laws, including stockholders subject to the alternative minimum tax, tax-exempt organizations, insurance companies, dealers in securities, pension plans and trusts, and financial institutions. This summary assumes that investors hold our common stock as capital assets (within the meaning of the Code. The discussion is based upon the Code, Treasury regulations, and administrative and judicial interpretations, each as of the date of this prospectus and all of which are subject to change, possibly retroactively, which could affect the continuing validity of this discussion. We have not sought and will not seek any ruling from the Internal Revenue Service regarding this offering. This summary does not discuss any aspects of U.S. estate or gift tax or foreign, state or local tax. It does not discuss the special treatment under U.S. federal income tax laws that could result if we invested in tax-exempt securities or certain other investment assets.

A "U.S. stockholder" generally is a beneficial owner of shares of our common stock who is for U.S. federal income tax purposes:

- A citizen or individual resident of the United States;
- A corporation or other entity treated as a corporation, for U.S. federal income tax purposes, created or organized in or under the laws of the United States or any political subdivision thereof;
- A trust if a court within the United States is asked to exercise primary supervision over the administration of the trust and one or more United States persons have the authority to control all substantive decisions of the trust; or
- A trust or an estate, the income of which is subject to U.S. federal income taxation regardless of its source.

A "Non-U.S. stockholder" is a beneficial owner of shares of our common stock that is not a U.S. stockholder.

If a partnership (including an entity treated as a partnership for U.S. federal income tax purposes) holds shares of our common stock, the tax treatment of a partner in the partnership will generally depend upon the status of the partner and the activities of the partnership. A prospective stockholder that is a partner of a partnership holding shares of our common stock should consult his, her or its tax advisors with respect to the purchase, ownership and disposition of shares of our common stock.

Tax matters are very complicated and the tax consequences to an investor of an investment in our shares will depend on the facts of his, her or its particular situation. We encourage investors to consult their own tax advisors regarding the specific consequences of such an investment, including tax reporting requirements, the applicability of federal, state, local and foreign tax laws, eligibility for the benefits of any applicable tax treaty and the effect of any possible changes in the tax laws.

### Election to be Taxed as a RIC

As a business development company, we intend to elect to be treated as a RIC under Subchapter M of the Code. As a RIC, we generally will not have to pay corporate-level federal income taxes on any income that we distribute to our stockholders as dividends. To qualify as a RIC, we must, among other things, meet certain source-of-income and asset diversification requirements (as described below). In addition, in order to obtain RIC tax treatment, we must distribute to our stockholders, for each taxable year, at least 90.0% of our "investment company taxable income," which is generally our net ordinary income plus the excess of realized net short-term capital gains over realized net long-term capital losses (the "Annual Distribution Requirement").

**Taxation as a Regulated Investment Company**

If we:

- qualify as a RIC; and
- satisfy the Annual Distribution Requirement,

then we will not be subject to federal income tax on the portion of our income we distribute (or are deemed to distribute) to stockholders (other than any built-in gain recognized between January 1, 2006 and December 31, 2006). We will be subject to U.S. federal income tax at the regular corporate rates on any income or capital gains not distributed (or deemed distributed) to our stockholders.

We will be subject to a 4.0% nondeductible federal excise tax on certain undistributed income unless we distribute in a timely manner an amount at least equal to the sum of (1) 98.0% of our net ordinary income for each calendar year, (2) 98.0% of our capital gain net income for the one-year period ending October 31 in that calendar year and (3) any income recognized, but not distributed, in preceding years. We generally will endeavor in each taxable year to avoid any U.S. federal excise tax on our earnings.

In order to qualify as a RIC for federal income tax purposes, we must, among other things:

- continue to qualify as a business development company under the 1940 Act at all times during each taxable year;
- derive in each taxable year at least 90.0% of our gross income from dividends, interest, payments with respect to certain securities, loans, gains from the sale of stock or other securities, or other income derived with respect to our business of investing in such stock or securities (the “90.0% Income Test”); and
- diversify our holdings so that at the end of each quarter of the taxable year:
  - at least 50.0% of the value of our assets consists of cash, cash equivalents, U.S. Government securities, securities of other RICs, and other securities if such other securities of any one issuer do not represent more than 5.0% of the value of our assets or more than 10.0% of the outstanding voting securities of the issuer; and
  - no more than 25.0% of the value of our assets is invested in the securities, other than U.S. government securities or securities of other RICs, of one issuer or of two or more issuers that are controlled, as determined under applicable Internal Revenue Code rules, by us and that are engaged in the same or similar or related trades or businesses (the “Diversification Tests”).

We may be required to recognize taxable income in circumstances in which we do not receive cash. For example, if we hold debt obligations that are treated under applicable tax rules as having original issue discount (such as debt instruments with PIK interest or, in certain cases, increasing interest rates or issued with warrants), we must include in income each year a portion of the original issue discount that accrues over the life of the obligation, regardless of whether cash representing such income is received by us in the same taxable year. We may also have to include in income other amounts that we have not yet received in cash, such as PIK interest and deferred loan origination fees that are paid after origination of the loan or are paid in non-cash compensation such as warrants or stock. Because any original issue discount or other amounts accrued will be included in our investment company taxable income for the year of accrual, we may be required to make a distribution to our stockholders in order to satisfy the Annual Distribution Requirement, even though we will not have received any corresponding cash amount.

Although we do not presently expect to do so, we are authorized to borrow funds and to sell assets in order to satisfy distribution requirements. However, under the 1940 Act, we are not permitted to make distributions to our stockholders while our debt obligations and other senior securities are outstanding unless certain “asset coverage” tests are met. See “Regulation — Senior Securities.” Moreover, our ability to dispose of assets to meet our distribution requirements may be limited by (1) the illiquid nature of our portfolio and/or (2) other requirements relating to our status as a RIC, including the Diversification Tests. If we dispose of

assets in order to meet the Annual Distribution Requirement or the Excise Tax Avoidance Requirement, we may make such dispositions at times that, from an investment standpoint, are not advantageous.

The remainder of this discussion assumes that we qualify as a RIC and have satisfied the Annual Distribution Requirement.

**Taxation of U.S. Stockholders**

Distributions by us generally are taxable to U.S. stockholders as ordinary income or capital gains. Distributions of our "investment company taxable income" (which is, generally, our net ordinary income plus realized net short-term capital gains in excess of realized net long-term capital losses) will be taxable as ordinary income to U.S. stockholders to the extent of our current or accumulated earnings and profits, whether paid in cash or reinvested in additional common stock. To the extent such distributions paid by us to non-corporate stockholders (including individuals) are attributable to dividends from U.S. corporations and certain qualified foreign corporations, such distributions ("Qualifying Dividends") may be eligible for a maximum tax rate of 15.0%. In this regard, it is anticipated that distributions paid by us will generally not be attributable to dividends and, therefore, generally will not qualify for the 15.0% maximum rate applicable to Qualifying Dividends. Distributions of our net capital gains (which is generally our realized net long-term capital gains in excess of realized net short-term capital losses) properly designated by us as "capital gain dividends" will be taxable to a U.S. stockholder as long-term capital gains that are currently taxable at a maximum rate of 15.0% in the case of individuals, trusts or estates, regardless of the U.S. stockholder's holding period for his, her or its common stock and regardless of whether paid in cash or reinvested in additional common stock. Distributions in excess of our earnings and profits first will reduce a U.S. stockholder's adjusted tax basis in such stockholder's common stock and, after the adjusted basis is reduced to zero, will constitute capital gains to such U.S. stockholder.

We currently intend to retain some or all of our realized net long-term capital gains in excess of realized net short-term capital losses, but to designate the retained net capital gain as a "deemed distribution." In that case, among other consequences, we will pay tax on the retained amount, each U.S. stockholder will be required to include his, her or its share of the deemed distribution in income as if it had been actually distributed to the U.S. stockholder, and the U.S. stockholder will be entitled to claim a credit equal to his, her or its allocable share of the tax paid thereon by us. Because we expect to pay tax on any retained capital gains at our regular corporate tax rate, and because that rate is in excess of the maximum rate currently payable by individuals on long-term capital gains, the amount of tax that individual U.S. stockholders will be treated as having paid will exceed the tax they owe on the capital gain distribution and such excess generally may be refunded or claimed as a credit against the U.S. stockholder's other U.S. federal income tax obligations. The amount of the deemed distribution net of such tax will be added to the U.S. stockholder's cost basis for his, her or its common stock. In order to utilize the deemed distribution approach, we must provide written notice to our stockholders prior to the expiration of 60 days after the close of the relevant taxable year. We cannot treat any of our investment company taxable income as a "deemed distribution."

For purposes of determining (1) whether the Annual Distribution Requirement is satisfied for any year and (2) the amount of capital gain dividends paid for that year, we may, under certain circumstances, elect to treat a dividend that is paid during the following taxable year as if it had been paid during the taxable year in question. If we make such an election, the U.S. stockholder will still be treated as receiving the dividend in the taxable year in which the distribution is made. However, any dividend declared by us in October, November or December of any calendar year, payable to stockholders of record on a specified date in such a month and actually paid during January of the following year, will be treated as if it had been received by our U.S. stockholders on December 31 of the year in which the dividend was declared.

If an investor purchases shares of our common stock shortly before the record date of a distribution, the price of the shares will include the value of the distribution and the investor will be subject to tax on the distribution even though economically it may represent a return of his, her or its investment.

A stockholder generally will recognize taxable gain or loss if the stockholder sells or otherwise disposes of his, her or its shares of our common stock. The amount of gain or loss will be measured by the difference

between such stockholder's adjusted tax basis in the common stock sold and the amount of the proceeds received in exchange. Any gain arising from such sale or disposition generally will be treated as long-term capital gain or loss if the stockholder has held his, her or its shares for more than one year. Otherwise, it will be classified as short-term capital gain or loss. However, any capital loss arising from the sale or disposition of shares of our common stock held for six months or less will be treated as long-term capital loss to the extent of the amount of capital gain dividends received, or undistributed capital gain deemed received, with respect to such shares. In addition, all or a portion of any loss recognized upon a disposition of shares of our common stock may be disallowed if other shares of our common stock are purchased (whether through reinvestment of distributions or otherwise) within 30 days before or after the disposition.

In general, individual U.S. stockholders currently are subject to a maximum federal income tax rate of 15.0% on their net capital gain (i.e., the excess of realized net long-term capital gains over realized net short-term capital losses), recognized prior to January 1, 2011, including any long-term capital gain derived from an investment in our shares. Such rate is lower than the maximum rate on ordinary income currently payable by individuals. Corporate U.S. stockholders currently are subject to federal income tax on net capital gain at the maximum 35.0% rate also applied to ordinary income. Non-corporate stockholders with net capital losses for a year (i.e., capital losses in excess of capital gains) generally may deduct up to $3,000 of such losses against their ordinary income each year; any net capital losses of a non-corporate stockholder in excess of $3,000 generally may be carried forward and used in subsequent years as provided in the Code. Corporate stockholders generally may not deduct any net capital losses for a year, but may carryback such losses for three years or carry forward such losses for five years.

We will send to each of our U.S. stockholders, as promptly as possible after the end of each calendar year, a notice detailing, on a per share and per distribution basis, the amounts includible in such U.S. stockholder's taxable income for such year as ordinary income and as long-term capital gain. In addition, the federal tax status of each year's distributions generally will be reported to the Internal Revenue Service (including the amount of dividends, if any, eligible for the 15.0% maximum rate). Dividends paid by us generally will not be eligible for the dividends-received deduction or the preferential tax rate applicable to Qualifying Dividends because our income generally will not consist of dividends. Distributions may also be subject to additional state, local and foreign taxes depending on a U.S. stockholder's particular situation.

We may be required to withhold federal income tax ("backup withholding") currently at a rate of 28.0% from all taxable distributions to any non-corporate U.S. stockholder (1) who fails to furnish us with a correct taxpayer identification number or a certificate that such stockholder is exempt from backup withholding, or (2) with respect to whom the IRS notifies us that such stockholder has failed to properly report certain interest and dividend income to the IRS and to respond to notices to that effect. An individual's taxpayer identification number is his or her social security number. Any amount withheld under backup withholding is allowed as a credit against the U.S. stockholder's federal income tax liability, provided that proper information is provided to the IRS.

**Taxation of Non-U.S. Stockholders**

Whether an investment in the shares is appropriate for a Non-U.S. stockholder will depend upon that person's particular circumstances. An investment in the shares by a Non-U.S. stockholder may have adverse tax consequences. Non-U.S. stockholders should consult their tax advisers before investing in our common stock.

Distributions of our "investment company taxable income" to Non-U.S. stockholders (including interest income and realized net short-term capital gains in excess of realized long-term capital losses, which generally would be free of withholding if paid to Non-U.S. stockholders directly) will be subject to withholding of federal tax at a 30.0% rate (or lower rate provided by an applicable treaty) to the extent of our current and accumulated earnings and profits unless an applicable exception applies. If the distributions are effectively connected with a U.S. trade or business of the Non-U.S. stockholder, and, if an income tax treaty applies, attributable to a permanent establishment in the United States, we will not be required to withhold federal tax if the Non-U.S. stockholder complies with applicable certification and disclosure requirements, although the

distributions will be subject to federal income tax at the rates applicable to U.S. persons. (Special certification requirements apply to a Non-U.S. stockholder that is a foreign partnership or a foreign trust, and such entities are urged to consult their own tax advisors.)

In addition, with respect to certain distributions made to Non-U.S. stockholders in our taxable years beginning after December 31, 2004 and before January 1, 2008, no withholding will be required and the distributions generally will not be subject to federal income tax if (i) the distributions are properly designated in a notice timely delivered to our stockholders as "interest-related dividends" or "short-term capital gain dividends," (ii) the distributions are derived from sources specified in the Code for such dividends and (iii) certain other requirements are satisfied. Currently, we do not anticipate that any significant amount of our distributions will be designated as eligible for this exemption from withholding.

Actual or deemed distributions of our net capital gains to a Non-U.S. stockholder, and gains realized by a Non-U.S. stockholder upon the sale of our common stock, will not be subject to federal withholding tax and generally will not be subject to federal income tax unless the distributions or gains, as the case may be, are effectively connected with a U.S. trade or business of the Non-U.S. stockholder and, if an income tax treaty applies, are attributable to a permanent establishment maintained by the Non-U.S. stockholder in the United States.

If we distribute our net capital gains in the form of deemed rather than actual distributions, a Non-U.S. stockholder will be entitled to a federal income tax credit or tax refund equal to the stockholder's allocable share of the tax we pay on the capital gains deemed to have been distributed. In order to obtain the refund, the Non-U.S. stockholder must obtain a U.S. taxpayer identification number and file a federal income tax return even if the Non-U.S. stockholder would not otherwise be required to obtain a U.S. taxpayer identification number or file a federal income tax return. For a corporate Non-U.S. stockholder, distributions (both actual and deemed), and gains realized upon the sale of our common stock that are effectively connected to a U.S. trade or business may, under certain circumstances, be subject to an additional "branch profits tax" at a 30.0% rate (or at a lower rate if provided for by an applicable treaty). Accordingly, investment in the shares may not be appropriate for a Non-U.S. stockholder.

A Non-U.S. stockholder who is a non-resident alien individual, and who is otherwise subject to withholding of federal tax, may be subject to information reporting and backup withholding of federal income tax on dividends unless the Non-U.S. stockholder provides us or the dividend paying agent with an IRS Form W-8BEN (or an acceptable substitute form) or otherwise meets documentary evidence requirements for establishing that it is a Non-U.S. stockholder or otherwise establishes an exemption from backup withholding.

Non-U.S. persons should consult their own tax advisors with respect to the U.S. federal income tax and withholding tax, and state, local and foreign tax consequences of an investment in the shares.

**Failure to Qualify as a RIC**

If we were unable to qualify for treatment as a RIC, we would be subject to tax on all of our taxable income at regular corporate rates, regardless of whether we make any distributions to our stockholders. Distributions would not be required, and any distributions would be taxable to our stockholders as ordinary dividend income eligible for the 15.0% maximum rate to the extent of our current and accumulated earnings and profits. Subject to certain limitations under the Code, corporate distributees would be eligible for the dividends-received deduction. Distributions in excess of our current and accumulated earnings and profits would be treated first as a return of capital to the extent of the stockholder's tax basis, and any remaining distributions would be treated as a capital gain.

## REGULATION

Prior to the completion of this offering, we will elect to be regulated as a business development company under the 1940 Act. The 1940 Act contains prohibitions and restrictions relating to transactions between business development companies and their affiliates, principal underwriters and affiliates of those affiliates or underwriters. The 1940 Act requires that a majority of the directors be persons other than "interested persons," as that term is defined in the 1940 Act. In addition, the 1940 Act provides that we may not change the nature of our business so as to cease to be, or to withdraw our election as, a business development company unless approved by a majority of our outstanding voting securities.

The 1940 Act defines "a majority of the outstanding voting securities" as the lesser of (i) 67.0% or more of the voting securities present at a meeting if the holders of more than 50.0% of our outstanding voting securities are present or represented by proxy, or (ii) 50.0% of our voting securities.

### Qualifying Assets

Under the 1940 Act, a business development company may not acquire any asset other than assets of the type listed in Section 55(a) of the 1940 Act, which are referred to as qualifying assets, unless, at the time the acquisition is made, qualifying assets represent at least 70.0% of the company's total assets. The principal categories of qualifying assets relevant to our business are any of the following:

(1) Securities purchased in transactions not involving any public offering from the issuer of such securities, which issuer (subject to certain limited exceptions) is an eligible portfolio company, or from any person who is, or has been during the preceding 13 months, an affiliated person of an eligible portfolio company, or from any other person, subject to such rules as may be prescribed by the SEC. An eligible portfolio company is defined in the 1940 Act as any issuer which:

(a) is organized under the laws of, and has its principal place of business in, the United States;

(b) is not an investment company (other than a small business investment company wholly owned by the business development company) or a company that would be an investment company but for certain exclusions under the 1940 Act; and

(c) satisfies any of the following:

(i) does not have any class of securities that is traded on a national securities exchange;

(ii) is controlled by a business development company or a group of companies including a business development company and the business development company has an affiliated person who is a director of the eligible portfolio company; or

(iii) is a small and solvent company having total assets of not more than $4.0 million and capital and surplus of not less than $2.0 million.

(2) Securities of any eligible portfolio company that we control.

(3) Securities purchased in a private transaction from a U.S. issuer that is not an investment company or from an affiliated person of the issuer, or in transactions incident thereto, if the issuer is in bankruptcy and subject to reorganization or if the issuer, immediately prior to the purchase of its securities was unable to meet its obligations as they came due without material assistance other than conventional lending or financing arrangements.

(4) Securities of an eligible portfolio company purchased from any person in a private transaction if there is no ready market for such securities and we already own 60.0% of the outstanding equity of the eligible portfolio company.

(5) Securities received in exchange for or distributed on or with respect to securities described in (1) through (4) above, or pursuant to the exercise of warrants or rights relating to such securities.

(6) Cash, cash equivalents, U.S. government securities or high-quality debt securities maturing in one year or less from the time of investment.

In addition, a business development company must have been organized and have its principal place of business in the United States and must be operated for the purpose of making investments in the types of securities described in (1), (2) or (3) above.

***Managerial Assistance to Portfolio Companies***

In order to count portfolio securities as qualifying assets for the purpose of the 70.0% test, we must either control the issuer of the securities or must offer to make available to the issuer of the securities (other than small and solvent companies described above) significant managerial assistance; except that, where we purchase such securities in conjunction with one or more other persons acting together, one of the other persons in the group may make available such managerial assistance. Making available managerial assistance means, among other things, any arrangement whereby the business development company, through its directors, officers or employees, offers to provide, and, if accepted, does so provide, significant guidance and counsel concerning the management, operations or business objectives and policies of a portfolio company.

***Temporary Investments***

Pending investment in other types of "qualifying assets," as described above, our investments may consist of cash, cash equivalents, U.S. government securities or high-quality debt securities maturing in one year or less from the time of investment, which we refer to, collectively, as temporary investments, so that 70.0% of our assets are qualifying assets. Typically, we will invest in U.S. Treasury bills or in repurchase agreements, provided that such agreements are fully collateralized by cash or securities issued by the U.S. Government or its agencies. A repurchase agreement involves the purchase by an investor, such as us, of a specified security and the simultaneous agreement by the seller to repurchase it at an agreed-upon future date and at a price that is greater than the purchase price by an amount that reflects an agreed-upon interest rate. There is no percentage restriction on the proportion of our assets that may be invested in such repurchase agreements. However, if more than 25.0% of our total assets constitute repurchase agreements from a single counterparty, we would not meet the Diversification Tests in order to qualify as a RIC for federal income tax purposes. Thus, we do not intend to enter into repurchase agreements with a single counterparty in excess of this limit. Our management team will monitor the creditworthiness of the counterparties with which we enter into repurchase agreement transactions.

***Senior Securities***

We are permitted, under specified conditions, to issue multiple classes of debt and one class of stock senior to our common stock if our asset coverage, as defined in the 1940 Act, is at least equal to 200.0% immediately after each such issuance. In addition, while any senior securities remain outstanding, we must make provisions to prohibit any distribution to our stockholders or the repurchase of such securities or shares unless we meet the applicable asset coverage ratios at the time of the distribution or repurchase. We may also borrow amounts up to 5.0% of the value of our total assets for temporary or emergency purposes without regard to asset coverage. For a discussion of the risks associated with leverage, see "Risk Factors — Risks Relating to Our Business and Structure — Regulations governing our operation as a business development company will affect our ability to, and the way in which we, raise additional capital."

***Code of Ethics***

We have adopted a code of ethics pursuant to Rule 17j-1 under the 1940 Act that establishes procedures for personal investments and restricts certain personal securities transactions. Personnel subject to the code may invest in securities for their personal investment accounts, including securities that may be purchased or held by us, so long as such investments are made in accordance with the code's requirements. For information on how to obtain a copy of the code of ethics, see "Available Information."

**Proxy Voting Policies and Procedures**

We vote proxies relating to our portfolio securities in the best interest of our stockholders. We review on a case-by-case basis each proposal submitted to a stockholder vote to determine its impact on the portfolio securities held by us. Although we generally vote against proposals that may have a negative impact on our portfolio securities, we may vote for such a proposal if there exists compelling long-term reasons to do so.

Our proxy voting decisions are made by the investment professionals who are responsible for monitoring each of our investments. To ensure that our vote is not the product of a conflict of interest, we require that: (i) anyone involved in the decision making process disclose to our chief compliance officer any potential conflict that he or she is aware of and any contact that he or she has had with any interested party regarding a proxy vote; and (ii) employees involved in the decision making process or vote administration are prohibited from revealing how we intend to vote on a proposal in order to reduce any attempted influence from interested parties.

Stockholders may obtain information regarding how we voted proxies with respect to our portfolio securities by making a written request for proxy voting information to: Chief Compliance Officer, 3600 Glenwood Avenue, Suite 104, Raleigh, North Carolina 27612.

**Other**

We may also be prohibited under the 1940 Act from knowingly participating in certain transactions with our affiliates without the prior approval of our board of directors who are not interested persons and, in some cases, prior approval by the SEC.

We will be periodically examined by the SEC for compliance with the 1940 Act.

We are required to provide and maintain a bond issued by a reputable fidelity insurance company to protect us against larceny and embezzlement. Furthermore, as a business development company, we are prohibited from protecting any director or officer against any liability to us or our stockholders arising from willful misfeasance, bad faith, gross negligence or reckless disregard of the duties involved in the conduct of such person's office.

We are required to adopt and implement written policies and procedures reasonably designed to prevent violation of the federal securities laws, review these policies and procedures annually for their adequacy and the effectiveness of their implementation, and to designate a chief compliance officer to be responsible for administering the policies and procedures.

**Small Business Administration Regulations**

The Existing Fund is licensed by the Small Business Administration to operate as a Small Business Investment Company under Section 301(c) of the Small Business Investment Act of 1958. Upon the closing of this offering, the Existing Fund will be a wholly-owned subsidiary of us, and will continue to hold its SBIC license and will also after this offering elect to be a BDC. The Existing Fund initially obtained its SBIC license on September 11, 2003.

SBICs are designed to stimulate the flow of private equity capital to eligible small businesses. Under SBA regulations, SBICs may make loans to eligible small businesses, invest in the equity securities of such businesses and provide them with consulting and advisory services. The Existing Fund has typically invested in senior subordinated debt, acquired warrants and/or made equity investments in qualifying small businesses.

Under present SBA regulations, eligible small businesses generally include businesses that (together with their affiliates) have a tangible net worth not exceeding $18.0 million and have average annual net income after Federal income taxes not exceeding $6.0 million (average net income to be computed without benefit of any carryover loss) for the two most recent fiscal years. In addition, an SBIC must devote 20.0% of its investment activity to "smaller" concerns as defined by the SBA. A smaller concern generally includes businesses that have a tangible net worth not exceeding $6.0 million and have average annual net income after Federal income taxes not exceeding $2.0 million (average net income to be computed without benefit of any

net carryover loss) for the two most recent fiscal years. SBA regulations also provide alternative size standard criteria to determine eligibility for designation as an eligible small business or smaller concern, which criteria depend on the industry in which the business is engaged and are based on such factors as the number of employees and gross revenue. However, once an SBIC has invested in a company, it may continue to make follow on investments in the company, regardless of the size of the portfolio company at the time of the follow on investment, up to the time of the portfolio company's initial public offering.

The SBA prohibits an SBIC from providing funds to small businesses for certain purposes, such as relending and investment outside the United States, to businesses engaged in a few prohibited industries, and to certain "passive" (non-operating) companies. In addition, without prior SBA approval, an SBIC may not invest an amount equal to more than 20.0% of the SBIC's regulatory capital in any one portfolio company.

The SBA places certain limitations on the financing terms of investments by SBICs in portfolio companies (such as limiting the permissible interest rate on debt securities held by an SBIC in a portfolio company). Although prior regulations prohibited an SBIC from controlling a small business concern except in limited circumstances, regulations adopted by the SBA in 2002 now allow an SBIC to exercise control over a small business for a period of seven years from the date on which the SBIC initially acquires its control position. This control period may be extended for an additional period of time with the SBA's prior written approval.

The SBA restricts the ability of an SBIC to lend money to any of its officers, directors and employees or to invest in affiliates thereof. The SBA also prohibits, without prior SBA approval, a "change of control" of an SBIC or transfers that would result in any person (or a group of persons acting in concert) owning 10.0% or more of a class of capital stock of a licensed SBIC. A "change of control" is any event which would result in the transfer of the power, direct or indirect, to direct the management and policies of an SBIC, whether through ownership, contractual arrangements or otherwise.

An SBIC (or group of SBICs under common control) may generally have outstanding debentures guaranteed by the SBA in amounts up to twice the amount of the privately-raised funds of the SBIC(s). Debentures guaranteed by the SBA have a maturity of ten years, require semi-annual payments of interest, do not require any principal payments prior to maturity, and, historically, were subject to certain prepayment penalties. Those prepayment penalties no longer apply as of September 2006. As of June 30, 2006, we had issued $31.8 million of SBA-guaranteed debentures, which had an annual weight-averaged interest rate of 5.77%. SBA regulations currently limit the dollar amount of outstanding SBA-guaranteed debentures that may be issued by any one SBIC (or group of SBICs under common control) to $124.4 million (which amount is subject to increase on an annual basis based on cost of living increases).

SBICs must invest idle funds that are not being used to make loans in investments permitted under SBA regulations in the following limited types of securities: (i) direct obligations of, or obligations guaranteed as to principal and interest by, the United States government, which mature within 15 months from the date of the investment; (ii) repurchase agreements with federally insured institutions with a maturity of seven days or less (and the securities underlying the repurchase obligations must be direct obligations of or guaranteed by the federal government); (iii) certificates of deposit with a maturity of one year or less, issued by a federally insured institution; (iv) a deposit account in a federally insured institution that is subject to a withdrawal restriction of one year or less; (v) a checking account in a federally insured institution; or (vi) a reasonable petty cash fund.

SBICs are periodically examined and audited by the SBA's staff to determine its compliance with SBIC regulations and are periodically required to file certain forms with the SBA.

Although we cannot provide any assurance that we will receive any exemptive relief, we expect to request that the SEC allow us to exclude any indebtedness guaranteed by the SBA and issued by the Existing Fund from the 200.0% asset coverage requirements applicable to us as a BDC.

Neither the SBA nor the U.S. government or any of its agencies or officers has approved any ownership interest to be issued by us or any obligation that we or any of our subsidiaries may incur.

**Securities Exchange Act and Sarbanes-Oxley Act Compliance**

Upon the closing of this offering, we will be subject to the reporting and disclosure requirements of the Exchange Act, including the filing of quarterly, annual and current reports, proxy statements and other required items. In addition, upon the closing, we will be subject to the Sarbanes-Oxley Act of 2002, which imposes a wide variety of regulatory requirements on publicly-held companies and their insiders. Many of these requirements will affect us. For example:

- pursuant to Rule 13a-14 of the Exchange Act, our Chief Executive Officer and Chief Financial Officer will be required to certify the accuracy of the financial statements contained in our periodic reports;
- pursuant to Item 307 of Regulation S-K, our periodic reports will be required to disclose our conclusions about the effectiveness of our disclosure controls and procedures; and
- pursuant to Rule 13a-15 of the Exchange Act, beginning for our fiscal year ending December 31, 2007, our management will be required to prepare a report regarding its assessment of our internal control over financial reporting, which must be audited by our independent registered public accounting firm.

The Sarbanes-Oxley Act requires us to review our current policies and procedures to determine whether we comply with the Sarbanes-Oxley Act and the regulations promulgated thereunder. We intend to monitor our compliance with all regulations that are adopted under the Sarbanes-Oxley Act and will take actions necessary to ensure that we are in compliance therewith.

**The Nasdaq Global Market Corporate Governance Regulations**

The Nasdaq Global Market has adopted corporate governance regulations that listed companies must comply with. Upon the closing of this offering, we intend to be in compliance with such corporate governance listing standards. We intend to monitor our compliance with all future listing standards and to take all necessary actions to ensure that we are in compliance therewith.

## INVESTMENT ISSUES AFFECTING FINANCIAL INSTITUTIONS

The following discussion is intended to provide a brief overview of certain issues related to the ownership of shares of our common stock by financial institutions following the closing of this offering. This section does not, and is not intended to provide, a comprehensive discussion of all issues relating to the potential ownership of shares of our common stock by financial institutions or their holding companies. Moreover, this section does not discuss any state law issues relating to the matters described below. Any bank, bank holding company, savings association or savings and loan holding company that is considering acquiring shares of our common stock is urged to consult with its attorneys or other advisors as to the applicability and effect of all federal and state laws and regulations governing an investment in shares of our common stock by such entity.

**Permissible Equity Investments by Financial Institutions**

Federal law (15 U.S.C. § 682(b)) provides that (i) national banks, (ii) Federal Reserve System member state banks and nonmember FDIC insured state banks (to the extent permitted under applicable state law), and (iii) Federal savings associations may invest in SBICs, or any entity established to invest solely in SBICs, up to 5.0% of the capital and surplus of any such individual bank or savings association.

In addition, federal law provides that bank holding companies (which, individually, is defined as any company that has control over any bank or over any company that is or becomes a bank holding company) may invest in SBICs, or in any entity established to invest solely in SBICs, up to 5.0% of the bank holding companies' proportionate interest in the capital and surplus of the bank subsidiaries of the bank holding companies. Federal law also provides that bank holding companies may acquire voting shares of a company (whether or not an SBIC), provided that such bank holding company does not have "control" over such company. Under federal law, there is a presumption that any direct or indirect ownership, control or power to vote less than 5.0% of any class of voting securities of a bank or company does not constitute control over

that bank or company and, therefore, such investment does not require prior approval by the Board of Governors of the Federal Reserve System.

Since federal law provides that national banks, Federal Reserve member state banks and nonmember FDIC insured state banks (to the extent permitted under applicable state law), and bank holding companies are permitted to invest up to 5.0% of their capital and surplus in any entity established to invest solely in SBICs (as well as to invest directly in SBICs), the fact that the Existing Fund will be a subsidiary of Triangle Capital Corporation upon the closing of this offering should not adversely impact the ability of these categories of financial institutions and holding companies to invest in Triangle Capital Corporation under these provisions of federal law. We intend to use all of the net proceeds from this offering to make investments in portfolio companies through the Existing Fund as an SBIC, excluding cash that will be retained by us to pay expenses or for other non-portfolio company purposes.

In addition, whether financial institutions or their holding companies are permitted to invest in Triangle Capital Corporation may be affected by the regulatory capital status of the individual financial institution or holding company and other regulatory considerations. Financial institutions that acquire common stock of Triangle Capital Corporation may be required to give notice to, or apply for approval from, appropriate federal and state regulatory agencies before investing, according to rules established by those agencies.

**Community Reinvestment Act**

Under the terms of the Community Reinvestment Act of 1977, or CRA, financial institutions have a continuing and affirmative obligation to meet the credit needs of the local communities in which such institutions are chartered, consistent with the financial institutions' safe and sound operation. The CRA requires the Office of the Comptroller of the Currency, the Board of Governors of the Federal Reserve System, the Federal Deposit Insurance Corporation, and the Office of Thrift Supervision to use their authority when examining financial institutions to encourage such institutions to help meet the credit needs of the local communities in which they are chartered. Specifically, these federal regulators assess a financial institution's record of meeting the credit needs of such financial institution's entire community, including low- and moderate-income neighborhoods, and take such record into account in their evaluation of a financial institution's application for approval of one of the following: a charter, deposit insurance, a branch office or similar facility to accept deposits, the relocation of an office, a merger or consolidation with, or the acquisition of shares or assets of, or the assumption of liabilities of, another financial institution. These federal regulators also take such record into account in connection with evaluating certain transaction applications by bank holding companies and savings and loan holding companies under the Bank Holding Company Act and the Savings and Loan Holding Company Act.

Regulated financial institutions whose activities must be evaluated under the CRA include all banks and savings associations that are insured by the Federal Deposit Insurance Corporation. The federal financial supervisory agencies review the performance of banks and savings associations, with certain limited exceptions, to produce an overall composite rating based upon three major elements: lending, service and investing. Agencies assign a rating for an institution under the lending, investment, and service tests, which are then combined to produce an overall rating under the CRA.

The investment test evaluates the degree to which a bank or savings association is helping to meet the credit needs of its assessment area(s) through qualified investments based upon the following factors: (i) the dollar amount of the qualified investments; (ii) the innovativeness or complexity of the qualified investments; (iii) the responsiveness of the qualified investments to credit and community development needs; and (iv) the degree to which the qualified investments are not routinely provided by private investors. "Qualified investments" include, but are not limited to, investments in SBICs and other organizations that promote economic development by financing small businesses or small farms.

Federal bank and thrift regulatory agencies have indicated that a financial institution will receive positive consideration under the CRA for investing in a fund that invests in SBICs, regardless of whether the financial institution invests directly in SBICs. Therefore, the fact that the Existing Fund will be a subsidiary of Triangle Capital Corporation upon the closing of this offering should not adversely impact the status of an investment in Triangle Capital Corporation as a qualified investment under the CRA.

## UNDERWRITING

Under the terms and subject to the conditions contained in an underwriting agreement dated , the underwriters named below, for whom Morgan Keegan & Company, Inc. is acting as representative, have severally agreed to purchase, and we have agreed to sell to them, the number of shares of common stock indicated below:

| Underwriter | Number of Shares |
|---|---|
| Morgan Keegan & Company, Inc. | |
| BB&T Capital Markets, a division of Scott & Stringfellow, Inc. | |
| Avondale Partners, LLC | |
| Sterne, Agee & Leach, Inc. | |
| **Total** | 3,500,000 |

The underwriting agreement provides that the obligations of the several underwriters to pay for and accept delivery of the shares of common stock offered hereby are subject to the approval of certain legal matters by their counsel and to certain other conditions. The underwriters are severally obligated to take and pay for all shares of common stock offered hereby (other than those covered by the underwriters' over-allotment option described below) if any such shares are taken. We have agreed to indemnify the underwriters against certain liabilities, including liabilities under the Securities Act.

We have applied for approval for listing of our common stock on the Nasdaq Global Market under the symbol "TCAP."

### Over-Allotment Option

We have granted to the underwriters an option, exercisable for 30 days from the date of this prospectus, to purchase up to an aggregate of 525,000 additional shares of common stock at the public offering price set forth on the cover page hereof, less underwriting discounts and commissions. The underwriters may exercise this option solely for the purpose of covering over-allotments, if any, made in connection with the offering of the shares of common stock offered hereby. To the extent such option is exercised, each underwriter will become obligated, subject to certain conditions, to purchase approximately the same percentage of such additional shares of common stock as the number set forth next to such underwriter's name in the preceding table bears to the total number of shares set forth next to the names of all underwriters in the preceding table.

### Lock-Up Agreements

We, and certain of our executive officers and directors, have agreed, subject to certain exceptions, not to issue, sell, offer to sell, contract or agree to sell, hypothecate, pledge, transfer, grant any option to purchase, establish an open put equivalent position or otherwise dispose of or agree to dispose of directly or indirectly, any shares of our common stock, or any securities convertible into or exercisable or exchangeable for any shares of our common stock or any right to acquire shares of our common stock, for a period of 365 days from the effective date of this prospectus, subject to extension upon material announcements or earnings releases. The representative, at any time and without notice, may release all or any portion of the common stock subject to the foregoing lock-up agreements.

### Determination Of Offering Price

Prior to the offering, there has been no public market for our common stock. The initial public offering price was determined by negotiation among the underwriters and us. The principal factors considered in determining the public offering price include the following:

- the information set forth in this prospectus and otherwise available to the underwriters,
- market conditions for initial public offerings,
- the history and the prospects for the industry in which we compete,

- an assessment of the ability of our management,
- our prospects for future earnings,
- the present state of our development and our current financial condition,
- the general condition of the securities markets at the time of this offering, and
- the recent market prices of, and demand for, publicly traded common stock of generally comparable entities.

**Underwriting Discounts and Commissions**

The underwriters initially propose to offer the shares directly to the public at the public offering price set forth on the cover page of this prospectus and to certain dealers at a price that represents a concession not in excess of $ per share below the public offering price. Any underwriters may allow, and such dealers may re-allow, a concession not in excess of $ per share to other underwriters or to certain dealers. After the initial offering of the shares, the offering price and other selling terms may from time to time be varied by the representative.

The following table provides information regarding the per share and total underwriting discounts and commissions that we are to pay to the underwriters. These amounts are shown assuming both no exercise and full exercise of the underwriters' option to purchase up to 525,000 additional shares from us.

| | Per Share | Total without Exercise of Over-allotment | Total with Exercise of Over-allotment |
|---|---|---|---|
| Underwriting discounts and commissions payable by us | $ | | |

We will pay all expenses incident to the offering and sale of shares of our common stock by us in this offering. We estimate that the total expenses of the offering, excluding the underwriting discounts and commissions will be approximately $1.5 million.

A prospectus in electronic format may be made available on the web sites maintained by one or more of the underwriters, or selling group members, if any, participating in this offering. The representative may agree to allocate a number of shares to underwriters and selling group members for the sale to their online brokerage account holders. Internet distributions will be allocated by the underwriters and selling group members that will make Internet distributions on the same basis as other allocations. The representative may agree to allocate a number of shares to underwriters for sale to their online brokerage account holders.

**Price Stabilization, Short Positions and Penalty Bids**

In connection with this offering, the underwriters may purchase and sell shares of our common stock in the open market. These transactions may include over-allotment, syndicate covering transactions and stabilizing transactions. An over-allotment involves syndicate sales of shares in excess of the number of shares to be purchased by the underwriters in the offering, which creates a syndicate short position. Syndicate covering transactions involve purchases of shares in the open market after the distribution has been completed in order to cover syndicate short positions.

Stabilizing transactions consist of some bids or purchases of shares of our common stock made for the purpose of preventing or slowing a decline in the market price of the shares while the offering is in progress.

In addition, the underwriters may impose penalty bids, under which they may reclaim the selling concession from a syndicate member when the shares of our common stock originally sold by that syndicate member are purchased in a stabilizing transaction or syndicate covering transaction to cover syndicate short positions.

Similar to other purchase transactions, these activities may have the effect of raising or maintaining the market price of the common stock or preventing or slowing a decline in the market price of the common stock. As a result, the price of the common stock may be higher than the price that might otherwise exist in

the open market. Except for the sale of shares of our common stock in this offering, the underwriters may carry out these transactions on the Nasdaq Global Market, in the over-the-counter market or otherwise.

Neither the underwriters nor we make any representation or prediction as to the direction or magnitude of any effect that the transactions described above may have on the price of the shares. In addition, neither the underwriters nor we make any representation that the underwriters will engage in these transactions or that these transactions, once commenced, will not be discontinued without notice.

**Affiliations**

Branch Banking & Trust Company, an affiliate of BB&T Capital Markets, is a limited partner in the Existing Fund and will receive 66,667 shares of common stock, valued at $1.0 million upon completion of the formation transactions in exchange for its limited partnership interest in the Existing Fund.

The underwriters and/or their affiliates from time to time provide and may in the future provide investment banking, commercial banking and financial advisory services to us, for which they have received and may receive customary compensation.

In addition, the underwriters and/or their affiliates may from time to time refer investment banking clients to us as potential portfolio investments. If we invest in those clients, we may utilize net proceeds from this offering to fund such investments, and the referring underwriter or its affiliate may receive placement fees from its client in connection with such financing, which placement fees may be paid out of the amount funded by us.

The addresses of the underwriters are: Morgan Keegan & Company, Inc, 50 North Front Street, Memphis Tennessee, 38103; BB& T Capital Markets, a division of Scott & Stringfellow, Inc., 909 E. Main Street, Richmond, Virginia 23219; Avondale Partners, LLC, 3200 West End Ave., Suite 1100, Nashville, Tennessee, 37203; and Sterne, Agee & Leach, Inc., 800 Shades Creek Parkway, Suite 700, Birmingham, Alabama 35209.

## CUSTODIAN, TRANSFER AND DIVIDEND PAYING AGENT AND REGISTRAR

Our securities are held under a custody agreement by . The address of the custodian is: . will act as our transfer agent, dividend paying agent and registrar. The principal business address of our transfer agent is , telephone number: .

## BROKERAGE ALLOCATION AND OTHER PRACTICES

Since we will generally acquire and dispose of our investments in privately negotiated transactions, we will infrequently use brokers in the normal course of our business. Our management team will be primarily responsible for the execution of the publicly traded securities portion of our portfolio transactions and the allocation of brokerage commissions. We do not expect to execute transactions through any particular broker or dealer, but will seek to obtain the best net results for us, taking into account such factors as price (including the applicable brokerage commission or dealer spread), size of order, difficulty of execution, and operational facilities of the firm and the firm's risk and skill in positioning blocks of securities. While we will generally seek reasonably competitive trade execution costs, we will not necessarily pay the lowest spread or commission available. Subject to applicable legal requirements, we may select a broker based partly upon brokerage or research services provided to us. In return for such services, we may pay a higher commission than other brokers would charge if we determine in good faith that such commission is reasonable in relation to the services provided.

## LEGAL MATTERS

Certain legal matters regarding the shares of common stock offered hereby will be passed upon for us by Bass, Berry & Sims PLC, Memphis, Tennessee and certain legal matters in connection with this offering will be passed upon for the underwriters by Kirkpatrick & Lockhart Nicholson Graham LLP, Washington, D.C.

## INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

Ernst & Young LLP, independent registered public accounting firm, has audited our financial statements and financial highlights at December 31, 2004 and 2005 and September 30, 2006, and for each of the three years in the period ended December 31, 2005 and for the nine months ended September 30, 2006, as set forth in their report. We have included our financial statements and financial highlights in the prospectus and elsewhere in the registration statement in reliance on Ernst & Young LLP's report, given on their authority as experts in accounting and auditing.

## AVAILABLE INFORMATION

We have filed with the SEC a registration statement on Form N-2, together with all amendments and related exhibits, under the Securities Act, with respect to our shares of common stock offered by this prospectus. The registration statement contains additional information about us and our shares of common stock being offered by this prospectus.

Upon completion of this offering, we will file with or submit to the SEC annual, quarterly and current periodic reports, proxy statements and other information meeting the informational requirements of the Exchange Act. You may inspect and copy these reports, proxy statements and other information, as well as the registration statement and related exhibits and schedules, at the Public Reference Room of the SEC at 100 F Street, N.E., Washington, D.C. 20549. You may obtain information on the operation of the Public Reference Room by calling the SEC at 1-800-SEC-0330. The SEC maintains an Internet site that contains reports, proxy and information statements and other information filed electronically by us with the SEC which are available on the SEC's website at http://www.sec.gov. Copies of these reports, proxy and information statements and other information may be obtained, after paying a duplicating fee, by electronic request at the following e-mail address: publicinfo@sec.gov, or by writing the SEC's Public Reference Section, 100 F Street, N.E., Washington, D.C. 20549.

**INDEX TO FINANCIAL STATEMENTS**

**REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM**

To the General Partner
Triangle Mezzanine Fund LLLP

We have audited the accompanying balance sheets of Triangle Mezzanine Fund LLLP (the "Existing Fund"), including the schedule of investments, as of December 31, 2004 and 2005 and September 30, 2006, and the related statements of operations, changes in partners' capital, and cash flows for each of the three years in the period ended December 31, 2005 and the nine months ended September 30, 2006, and the financial highlights for each of the three years in the period ended December 31, 2005 and the nine months ended September 30, 2006. These financial statements and financial highlights are the responsibility of the Existing Fund's management. Our responsibility is to express an opinion on these financial statements and financial highlights based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements and financial highlights are free of material misstatement. We were not engaged to perform an audit of the Existing Fund's internal control over financial reporting. Our audits included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Existing Fund's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements and financial highlights, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. Our procedures included confirmation of securities owned as of December 31, 2004 and 2005 and September 30, 2006 by correspondence with the portfolio companies. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements and financial highlights referred to above present fairly, in all material respects, the financial position of Triangle Mezzanine Fund LLLP at December 31, 2004 and 2005 and September 30, 2006, the results of its operations and its cash flows for each of the three years in the period ended December 31, 2005 and the nine months ended September 30, 2006, and the financial highlights for each of the three years in the period ended December 31, 2005 and the nine months ended September 30, 2006, in conformity with U.S. generally accepted accounting principles.

/s/ Ernst & Young LLP

Raleigh, North Carolina
December 27, 2006

**TRIANGLE MEZZANINE FUND LLLP**

**Balance Sheets**

| | December 31, 2004 | December 31, 2005 | September 30, 2006 |
|---|---|---|---|
| **ASSETS** | | | |
| Investments at fair value: | | | |
| Non-Control / Non-Affiliate investments (cost of $17,440,943, $28,678,659 and $38,656,572 at December 31, 2004 and 2005 and September 30, 2006, respectively | $ 16,215,943 | $ 31,328,659 | $ 38,403,772 |
| Affiliate investments (cost of $3,484,654, $3,266,707 and $5,477,882 at December 31, 2004 and 2005 and September 30, 2006, respectively | 3,484,654 | 3,366,707 | 5,927,882 |
| Control investments (cost of $0 and $2,448,245 and $2,571,803 at December 31, 2004 and 2005 and September 30, 2006, respectively | — | 2,448,245 | 2,571,803 |
| Total investments at fair value | 19,700,597 | 37,143,611 | 46,903,457 |
| Deferred loan origination revenue | (537,279) | (601,914) | (676,418) |
| Cash and cash equivalents | 2,849,570 | 6,067,164 | 7,358,032 |
| Interest and fees receivable | 98,442 | 49,583 | 99,755 |
| Deferred financing fees | 822,867 | 1,085,397 | 1,011,000 |
| Total assets | $ 22,934,197 | $ 43,743,841 | $ 54,695,826 |
| **LIABILITIES AND PARTNERS' CAPITAL** | | | |
| Accounts payable and accrued liabilities | $ — | $ 13,226 | $ — |
| Interest payable | 230,372 | 566,068 | 151,574 |
| SBA guaranteed debentures payable | 17,700,000 | 31,800,000 | 31,800,000 |
| Total liabilities | 17,930,372 | 32,379,294 | 31,951,574 |
| Partners' capital: | | | |
| General partner | 100 | 100 | 100 |
| Limited partners | 21,250,000 | 21,250,000 | 21,250,000 |
| Capital contribution commitment receivable | (13,812,500) | (10,625,000) | — |
| Accumulated undistributed investment gains (losses) | (2,433,775) | 739,447 | 1,494,152 |
| Total partners' capital | 5,003,825 | 11,364,547 | 22,744,252 |
| Total liabilities and partners' capital | $ 22,934,197 | $ 43,743,841 | $ 54,695,826 |

See accompanying notes.

**TRIANGLE MEZZANINE FUND LLLP**

**Statements of Operations**

| | Years Ended December 31, | | | Nine Months Ended September 30, | |
|---|---|---|---|---|---|
| | 2003 | 2004 | 2005 | 2005 (unaudited) | 2006 |
| Investment income: | | | | | |
| Loan interest, fee and dividend income: | | | | | |
| Non-Control / Non-Affiliate investments | $ 26,000 | $ 1,178,227 | $ 4,125,584 | $ 2,983,587 | $ 3,441,032 |
| Affiliate investments | — | 319,742 | 459,810 | 324,186 | 402,168 |
| Control investments | — | — | 39,850 | — | 211,812 |
| Total loan interest and dividend income | 26,000 | 1,497,969 | 4,625,244 | 3,307,773 | 4,055,012 |
| Paid-in-kind interest income: | | | | | |
| Non-Control / Non-Affiliate investments | — | 235,924 | 962,121 | 826,576 | 594,120 |
| Affiliate investments | — | 234,653 | 243,663 | 198,015 | 29,186 |
| Control investments | — | — | 23,642 | — | 123,558 |
| Total paid-in-kind interest income | — | 470,577 | 1,229,426 | 1,024,591 | 746,864 |
| Interest income from cash and cash equivalent investments | 14,579 | 18,757 | 108,493 | 15,514 | 212,115 |
| Total investment income | 40,579 | 1,987,303 | 5,963,163 | 4,347,878 | 5,013,991 |
| Expenses: | | | | | |
| Interest expense | — | 338,886 | 1,543,378 | 1,083,375 | 1,378,736 |
| Amortization of deferred financing fees | — | 38,133 | 89,970 | 65,876 | 74,397 |
| Management fees | 1,048,051 | 1,563,747 | 1,573,602 | 1,179,850 | 1,190,632 |
| General and administrative expenses | 164,583 | 83,257 | 57,991 | 54,468 | 39,820 |
| Total expenses | 1,212,634 | 2,024,023 | 3,264,941 | 2,383,569 | 2,683,585 |
| Net investment income (loss) | (1,172,055) | (36,720) | 2,698,222 | 1,964,309 | 2,330,406 |
| Net realized gain (loss) on investments — Non-Control/Non-Affiliate | — | — | (3,500,000) | (3,500,000) | 5,977,109 |
| Net unrealized appreciation (depreciation) of investments | — | (1,225,000) | 3,975,000 | 2,975,000 | (2,552,800) |
| Total net gain (loss) on investments | — | (1,225,000) | 475,000 | (525,000) | 3,424,309 |
| Net increase (decrease) in net assets resulting from operations | $ (1,172,055) | $ (1,261,720) | $ 3,173,222 | $ 1,439,309 | $ 5,754,715 |
| Allocation of net increase (decrease) in net assets resulting from operations to: | | | | | |
| General partner | $ (29) | $ (4) | $ 634,644 | $ 287,862 | $ 1,150,943 |
| Limited partners | $ (1,172,026) | $ (1,261,716) | $ 2,538,578 | $ 1,151,447 | $ 4,603,772 |

See accompanying notes.

**TRIANGLE MEZZANINE FUND LLLP**

**Statements of Changes in Partners' Capital**

| | General Partner | Limited Partners | Capital Contribution Commitment Receivable | Accumulated Undistributed Investment Gains (Losses) | Total |
|---|---|---|---|---|---|
| Balance, December 31, 2002 | $ — | $ — | $ — | $ — | $ — |
| Partners' capital contributions | 100 | 20,500,000 | (16,400,000) | — | 4,100,100 |
| Net investment loss | — | — | — | (1,172,055) | (1,172,055) |
| Balance, December 31, 2003 | 100 | 20,500,000 | (16,400,000) | (1,172,055) | 2,928,045 |
| Partners' capital contributions | — | 750,000 | 2,587,500 | — | 3,337,500 |
| Net investment loss | — | — | — | (36,720) | (36,720) |
| Unrealized depreciation on investments | — | — | — | (1,225,000) | (1,225,000) |
| Balance, December 31, 2004 | 100 | 21,250,000 | (13,812,500) | (2,433,775) | 5,003,825 |
| Partners' capital contributions | — | — | 3,187,500 | — | 3,187,500 |
| Net investment income | — | — | — | 2,698,222 | 2,698,222 |
| Realized loss on investments | — | — | — | (3,500,000) | (3,500,000) |
| Unrealized appreciation on investments | — | — | — | 3,975,000 | 3,975,000 |
| Balance, December 31, 2005 | 100 | 21,250,000 | (10,625,000) | 739,447 | 11,364,547 |
| Partners' capital contributions | — | — | 10,625,000 | — | 10,625,000 |
| Distribution to partners | — | — | — | (5,000,010) | (5,000,010) |
| Net investment income | — | — | — | 2,330,406 | 2,330,406 |
| Realized gain on investments | — | — | — | 5,977,109 | 5,977,109 |
| Unrealized depreciation on investments | — | — | — | (2,552,800) | (2,552,800) |
| Balance, September 30, 2006 | $ 100 | $ 21,250,000 | $ — | $ 1,494,152 | $ 22,744,252 |

See accompanying notes.

**TRIANGLE MEZZANINE FUND LLLP**

**Statements of Cash Flows**

| | Years Ended December 31, | | | Nine Months Ended September 30, | |
|---|---|---|---|---|---|
| | 2003 | 2004 | 2005 | 2005 | 2006 |
| | | | | (unaudited) | |
| Cash flows from operating activities: | | | | | |
| Net increase (decrease) in net assets resulting from operations | $ (1,172,055) | $ (1,261,720) | $ 3,173,222 | $ 1,439,309 | $ 5,754,715 |
| Adjustments to reconcile net increase (decrease) in net assets resulting from operations to net cash used in operating activities: | | | | | |
| Purchases of portfolio investments | — | (20,407,365) | (29,125,000) | (20,500,000) | (15,703,478) |
| Repayments received/sales of portfolio investments | — | — | 12,202,510 | 5,499,034 | 9,870,607 |
| Loan origination and other fees received | 61,000 | 580,000 | 1,083,600 | 662,421 | 474,795 |
| Net realized (gain) loss on investments | — | — | 3,500,000 | 3,500,000 | (5,977,109) |
| Net unrealized (appreciation) depreciation on investments | — | 1,225,000 | (3,975,000) | (2,975,000) | 2,552,800 |
| Paid-in-kind interest accrued, net of payments received | — | (470,577) | 47,748 | (299,789) | (383,073) |
| Amortization of deferred financing fees | — | 38,133 | 89,970 | 65,876 | 74,397 |
| Recognition of loan origination and other fees | (26,000) | (77,721) | (1,018,965) | (578,877) | (400,291) |
| Accretion of loan discounts | — | (47,655) | (93,272) | (64,786) | (119,593) |
| Changes in operating assets and liabilities: | | | | | |
| Interest and fees receivable | — | (98,442) | 48,859 | 59,405 | (50,172) |
| Accounts payable and accrued liabilities | 10,000 | (10,000) | 13,226 | 149 | (13,226) |
| Interest payable | — | 230,372 | 335,696 | (124,306) | (414,494) |
| Net cash used in operating activities | (1,127,055) | (20,299,975) | (13,717,406) | (13,316,564) | (4,334,122) |
| Cash flows from financing activities: | | | | | |
| Borrowings under SBA guaranteed debentures payable | — | 17,700,000 | 14,100,000 | 14,100,000 | — |
| Financing fees paid | — | (861,000) | (352,500) | (352,500) | — |
| Partners' capital contributions | 4,100,100 | 3,337,500 | 3,187,500 | 3,187,500 | 10,625,000 |
| Distribution to partners | — | — | — | — | (5,000,010) |
| Net cash provided by financing activities | 4,100,100 | 20,176,500 | 16,935,000 | 16,935,000 | 5,624,990 |
| Net increase (decrease) in cash and cash equivalents | 2,973,045 | (123,475) | 3,217,594 | 3,618,436 | 1,290,868 |
| Cash and cash equivalents, beginning of period | — | 2,973,045 | 2,849,570 | 2,849,570 | 6,067,164 |
| Cash and cash equivalents, end of period | $ 2,973,045 | $ 2,849,570 | $ 6,067,164 | $ 6,468,006 | $ 7,358,032 |
| Supplemental disclosure of cash flow information: | | | | | |
| Cash paid for interest | $ — | $ 109,000 | $ 1,208,000 | $ 1,201,000 | $ 1,793,000 |

See accompanying notes.

**TRIANGLE MEZZANINE FUND LLLP**
**Schedule of Investments**
**December 31, 2004**

| Portfolio Company | Industry | Type of Investment[1][2] | Principal Amount | Cost | Fair Value[3] |
|---|---|---|---|---|---|
| *Non-Control / Non-Affiliate Investments* | | | | | |
| AirServ Corporation (81%)* | Airline Services | Subordinated Note (12%, Due 06/09) | $ 4,000,000 | $ 3,633,370 | $ 3,633,370 |
| | | Common Stock Warrants (1,148,218 shares) | | 414,285 | 414,285 |
| | | | 4,000,000 | 4,047,655 | 4,047,655 |
| America's Power Sports, Inc. (51%)* | Automotive Retail | Subordinated Note (18%, Due 02/09) | 2,559,234 | 2,559,234 | 2,559,234 |
| | | | 2,559,234 | 2,559,234 | 2,559,234 |
| DataPath, Inc. (69%)* | Satellite Communication Manufacturer | Subordinated Note (18%, Due 09/09) | 3,104,749 | 3,104,749 | 3,104,749 |
| | | Common Stock (1,483 shares) | | 350,000 | 350,000 |
| | | | 3,104,749 | 3,454,749 | 3,454,749 |
| Flint Trading, Inc. (78%)* | Specialty Chemical Manufacturer | Subordinated Note (18%, Due 09/09) | 3,570,972 | 3,570,972 | 3,570,972 |
| | | Preferred Stock (9,875 shares) | | 308,333 | 308,333 |
| | | | 3,570,972 | 3,879,305 | 3,879,305 |
| Respiratory Distributors, Inc. (45%)* | Healthcare Products Distributor | Subordinated Note (12%, Due 10/08) | 3,500,000 | 3,500,000 | 2,275,000 |
| | | Common Stock Warrants (41,177 shares) | | — | — |
| | | | 3,500,000 | 3,500,000 | 2,275,000 |
| Subtotal Non-Control / Non-Affiliate Investments | | | 16,734,955 | 17,440,943 | 16,215,943 |
| *Affiliate Investments:* | | | | | |
| Genapure Corporation (70%)* | Lab Testing Services | Subordinated Note (18%, Due 01/09) | 3,234,654 | 3,234,654 | 3,234,654 |
| | | Common Stock (25,000 shares) | | 250,000 | 250,000 |
| | | | 3,234,654 | 3,484,654 | 3,484,654 |
| Subtotal Affiliate Investments | | | 3,234,654 | 3,484,654 | 3,484,654 |
| Total Investments, December 31, 2004 (394%)* | | | $19,969,609 | $20,925,597 | $19,700,597 |

* Value as a percent of net assets

(1) All debt and preferred stock investments are income producing. Common stock and all warrants are non-income producing.

(2) Interest rates on Subordinated debt includes 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.

See accompanying notes.

**TRIANGLE MEZZANINE FUND LLLP**
**Schedule of Investments**
**December 31, 2005**

| Portfolio Company | Industry | Type of Investment[1][2] | Principal Amount | Cost | Fair Value[3] |
|---|---|---|---|---|---|
| *Non-Control / Non-Affiliate Investments:* | | | | | |
| AirServ Corporation (36%)* | Airline Services | Subordinated Note (12%, Due 06/09) | $4,000,000 | $3,703,854 | $3,703,854 |
| | | Common Stock Warrants (1,238,843 shares) | | 414,285 | 414,285 |
| | | | 4,000,000 | 4,118,139 | 4,118,139 |
| Ambient Air Corporation (32%)* | Specialty Trade Contractors | Subordinated Note (12%, Due 05/10) | 2,543,478 | 2,529,878 | 2,529,878 |
| | | Subordinated Note (13%, Due 05/08) | 1,153,044 | 1,139,444 | 1,139,444 |
| | | Common Stock Warrants (241 shares) | | 27,200 | 27,200 |
| | | | 3,696,522 | 3,696,522 | 3,696,522 |
| Art Headquarters, LLC (24%)* | Retail, Wholesale and Distribution | Subordinated Note (14%, Due 01/10) | 2,648,800 | 2,614,081 | 2,614,081 |
| | | Membership unit warrants (15% of units (150 units)) | | 40,800 | 40,800 |
| | | | 2,648,800 | 2,654,881 | 2,654,881 |
| CV Holdings, LLC (37%)* | Specialty Healthcare Products Manufacturer | Subordinated Note (18%, Due 03/10) | 4,168,354 | 4,168,354 | 4,168,354 |
| | | | 4,168,354 | 4,168,354 | 4,168,354 |
| DataPath, Inc. (26%)* | Satellite Communication Manufacturer | Common Stock (1,483 shares) | | 350,000 | 3,000,000 |
| | | | | 350,000 | 3,000,000 |
| Flint Trading, Inc.(34%)* | Specialty Chemical Manufacturer | Subordinated Note (18%, Due 09/09) | 3,570,972 | 3,570,972 | 3,570,972 |
| | | Preferred Stock (9,875 shares) | | 308,333 | 308,333 |
| | | | 3,570,972 | 3,879,305 | 3,879,305 |
| Garden Fresh Restaurant Corp. (31%)* | Restaurant | Subordinated Note (12.8%, Due 12/11) | 3,000,000 | 3,000,000 | 3,000,000 |
| | | Membership Units (5,000 units) | | 500,000 | 500,000 |
| | | | 3,000,000 | 3,500,000 | 3,500,000 |
| Life is Good, Inc. (32%)* | Apparel Manufacturer and Distributor | Subordinated Note (18.25%, Due 02/10) | 1,075,006 | 1,069,956 | 1,069,956 |
| | | Subordinated Note (14%, Due 02/10) | 2,536,452 | 2,531,402 | 2,531,402 |
| | | Common Stock Warrants (223 shares) | | 10,100 | 10,100 |
| | | | 3,611,458 | 3,611,458 | 3,611,458 |

| Portfolio Company | Industry | Type of Investment[1][2] | Principal Amount | Cost | Fair Value[3] |
|---|---|---|---|---|---|
| Numo Manufacturing, Inc. (24%)* | | | | | |
| | Consumer Products Manufacturer | Subordinated Note (13%, Due 12/10) | 2,700,000 | 2,700,000 | 2,700,000 |
| | | Common Stock Warrants (238 shares) | | — | — |
| | | | 2,700,000 | 2,700,000 | 2,700,000 |
| Subtotal Non-Control / Non-Affiliate Investments | | | 27,396,106 | 28,678,659 | 31,328,659 |
| *Affiliate Investments:* | | | | | |
| Genapure Corporation (5%)* | | | | | |
| | Lab Testing Services | Common Stock (4,286 shares) | | 500,000 | 600,000 |
| | | | | 500,000 | 600,000 |
| Porter's Group LLC (24%)* | | | | | |
| | Metal Fabrication | Subordinated Note (12%, Due 06/10) | 2,500,000 | 2,295,554 | 2,295,554 |
| | | Membership Units (980 units) | | 250,000 | 250,000 |
| | | Membership Warrants (3,750 Units) | | 221,153 | 221,153 |
| | | | 2,500,000 | 2,766,707 | 2,766,707 |
| Subtotal Affiliate Investments | | | 2,500,000 | 3,266,707 | 3,366,707 |
| *Control Investments*: | | | | | |
| ARC Industries, LLC (21%)* | | | | | |
| | Remediation Services | Subordinated Note (19%, Due 11/10) | 2,273,245 | 2,273,245 | 2,273,245 |
| | | Membership Units (3,000 units) | | 175,000 | 175,000 |
| | | | 2,273,245 | 2,448,245 | 2,448,245 |
| Subtotal Control Investments | | | 2,273,245 | 2,448,245 | 2,448,245 |
| Total Investments, December 31, 2005 (326%)* | | | $32,169,351 | $34,393,611 | $37,143,611 |

* Value as a percent of net assets

(1) All debt and preferred stock investments are income producing with the exception of Numo Manufacturing, Inc. Preferred and common stock and all warrants are non-income producing.

(2) Interest rates on Subordinated debt includes 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.

See accompanying notes.

**TRIANGLE MEZZANINE FUND LLLP**
**Schedule of Investments**
**September 30, 2006**

| Portfolio Company | Industry | Type of Investment[1][2] | Principal Amount | Cost | Fair Value[3] |
|---|---|---|---|---|---|
| *Non-Control / Non-Affiliate Investments:* | | | | | |
| AirServ Corporation (18%)* | Airline Services | Subordinated Note (12%, Due 06/09) | $4,000,000 | $3,762,467 | $3,762,467 |
| | | Common Stock Warrants (1,238,843 shares) | | 414,285 | 414,285 |
| | | | 4,000,000 | 4,176,752 | 4,176,752 |
| Ambient Air Corporation (18%)* | Specialty Trade Contractors | Subordinated Notes (12%-13%, Due 03/09-03/11) | 4,000,000 | 3,868,394 | 3,868,394 |
| | | Common Stock Warrants (455 shares) | | 142,361 | 142,361 |
| | | | 4,000,000 | 4,010,755 | 4,010,755 |
| Art Headquarters, LLC (12%)* | Retail, Wholesale and Distribution | Subordinated Note (14%, Due 01/10) | 2,680,155 | 2,650,578 | 2,650,578 |
| | | Membership unit warrants (15% of units (150 units)) | | 40,800 | 19,500 |
| | | | 2,680,155 | 2,691,378 | 2,670,078 |
| Assurance Operations Corporation (17%)* | Auto Components / Metal Fabrication | Subordinated Note (17%, Due 03/12) | 3,594,509 | 3,594,509 | 3,594,509 |
| | | Common Stock (200 shares) | | 200,000 | 200,000 |
| | | | 3,594,509 | 3,794,509 | 3,794,509 |
| CV Holdings, LLC (21%)* | Specialty Healthcare Products Manufacturer | Subordinated Note (16%, Due 03/10) | 4,612,292 | 4,612,292 | 4,612,292 |
| | | Royalty rights | | — | 250,000 |
| | | | 4,612,292 | 4,612,292 | 4,862,292 |
| DataPath, Inc. (9%)* | Satellite Communication Manufacturer | Common Stock (210,263 shares) | | 101,500 | 2,070,000 |
| | | | | 101,500 | 2,070,000 |
| Eastern Shore (4%) Ambulance, Inc. | Specialty Health Care Services | Subordinated Note (13%, Due 03/11) | 1,000,000 | 946,881 | 946,881 |
| | | Common Stock Warrants (6% of common stock) | | 55,268 | 55,268 |
| | | | 1,000,000 | 1,002,149 | 1,002,149 |
| Fire Sprinkler Systems, Inc. (13%)* | Specialty Trade Contractors | Subordinated Notes (13%-17.5%, Due 04/11) | 2,690,484 | 2,690,484 | 2,690,484 |
| | | Common Stock (250 shares) | | 250,000 | 250,000 |
| | | | 2,690,484 | 2,940,484 | 2,940,484 |
| Flint Acquisition Corporation (19%)* | Specialty Chemical Manufacturer | Subordinated Note (15%, Due 09/09) | 3,765,639 | 3,765,639 | 3,765,639 |
| | | Preferred Stock (9,875 shares) | | 308,333 | 558,333 |
| | | | 3,765,639 | 4,073,972 | 4,323,972 |
| Garden Fresh Restaurant Corp. (15%)* | Restaurant | Subordinated Note (12.8%, Due 12/11) | 3,000,000 | 3,000,000 | 3,000,000 |
| | | Membership Units (5,000 units) | | 500,000 | 500,000 |
| | | | 3,000,000 | 3,500,000 | 3,500,000 |
| Gerli & Company (13%)* | Specialty Woven Fabrics Manufacturer | Subordinated Note (14%, Due 08/11) | 3,036,833 | 2,962,581 | 2,962,581 |
| | | Common Stock Warrants (56,559 shares) | | 83,414 | 83,414 |
| | | | 3,036,833 | 3,045,995 | 3,045,995 |

| Portfolio Company | Industry | Type of Investment[1][2] | Principal Amount | Cost | Fair Value[3] |
|---|---|---|---|---|---|
| Library Systems & Services, LLC (9%)* | | | | | |
| | Municipal Business Services | Subordinated Note (12%, Due 03/11) | 2,000,000 | 1,947,791 | 1,947,791 |
| | | Common Stock Warrants (112 shares) | | 58,995 | 58,995 |
| | | | 2,000,000 | 2,006,786 | 2,006,786 |
| Numo Manufacturing, Inc. (0%)* | | | | | |
| | Consumer Products Manufacturer | Subordinated Note (13%, Due 12/10) | 2,700,000 | 2,700,000 | — |
| | | Common Stock Warrants (238 shares) | | — | — |
| | | | 2,700,000 | 2,700,000 | — |
| Subtotal Non-Control / Non-Affiliate Investments | | | 37,079,912 | 38,656,572 | 38,403,772 |
| *Affiliate Investments:* | | | | | |
| Axxiom Manufacturing, Inc.[4] (10%)* | | | | | |
| | Industrial Equipment Manufacturer | Subordinated Note (14%, Due 01/11) | 2,029,186 | 2,029,186 | 2,029,186 |
| | | Common Stock (34,100 shares) | | 200,000 | 200,000 |
| | | | 2,029,186 | 2,229,186 | 2,229,186 |
| Genapure Corporation (2%)* | | | | | |
| | Lab Testing Services | Common Stock (4,286 shares) | | 500,000 | 500,000 |
| | | | | 500,000 | 500,000 |
| Porter's Group, LLC (14%)* | | | | | |
| | Metal Fabrication | Subordinated Note (12%, Due 06/10) | 2,455,000 | 2,277,542 | 2,277,542 |
| | | Membership Units (980 units) | | 250,000 | 343,050 |
| | | Membership Warrants (3,750 Units) | | 221,154 | 578,104 |
| | | | 2,455,000 | 2,748,696 | 3,198,696 |
| Subtotal Affiliate Investments | | | 4,484,186 | 5,477,882 | 5,927,882 |
| *Control Investments:* | | | | | |
| ARC Industries, LLC (11%)* | | | | | |
| | Remediation Services | Subordinated Note (19%, Due 11/10) | 2,396,803 | 2,396,803 | 2,396,803 |
| | | Membership Units (3,000 units) | | 175,000 | 175,000 |
| | | | 2,396,803 | 2,571,803 | 2,571,803 |
| Subtotal Control Investments | | | 2,396,803 | 2,571,803 | 2,571,803 |
| Total Investments, September 30, 2006 (206%)* | | | $43,960,901 | $46,706,257 | $46,903,457 |

* Value as a percent of net assets

(1) All debt and preferred stock investments are income producing with the exception of Numo Manufacturing, Inc. Common stock and all warrants are non-income producing.

(2) Interest rates on Subordinated debt includes 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 6.

See accompanying notes.

**TRIANGLE MEZZANINE FUND LLLP**

**Notes to Financial Statements**

**1. Organization, Basis of Presentation and Summary of Significant Accounting Policies**

***The Fund***

Triangle Mezzanine Fund LLLP (the "Existing Fund") is a specialty finance limited liability limited partnership formed to make investments primarily in middle market companies located throughout the United States, particularly in the Southeast. The Existing Fund's term is ten years from the date of formation (August 14, 2002) unless terminated earlier or extended in accordance with provisions of the limited partnership agreement.

The general partner of the Existing Fund is Triangle Mezzanine, LLC ("General Partner"). The General Partner has selected Triangle Capital Partners, LLC as the manager of the Existing Fund (the "Management Company").

On September 11, 2003, the Existing Fund was licensed to operate as a Small Business Investment Company (SBIC) under the authority of the United States Small Business Administration (SBA). As a SBIC, the Existing 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.

The Existing Fund intends to be regulated under the Investment Company Act of 1940 (the "1940 Act") as a business development company ("BDC").

***Basis of Presentation***

The financial statements of the Existing Fund include the accounts of the Existing Fund. The Existing Fund does not consolidate portfolio company investments.

***Unaudited Interim Results***

The accompanying interim statements of operations and cash flows for the nine months ended September 30, 2005 are unaudited. The unaudited interim financial statements have been prepared on the same basis as the annual financial statements and, in the opinion of management, reflect all adjustments (which include only normal recurring adjustments) necessary to present fairly the Existing Fund's results of operations and cash flows for the nine months ended September 30, 2005. Interim results at and for the nine months ended September 30, 2006, are not necessarily indicative of the results that may be expected for the year ended December 31, 2006.

**Significant Accounting Policies**

***Rights and Preferences of the Partners***

Limited partners of the Existing Fund are not liable for obligations of the Existing Fund. The management and operation of the Existing Fund and the formation of investment policy is vested exclusively in the General Partner. Limited partners take no part in the control or management of the business or affairs of the Existing Fund or vote on any matter relative to the Existing Fund.

***Allocations and Distributions***

Generally, cumulative net increase in net assets resulting from operations is allocated to the partners in the following order: first to the extent of the limited partner's preferred return, second to the General Partner until its allocation equals 20.0% of the limited partner's 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 partner's preferred return is an amount equal to 7.0%, compounded annually, of the partner's net capital contribution. Cumulative net losses are allocated to the partners in proportion to their capital contributions.

**TRIANGLE MEZZANINE FUND LLLP**

**Notes to Financial Statements — (Continued)**

Generally, distributions are 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 are at the discretion of the General Partner.

During July 2006 the Existing Fund distributed $5,000,010 in cash to the General Partner and limited partners of the Existing Fund.

***Use of Estimates***

The preparation of financial statements in conformity with accounting principles generally accepted in the United States requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates.

***Valuation of Investments***

The Existing Fund invests primarily in debt and equity of privately held companies for which market prices are not available. Therefore, the Existing Fund values all of its investments at fair value, as determined in good faith by the General Partner. Due to the inherent uncertainty in the valuation process, the General Partner's 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 limited market does not exist are valued at fair value as determined in good faith by the General Partner. There is no single standard for determining fair value in good faith, as fair value depends upon circumstances of each individual case. In general, fair value is the amount that the Existing Fund 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. In making the good faith determination of the value of these securities, the Existing Fund 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 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, the Existing Fund considers common valuation techniques used by qualified valuation professionals. These valuation techniques consist of: valuation based on original transaction multiples and the portfolio company's financial performance, 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. The Existing Fund 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.

When originating a debt security, the Existing Fund will sometimes receive warrants or other equity-related securities from the borrower. The Existing Fund 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.

The Existing Fund engaged a third-party valuation firm to participate in the valuation process by reviewing the portfolio company valuations prepared by the Existing Fund.

**TRIANGLE MEZZANINE FUND LLLP**

**Notes to Financial Statements — (Continued)**

***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 valuation of the investments and the cost basis of the investments.

***Investment Classification***

In accordance with the provisions of the 1940 Act, the Existing Fund classifies investments by level of control. As defined in the 1940 Act, "Control Investments" are investments in those companies that the Existing Fund is deemed to "Control." "Affiliate Investments" are investments in those companies that are "Affiliated Companies" of the Existing Fund, 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 Existing Fund is deemed to control a company in which it has invested if the Existing Fund owns more than 25.0% of the voting securities of such company or has greater than 50.0% representation on its board. The Existing Fund is deemed to be an affiliate of a company in which the Existing Fund has invested if it owns between 5.0% and 25.0% of the voting securities of such company.

***Cash and Cash Equivalents***

The Existing Fund considers all highly liquid investments with an original maturity of three months or less at the date of purchase to be cash and cash equivalents.

***Deferred Financing Fees***

Costs incurred to obtain long-term debt are capitalized and are amortized over the term of the debt agreements using the effective interest method.

***Income Taxes***

No provision for income taxes is included in the financial statements because all income, deductions, gains, losses, and credits are reported in the tax returns of the partners.

***Organization Expenses***

Organization expenses, totaling approximately $165,000, were expensed in 2003.

***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 Existing Fund 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 on 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.

**TRIANGLE MEZZANINE FUND LLLP**

**Notes to Financial Statements — (Continued)**

***Payment in Kind Interest***

The Existing Fund 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 Existing Fund stops accruing PIK interest and writes off any accrued and uncollected interest when it is determined that PIK interest is no longer collectible.

***Management Fee***

The Management Company, a related party, is majority owned by three managing directors of the Existing Fund and is responsible for most of the routine operating expenses of the Existing Fund. The Management Company is entitled to a quarterly management fee, which, under the Existing Fund's partnership agreement, is 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 are made quarterly in advance. Certain direct expenses such as legal, audit, tax and limited partner expense are the responsibility of the Existing Fund. The management fee for the years ended December 31, 2003, 2004 and 2005 and nine months ended September 30, 2005 and 2006 was $1,048,051, $1,563,747, $1,573,602, $1,179,850, and $1,190,632 respectively.

***Segments***

The Company lends to and invests in customers in various industries. The Existing Fund separately evaluates the performance of each of its lending and investment relationships. However, because each of these loan and investment relationships has similar business and economic characteristics, they have been aggregated into a single lending and investment segment. All applicable segment disclosures are included in or can be derived from the Existing Fund's financial statements.

***Concentration of Credit Risk***

The Existing Fund's investees are generally lower middle-market companies in a variety of industries. At December 31, 2004, December 31, 2005, and September 30, 2006, the Company had six, five and one investments that were greater than 10.0% of the total investment portfolio that represented approximately 100.0%, 52.0% and 10.0%, respectively, of the total investment 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 Existing Fund'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 and other risks common to investing in below investment grade debt and equity instruments.

***Recently Issued Accounting Standards***

In December 2004, the Financial Accounting Standards Board (FASB) issued FASB Statement No. 123 (revised 2004), *Share Based Payment* (SFAS 123R). Generally, the approach in SFAS 123R is similar to the approach described in SFAS 123; however, SFAS 123R requires all share-based payments to employees, including grants of employee stock options, to be recognized in the income statement based on their fair values. Pro forma disclosure is no longer an alternative.

**TRIANGLE MEZZANINE FUND LLLP**

**Notes to Financial Statements — (Continued)**

When the Existing Fund issues share-based payment awards in the future, the adoption of SFAS 123R's fair value method may result in significant non-cash charges which will increase reported operating expenses; however, it will have no impact on cash flows. The impact of adoption of SFAS 123R cannot be predicted at this time because it will depend on the level of share-based payments granted in the future.

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.* The Existing Fund plans to adopt this statement for the fiscal year ending December 31, 2006. Management does not believe the adoption of this statement will have a material impact on its financial position, results of operations or cash flows.

**2. Line of Credit**

The Existing Fund entered into a commitment with a bank in March 2004, consisting of a $4,000,000 revolving line of credit, which expires January 13, 2007. At December 31, 2004 and 2005, there were no outstanding borrowings under the line of credit. The Existing Fund terminated the line of credit in August, 2006.

**3. Long-Term Debt**

As part of the Existing Fund's operating strategy as a licensed SBIC, the Existing Fund has the following debentures outstanding guaranteed by the SBA:

| Issuance Date | Maturity Date | Prioritized Return Rate | December 31, 2004 | December 31, 2005 | September 30, 2006 |
|---|---|---|---|---|---|
| September 22, 2004 | September 1, 2014 | 5.539% | $ 8,700,000 | $ 8,700,000 | $ 8,700,000 |
| March 23, 2005 | March 1, 2015 | 5.893% | 9,000,000 | 13,600,000 | 13,600,000 |
| September 28, 2005 | September 1, 2015 | 5.796% | — | 9,500,000 | 9,500,000 |
| | | | $ 17,700,000 | $ 31,800,000 | $ 31,800,000 |

Interest payments are payable semi-annually. There are no principal payments required on these issues prior to maturity. All debentures are subject to prepayment penalties. The SBA has provided a commitment of up to $41,850,000 of which $10,050,000 remains unused by the Existing Fund as of September 30, 2006. The Existing Fund pays a one-time 1.0% fee on the total commitment from the SBA and 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 rate for all debentures as of December 31, 2004, 2005 and September 30, 2006, was 5.719%, 5.767% and 5.767%, respectively.

**4. Portfolio Investments**

Summaries of the composition of the Existing Fund's investment portfolio at cost and fair value as a percentage of total investments are shown in the following table:

| | December 31, 2004 | December 31, 2005 | September 30, 2006 |
|---|---|---|---|
| **Cost:** | | | |
| Subordinated debt | 94% | 91% | 93% |
| Equity | 4 | 7 | 5 |
| Equity warrants | 2 | 2 | 2 |
| Royalty rights | — | — | — |

**TRIANGLE MEZZANINE FUND LLLP**

**Notes to Financial Statements — (Continued)**

| | December 31, 2004 | December 31, 2005 | September 30, 2006 |
|---|---|---|---|
| **Fair Value:** | | | |
| Subordinated debt | 93% | 85% | 86% |
| Equity | 5 | 13 | 10 |
| Equity warrants | 2 | 2 | 3 |
| Royalty rights | — | — | 1 |

The Existing Fund invests in portfolio companies in the Unites States with an emphasis on the southeast United States. The following table shows 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.

| | December 31, 2004 | December 31, 2005 | September 30, 2006 |
|---|---|---|---|
| **Cost:** | | | |
| Southeast | 100% | 62% | 55% |
| Non-Southeast | — | 38 | 45 |

| | December 31, 2004 | December 31, 2005 | September 30, 2006 |
|---|---|---|---|
| **Fair Value:** | | | |
| Southeast | 100% | 62% | 60% |
| Non-Southeast | — | 38 | 40 |

**5. Financial Highlights**

| | Year Ended December 31, 2003 | Year Ended December 31, 2004 | Year Ended December 31, 2005 | Nine Months Ended September 30, 2005 | Nine Months Ended September 30, 2006 |
|---|---|---|---|---|---|
| Net assets at end of period | $ 2,928,045 | $ 5,003,825 | $ 11,364,547 | $ 9,630,634 | $ 22,744,252 |
| Ratio of total expenses to average net assets | 107% | 40% | 43% | 34% | 14% |
| Ratio of net investment income (loss) to average net assets | (104)% | (1)% | 35% | 28% | 12% |
| Ratio of total capital called to total capital commitments | 20% | 35% | 50% | 50% | 100% |
| Portfolio turnover ratio | 0% | 0% | 39% | 19% | 9% |

**6. Subsequent Events**

***Portfolio Investments***

Subsequent to September 30, 2006, the Existing Fund made the following additional investments:

On October 4, 2006, the Existing Fund made a $1.5 million subordinated debt investment in Bruce Plastics, Inc., a plastic injection molding company based in Pittsburgh, Pennsylvania. Under the terms of the loan, the portfolio company will pay 14.0% current interest per annum and has the option to increase its debt by $1.0 million under specific circumstances. The Existing Fund also received a warrant to purchase up to 12.0% of the company's common stock.

On November 3, 2006, the Existing Fund increased its investment in AirServ Corporation by investing an additional $225,000 in subordinated debt, increasing its total investment basis to $4.2 million.

On November 3, 2006, the Existing Fund purchased $30,000 of common stock in Eastern Shore Ambulance, Inc.

**New Entity Formation (unaudited)**

On October 10, 2006 a newly organized corporation, Triangle Capital Corporation, was formed for the purpose of acquiring the Existing Fund, raising capital in an initial public offering and thereafter operating as an internally managed business development company under the 1940 Act.

At the closing of the initial public offering, the following formation transactions will be consummated:

- Triangle Capital Corporation will acquire 100% of the limited partnership interests in the Existing Fund, which will become Triangle Capital Corporation's wholly owned subsidiary, retain its SBIC license, continue to hold its existing investments and make new investments with the proceeds of the offering.
- Triangle Capital Corporation will acquire 100% of the equity interests in Triangle Mezzanine LLC, the general partner of the Existing Fund.

After completion of the offering, the merged entity will operate as a closed-end, non-diversified investment company that will elect to be treated as a BDC under the 1940 Act. The Company will be internally managed by its executive officers (previously employed by the management company) under the supervision of the board of directors. Therefore, the Company will not pay management or advisory fees, but instead will incur the operating costs associated with employing executive management, investment and portfolio management professionals.

The Company plans to adopt, effective upon consummation of the offering, an Equity Incentive Plan whereby the Compensation Committee of the board of directors may award stock options, restricted stock or other stock based incentive awards to executive officers, employees and directors.

There can be no assurance that the offering will be completed.

In December 2006, Triangle Capital Corporation issued to Triangle Capital Partners, LLC 30,000 shares of common stock.

Until (25 days after the date of this prospectus), all dealers that buy, sell or trade our common stock, whether or not participating in this offering, may be required to deliver a prospectus. This is in addition to the dealers' obligation to deliver a prospectus when acting as underwriters and with respect to their unsold allotments or subscriptions.

**Shares**


**Common Stock**

**PROSPECTUS**

**Morgan Keegan & Company, Inc.**

**BB&T Capital Markets**
A Division of Scott & Stringfellow, Inc.

**Avondale Partners**

**Sterne, Agee & Leach, Inc.**

**, 2007**

**PART C**

**Other Information**

**Item 25 Financial Statements And Exhibits**

(1) *Financial Statements*

The following financial statements of Triangle Mezzanine Fund LLLP are included in Part A of this Registration Statement:



(2) *Exhibits*

| | |
|---|---|
| (a)(1) | Articles of Incorporation of the Registrant* |
| (a)(2) | Articles of Amendment to the Registrant's Articles of Incorporation |
| (a)(3) | Form of Articles of Amendment and Restatement of the Registrant |
| (b) | Amended and Restated Bylaws of the Registrant |
| (c) | Not Applicable |
| (d) | Form of Common Stock Certificate** |
| (e) | Form of Dividend Reinvestment Plan |
| (f)(1) | Debentures guaranteed by the SBA** |
| (f)(2) | Debentures guaranteed by the SBA** |
| (g) | Not Applicable |
| (h) | Form of Underwriting Agreement** |
| (i)(1) | Equity Incentive Plan** |
| (j) | Custodian Agreement** |
| (k)(1) | Brokerage and Servicing Agreement** |
| (k)(2) | Form of Employment Agreement between the Registrant and Garland S. Tucker, III** |
| (k)(3) | Form of Employment Agreement between the Registrant and Brent P.W. Burgess** |
| (k)(4) | Form of Employment Agreement between the Registrant and Steven C. Lilly** |
| (k)(5) | Form of Employment Agreement between the Registrant and Tarlton H. Long** |
| (k)(6) | Form of Employment Agreement between the Registrant and David F. Parker** |
| (k)(7) | 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* |
| (k)(8) | 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* |
| (k)(9) | Amended and Restated Agreement of Limited Partnership of Triangle Mezzanine Fund LLLP** |
| (l) | Opinion and Consent of Counsel |

| | |
|---|---|
| (m) | Not Applicable |
| (n)(1) | Consent of Ernst & Young LLP, the independent registered public accounting firm for Registrant |
| (n)(2) | Report of Ernst & Young LLP regarding the senior security table contained herein |
| (o) | Not Applicable |
| (p) | Subscription and Investment Letter Agreement between the Registrant and Garland S. Tucker III* |
| (q) | Not Applicable |
| (r) | Code of Ethics** |

* Previously filed

** To be filed by pre-effective amendment.

**Item 26. Marketing Arrangements**

The information contained under the heading "Underwriting" in this Registration Statement is incorporated herein by reference.

**Item 27. Other Expenses Of Issuance And Distribution**

| | | |
|---|---|---|
| SEC registration fee | $ | 6,460 |
| Nasdaq Global Market listing fee | $ | 100,000(1) |
| NASD filing fee | $ | 6,250(1) |
| Accounting fees and expenses | $ | * |
| Legal fees and expenses | $ | * |
| Printing and engraving | $ | * |
| Miscellaneous fees and expenses | $ | * |
| Total | $ | * |

(1) These amounts are estimates.

* To be provided by amendment.

All of the expenses set forth above shall be borne by the Registrant.

**Item 28. Persons Controlled By Or Under Common Control**

Triangle Mezzanine Fund LLLP, a North Carolina limited liability limited partnership, is controlled by its general partner, Triangle Mezzanine LLC, a North Carolina limited liability company, which is controlled by our executive officers and interested directors. Prior to this offering, Triangle Capital Partners, LLC, a North Carolina limited liability company, has acted as Triangle Mezzanine Fund LLLP's registered investment adviser and is controlled by certain members of our senior management team. As of November 1, 2006, Garland S. Tucker III, our Chairman, Chief Executive Officer and President owned 100 shares of common stock of the Registrant, representing 100% of the common stock outstanding.

**Item 29. Number Of Holders Of Securities**

The following table sets forth the number of record holders of the Registrant's capital stock at November 1, 2006.

| Title of Class | Number of Record Holders |
|---|---|
| Common stock, $0.001 par value | 1 |

**Item 30. Indemnification**

Maryland law permits a Maryland corporation to include in its articles of incorporation a provision limiting the liability of its directors and officers to the corporation and its stockholders for money damages except for liability resulting from (a) actual receipt of an improper benefit or profit in money, property or services or (b) active and deliberate dishonesty established by a final judgment as being material to the cause of action. Our articles of incorporation contain such a provision that eliminates directors' and officers' liability to the maximum extent permitted by Maryland law, subject to the requirements of the 1940 Act.

Our articles of incorporation authorize us, to the maximum extent permitted by Maryland law and subject to the requirements of the 1940 Act, to indemnify any present or former director or officer or any individual who, while a director or officer and at our request, serves or has served another corporation, real estate investment trust, partnership, joint venture, trust, employee benefit plan or other enterprise as a director, officer, partner or trustee, from and against any claim or liability to which such person may become subject or which such person may incur by reason of his or her service in any such capacity.

Our bylaws obligate us, to the maximum extent permitted by Maryland law and subject to the requirements of the 1940 Act, to indemnify any present or former director or officer or any individual who, while a director or officer and at our request, serves or has served another corporation, real estate investment trust, partnership, joint venture, trust, employee benefit plan or other enterprise as a director, officer, partner or trustee and who is made, or threatened to be made, a party to the proceeding by reason of his or her service in any such capacity from and against any claim or liability to which that person may become subject or which that person may incur by reason of his or her service in any such capacity. Our bylaws also provide that, to the maximum extent permitted by Maryland law, with the approval of our board of directors and provided that certain conditions described in our bylaws are met, we may pay certain expenses incurred by any such indemnified person in advance of the final disposition of a proceeding upon receipt of an undertaking by or on behalf of such indemnified person to repay amounts we have so paid if it is ultimately determined that indemnification of such expenses is not authorized under our bylaws.

Maryland law requires a corporation (unless its articles of incorporation provide otherwise, which our articles of incorporation do not) to indemnify a director or officer who has been successful in the defense of any proceeding to which he or she is made, or threatened to be made, a party by reason of his or her service in that capacity. Maryland law permits a corporation to indemnify its present and former directors and officers, among others, against judgments, penalties, fines, settlements and reasonable expenses actually incurred by them in connection with any proceeding to which they may be made, or threatened to be made, a party by reason of their service in those or other capacities unless it is established that (a) the act or omission of the director or officer was material to the matter giving rise to the proceeding and (1) was committed in bad faith or (2) was the result of active and deliberate dishonesty, (b) the director or officer actually received an improper personal benefit in money, property or services or (c) in the case of any criminal proceeding, the director or officer had reasonable cause to believe that the act or omission was unlawful. However, under Maryland law, a Maryland corporation may not indemnify for an adverse judgment in a suit by or in the right of the corporation or for a judgment of liability on the basis that a personal benefit was improperly received, unless in either case a court orders indemnification, and then only for expenses. In addition, Maryland law permits a corporation to advance reasonable expenses to a director or officer upon the corporation's receipt of (a) a written affirmation by the director or officer of his or her good faith belief that he or she has met the standard of conduct necessary for indemnification by the corporation and (b) a written undertaking by him or her or on his or her behalf to repay the amount paid or reimbursed by the corporation if it is ultimately determined that the standard of conduct was not met.

As of the date of the completion of this offering, the Registrant will have obtained primary and excess insurance policies insuring our directors and officers against some liabilities they may incur in their capacity as directors and officers. Under such policies, the insurer, on the Registrant's behalf, may also pay amounts for which the Registrant has granted indemnification to the directors or officers.

The Registrant has agreed to indemnify the several underwriters against specific liabilities, including liabilities under the Securities Act of 1933.

**Item 31. Business And Other Connections Of Investment Adviser**

Not Applicable

**Item 32. Location Of Accounts And Records**

All accounts, books and other documents required to be maintained by Section 31(a) of the Investment Company Act of 1940, and the rules thereunder are maintained at the Registrant's offices at 3600 Glenwood Avenue, Suite 104, Raleigh, North Carolina 27612.

**Item 33. Management Services**

Not Applicable

**Item 34. Undertakings**

1. We hereby undertake to suspend the offering of shares until the prospectus is amended if subsequent to the effective date of this registration statement, our net asset value declines more than ten percent from our net asset value as of the effective date of this registration statement.

2. We hereby undertake that for the purpose of determining liability of the Registrant under the Securities Act to any purchaser in the initial distribution of securities:

The undersigned Registrant undertakes that in a primary offering of securities of the undersigned Registrant pursuant to this registration statement, regardless of the underwriting method used to sell the securities to the purchaser, if the securities are offered or sold to such purchaser by means of any of the following communications, the undersigned Registrant will be a seller to the purchaser and will be considered to offer or sell such securities to the purchaser:

(a) any preliminary prospectus or prospectus of the undersigned Registrant relating to the offering required to be filed pursuant to Rule 497 under the Securities Act;

(b) the portion of any advertisement pursuant to Rule 482 under the Securities Act relating to the offering containing material information about the undersigned Registrant or its securities provided by or on behalf of the undersigned Registrant; and

(c) any other communication that is an offer in the offering made by the undersigned Registrant to the purchaser.

3. We hereby undertake that:

(a) for the purpose of determining any liability under the Securities Act, the information omitted from the form of prospectus filed as part of this registration statement in reliance upon Rule 430A and contained in a form of prospectus filed by us under Rule 497(h) under the Securities Act shall be deemed to be part of this registration statement as of the time it was declared effective; and

(b) for the purpose of determining any liability under the Securities Act, each post-effective amendment that contains a form of prospectus shall be deemed to be a new registration statement relating to the securities offered therein, and the offering of the securities at that time shall be deemed to be the initial bona fide offering thereof.

**SIGNATURES**

Pursuant to the requirements of the Securities Act of 1933 and/or the Investment Company Act of 1940, the Registrant has duly caused this Pre-Effective Amendment No. 1 to be signed on its behalf by the undersigned, thereunto duly authorized, in the City of Raleigh, State of North Carolina, on December 29, 2006.

**TRIANGLE CAPITAL CORPORATION**

/s/ GARLAND S. TUCKER, III
By: Garland S. Tucker, III
President, Chief Executive Officer & Chairman of the Board of Directors

**POWER OF ATTORNEY**

Pursuant to the requirements of the Securities Act of 1933, this Registration Statement on Form N-2 has been signed below by the following persons in the capacities and on the dates indicated:

| Signature | Title | Date |
|---|---|---|
| /s/ GARLAND S. TUCKER, III<br>Garland S. Tucker, III | President, Chief Executive Officer and Chairman of the Board (Principal Executive Officer) | December 29, 2006 |
| *<br>Steven C. Lilly | Chief Financial Officer, Treasurer, Secretary and Director (Principal Financial Officer) | December 29, 2006 |
| *<br>Brent P. W. Burgess | Chief Investment Officer and Director | December 29, 2006 |

*By: /s/
Garland S. Tucker, III, Attorney-in-Fact

**Exhibit (a)(2)**

**TRIANGLE CAPITAL CORPORATION**
**ARTICLES OF AMENDMENT**

Triangle Capital Corporation, a Maryland corporation ("the Corporation"), hereby certifies to the State Department of Assessments and Taxation of Maryland that:

FIRST: Article Sixth of the charter of the Corporation ("the Charter") is hereby deleted in its entirety and the following is substituted in lieu thereof:

"SIXTH: The Corporation has authority to issue 100,000 shares of common stock, $.001 par value per share. The aggregate par value of all authorized shares having a par value is $100.00."

SECOND: The total number of shares of stock that the Corporation had authority to issue immediately prior to the foregoing amendment of the Charter was 1,000 shares of common stock, $.001 par value per share. The aggregate par value of all shares of stock having par value was $1.00.

THIRD: The total number of shares of stock that the Corporation has authority to issue pursuant to the foregoing amendment of the Charter is 100,000 shares of common stock, $.001 par value per share. The aggregate par value of all shares of stock having par value is $100.00.

FOURTH: The information required by Section 2-607(b)(2)(i) of the Maryland General Corporation Law (the "MGCL") is not changed by the foregoing amendment.

FIFTH: The foregoing amendment was approved by a majority of the entire Board of Directors and is limited to a change expressly authorized by Section 2-105(a)(12) of the MGCL to be made without action by the stockholders.

The undersigned President of the Corporation acknowledges these Articles of Amendment to be the corporate act of the Corporation and, as to all matters or facts required to be verified under oath, the undersigned President of the Corporation acknowledges that, to the best of his knowledge, information and belief, these matters and facts are true in all material respects and that this statement is made under the penalties for perjury.

IN WITNESS WHEREOF, the Corporation has caused these Articles of Amendment to be executed in its name and on its behalf by its President and attested by its Secretary this 29th day of November, 2006.

ATTEST:

/s/ Steven C. Lilly
Steven C. Lilly
*Secretary*

TRIANGLE CAPITAL CORPORATION

By: /s/ Garland S. Tucker, III
Garland S. Tucker, III
*President*

RETURN TO:
John A. Good, Esq.
Bass, Berry & Sims PLC
100 Peabody Place, Suite 900
Memphis, Tennessee 38103

**Exhibit (a)(3)**

**TRIANGLE CAPITAL CORPORATION**
**ARTICLES OF AMENDMENT AND RESTATEMENT**

FIRST: Triangle Capital Corporation, a Maryland corporation ("the Corporation"), desires to amend and restate its charter as currently in effect and as hereinafter amended.

SECOND: The following provisions are all the provisions of the charter currently in effect and as hereinafter amended:

**ARTICLE I**
**NAME**

The name of the corporation ("the Corporation") is:

Triangle Capital Corporation

**ARTICLE II**
**PURPOSE**

The purposes for which the Corporation is formed are to conduct and carry on the business of a business development company, subject to making an election under the Investment Company Act of 1940, as amended, and the rules promulgated thereunder (the "1940 Act") and to engage in any lawful act or activity for which corporations may be organized under the general laws of the State of Maryland as of now or hereafter in force.

**ARTICLE III**
**PRINCIPAL OFFICE IN STATE AND RESIDENT AGENT**

The address of the principal office of the Corporation in the State of Maryland is The Corporation Trust Incorporated, 300 East Lombard Street, Baltimore, Maryland 21202. The name and address of the resident agent of the Corporation in Maryland are The Corporation Trust Incorporated, 300 East Lombard Street, Baltimore, Maryland 21202.

**ARTICLE IV**
**PROVISIONS FOR DEFINING, LIMITING AND**
**REGULATING CERTAIN POWERS OF THE CORPORATION AND OF**
**THE STOCKHOLDERS AND DIRECTORS**

Section 4.1 Number, Classification and Election of Directors . The business and affairs of the Corporation shall be managed under the direction of the Board of Directors. The number of directors of the Corporation is three (3), which number may be increased or decreased only by the Board of Directors pursuant to the Bylaws, but shall never be less than the minimum number required by the Maryland General Corporation Law ( the "MGCL") or the 1940 Act. The names of the directors who shall serve until their successors are duly elected and qualify are:

Garland S. Tucker, III

Brent P.W. Burgess

Steven C. Lilly.

The directors may increase the number of directors and may fill any vacancy, whether resulting from an increase in the number of directors or otherwise, on the Board of Directors in the manner provided in the Bylaws.

The terms of each director shall be one year unless and until the Board of Directors, acting by authority provided under Section 3-802 of the MGCL, shall establish terms consistent with Section 3-803 and designate directors to serve as class I, class II and class III directors pursuant to Section 3-803(a) of the MGCL. The Corporation elects, at such time as it becomes eligible to make the election provided for under Section 3-802(b) of the MGCL, that, subject to applicable requirements of the 1940 Act and except as may be provided by the Board of Directors in setting the terms of any class or series of Preferred Stock (as hereinafter defined), any and all vacancies on the Board of Directors may be filled only by the affirmative vote of a majority of the remaining directors in office, even if the remaining directors do not constitute a quorum, and any director elected to fill a vacancy shall serve for the remainder of the full term of the directorship in which such vacancy occurred and until a successor is duly elected and qualifies.

Section 4.2 Extraordinary Actions. Except as specifically provided in Section 4.9 (relating to the removal of directors), and in Section 6.2 (relating to certain extraordinary transactions and certain amendments to the charter), notwithstanding any provision of the MGCL requiring any action to be taken or approved by the affirmative vote of the holders of shares entitled to cast a greater number of votes, any such action shall be effective and valid if declared advisable by the Board of Directors and taken or approved by the affirmative vote of holders of shares entitled to cast a majority of all the votes entitled to be cast on the matter.

Section 4.3 Election of Directors. Except as otherwise provided in the Bylaws of the Corporation, directors shall be elected by a plurality of the votes cast in the election of directors. The Board of Directors may amend the bylaws to alter the vote required to elect directors.

Section 4.4 Quorum. The presence in person or by proxy of the holders of shares of stock of the Corporation entitled to cast a majority of the votes entitled to be cast (without regard to class) shall constitute a quorum at any meeting of stockholders, except with respect to any such matter that, under applicable statutes or regulatory requirements, requires approval by a separate vote of one or more classes of stock, in which case the presence in person or by proxy of the holders of shares entitled to cast a majority of the votes entitled to be cast by each such class on such a matter shall constitute a quorum.

Section 4.5 Authorization by Board of Stock Issuance. The Board of Directors may authorize the issuance from time to time of shares of stock of the Corporation of any class or series, whether now or hereafter authorized, or securities or rights convertible into shares of its stock of any class or series, whether now or hereafter authorized, for such consideration as the Board of Directors may deem advisable (or without consideration in the case of a stock split or stock dividend), subject to such restrictions or limitations, if any, as may be set forth in the charter or the Bylaws.

Section 4.6 Preemptive Rights. Except as may be provided by the Board of Directors in setting the terms of classified or reclassified shares of stock pursuant to Section 5.4 or as may otherwise be provided by contract, no holder of shares of stock of the Corporation shall, as such holder, have any preemptive right to purchase or subscribe for any additional shares of stock of the Corporation or any other security of the Corporation which it may issue or sell.

Section 4.7 Appraisal Rights. No holder of stock of the Corporation shall be entitled to exercise the rights of an objecting stockholder under Title 3, Subtitle 2 of the MGCL or any successor statute, except as permitted by the MGCL with respect to appraisal rights arising in connection with the Maryland Control Share Acquisition Act, unless the Board of Directors, upon the affirmative vote of a majority of the Board of Directors, shall determine that such rights apply, with respect to all or any classes or series of stock, to one or more transactions occurring after the date of such determination in connection with which holders of such shares would otherwise be entitled to exercise such rights.

Section 4.8 Determinations by Board. The determination as to any of the following matters, made in good faith by or pursuant to the direction of the Board of Directors consistent with the charter shall

be final and conclusive and shall be binding upon the Corporation and every holder of shares of its stock: the amount of the net income of the Corporation for any period and the amount of assets at any time legally available for the payment of dividends, redemption of its stock or the payment of other distributions on its stock; the amount of paid-in surplus, net assets, other surplus, annual or other net profit, net assets in excess of capital, undivided profits or excess of profits over losses on sales of assets; the amount, purpose, time of creation, increase or decrease, alteration or cancellation of any reserves or charges and the propriety thereof (whether or not any obligation or liability for which such reserves or charges shall have been created shall have been paid or discharged); any interpretation of the terms, preferences, conversion or other rights, voting powers or rights, restrictions, limitations as to dividends or distributions, qualifications or terms or conditions of redemption of any class or series of stock of the Corporation; the fair value, or any sale, bid or asked price to be applied in determining the fair value, of any asset owned or held by the Corporation or of any shares of the stock of the Corporation; the number of shares of stock of any class of the Corporation; any matter relating to the acquisition, holding and disposition of any assets by the Corporation; or any other matter relating to the business and affairs of the Corporation or required or permitted by applicable law, the charter or Bylaws or otherwise to be determined by the Board of Directors.

Section 4.9 Removal of Directors. Subject to the rights of holders of one or more classes or series of stock established pursuant to Section 5.4 hereof to elect or remove one or more directors, any director, or the entire Board of Directors, may be removed from office at any time only for cause and only by the affirmative vote of at least two-thirds of the votes entitled to be cast generally in the election of directors. For the purpose of this paragraph, “cause” shall mean, with respect to any particular director, conviction of a felony or a final judgment of a court of competent jurisdiction holding that such director caused demonstrable, material harm to the Corporation through bad faith or active and deliberate dishonesty.

Section 4.10 Investment Activities. No officer or director of the Corporation, including any officer or director who also serves as a director, officer or employee of any entity that provides investment advisory services or as a member of the investment committee of any such entity, shall be obligated to offer to the Corporation the opportunity to participate in any business or investing activity or venture that is presented to such person other than in his or her capacity as an officer or director of the Corporation.

## ARTICLE V
## STOCK

Section 5.1 Authorized Shares. The Corporation has authority to issue 150,000,000 shares of stock, initially consisting of 150,000,000 shares of Common Stock, $.001 par value per share (“Common Stock”). The aggregate par value of all authorized shares of stock having par value is $150,000. If shares of one class of stock are classified or reclassified into shares of another class of stock pursuant to this Article V, the number of authorized shares of the former class shall be automatically decreased and the number of shares of the latter class shall be automatically increased, in each case by the number of shares so classified or reclassified, so that the aggregate number of shares of stock of all classes that the Corporation has authority to issue shall not be more than the total number of shares of stock set forth in the first sentence of this paragraph. A majority of the entire Board of Directors, without any action by the stockholders of the Corporation, may amend the charter from time to time to increase or decrease the aggregate number of shares of stock or the number of shares of stock of any class or series that the Corporation has authority to issue.

Section 5.2 Common Stock. Each share of Common Stock shall entitle the holder to one vote on all matters submitted to a vote of stockholders, including the election of directors. The Board of Directors may classify and reclassify any unissued shares of Common Stock from time to time into one or more classes or series of stock and cause the issuance of such shares, without obtaining stockholder approval. When authorized by the Board of Directors and declared by the Corporation out of assets legally available, distributions may be paid to the holders of common stock. Except as otherwise provided in the charter, shares of common stock have no conversion, exchange, preemptive or redemption rights.

Section 5.3 Preferred Stock. The Board of Directors may classify any unissued shares of stock and reclassify any previously classified but unissued shares of stock of any class or series from time to time, in one or more classes or series of preferred stock ("Preferred Stock").

Section 5.4 Classified or Reclassified Shares. Prior to the issuance of classified or reclassified shares of any class or series, the Board of Directors by resolution shall: (a) designate that class or series to distinguish it from all other classes and series of stock of the Corporation; (b) specify the number of shares to be included in the class or series; (c) set or change, subject to the express terms of any class or series of stock of the Corporation outstanding at the time, the preferences, conversion or other rights, voting powers, restrictions, limitations as to dividends or other distributions, qualifications and terms and conditions of redemption for each class or series; and (d) cause the Corporation to file articles supplementary with the State Department of Assessments and Taxation of Maryland ("SDAT"). Any of the terms of any class or series of stock set or changed pursuant to clause (c) of this Section 5.4 may be made dependent upon facts or events ascertainable outside the charter (including determinations by the Board of Directors or other facts or events within the control of the Corporation) and may vary among holders thereof, provided that the manner in which such facts, events or variations shall operate upon the terms of such class or series of stock is clearly and expressly set forth in the articles supplementary or other charter document.

Section 5.5 Effect of Liquidation, Dissolution or Winding Up of the Corporation . In the event of any liquidation, dissolution or winding up of the Corporation, whether voluntary or involuntary, the holders of the Common Stock shall be entitled, after payment or provision for payment of the debts and other liabilities of the Corporation and the amount to which the holders of any class of stock hereafter classified or reclassified having a preference on distributions in the liquidation, dissolution or winding up of the Corporation shall be entitled, together with the holders of any other class of stock hereafter classified or reclassified having (if any such class of stock is participating preferred stock or preference stock) or not having a preference on distributions in the liquidation, dissolution or winding up of the Corporation, to share ratably in the remaining net assets of the Corporation.

Section 5.6 Inspection of Books and Records. Except as otherwise provided in the 1940 Act, a stockholder that is otherwise eligible under applicable law to inspect the Corporation's books of account, stock ledger or other specified documents of the Corporation shall have no right to make such inspection if the Board of Directors determines that such stockholder has an improper purpose for requesting such inspection.

Section 5.7 Charter and Bylaws. The rights of all stockholders of the Corporation, and the terms of all shares of stock in the Corporation, are subject to the provisions of the charter and the Bylaws. The Board of Directors of the Corporation shall have the exclusive power to make, alter, amend or repeal the Bylaws.

Section 5.8 Stockholders' Consent in Lieu of Meeting . Any action required or permitted to be taken at any meeting of the stockholders may be taken without a meeting by consent, in writing or by electronic transmission, in any manner permitted by the MGCL and (a) as set forth in the Bylaws or (b) as set forth in the terms of any class or series of Preferred Stock.

**ARTICLE VI**
**AMENDMENTS; CERTAIN EXTRAORDINARY TRANSACTIONS**

Section 6.1 Amendments Generally. The Corporation reserves the right from time to time to make any amendment to its charter, now or hereafter authorized by law, including any amendment altering the terms or contract rights, as expressly set forth in the charter, of any shares of outstanding stock. All rights and powers conferred by the charter on stockholders, directors and officers are granted subject to this reservation.

Section 6.2 Approval of Certain Extraordinary Actions and Charter Amendments .

(a) Required Votes. Notwithstanding any other provisions in the charter or Bylaws, the affirmative vote of the holders of shares entitled to cast at least seventy-five percent (75%) of the votes entitled to be cast on the matter, each voting as a separate class, shall be necessary to effect:

(i) The liquidation or dissolution of the Corporation and any amendment to the charter of the Corporation to effect any such liquidation or dissolution;

(ii) A conversion of the Company from a “closed-end company” to an “open-end company”, as those terms are defined in Sections 5(a)(2) and 5(a)(1), respectively, of the 1940 Act; and

(iii) Any amendment to Section 4.1, Section 4.2, Section 4.7, Section 6.1 or this Section 6.2;

Provided, however, that if the Continuing Directors (as defined herein), by a vote of at least seventy-five percent (75%) of such Continuing Directors, in addition to approval by the Board of Directors, approve such proposal or amendment, the affirmative vote of the holders of a majority of the votes entitled to be cast shall be sufficient to approve such matter.

(b) Continuing Directors. “Continuing Directors” means the directors identified in Section 4.1 and the directors whose nomination for election by the stockholders or whose election by the directors to fill vacancies is approved by a majority of the Continuing Directors then on the Board.

**ARTICLE VII**
**LIMITATION OF LIABILITY; INDEMNIFICATION AND ADVANCE OF EXPENSES**

Section 7.1 Limitation of Liability. To the maximum extent that Maryland law in effect from time to time permits limitation of liability of directors and officers, no director or officer of the Corporation shall be liable to the Corporation or its stockholders for money damages.

Section 7.2 Indemnification and Advance of Expenses. The Corporation shall have the power, to the maximum extent permitted by Maryland law in effect from time to time, to obligate itself to indemnify, and to pay or reimburse reasonable expenses in advance of final disposition of a proceeding to, (a) any individual who is a present or former director or officer of the Corporation or (b) any individual who, while a director or officer of the Corporation and at the request of the Corporation, serves or has served as a director, officer, partner or trustee of another corporation, partnership, joint venture, trust, employee benefit plan or any other enterprise from and against any claim or liability to which such person may become subject or which such person may incur by reason of his or her service in any such capacity, except with respect to any matter as to which such person shall have been finally adjudicated in any proceeding not to have acted in good faith in the reasonable belief that his or her action was in the best interest of the Corporation. The Corporation shall have the power, with the approval of the Board of Directors, to provide such indemnification and advancement of expenses to a person who served a predecessor of the Corporation in any of the capacities described in (a) or (b) above and to any employee or agent of the Corporation or a predecessor of the Corporation.

Section 7.3 1940 Act. The provisions of this Article VII shall be subject to the limitations of the 1940 Act applicable to the Corporation.

Section 7.4 Amendment or Repeal. Neither the amendment nor repeal of this Article VII, nor the adoption or amendment of any other provision of the charter or Bylaws inconsistent with this Article VII, shall apply to or affect in any respect the applicability of the preceding sections of this Article VII with respect to any act or failure which occurred prior to such amendment, repeal or adoption.

THIRD: The amendment to and restatement of the charter as hereinabove set forth have been duly advised by the Board of Directors and approved by the stockholders of the Corporation as required by law.

FOURTH: The current address of the principal office of the Corporation is as set forth in Article III of the foregoing amendment and restatement of the charter.

FIFTH: The name and address of the current resident agent of the Corporation is as set forth in Article III of the foregoing amendment and restatement of the charter.

SIXTH: The number of directors of the Corporation and the names of those currently in office are set forth in Article IV of the foregoing amendment and restatement of the charter.

SEVENTH: The total number of shares of stock which the Corporation had authority to issue immediately prior to this amendment and restatement was 100,000, consisting of 100,000 shares of Common Stock, $.001 par value per share. The aggregate par value of all authorized shares of stock having a par value was $100.

EIGHTH: The total number of shares of stock which the Corporation has authority to issue pursuant to the foregoing amendment and restatement of the charter is 150,000,000 shares of Common Stock, $.001 par value per share. The aggregate par value of all authorized shares of stock having a par value is $150,000.

NINTH: The undersigned President acknowledges these Articles of Amendment and Restatement to be the corporate act of the Corporation and, as to all matters or facts required to be verified under oath, the undersigned President acknowledges that, to the best of his knowledge, information and belief, these matters and facts are true in all material respects and that this statement is made under the penalties of perjury.

[SIGNATURE PAGE FOLLOWS]

IN WITNESS WHEREOF, the Corporation has caused these Articles of Amendment and Restatement to be signed in its name and on its behalf by its President and attested to by its Secretary on this day of , 2006.

ATTEST:

TRIANGLE CAPITAL CORPORATION

By:

Steven C. Lilly
*Secretary*

Garland S. Tucker, III
*President*

RETURN ADDRESS OF FILING PARTY:
John A. Good, Esq.
Bass, Berry & Sims PLC
100 Peabody Place, Suite 900
Memphis, Tennessee 38103

EXHIBIT B

**AMENDED AND RESTATED BYLAWS**
**OF**
**TRIANGLE CAPITAL CORPORATION**
**(the "Corporation")**

## ARTICLE I.
## OFFICES

**Section 1.1 Principal Office.** The principal office of the Corporation in the State of Maryland shall be located at such place as the Board of Directors may designate.

**Section 1.2 Additional Offices**. The Corporation may have additional offices, including a principal executive office, at such places as the Board of Directors may from time to time determine or the business of the Corporation may require.

## ARTICLE II.
## MEETINGS OF STOCKHOLDERS

**Section 2.1 Place**. All meetings of the stockholders shall be held at the principal executive office of the Corporation or at such other place in the United States as shall be set by the Board of Directors and stated in the notice of the meeting.

**Section 2.2 Annual Meetings**. An annual meeting of the stockholders shall be held to elect directors whose terms expire at the meeting and to transact such other business as may properly be brought before the meeting. The annual meeting shall be held on the date and at the time designated by the Board of Directors.

**Section 2.3 Special Meetings**.

(a) *General*. The Chairman of the Board, the President or the Board of Directors may call a special meeting of the stockholders. Subject to subsection (b) of this Section 2.3, the Secretary of the Corporation shall also call a special meeting of stockholders upon the written request of stockholders entitled to cast not less than a majority of all the votes entitled to be cast at such meeting.

(b) *Stockholder Requested Special Meetings* .

(1) Any stockholder of record seeking to have stockholders request a special meeting shall, by sending written notice to the Secretary (the "Record Date Request Notice") by registered mail, return receipt requested, request the Board of Directors to fix a record date to determine the stockholders entitled to request a special meeting ("Request Record Date"). The Record Date Request Notice shall set forth the purpose of the meeting and the matters proposed to be acted on at it, shall be signed by one or more stockholders of record as of the date of signature (or their duly authorized agents), shall bear the date of signature of each

such stockholder (or such agent) and shall set forth all information relating to each such stockholder that must be disclosed in solicitations of proxies for election of directors in an election contest (even if an election contest is not involved), or is otherwise required, in each case pursuant to Regulation 14A (or any successor provision) under the Securities Exchange Act of 1934, as amended ("the Exchange Act"). Upon receiving the Record Date Request Notice, the Board of Directors may fix a Request Record Date. The Request Record Date shall not precede and shall not be more than ten days after the close of business on the date on which the Board of Directors adopts the resolution fixing the Request Record Date. If the Board of Directors, within ten days after the date on which a valid Record Date Request Notice is received, fails to adopt a resolution fixing the Request Record Date, the Request Record Date shall be the close of business on the tenth day after the first date on which the Record Date Request Notice is received by the Secretary.

(2) In order for any stockholder to request a special meeting, one or more written requests for a special meeting signed by the stockholders of record (or their duly authorized agents) as of the Request Record Date entitled to cast not less than a majority (the "Special Meeting Percentage") of all of the votes entitled to be cast at such meeting ("the Special Meeting Request") shall be delivered to the Secretary. In addition, the Special Meeting Request shall set forth the purpose of the meeting and the matters proposed to be acted on at it (which shall be limited to the matters set forth in the Record Date Request Notice received by the Secretary), shall bear the date of signature of each such stockholder (or such agent) signing the Special Meeting Request, shall set forth the name and address, as they appear in the Corporation's books, of each stockholder signing such request (or on whose behalf the Special Meeting Request is signed) and the class, series and number of all shares of stock of the Corporation which are owned by each such stockholder, and the nominee holder for, and number of, shares owned beneficially but not of record, shall be sent to the Secretary by registered mail, return receipt requested, and shall be received by the Secretary within 60 days after the Request Record Date. Any requesting stockholder may revoke his, her or its request for a special meeting at any time by written revocation delivered to the Secretary.

(3) The Secretary shall inform such stockholders of the reasonably estimated cost of preparing and mailing the notice of the meeting (including the Corporation's proxy materials). The Secretary shall not be required to call a special meeting upon a stockholder request and such meeting shall not be held unless, in addition to the documents required by subsection (b)(2) of this Section 2.3, the Secretary receives payment of such reasonably estimated cost prior to the mailing of any notice of the meeting.

(4) Except as provided in the next sentence, any special meeting shall be held at such place, date and time as may be designated by the Chairman of the Board, the President or the Board of Directors, whoever has called the meeting. In the case of any special meeting called by the Secretary upon the request of stockholders (a "Stockholder Requested Meeting"), such meeting shall be held at such place, date and time as may be designated by the Board of Directors; provided, however, that the date of any Stockholder Requested Meeting shall not be more than 90 days after the record date for such meeting (the "Meeting Record Date"); and provided further that if the Board of Directors fails to designate, within ten days after the

date that a valid Special Meeting Request is actually received by the Secretary (the "Delivery Date"), a date and time for a Stockholder Requested Meeting, then such meeting shall be held at 2:00 p.m. local time on the 90th day after the Meeting Record Date or, if such 90th day is not a Business Day (as defined below), on the first preceding Business Day; and provided further that in the event that the Board of Directors fails to designate a place for a Stockholder Requested Meeting within ten days after the Delivery Date, then such meeting shall be held at the principal executive office of the Corporation. In fixing a date for any special meeting, the Chairman of the Board, the President or the Board of Directors may consider such factors as he, she or it deems relevant within the good faith exercise of business judgment, including, without limitation, the nature of the matters to be considered, the facts and circumstances surrounding any request for meeting and any plan of the Board of Directors to call an annual meeting or a special meeting. In the case of any Stockholder Requested Meeting, if the Board of Directors fails to fix a Meeting Record Date that is a date within 30 days after the Delivery Date, then the close of business on the 30th day after the Delivery Date shall be the Meeting Record Date.

(5) If written revocations of requests for the special meeting have been delivered to the Secretary and the result is that stockholders of record (or their agents duly authorized in writing), as of the Request Record Date, entitled to cast less than the Special Meeting Percentage have delivered, and not revoked, requests for a special meeting to the Secretary, the Secretary shall: (i) if the notice of meeting has not already been mailed, refrain from mailing the notice of the meeting and send to all requesting stockholders who have not revoked such requests written notice of any revocation of a request for the special meeting, or (ii) if the notice of meeting has been mailed and if the Secretary first sends to all requesting stockholders who have not revoked requests for a special meeting written notice of any revocation of a request for the special meeting and written notice of the Secretary's intention to revoke the notice of the meeting, revoke the notice of the meeting at any time before ten days before the commencement of the meeting. Any request for a special meeting received after a revocation by the Secretary of a notice of a meeting shall be considered a request for a new special meeting.

(6) The Board of Directors, the Chairman of the Board or the President may appoint independent inspectors of elections to act as the agent of the Corporation for the purpose of promptly performing a ministerial review of the validity of any purported Special Meeting Request received by the Secretary. For the purpose of permitting the inspectors to perform such review, no such purported request shall be deemed to have been delivered to the Secretary until the earlier of (i) five Business Days after receipt by the Secretary of such purported request and (ii) such date as the independent inspectors certify to the Corporation that the valid requests received by the Secretary represent at least the Special Meeting Percentage. Nothing contained in this subsection (6) shall in any way be construed to suggest or imply that the Corporation or any stockholder shall not be entitled to contest the validity of any request, whether during or after such five Business Day period, or to take any other action (including, without limitation, the commencement, prosecution or defense of any litigation with respect thereto, and the seeking of injunctive relief in such litigation).

(7) For purposes of these Bylaws, "Business Day" shall mean any day other than a Saturday, a Sunday or other day on which banking institutions in the State of New

York are authorized or obligated by law or executive order to close.

**Section 2.4 Notice of Meetings.** Written or printed notice of the purpose or purposes, in the case of a special meeting, and of the time and place of every meeting of the stockholders shall be given by the Secretary of the Corporation to each stockholder of record entitled to vote at the meeting, by either placing the notice in the mail, delivering it by overnight delivery service or transmitting the notice by electronic mail or any other electronic means at least ten days, but not more than 90 days, prior to the date designated for the meeting, addressed to each stockholder at such stockholder's address appearing on the books of the Corporation or supplied by the stockholder to the Corporation for the purpose of notice. The notice of any meeting of stockholders may be accompanied by a form of proxy approved by the Board of Directors in favor of the actions or persons as the Board of Directors may select. Notice of any meeting of stockholders shall be deemed waived by any stockholder who attends the meeting in person or by proxy or who before or after the meeting submits a signed waiver of notice that is filed with the records of the meeting. Any business of the Corporation may be transacted at an annual meeting of stockholders without being specifically designated in the notice of such meeting, except such business as is required by any statute to be stated in such notice. No business shall be transacted at a special meeting of stockholders except as specifically designated in the notice of such meeting.

**Section 2.5 Organization and Conduct**. Every meeting of stockholders shall be conducted by an individual appointed by the Board of Directors to be chairman of the meeting or, in the absence of such appointment, by the Chairman of the Board, if any, or, in the case of a vacancy in the office or absence of the Chairman of the Board, by one of the following officers present at the meeting: the Vice Chairman of the Board, if any, the President, any Vice President, the Secretary, the Treasurer or, in the absence of such officers, a chairman chosen by the stockholders by the vote of a majority of the votes cast by stockholders present in person or by proxy. The Secretary or, in the Secretary's absence, an individual appointed by the Board of Directors or, in the absence of such appointment, an individual appointed by the chairman of the meeting shall act as secretary. In the event that the Secretary presides at a meeting of the stockholders, an individual appointed by the Board of Directors or the chairman of the meeting, shall record the minutes of the meeting. The chairman of the meeting shall determine the order of business and all other matters of procedure at any meeting of stockholders. The chairman of the meeting may prescribe such rules, regulations and procedures and take such action as, in the discretion of such chairman, are appropriate for the proper conduct of the meeting, including, without limitation, (a) restricting admission to the time set for the commencement of the meeting; (b) limiting attendance at the meeting to stockholders of record of the Corporation, their duly authorized proxies or other such individuals as the chairman of the meeting may determine; (c) limiting participation at the meeting on any matter to stockholders of record of the Corporation entitled to vote on such matter, their duly authorized proxies or other such individuals as the chairman of the meeting may determine; (d) limiting the time allotted to questions or comments by participants; (e) maintaining order and security at the meeting; (f) removing any stockholder or any other individual who refuses to comply with meeting procedures, rules or guidelines as set forth by the chairman of the meeting; and (g) recessing or adjourning the meeting to a later date and time and place announced at the meeting. Unless

otherwise determined by the chairman of the meeting, meetings of stockholders shall not be required to be held in accordance with the rules of parliamentary procedure.

**Section 2.6 Quorum**. The presence in person or by proxy of the holders of shares of stock of the Corporation entitled to cast a majority of the votes entitled to be cast (without regard to class) shall constitute a quorum at any meeting of the stockholders, except with respect to any such matter that, under applicable statutes or regulatory requirements, requires approval by a separate vote of one or more classes of stock, in which case the presence in person or by proxy of the holders of shares entitled to cast a majority of the votes entitled to be cast by each such class on such a matter shall constitute a quorum. If, however, such quorum shall not be present at any meeting of the stockholders, the chairman of the meeting or the stockholders entitled to vote at such meeting, present in person or by proxy, shall have the power to adjourn the meeting from time to time to a date not more than 120 days after the original record date without notice other than announcement at the meeting. At such adjourned meeting at which a quorum shall be present, any business may be transacted which might have been transacted at the meeting as originally notified. The stockholders present either in person or by proxy, at a meeting which has been duly called and convened, may continue to transact business until adjournment, notwithstanding the withdrawal of enough stockholders to leave less than a quorum.

**Section 2.7 Voting**. A plurality of all the votes cast at a meeting of the stockholders duly called and at which a quorum is present shall be sufficient to elect a director; provided however, that the Board of Directors may amend this Section 2.7 to alter the vote required to elect directors. Each share may be voted for as many individuals as there are directors to be elected and for whose election the share is entitled to be voted. A majority of the votes cast at a meeting of stockholders duly called and at which a quorum is present shall be sufficient to approve any other matter which may properly come before the meeting, unless more than a majority of the votes cast is required by statute or by the charter of the Corporation. Unless otherwise provided in the charter, each outstanding share, regardless of class, shall be entitled to one vote on each matter submitted to a vote at a meeting of the stockholders.

**Section 2.8 Proxies**. A stockholder may cast the votes entitled to be cast by the shares of stock owned of record by the stockholder in person or by proxy executed by the stockholder or by the stockholder's duly authorized agent in any manner permitted by law. Such proxy or evidence of authorization of such proxy shall be filed with the Secretary of the Corporation before or at the meeting. No proxy shall be valid more than eleven months after its date unless otherwise provided in the proxy.

**Section 2.9 Voting of Stock by Certain Holders.** Stock of the Corporation registered in the name of a corporation, partnership, trust or other entity, if entitled to be voted, may be voted by the president or a vice president, a general partner or trustee thereof, as the case may be, or a proxy appointed by any of the foregoing individuals, unless some other person who has been appointed to vote such stock pursuant to a bylaw or a resolution of the governing body of such corporation or other entity or agreement of the partners of a partnership presents a certified copy of such bylaw, resolution or agreement, in which case such person may vote such stock. Any director or other fiduciary may vote stock registered in his or her name as such fiduciary, either in person or by proxy. Shares of stock of the Corporation directly or indirectly owned by it shall

not be voted at any meeting and shall not be counted in determining the total number of outstanding shares entitled to be voted at any given time, unless they are held by it in a fiduciary capacity, in which case they may be voted and shall be counted in determining the total number of outstanding shares at any given time. The Board of Directors may adopt by resolution a procedure by which a stockholder may certify in writing to the Corporation that any shares of stock registered in the name of the stockholder are held for the account of a specified person other than the stockholder. The resolution shall set forth the class of stockholders who may make the certification, the purpose for which the certification may be made, the form of certification and the information to be contained in it; if the certification is with respect to a record date or closing of the stock transfer books, the time after the record date or closing of the stock transfer books within which the certification must be received by the Corporation; and any other provisions with respect to the procedure which the Board of Directors considers necessary or desirable. On receipt of such certification, the person specified in the certification shall be regarded as, for the purposes set forth in the certification, the stockholder of record of the specified stock in place of the stockholder who makes the certification.

**Section 2.10 Inspectors.** The Board of Directors, in advance of any meeting, may, but need not, appoint one or more individual inspectors or one or more entities that designate individuals as inspectors to act at the meeting or any adjournment thereof. If an inspector or inspectors are not appointed, the person presiding at the meeting may, but need not, appoint one or more inspectors. In case any person who may be appointed as an inspector fails to appear or act, the vacancy may be filled by appointment made by the Board of Directors in advance of the meeting or at the meeting by the chairman of the meeting. The inspectors, if any, shall determine the number of shares outstanding and the voting power of each, the shares represented at the meeting, the existence of a quorum, the validity and effect of proxies, and shall receive votes, ballots or consents, hear and determine all challenges and questions arising in connection with the right to vote, count and tabulate all votes, ballots or consents, and determine the result, and do such acts as are proper to conduct the election or vote with fairness to all stockholders. Each such report shall be in writing and signed by him or her or by a majority of them if there is more than one inspector acting at such meeting. If there is more than one inspector, the report of a majority shall be the report of the inspectors. The report of the inspector or inspectors on the number of shares represented at the meeting and the results of the voting shall be prima facie evidence thereof.

**Section 2.11 Advance Notice of Stockholder Nominees for Director and Other Stockholder Proposals** .

(a) *Annual Meetings of Stockholders*. (1) Nominations of individuals for election to the Board of Directors and the proposal of other business to be considered by the stockholders may be made at an annual meeting of stockholders (i) pursuant to the Corporation's notice of meeting, (ii) by or at the direction of the Board of Directors or (iii) by any stockholder of the Corporation who was a stockholder of record both at the time of giving of notice provided for in this Section 2.11(a) and at the time of the annual meeting, who is entitled to vote at the meeting and who has complied with this Section 2.11(a). (2) For nominations or other business to be properly brought before an annual meeting by a stockholder pursuant to clause (iii) of subsection

(a)(1) of this Section 2.11, the stockholder must have given timely notice thereof in writing to the Secretary of the Corporation and such other business must otherwise be a proper matter for action by the stockholders. To be timely, a stockholder's notice shall set forth all information required under this Section 2.11 and shall be delivered to the Secretary at the principal executive office of the Corporation not less than 90 days nor more than 120 days prior to the first anniversary of the date of mailing of the notice for the preceding year's annual meeting; provided, however, that in the event that the date of the mailing of the notice for the annual meeting is advanced or delayed by more than 30 days from the first anniversary of the date of mailing of the notice for the preceding year's annual meeting, notice by the stockholder to be timely must be so delivered not earlier than the 120th day prior to the date of mailing of the notice for such annual meeting and not later than the close of business on the later of the 90th day prior to the date of mailing of the notice for such annual meeting or the tenth day following the day on which public announcement of the date of mailing of the notice for such meeting is first made. In no event shall the public announcement of a postponement or adjournment of an annual meeting commence a new time period for the giving of a stockholder's notice as described above. Such stockholder's notice shall set forth (i) as to each individual whom the stockholder proposes to nominate for election or reelection as a director, (A) the name, age, business address and residence address of such individual, (B) the class, series and number of any shares of stock of the Corporation that are beneficially owned by such individual and the date such shares were acquired and the investment intent of such acquisition, (C) whether such stockholder believes any such individual is, or is not, an "interested person" of the Corporation, as defined in the Investment Company Act of 1940, as amended, and the rules promulgated thereunder (the "Investment Company Act") and information regarding such individual that is sufficient, in the discretion of the Board of Directors or any committee thereof or any authorized officer of the Corporation, to make such determination and (D) all other information relating to such individual that is required to be disclosed in solicitations of proxies for election of directors in an election contest (even if an election contest is not involved), or is otherwise required, in each case pursuant to Regulation 14A (or any successor provision) under the Exchange Act and the rules thereunder (including such individual's written consent to being named in the proxy statement as a nominee and to serving as a director if elected); (ii) as to any other business that the stockholder proposes to bring before the meeting, a description of the business desired to be brought before the meeting, the reasons for proposing such business at the meeting and any material interest in such business of such stockholder and any Stockholder Associated Person (as defined below), individually or in the aggregate, including any anticipated benefit to the stockholder and any Stockholder Associated Person therefrom; (iii) as to the stockholder giving the notice and any Stockholder Associated Person, the class, series and number of all shares of stock of the Corporation which are owned beneficially by such stockholder and by such Stockholder Associated Person, if any, (iv) as to the stockholder giving the notice and any Stockholder Associated Person covered by clauses (ii) or (iii) of this Section 2.11(a)(2), the name and address of such stockholder, as they appear on the Corporation's stock ledger and current name and address, if different, and of such Stockholder Associated Person and (v) to the extent known by t he stockholder giving the notice, the name and address of any other stockholder supporting the nominee for election or reelection as a director or the proposal of other business on the date of such stockholder's notice. (3) Notwithstanding anything in this Section 2.11(a) to the contrary, in the event the Board of Directors increases or decreases the number of directors in accordance with Article III, Section 3.2 of these Bylaws, and there is no public announcement of

such action at least 100 days prior to the first anniversary of the date of mailing of the notice for the preceding year's annual meeting, a stockholder's notice required by this Section 2.11(a) shall also be considered timely, but only with respect to nominees for any new positions created by such increase, if it shall be delivered to the Secretary at the principal executive office of the Corporation not later than the close of business on the tenth day following the day on which such public announcement is first made by the Corporation. (4) For purposes of this Section 2.11, "Stockholder Associated Person" of any stockholder shall mean (i) any person controlling, directly or indirectly, or acting in concert with, such stockholder, (ii) any beneficial owner of shares of stock of the Corporation owned of record or beneficially by such stockholder and (iii) any person controlling, controlled by or under common control with such Stockholder Associated Person.

(b) *Special Meetings of Stockholders*. Only such business shall be conducted at a special meeting of stockholders as shall have been brought before the meeting pursuant to the Corporation's notice of meeting. Nominations of individuals for election to the Board of Directors may be made at a special meeting of stockholders at which directors are to be elected (i) pursuant to the Corporations notice of meeting, (ii) by or at the direction of the Board of Directors or (iii) provided that the Board of Directors has determined that directors shall be elected at such special meeting, by any stockholder of the Corporation who is a stockholder of record both at the time of giving of notice provided for in this Section 2.11 and at the time of the special meeting, who is entitled to vote at the meeting and who complied with the notice procedures set forth in this Section 2.11. In the event the Corporation calls a special meeting of stockholders for the purpose of electing one or more individuals to the Board of Directors, any such stockholder may nominate an individual or individuals (as the case may be) for election as a director as specified in the Corporation's notice of meeting, if the stockholder's notice required by subsection (a)(2) of this Section 2.11 shall be delivered to the Secretary at the principal executive office of the Corporation not earlier than the 120th day prior to such special meeting and not later than the close of business on the later of the 90th day prior to such special meeting or the tenth day following the day on which public announcement is first made of the date of the special meeting and of the nominees proposed by the Board of Directors to be elected at such meeting. In no event shall the public announcement of a postponement or adjournment of a special meeting commence a new time period for the giving of a stockholder's notice as described above.

(c) *General*. (1) Upon written request by the Secretary or the Board of Directors or any committee thereof, any stockholder proposing a nominee for election as a director or any proposal for other business at a meeting of stockholders shall provide, within five Business Days of delivery of such request (or such other period as may be specified in such request), written verification, satisfactory in the discretion of the Board of Directors or any committee thereof or any authorized officer of the Corporation, to demonstrate the accuracy of any information submitted by the stockholder pursuant to this Section 2.11. If a stockholder fails to provide such written verification within such period, the information as to which written verification was requested may be deemed not to have been provided in accordance with this Section 2.11. (2) Only such individuals who are nominated in accordance with this Section 2.11 shall be eligible for election as directors, and only such business shall be conducted at a meeting of stockholders as shall have been brought before the meeting in accordance with this Section 2.11. The

chairman of the meeting shall have the power to determine whether a nomination or any other business proposed to be brought before the meeting was made or proposed, as the case may be, in accordance with this Section 2.11. (3) For purposes of this Section 2.11, (a) the "date of mailing of the notice" shall mean the date of the proxy statement for the solicitation of proxies for election of directors and (b) "public announcement" shall mean disclosure (i) in a press release reported by the Dow Jones News Service, Associated Press or comparable news service or (ii) in a document publicly filed by the Corporation with the Securities and Exchange Commission pursuant to the Exchange Act or the Investment Company Act. (4) Notwithstanding the foregoing provisions of this Section 2.11, a stockholder shall also comply with all applicable requirements of state law and of the Exchange Act and the rules and regulations thereunder with respect to the matters set forth in this Section 2.11. Nothing in this Section 2.11 shall be deemed to affect any right of a stockholder to request inclusion of a proposal in, nor the right of the Corporation to omit a proposal from, the Corporation's proxy statement pursuant to Rule 14a-8 (or any successor provision) under the Exchange Act.

**Section 2.12 Stockholders' Consent in Lieu of Meeting .** Any action required or permitted to be taken at any meeting of the stockholders may be taken without a meeting: (1) if a unanimous consent setting forth the action is given in writing or by electronic transmission by each shareholder entitled to vote thereon and filed with the minutes, or (2) if the action is advised, and submitted to the stockholders for approval by the Board and a consent in writing or by electronic transmission of stockholders entitled to cast not less than the minimum number of votes that would be needed to authorize or take action at a stockholder's meeting is delivered to the Corporation in accordance with Maryland law. In this second case, notice must be given to each stockholder not later than 10 days after the effective time of such action.

**Section 2.13 Voting by Ballot.** Voting on any question or in any election may be viva voce unless the presiding officer shall order or any stockholder shall demand that voting be by ballot.

## ARTICLE III.
## DIRECTORS

**Section 3.1 General Powers.** The business and affairs of the Corporation shall be managed under the direction of its Board of Directors.

**Section 3.2 Number, Tenure and Qualifications.** At any regular meeting or at any special meeting called for that purpose, a majority of the entire board may establish, increase or

decrease the number of directors, provided that the number shall never be less than one (1) nor more than twelve (12), and the tenure of office of a director shall not be affected by any decrease in the number of directors. At such time as permitted by Section 802(a) of Title 3, Subtitle 8 of the MGCL, the Corporation elects to be subject to Section 3-804(b) of Title 3, Subtitle 8 of the MGCL.

**Section 3.3 Annual and Regular Meetings.** An annual meeting of the Board of Directors shall be held immediately after and at the same place as the annual meeting of stockholders, no notice other than this Bylaw being necessary. In the event such meeting is not so held, the meeting may be held at such time and place as shall be specified in a notice given as hereinafter provided for special meetings of the Board of Directors. Regular meetings of the Board of Directors shall be held from time to time at such places and times as provided by the Board of Directors by resolution, without notice other than such resolution.

**Section 3.4 Special Meetings**. Special meetings of the Board of Directors may be called by or at the request of the Chairman of the Board of Directors, the President or by a majority of the directors then in office. The person or persons authorized to call special meetings of the Board of Directors may fix any place as the place for holding any special meeting of the Board of Directors called by them. The Board of Directors may provide, by resolution, the time and place for the holding of special meetings of the Board of Directors without notice other than such resolution.

**Section 3.5 Notice**. Notice of any special meeting of the Board of Directors shall be delivered personally or by telephone, electronic mail, facsimile transmission, United States mail or courier to each director at his or her business or residence address. Notice by personal delivery, telephone, electronic mail or facsimile transmission shall be given at least 24 hours prior to the meeting. Notice by United States mail shall be given at least three days prior to the meeting. Notice by courier shall be given at least two days prior to the meeting. Telephone notice shall be deemed to be given when the director or his or her agent is personally given such notice in a telephone call to which the director or his or her agent is a party. Electronic mail notice shall be deemed to be given upon transmission of the message to the electronic mail address given to the Corporation by the director. Facsimile transmission notice shall be deemed to be given upon completion of the transmission of the message to the number given to the Corporation by the director and receipt of a completed answer back indicating receipt. Notice by United States mail shall be deemed to be given when deposited in the United States mail properly addressed, with postage thereon prepaid. Notice by courier shall be deemed to be given when deposited with or delivered to a courier properly addressed. Neither the business to be transacted at, nor the purpose of, any annual, regular or special meeting of the Board of Directors need be stated in the notice, unless specifically required by statute or these Bylaws.

**Section 3.6 Quorum**. A majority of the directors shall constitute a quorum for transaction of business at any meeting of the Board of Directors, provided that, if less than a majority of such directors are present at said meeting, a majority of the directors present may adjourn the meeting from time to time without further notice, and provided further that if, pursuant to the charter of the Corporation or these Bylaws, the vote of a majority of a particular group of directors is required for action, a quorum must also include a majority of such group. The directors present at a meeting, which has been duly called and convened, may continue to

transact business until adjournment, notwithstanding the withdrawal of enough directors to leave less than a quorum.

**Section 3.7 Voting.** The action of the majority of the directors present at a meeting at which a quorum is present shall be the action of the Board of Directors, unless the concurrence of a greater proportion is required for such action by applicable statute or the charter. If enough directors have withdrawn from a meeting to leave less than a quorum but the meeting is not adjourned, the action of the majority of the directors still present at such meeting shall be the action of the Board of Directors, unless the concurrence of a greater proportion is required for such action by applicable statute or the charter.

**Section 3.8 Chairman of the Board.** The Board of Directors shall designate one or more chairmen of the board who shall preside over Board meetings and stockholders' meetings at which he or she must be present. The Board may also designate a Vice Chairman of the Board who shall perform the same duties as the Chairman.

**Section 3.9 Organization**. At each meeting of the Board of Directors, the Chairman of the Board or, in the absence of the Chairman, the Vice Chairman of the Board, if any, shall act as Chairman. In the absence of both the Chairman and Vice Chairman of the Board, the Chief Executive Officer or in the absence of the Chief Executive Officer, the President or in the absence of the President, a director chosen by a majority of the directors present, shall act as Chairman. The Secretary or, in his or her absence, a person appointed by the Chairman, shall act as secretary of the meeting.

**Section 3.10 Telephone Meetings**. Directors may participate in a meeting by means of a conference telephone or other communications equipment if all persons participating in the meeting can hear each other at the same time; provided however, this Section 3.10 does not apply to any action of the directors pursuant to the Investment Company Act that requires the vote of the directors to be cast in person at a meeting. Participation in a meeting by these means shall constitute presence in person at the meeting.

**Section 3.11 Written Consent by Directors.** Any action required or permitted to be taken at any meeting of the Board of Directors may be taken without a meeting, if a consent in writing to such action is signed by each director and such written consent is filed with the minutes of proceedings of the Board of Directors; provided, however, this Section 3.11 does not apply to any action of the directors pursuant to the Investment Company Act that requires the vote of the directors to be cast in person at a meeting.

**Section 3.12 Vacancies**. If for any reason any or all the directors cease to be directors, such event shall not terminate the Corporation or affect these Bylaws or the powers of the remaining directors hereunder, if any. At such time as permitted by Section 802(a) of Title 3, Subtitle 8 of the MGCL, the Corporation elects to be subject to Section 3-804(c) of Subtitle 8 of Title 3 of the MGCL. Accordingly, at such time, except as may be provided by the Board of Directors in setting the terms of any class or series of preferred stock, any vacancy and all vacancies on the Board of Directors may be filled only by the affirmative vote of a majority

of the remaining directors in office, even if the remaining directors do not constitute a quorum. Any director elected to fill a vacancy shall serve for the remainder of the full term of the directorship in which the vacancy occurred and until a successor is elected and qualifies, subject to any applicable requirements of the Investment Company Act.

**Section 3.13 Compensation**. Directors shall not receive any stated salary for their services as directors but, by resolution of the Board of Directors, may receive compensation per year and/or per meeting and for any service or activity they performed or engaged in as directors. Directors may be reimbursed for expenses of attendance, if any, at each annual, regular or special meeting of the Board of Directors or of any committee thereof and for their expenses, if any, in connection with such service or activity they performed or engaged in as directors; but nothing herein contained shall be construed to preclude any directors from serving the Corporation in any other capacity and receiving compensation therefor.

**Section 3.14 Loss of Deposits**. No director shall be liable for any loss which may occur by reason of the failure of the bank, trust company, savings and loan association, or other institution with whom moneys or stock have been deposited.

**Section 3.15 Surety Bonds**. Unless required by law, no director shall be obligated to give any bond or surety or other security for the performance of any of his or her duties.

**Section 3.16 Reliance**. Each director, officer, employee and agent of the Corporation shall, in the performance of his or her duties with respect to the Corporation, be fully justified and protected with regard to any act or failure to act in reliance in good faith upon the books of account or other records of the Corporation, upon an opinion of counsel or upon reports made to the Corporation by any of its officers or employees or by the adviser, accountants, appraisers or other experts or consultants selected by the Board of Directors or officers of the Corporation, regardless of whether such counsel or expert may also be a director.

## ARTICLE IV.
## COMMITTEES

**Section 4.1 Number, Tenure and Qualifications**. The Board of Directors may appoint from among its members an Executive Committee, an Audit Committee, a Compensation Committee, a Nominating Committee and other committees, composed of one or more directors, to serve at the pleasure of the Board of Directors.

**Section 4.2 Powers**. The Board of Directors may delegate to committees appointed under Section 4.1 of this Article any of the powers of the Board of Directors, except as prohibited by law.

**Section 4.3 Meetings**. Notice of committee meetings shall be given in the same manner as notice for special meetings of the Board of Directors. A majority of the members of the committee shall constitute a quorum for the transaction of business at any meeting of the committee. The act of a majority of the committee members present at a meeting shall be the act

of such committee. The Board of Directors may designate a chairman of any committee, and such chairman or, in the absence of a chairman, any two members of any committee (if there are at least two members of the Committee) may fix the time and place of its meeting unless the Board shall otherwise provide. In the absence of any member of any such committee, the members thereof present at any meeting, whether or not they constitute a quorum, may appoint another director to act in the place of such absent member. Each committee shall keep minutes of its proceedings.

**Section 4.4 Telephone Meetings**. Members of a committee of the Board of Directors may participate in a meeting by means of a conference telephone or other communications equipment if all persons participating in the meeting can hear each other at the same time. Participation in a meeting by these means shall constitute presence in person at the meeting.

**Section 4.5 Written Consent by Committees**. Any action required or permitted to be taken at any meeting of a committee of the Board of Directors may be taken without a meeting, if each member of the committee signs a consent in writing to such action and such written consent is filed with the minutes of proceedings of such committee.

**Section 4.6 Vacancies**. Subject to the provisions hereof, the Board of Directors shall have the power at any time to change the membership of any committee, to fill all vacancies, to designate alternate members to replace any absent or disqualified member or to dissolve any such committee. Subject to the power of the Board of Directors, the members of the committee shall have the power to fill any vacancies on the committee.

## ARTICLE V.
## OFFICERS

**Section 5.1 Number**. The officers of the Corporation shall include a President, a Chief Executive Officer, a Secretary and a Treasurer and may include one or more Vice Presidents, a Chief Operating Officer, a Chief Financial Officer, a Chief Investment Officer, and one or more Managing Directors. In addition, the Board of Directors may from time to time elect such other officers with such powers and duties as it shall deem necessary or desirable. The officers of the Corporation shall be elected annually by the Board of Directors, except that the Chief Executive Officer or President may from time to time appoint one or more Vice Presidents or other officers. Each officer shall hold office until his or her successor is elected and qualifies or until death, resignation or removal in the manner hereinafter provided. The same person may hold any two or more offices except President and Vice President. Election of an officer or agent shall not of itself create contract rights between the Corporation and such officer or agent.

**Section 5.2 Removal and Resignation**. Any officer or agent of the Corporation may be removed, with or without cause, by the Board of Directors if in its judgment the best interests of the Corporation would be served thereby, but such removal shall be without prejudice to the contract rights, if any, of the person so removed. Any officer of the Corporation may resign at any time by giving written notice of his or her resignation to the Board of Directors, the Chairman of the Board, the President or the Secretary. Any resignation shall take effect

immediately upon its receipt or at such later time specified in the notice of resignation. The acceptance of a resignation shall not be necessary to make it effective unless otherwise stated in the resignation. Such resignation shall be without prejudice to the contract rights, if any, of the Corporation.

**Section 5.3 Vacancies**. A vacancy in any office may be filled by the Board of Directors for the balance of the term.

**Section 5.4 Chief Executive Officer**. The Board of Directors may designate a Chief Executive Officer. In the absence of such designation, the President shall be the Chief Executive Officer of the Corporation. The Chief Executive Officer shall have general responsibility for implementation of the policies of the Corporation, as determined by the Board of Directors, and for the management of the business and affairs of the Corporation.

**Section 5.5 President.** In the absence of a designation of a Chief Executive Officer by the Board of Directors, the President shall be the Chief Executive Officer. He or she may execute any deed, mortgage, bond, contract or other instrument, except in cases where the execution thereof shall be expressly delegated by the Board of Directors or by these Bylaws to some other officer or agent of the Corporation or shall be required by law to be otherwise executed, and in general shall perform all duties incident to the office of President and such other duties as may be prescribed by the Board of Directors from time to time.

**Section 5.6 Chief Financial Officer**. The Board of Directors may designate a Chief Financial Officer. The Chief Financial Officer shall have the responsibilities and duties as set forth by the Board of Directors or the Chief Executive Officer.

**Section 5.7 Chief Investment Officer**. The Board of Directors may designate a Chief Investment Officer. The Chief Investment Officer shall have the responsibilities and duties as set forth by the Board of Directors or the Chief Executive Officer.

**Section 5.8 Secretary**. The Secretary shall (a) keep the minutes of the proceedings of the stockholders, the Board of Directors, committees of the Board of Directors, and committees of the officers in one or more books provided for that purpose; (b) see that all notices are duly given in accordance with the provisions of these Bylaws or as required by law; (c) be custodian of the corporate records and of any seal adopted by the Corporation; (d) keep a register of the post office address of each stockholder which shall be furnished to the Secretary by such stockholder; (e) have general charge of the stock transfer books of the Corporation; and (f) in general perform such other duties as from time to time may be assigned to him by the Chief Executive Officer, the President or the Board of Directors.

**Section 5.9 Treasurer**. The Treasurer shall have the custody of the funds and securities of the Corporation and shall keep full and accurate accounts of receipts and disbursements in books belonging to the Corporation and shall deposit all moneys and other valuable effects in the name and to the credit of the Corporation in such depositories as may be designated by the Board of Directors. In the absence of a designation of a Chief Financial Officer by the Board of Directors, the Treasurer shall be the Chief Financial Officer of the

Corporation. The Treasurer shall disburse the funds of the Corporation as may be ordered by the Board of Directors, taking proper vouchers for such disbursements, and shall render to the President and Board of Directors, at the regular meetings of the Board of Directors or whenever it may so require, an account of all his or her transactions as Treasurer and of the financial condition of the Corporation. If required by the Board of Directors, the Treasurer shall give the Corporation a bond in such sum and with such surety or sureties as shall be satisfactory to the Board of Directors for the faithful performance of the duties of his or her office and for the restoration to the Corporation, in case of his or her death, resignation, retirement or removal from office, of all books, papers, vouchers, moneys and other property of whatever kind in his or her possession or under his or her control belonging to the Corporation.

**Section 5.10 Managing Directors.** The Managing Directors, if any, shall serve as executive officers of the Corporation. The Managing Directors shall perform such duties as shall be assigned to them by the President, the Chief Executive Officer or the Board of Directors.

**Section 5.11 Investment Committee and Other Committees.** The President, Chief Executive Officer, and Board of Directors shall appoint individuals to serve as members of the Corporation's Investment Committee. The Investment Committee shall perform such duties as required to evaluate investments of the Corporation, and shall perform such duties as shall be assigned to it by the President, the Chief Executive Officer or the Board of Directors. The President and Chief Executive Officer may, from time to time, establish other committees.

## ARTICLE VI.
## CONTRACTS, LOANS, CHECKS AND DEPOSITS

**Section 6.1 Contracts**. The Board of Directors may authorize any officer or agent to enter into any contract or to execute and deliver any instrument in the name of and on behalf of the Corporation and such authority may be general or confined to specific instances. Any agreement, deed, mortgage, lease or other document shall be valid and binding upon the Corporation when authorized or ratified by action of the Board of Directors and executed by an authorized person.

**Section 6.2 Checks and Drafts**. All checks, drafts or other orders for the payment of money, notes or other evidences of indebtedness issued in the name of the Corporation shall be signed by such officer or agent of the Corporation in such manner as shall from time to time be determined by the Board of Directors.

**Section 6.3 Deposits**. All funds of the Corporation not otherwise employed shall be deposited from time to time to the credit of the Corporation in such banks, trust companies or other depositories as the Board of Directors may designate.

## ARTICLE VII.
## STOCK

**Section 7.1 Certificates; Required Information.** In the event that the Corporation

issues shares of stock represented by certificates, such certificates shall be signed by the officers of the Corporation in the manner permitted by the MGCL and contain the statements and information required by the MGCL. In the event that the Corporation issues shares of stock without certificates, the Corporation shall provide to holders of such shares a written statement of the information required by the MGCL to be included on stock certificates.

**Section 7.2 Transfers When Certificates Issued.** Upon surrender to the Corporation or the transfer agent of the Corporation of a stock certificate duly endorsed or accompanied by proper evidence of succession, assignment or authority to transfer, the Corporation shall issue a new certificate to the person entitled thereto, cancel the old certificate and record the transaction upon its books. The Corporation shall be entitled to treat the holder of record of any share of stock as the holder in fact thereof and, accordingly, shall not be bound to recognize any equitable or other claim to or interest in such share or on the part of any other person, whether or not it shall have express or other notice thereof, except as otherwise provided by the laws of the State of Maryland. Notwithstanding the foregoing, transfers of shares of any class of stock will be subject in all respects to the charter of the Corporation and all of the terms and conditions contained therein.

**Section 7.3 Replacement Certificate.** The President, the Secretary, the Treasurer or any officer designated by the Board of Directors may direct a new certificate to be issued in place of any certificate previously issued by the Corporation alleged to have been lost, stolen or destroyed upon the making of an affidavit of that fact by the person claiming the certificate to be lost, stolen or destroyed. When authorizing the issuance of a new certificate, an officer designated by the Board of Directors may, in his or her discretion and as a condition precedent to the issuance thereof, require the owner of such lost, stolen or destroyed certificate or the owner's legal representative to advertise the same in such manner as he or she shall require and/or to give bond, with sufficient surety, to the Corporation to indemnify it against any loss or claim which may arise as a result of the issuance of a new certificate.

**Section 7.4 Closing of Transfer Books or Fixing of Record Date.** The Board of Directors may set, in advance, a record date for the purpose of determining stockholders entitled to notice of or to vote at any meeting of stockholders or determining stockholders entitled to receive payment of any dividend or the allotment of any other rights, or in order to make a determination of stockholders for any other proper purpose. Such date, in any case, shall not be prior to the close of business on the day the record date is fixed and shall be not more than 90 days and, in the case of a meeting of stockholders, not less than ten days, before the date on which the meeting or particular action requiring such determination of stockholders of record is to be held or taken. In lieu of fixing a record date, the Board of Directors may provide that the stock transfer books shall be closed for a stated period but not longer than 20 days. If the stock transfer books are closed for the purpose of determining stockholders entitled to notice of or to vote at a meeting of stockholders, such books shall be closed for at least ten days before the date of such meeting. If no record date is fixed and the stock transfer books are not closed for the determination of stockholders, (a) the record date for the determination of stockholders entitled to notice of or to vote at a meeting of stockholders shall be at the close of business on the day on which the notice of meeting is mailed or the 30th day before the meeting, whichever is the closer date to the meeting; and (b) the record date for the determination of stockholders entitled to

receive payment of a dividend or an allotment of any other rights shall be the close of business on the day on which the resolution of the directors, declaring the dividend or allotment of rights, is adopted. When a determination of stockholders entitled to vote at any meeting of stockholders has been made as provided in this section, such determination shall apply to any adjournment thereof, except when (i) the determination has been made through the closing of the transfer books and the stated period of closing has expired or (ii) the meeting is adjourned to a date more than 120 days after the record date fixed for the original meeting, in either of which case a new record date shall be determined as set forth herein.

**Section 7.5 Stock Ledger**. The Corporation shall maintain at its principal office or at the office of its counsel, accountants or transfer agent, an original or duplicate share ledger containing the name and address of each stockholder and the number of shares of each class held by such stockholder.

**Section 7.6 Fractional Stock; Issuance of Units**. The Board of Directors may issue fractional stock or provide for the issuance of scrip, all on such terms and under such conditions as they may determine. Notwithstanding any other provision of the charter or these Bylaws, the Board of Directors may issue units consisting of different securities of the Corporation. Any security issued in a unit shall have the same characteristics as any identical securities issued by the Corporation, except that the Board of Directors may provide that for specified period securities of the Corporation issued in such unit may be transferred on the books of the Corporation only in such unit.

## ARTICLE VIII.
## ACCOUNTING YEAR

The Board of Directors shall have the power, from time to time, to fix the fiscal year of the Corporation by a duly adopted resolution.

## ARTICLE IX.
## DISTRIBUTIONS

**Section 9.1 Authorization**. Dividends and other distributions upon the stock of the Corporation may be authorized by the Board of Directors, subject to the provisions of law and the charter of the Corporation. Dividends and other distributions may be paid in cash, property or stock of the Corporation, subject to the provisions of law and the charter.

**Section 9.2 Contingencies**. Before payment of any dividends or other distributions, there may be set aside out of any assets of the Corporation available for dividends or other distributions such sum or sums as the Board of Directors may from time to time, in its absolute discretion, think proper as a reserve fund for contingencies, for equalizing dividends or other distributions, for repairing or maintaining any property of the Corporation or for such other purpose as the Board of Directors shall determine to be in the best interest of the Corporation, and the Board of Directors may modify or abolish any such reserve.

## ARTICLE X.
## SEAL

**Section 10.1 Seal**. The Board of Directors may authorize the adoption of a seal by the Corporation. The seal shall contain the name of the Corporation and the year of its incorporation and the words “Incorporated Maryland.” The Board of Directors may authorize one or more duplicate seals and provide for the custody thereof.

**Section 10.2 Affixing Seal.** Whenever the Corporation is permitted or required to affix its seal to a document, it shall be sufficient to meet the requirements of any law, rule or regulation relating to a seal to place the word “(SEAL)” adjacent to the signature of the person authorized to execute the document on behalf of the Corporation.

## ARTICLE XI.
## INDEMNIFICATION AND ADVANCE OF EXPENSES

To the maximum extent permitted by Maryland law and the Investment Company Act of 1940, in effect from time to time, the Corporation shall indemnify and, without requiring a preliminary determination of the ultimate entitlement to indemnification, shall pay or reimburse reasonable expenses in advance of final disposition of a proceeding to (a) any individual who is a present or former director or officer of the Corporation and who is made, or threatened to be made, a party to the proceeding by reason of his or her service in that capacity or (b) any individual who, while a director or officer of the Corporation and at the request of the Corporation, serves or has served as a director, officer, partner or trustee of another corporation, partnership, joint venture, trust, employee benefit plan or other enterprise and who is made a party to the proceeding by reason of his or her service in any such capacity. The Corporation may, with the approval of its Board of Directors, provide such indemnification and advance for expenses to a person who served a predecessor of the Corporation in any of the capacities described in (a) or (b) above and to any employee or agent of the Corporation or a predecessor of the Corporation upon receipt of an undertaking by or on behalf of such indemnified person to repay amounts that have so been paid if it is ultimately determined that indemnification of such expenses is not authorized under these Bylaws. Neither the amendment nor repeal of this Article, nor the adoption or amendment of any other provision of the Bylaws or charter of the Corporation inconsistent with this Article, shall apply to or affect in any respect the applicability of the preceding paragraph with respect to any act or failure to act that occurred prior to such amendment, repeal or adoption. No provision of this Article XI shall be effective to protect or purport to protect any director or officer of the Corporation against liability to the Corporation or its stockholders with respect to any matter as to which such person shall have been finally adjudicated in any proceeding not to have acted in good faith in the reasonable belief that his or her action was in the best interest of the Corporation by reason of willful misfeasance, bad faith, gross negligence or reckless disregard of the duties involved in the conduct of his or her office.

## ARTICLE XII.
## WAIVER OF NOTICE

Whenever any notice is required to be given pursuant to the charter of the Corporation or these Bylaws or pursuant to applicable law, a waiver thereof in writing, signed by the person or persons entitled to such notice, whether before or after the time stated therein, shall be deemed equivalent to the giving of such notice. Neither the business to be transacted at nor the purpose of any meeting need be set forth in the waiver of notice, unless specifically required by statute. The attendance of any person at any meeting shall constitute a waiver of notice of such meeting, except where such person attends a meeting for the express purpose of objecting to the transaction of any business on the ground that the meeting is not lawfully called or convened.

## ARTICLE XIII.
## INSPECTION OF RECORDS

A stockholder who is otherwise eligible under the MGCL to inspect certain books and records of the Corporation shall have no right to inspect any such books and records if the Board of Directors determines that such stockholder has an improper purpose for such inspection.

## ARTICLE XIV.
## INVESTMENT COMPANY ACT

If and to the extent that any provision of the MGCL, including, without limitation, Subtitle 6 and, if then applicable, Subtitle 7, of Title 3 of the MGCL, or any provision of the charter or these Bylaws conflicts with any provision of the Investment Company Act, the applicable provision of the Investment Company Act shall control.

## ARTICLE XV.
## AMENDMENT OF BYLAWS

The Board of Directors shall have the exclusive power to adopt, alter or repeal any provision of these Bylaws and to make new Bylaws.

**Exhibit (e)**

**FORM OF**
**TRIANGLE CAPITAL CORPORATION'S**
**DIVIDEND REINVESTMENT PLAN**

Triangle Capital Corporation, a Maryland corporation (the "Corporation"), hereby adopts the following plan (the "Plan") with respect to dividends and distributions declared by its Board of Directors (the "Board of Directors") on shares of its common stock, par value $0.001 per share (the "Common Stock"):

1. Unless a stockholder specifically elects to receive cash as set forth below, all cash dividends and distributions hereafter declared by the Board of Directors shall be payable in shares of the Common Stock of the Corporation, and no action shall be required on such stockholder's part to receive a distribution in stock.

2. Such cash dividends and distributions shall be payable on such date or dates as may be fixed from time to time by the Board of Directors to stockholders of record at the close of business on the record date(s) established by the Board of Directors for the dividend and/or distribution involved.

3. The Corporation intends to use primarily newly-issued shares of its Common Stock to implement the Plan, so long as the Corporation's Common Stock is trading at or above net asset value. If the Corporation's Common Stock is trading below net asset value, the Corporation will purchase shares in the open market to implement the Plan. However, the Corporation reserves the right to purchase shares in the open market at any time in connection with its obligations under the Plan. If dividends and distributions are reinvested in newly-issued shares, then the number of shares to be issued to a stockholder shall be determined by dividing the total dollar amount of the distribution payable to such stockholder by the market price per share of the Corporation's Common Stock at the close of regular trading on the NASDAQ Global Market on the valuation date fixed by the Board of Directors for such distribution. Market price per share on that date shall be the closing price for such shares on the NASDAQ Global Market or, if no sale is reported for such day, at the average of their reported bid and asked prices. If dividends and distributions are reinvested in shares purchased on the open market, then the number of shares received by a stockholder shall be determined by dividing the total dollar amount of the distribution payable to such stockholder by the average price per share for all shares purchased by the Plan Administrator on the open market in connection with such distribution.

4. A stockholder may, however, elect to receive his, her or its dividends and distributions in cash. To exercise this option, such stockholder shall notify [_____], the plan administrator (the "Plan Administrator"), so that such notice is received by the Plan Administrator no later than three (3) days prior to the payment date fixed by the Board of Directors for the dividend and/or distribution involved for the payment to be paid in cash. If such notice is received by the Plan Administrator less than three (3) days prior to the payment date, then that dividend will be reinvested pursuant to the terms of the Plan and any subsequent dividends will be paid in cash.

5. The Plan Administrator will set up an account for shares acquired pursuant to the Plan for each stockholder who has not so elected to receive dividends and distributions in cash (each a “Participant”). The Plan Administrator may hold each Participant’s shares, together with the shares of other Participants, in non-certificated form in the Plan Administrator’s name or that of its nominee. Upon request by a Participant, received no later than three (3) days prior to a payment date, the Plan Administrator will promptly terminate the Participant’s account and, instead of crediting shares to and/or carrying shares in a Participant’s account, will issue a certificate registered in the Participant’s name for the number of whole shares registered to the Participant and a check for any fractional interest, the value of which will be calculated using the market value of the Corporation’s shares determined in accordance with Section 3 hereof, less any service fees. If a request to terminate a Participant’s account is received by the Plan Administrator less than three (3) days prior to a payment date, then the shares payable to the Participant in connection with that distribution will be credited to the Participant’s account and, for subsequent distributions, the Participant will receive his, her or its dividends and distributions in cash.

6. Upon request by a Participant, the Plan Administrator will, without charge to the Participant, issue a certificate registered in the Participant’s name for the number of whole shares registered to the Participant without terminating the Participant’s account.

7. The Plan Administrator will confirm to each Participant each acquisition made pursuant to the Plan as soon as practicable after the date of each acquisition. Although each Participant may from time to time have an undivided fractional interest (computed to three decimal places) in a share of Common Stock of the Corporation, no certificates for a fractional share will be issued. However, dividends and distributions on fractional shares will be credited to each Participant’s account. In the event of termination of a Participant’s account under the Plan, the Plan Administrator will adjust for any such undivided fractional interest in cash at the market value of the Corporation’s shares at the time of termination.

8. The Plan Administrator will forward to each Participant any Corporation-related proxy solicitation materials and each Corporation report or other communication to stockholders, and will vote any shares held by it under the Plan in accordance with the instructions set forth on proxies returned by Participants to the Corporation.

9. In the event that the Corporation makes available to its stockholders rights to purchase additional shares or other securities, the shares held by the Plan Administrator for each Participant under the Plan will be added to any other shares held by the Participant in certificated form in calculating the number of rights to be issued to the Participant.

10. The Plan Administrator’s service fee, if any, for purchases made pursuant to the Plan, and expenses for administering the Plan will be paid for by the Corporation.

11. Each Participant may terminate his, her or its account under the Plan by so notifying the Plan Administrator via the Plan Administrator’s website at [_____], by filling out the transaction request form located at the bottom of the Participant’s Statement and sending it to [ _____], Attn: Dividend Reinvestment Department, [_____], or by calling the

Plan Administrator's hotline at [_____]. Such termination will be effective immediately. The Plan may be terminated by the Corporation upon notice in writing mailed to each Participant at least 30 days prior to any record date for the payment of any dividend or distribution by the Corporation. Upon any termination, the Plan Administrator will cause a certificate or certificates to be issued for the full shares held for the Participant under the Plan and a cash adjustment for any fractional share to be delivered to the Participant without charge to the Participant. If a Participant elects by his, her or its notice to the Plan Administrator in advance of termination to have the Plan Administrator sell part or all of his, her or its shares and remit the proceeds to the Participant, the Plan Administrator is authorized to deduct a fee of $15.00 plus a brokerage commission of $0.10 per share from the proceeds. A sale request that is received (i) by mail before [12:00 p.m. Eastern Time], or (ii) via the internet or by telephone before 4:00 p.m. Eastern Time, will, subject to market conditions and their factors, generally be sold the next business day. To submit a sale request via the Internet, a Participant must have his, her or its 10-digit account number as provided by the Plan Administrator, and his, her or its social security number or federal taxpayer identification number, as applicable.

12. Any shares issued in connection with a stock dividend or stock split declared by the Corporation will be added to the Participant's account with the Plan Administrator. Transaction processing may be curtailed or suspended until the completion of such stock split or payment of such stock dividend.

13. These terms and conditions may be amended or supplemented by the Corporation at any time but, except when necessary or appropriate to comply with applicable law or the rules or policies of the Securities and Exchange Commission or any other regulatory authority, only by mailing to each Participant appropriate written notice at least 30 days prior to the effective date thereof. The amendment or supplement shall be deemed to be accepted by each Participant unless, prior to the effective date thereof, the Plan Administrator receives written notice of the termination of his, her or its account under the Plan. Any such amendment may include an appointment by the Plan Administrator in its place and stead of a successor agent under these terms and conditions, with full power and authority to perform all or any of the acts to be performed by the Plan Administrator under these terms and conditions. Upon any such appointment of any agent for the purpose of receiving dividends and distributions, the Corporation will be authorized to pay to such successor agent, for each Participant's account, all dividends and distributions payable on shares of the Corporation held in the Participant's name or under the Plan for retention or application by such successor agent as provided in these terms and conditions.

14. The Plan Administrator will at all times act in good faith for all purchases and sales and will use its commercially reasonable best efforts to ensure its full and timely performance of all services to be performed by it under this Plan and to comply with applicable law, but assumes no responsibility and shall not be liable for loss or damage due to errors unless such error is caused by the Plan Administrator's gross negligence, bad faith, or willful misconduct or that of its employees or agents.

15. A Participant may request to have some or all of the Participant's shares certificated or sold without terminating his, her or its account with the Plan Administrator. The Plan

Administrator does not charge a fee for providing certificated shares, but charges a fee of $15.00 plus a brokerage commission of $0.10 per share for shares sold by the Plan Administrator.

16. A Participant may deposit certificated shares into the Participant's account with the Plan Administrator at any time. The Plan Administrator charges a Participant a one-time fee of $7.50 for this service. The Participant, and not the Corporation, will pay this fee.

17. These terms and conditions shall be governed by the laws of the State of New York, including without limitation, Section 5-1401 of the New York General Obligations Law.

Dated [_____]

**Exhibit (l)**

**[LETTERHEAD OF VENABLE LLP]**

December 29, 2006

Triangle Capital Corporation
Suite 104
3600 Glenwood Avenue
Raleigh, North Carolina 27612

Re: Registration Statement on Form N-2:
File No.: 333-138418

Ladies and Gentlemen:

We have served as Maryland counsel to Triangle Capital Corporation, a Maryland corporation (the "Company"), and a business development company under the Investment Company Act of 1940, as amended (the "1940 Act"), in connection with certain matters of Maryland law arising out of the registration of 4,025,000 shares (the "Shares") of common stock, $0.001 par value per share (the "Common Stock"), of the Company to be issued in an underwritten initial public offering, covered by the above-referenced Registration Statement, and all amendments thereto (the "Registration Statement"), filed by the Company with the Securities and Exchange Commission (the "Commission") under the Securities Act of 1933, as amended (the "1933 Act"). Unless otherwise defined herein, capitalized terms used herein shall have the meanings assigned to them in the Registration Statement.

In connection with our representation of the Company, and as a basis for the opinion hereinafter set forth, we have examined originals, or copies certified or otherwise identified to our satisfaction, of the following documents (hereinafter collectively referred to as the "Documents"):

1. The Registration Statement and the form of prospectus included therein, substantially in the form transmitted to the Commission under the 1933 Act;

2. The charter of the Company, certified as of a recent date by the State Department of Assessments and Taxation of Maryland (the "SDAT");

3. The form of Articles of Amendment and Restatement of the Company to be filed with the SDAT prior to the issuance of the Shares (the "New Charter"), certified as of the date hereof by an officer of the Company;

4. The Amended and Restated Bylaws of the Company, certified as of the date hereof by an officer of the Company;

5. A certificate of the SDAT as to the good standing of the Company, dated as of a recent date;

6. Resolutions adopted by the Board of Directors of the Company (the "Board") relating to the registration of the Shares (the "Resolutions"), certified as of the date hereof by an officer of the Company;

7. A certificate executed by an officer of the Company, dated as of the date hereof; and

8. Such other documents and matters as we have deemed necessary or appropriate to express the opinion set forth below, subject to the assumptions, limitations and qualifications stated herein.

In expressing the opinion set forth below, we have assumed the following:

1. Each individual executing any of the Documents, whether on behalf of such individual or any other person, is legally competent to do so.

2. Each individual executing any of the Documents on behalf of a party (other than the Company) is duly authorized to do so.

3. Each of the parties (other than the Company) executing any of the Documents has duly and validly executed and delivered each of the Documents to which such party is a signatory, and such party's obligations set forth therein are legal, valid and binding and are enforceable in accordance with all stated terms.

4. All Documents submitted to us as originals are authentic. The form and content of all Documents submitted to us as unexecuted drafts do not differ in any respect relevant to this opinion from the form and content of such Documents as executed and delivered. All Documents submitted to us as certified or photostatic copies conform to the original documents. All signatures on all such Documents are genuine. All public records reviewed or relied upon by us or on our behalf are true and complete. All representations, warranties, statements and information contained in the Documents are true and complete. There has been no oral or written modification of or amendment to any of the Documents, and there has been no waiver of any provision of any of the Documents, by action or omission of the parties or otherwise.

5. Prior to the issuance of the Shares, (a) the New Charter will have been filed with, and accepted for record by, the SDAT and (b) the Board or a duly authorized

committee thereof will authorize and approve the issuance and certain terms of the Shares (the “Corporate Proceedings”).

Based upon the foregoing, and subject to the assumptions, limitations and qualifications stated herein, it is our opinion that:

1. The Company is a corporation duly incorporated and existing under and by virtue of the laws of the State of Maryland and is in good standing with the SDAT.

2. Upon completion of the Corporate Proceedings, the issuance of the Shares will have been duly authorized and, when and if delivered against payment therefor in accordance with the Registration Statement, the Resolutions and the Corporate Proceedings, the Shares will be (assuming that, upon any issuance of the Shares, the total number of shares of Common Stock issued and outstanding will not exceed the total number of shares of Common Stock that the Company is then authorized to issue under the New Charter) validly issued, fully paid and nonassessable.

The foregoing opinion is limited to the substantive laws of the State of Maryland and we do not express any opinion herein concerning any other law. We express no opinion as to compliance with federal or state securities laws, including the securities laws of the State of Maryland, or the 1940 Act.

The opinion expressed herein is limited to the matters specifically set forth herein and no other opinion shall be inferred beyond the matters expressly stated. We assume no obligation to supplement this opinion if any applicable law changes after the date hereof or if we become aware of any fact that might change the opinion expressed herein after the date hereof.

This opinion is being furnished to you for submission to the Commission as an exhibit to the Registration Statement. We hereby consent to the filing of this opinion as an exhibit to the Registration Statement. In giving this consent, we do not admit that we are within the category of persons whose consent is required by Section 7 of the 1933 Act.

Very truly yours,

/s/ Venable LLP

**Exhibit (n) (1)**

**Consent of Independent Registered Public Accounting Firm**

We consent to the reference to our firm under the captions “Selected Financial and Other Data”, “Senior Securities” and “Independent Registered Public Accounting Firm” and to the use of our reports dated December 27, 2006, in Amendment No. 1 to the Registration Statement (Form N-2) No. 333-138418 and related Prospectus of Triangle Capital Corporation dated December 29, 2006.

/s/ Ernst & Young LLP

Raleigh, North Carolina
December 27, 2006.

Exhibit (n)(2)

**REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM**

To the General Partner
Triangle Mezzanine Fund LLLP

We have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the financial statements of Triangle Mezzanine Fund LLLP (the "Existing Fund") as of September 30, 2006 and have issued our report thereon dated December 27, 2006. We also have audited the accompanying senior securities table (the "table") included in the accompanying Amendment No. 1 to the registration statement (Form N-2) of Triangle Mezzanine Fund LLLP as of September 30, 2006. The table is the responsibility of the Existing Fund's management. Our responsibility is to express an opinion on the table based on our audit.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the table is free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the table. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall schedule presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the table referred to above presents fairly, in all material respects, the senior securities, as defined in Section 18 of the Investment Company Act of 1940, of Triangle Mezzanine Fund LLLP at September 30, 2006 in conformity with U.S. generally accepted accounting principles.

/s/ Ernst & Young LLP

Raleigh, North Carolina
December 27, 2006

BASS, BERRY & SIMS PLC
*Attorneys at Law*

A PROFESSIONAL LIMITED LIABILITY COMPANY

The Tower at Peabody Place
100 Peabody Place, Suite 900
Memphis, Tennessee 38103-3672
(901) 543-5900

December 29, 2006

*VIA EDGAR AND FED EX*

Vincent J. Di Stefano, Senior Counsel
United States Securities and Exchange Commission
Division of Investment Management
100 F Street, N.E.
Washington, D.C. 20549

**Re: Triangle Capital Corporation**
**Registration Statement on Form N-2**
**File No. 333-138418**

Dear Mr. Di Stefano:

On behalf of Triangle Capital Corporation (the "Company"), we are transmitting for filing one copy of Pre-Effective Amendment No. 1 (the "Amendment") to the Registration Statement on Form N-2, File No. 333-138418 (the "Registration Statement"), marked to show changes from the Registration Statement filed with the Securities and Exchange Commission (the "Commission") on November 3, 2006.

The Amendment is being filed in response to comments received from the staff of the Division of Investment Management (the "Staff") of the Commission by letter dated December 18, 2006, with respect to the Registration Statement. Capitalized terms used but not otherwise defined in this response letter that are defined in the Registration Statement, shall have the meanings set forth in the Registration Statement. We have also noted that you have referred to the registrant throughout the comment letter as the "Fund." In order to avoid confusion with Triangle Mezzanine Fund LLP, which we have referred to in this letter and in the prospectus as the "Existing Fund," we have referred to the registrant in this letter as the "Company."

Prospectus

Cover

COMMENT 1: Please disclose prominently that the Fund's securities have no history of public trading. See Item 1.1.i. of Form N-2.

**RESPONSE**: **In response to the Staff's comment, we have made the requested change in the first bold-face paragraph on the cover page of the Prospectus.**

COMMENT 2: Please disclose that an investment in the Fund presents a heightened risk of total loss of investment and make prominent the disclosure that the Fund is subject to special risks. See Item 1.1.j. of Form N-2.

**RESPONSE: In response to the Staff's comment, we have made the requested change in the first bold-face paragraph on the cover page of the Prospectus.**

COMMENT 3: The disclosure indicates that the Fund will not become a business development company ("BDC") until completion of this offering. The Company, however, became a BDC, subject to the requirements of the Investment Company Act of 1940 (the "Act"), at the time it filed its Form N-54A. Please revise the applicable disclosure accordingly and confirm that the Fund is in compliance with the applicable provisions of the Act, including currently operating as a BDC. Also, please note that the Fund is now subject to the reporting requirements of the Securities Exchange Act of 1934, and must be compliant within 60 days of the date of filing its Form 8-A12B.

**RESPONSE: In response to the Staff's comment, we respectfully note that the first paragraph of the cover page of the Prospectus states that the Company has elected to be treated as a BDC. We supplementally advise the Staff that the Company has not yet effected the formation transactions described in the Prospectus or otherwise raised any capital; accordingly, at this time it has no assets and conducts no operations. The Company has identified four directors who are not "interested persons" who will comprise a majority of the board of directors in compliance with Section 56(a) of the 1940 Act and has procured their respective agreements to serve. However, such persons have not yet formally joined the board of directors. It is anticipated that these persons will join the board of directors prior to the time the offering is conducted and will approve the offering and determine the net asset value pursuant to Section 23 of the 1940 Act prior to the offering.**

**In addition, we supplementally advise the Staff that Section 13(a) of the Securities Exchange Act of 1934 (the "Exchange Act"), requires any issuer that has a class of securities registered pursuant to Section 12 of the Exchange Act to file annual and periodic reports with the Commission. On November 3, 2006, the Company filed Form 8-A, registering the Company's common stock under Section 12(b) of the Exchange Act. Pursuant to Paragraph (c)(2) under General Instruction A of such form, a registration statement on Form 8-A becomes effective upon the later of receipt by the Commission of certification from the national securities exchange listed in the form or effectiveness of the Securities Act registration statement (in this case, the Company's Registration Statement on Form N-2). Therefore, the Company will not be subject to the reporting requirement of the Exchange Act until the Commission has received the required certification from the national securities exchange listed in the Company's Form 8-A or the Commission declares the Registration Statement effective under the Securities Act.**

Table of Contents

COMMENT 4: Please delete the last sentence of the paragraph immediately following the table of contents, or disclose that the Fund will update the disclosure for material changes.

**RESPONSE: In response to the Staff's comment, we have made the requested change to the Prospectus by deleting the last sentence of the paragraph immediately following the table of contents.**

Summary

COMMENT 5: It appears that the word "we," as used in the disclosure, applies to at least three different entities; the term "the fund" applies to at least two. Please provide specific definitions of these terms when first used and ensure consistent usage throughout the registration statement.

**RESPONSE: In response to the Staff's comment, we have revised the disclosure throughout the Prospectus where the use of the term "the fund" was confusing, particularly when describing the formation transactions or discussing the SBIC status of Triangle Mezzanine Fund LLLP, to clearly identify Triangle Mezzanine Fund LLLP as the Existing Fund (using a capitalized defined term). Moreover, we have used the terms "we" and "us" in more generic disclosure about the business where the context would not, in our view, be confusing to investors. We strongly believe that the use of the terms "we" and "us" where used in the context of discussing the business activities (contrasted with discussions of the formation transactions or the SBIC status of Triangle Mezzanine Fund LLLP) is more readable and consistent with the SEC's plain English mandate.**

COMMENT 6: The descriptions of the formation transactions are vague and confusing. Please revise all descriptions of these transactions in plain English. Please note that the staff may have additional comments regarding the nature and propriety of the formation transactions upon review of the revised disclosure.

**RESPONSE: In response to the Staff's comment, we have revised the Prospectus to simplify and clarify the description of the formation transactions and have repeated the organizational structural chart in the summary. See pages 5, 6, 25 and 26 of the Prospectus.**

COMMENT 7: Please explain to the staff why Triangle Mezzanine Fund did not register as an investment company prior to filing its Form N-54A. If you believe Triangle Mezzanine Fund did not fall within the ambit of the Act, please explain why.

**RESPONSE: In response to the Staff's comment, we respectfully submit that Triangle Mezzanine Fund LLLP (which we now refer to as the "Existing Fund" throughout the Prospectus) has not yet filed a Registration Statement on Form N-5 or a BDC election on Form N-54A. The Form N-54A currently on file with the Commission is for the Company (Triangle Capital Corporation). The Existing Fund currently is a private investment company exempt from registration under the Investment Company Act of 1940 (the "1940 Act") by reason of Section 3(c)(1) of the 1940 Act. The Existing Fund does not currently propose to offer its securities to the public. However, at such time as the Company acquires 100% of the equity interests in the Existing Fund, the Existing Fund will be owned by more than 100 persons by reason of the attribution principle described in Section 3(c)(1)(A). Therefore, it is at the time the Existing Fund is acquired by the Company that it will no longer qualify for the exemption from 1940 Act registration provided by Section 3(c)(1) and will register under the 1940 Act on Form N-5 and file its**

**BDC election on Form N-54A. The Existing Fund will not be acquired by the Company unless and until completion of the Company's initial public offering and SBA approval. If not acquired by the Company, we believe the Existing Fund will continue to qualify for exemption from 1940 Act registration under Section 3(c)(1).**

COMMENT 8: Please disclose the exemptive relief the Fund intends to seek from the Commission. Please explain to us the legal bases for relief.

**RESPONSE: In response to the Staff's comment, we supplementally advise the Staff that the Company and the Existing Fund have today jointly filed an application for an order of the Commission pursuant to Sections 6(c), 12(d)(l)(J), 57(c), and 57(i) of, and Rule 17d-1 under, the 1940 Act, granting exemptions from the provisions of Sections 2(a)(3), 2(a)(19), 12(d)(l), 17(a), 18(a), 21(b), 57(a)(1), (2), (3), and (4), and 61(a) of the 1940 Act to the extent necessary to permit the Company and the Existing Fund to operate in accordance with their respective business plans, all as described in the Application. We have sent to you by FedEx a courtesy copy of the filed Application. The Application also requests an order under Section 12(h) of the Exchange Act, granting an exemption for the Existing Fund from being required to report separately under Section 1 3(a) of the Exchange Act and permitting the Company and the Existing Fund to file consolidated financial statements.**

COMMENT 9: Please define and briefly explain the acronym "EBITDA" in plain English.

**RESPONSE: With respect to the Staff's request to define and briefly explain the acronym "EBITDA," we respectfully note that this disclosure is already included in the second paragraph under the heading "Triangle Capital Corporation" on page 1 of the Prospectus.**

Our Market Opportunity

COMMENT 10: Please disclose the date to which the Dunn and Bradstreet data disclosed in this section relate.

**RESPONSE: In response to the Staff's comment, we have made the requested change. Please see pages 2 and 40 of the Prospectus.**

Our Business Strategy

COMMENT 11: Since the Fund is non-diversified, please revise the paragraph "Maintaining Portfolio Diversification."

**RESPONSE: In response to the Staff's comment, we have revised the paragraph "Maintaining Portfolio Diversification" to clarify that we may from time to time hold securities of a single portfolio company that comprise more than 5% of out total assets and/or more than 10% of the outstanding voting securities of the portfolio company. Please see pages 3 and 41 of the Prospectus.**

Our Investment Portfolio

COMMENT 12: Please state that the data in this section has not been audited.

**RESPONSE**: **In response to the Staff's comment, we have made the requested change to the introductory paragraph to the table on page 4 of the Prospectus.**

COMMENT 13: Please inform us how the portfolio yield has been calculated, *i.e.*, by the SEC method, or otherwise.

**RESPONSE: In response to the Staff's comment, we supplementally advise the Staff that the portfolio's weighted average yield is determined by taking into account the proportional contribution of each investment in the portfolio relative to the total portfolio as of the measurement date. The summation of the proportional yields equals the weighted average yield. The proportional yield is calculated by multiplying the actual yield by the investment value in proportion to the total portfolio as of the measurement date. In the case of subordinated debt, the yield for each investment is based on the interest rate stated in the debenture as of the measurement date. In the case of an equity investment, the dividend yield, if any, is used to represent the yield. In most cases, the equity investments do not have a yield. The cost basis for each investment as of the measurement date is used to determine each investment's respective contribution to the total portfolio.**

COMMENT 14: Please include in the table of portfolio holdings a column disclosing the current fair value of each holding.

**RESPONSE**: **With respect to the Staff's request to add a column disclosing the current fair value of each holding, we respectfully note that this disclosure is already included in the table included on page 50 of the Prospectus under the section entitled "Portfolio Companies" as well as in the financial statements on pages F-7 through F-11.**

COMMENT 15: Please disclose in the paragraph preceding the table of portfolio holdings that there is no assurance that the portfolio yield will remain at its current level.

**RESPONSE: In response to the Staff's comment, we have added the requested language in the paragraph preceding the table on page 4 of the Prospectus.**

COMMENT 16: Please clarify whether the PIK interest is securities of the same type, by the same issuer, or otherwise.

**RESPONSE: In response to the Staff's comment, we have revised the disclosure regarding PIK interest to clarify that such interest involves securities of the same type and by the same issuer. See footnote 2 on pages 4 and 51 of the Prospectus.**

Formation Transactions

COMMENT 17: Why will the Fund use only "a portion of the net proceeds of the offering" to make new investments? What amount of the offering proceeds will be used to make new investments? For what purposes will the rest of the offering proceeds be used?

**RESPONSE**: **In response to the Staff's comment, we have clarified the use of proceeds disclosures on pages 7 and 28 of the Prospectus.**

COMMENT 18: The disclosure in this section indicates that limited partners of the Fund will receive shares of common stock with a value (based on the public offering price per share in this offering) equal to at least $21,250,000. Please clarify how the shares the limited partners will receive will be valued; will the public offering price equal the value, or will the value be a function of the public offering price?

**RESPONSE**: **In this Pre-Effective Amendment No. 1, we have set the initial public offering price at $15.00 per share and have determined the number of shares to be offered. In that regard, we have fixed the number of shares to be received by the limited partners of the Existing Fund and the members of TML in the formation transactions. In response to the Staff's comment, we have simplified the disclosure, specified the number of shares to be received by each group of owners of the Existing Fund and clarified the value that the limited partners and general partners will receive in connection with the formation transactions. See pages 5 and 25 of the Prospectus. We have also added a risk factor on page 22 disclosing that the value of the common stock issued in the formation transactions is not based on an independent appraisal or arms-length negotiations with unrelated third parties having no interest in the formation transactions.**

COMMENT 19: Please describe in more detail TML's "20% carried interest." The financial statements do not indicate such a contribution by TML to the Fund's capital. Why will the members of TML receive stock with an aggregate value of $7,500,000?

**RESPONSE**: **TML is entitled to receive 20% of the profits and capital of the Existing Fund after the limited partners have received a return of their invested capital plus a 7% preferred return. TML received this interest for performing the function of and assuming the risk as general partner of the Existing Fund and did not make a capital contribution. The $7,500,000 fixed value is based on the estimated present value of the 20% carried interest to which TML would be entitled if the Existing Fund continued to operate its present structure. In addition, the formation transactions were approved by 90% of the limited partners after full disclosure of the value to be received by each party involved. We have modified the disclosure on pages 5 and 25 of the Prospectus to more clearly describe the carried interest and its value in relation to the exchange for the Company's shares.**

COMMENT 20: It appears that you believe that the transfers of Company shares to TML's members and the former limited partners of the Triangle Mezzanine Fund are not transactions with affiliated persons of the Fund, subject to Section 57 of the Investment Company Act of 1940. If so, please inform us of the legal support for your position.

**RESPONSE**: **In the formation transactions, the limited partners of the Existing Fund will exchange their limited partnership interests in the Existing Fund for shares of**

**the Company's common stock having an aggregate value of $21,250,000. 34 out of 35 limited partners, being entitled to $20,750,000 of the $21,250,000 total value of Company common stock to be issued to the limited partners of the Existing Fund in the formation transactions, are persons who are not described in Section 57(b) or 57(e) of the 1940 Act. Therefore, Sections 57(a) and 57(d) of the 1940 Act do not apply to such exchanges.**

**In the formation transactions, the members of TML will exchange their membership interests in TML for shares of the Company's common stock having an aggregate value of $7,500,000. TML holds a 20% interest (after return of investment and a preferred return to the limited partners) as a general partner in the Existing Fund. Four out of 9 members of TML are persons who are not described in Section 57(b) or 57(e) of the 1940 Act. Therefore, Sections 57(a) and 57(d) of the 1940 Act do not apply to such exchanges.**

**Prior to filing the Registration Statement on Form N-2 and the corresponding BDC election on Form N-54A, the Existing Fund, TML and the Company, among others, executed two separate definitive merger agreements providing for the exchange of the limited partnership interests held by the Existing Fund limited partners and the membership interests held by the members of TML, respectively, for shares of the Company's common stock valued at $21,250,000 and $7,500,000, respectively. Consummation of the formation transactions pursuant to the merger agreements is conditioned only upon completion of the Offering, approval of the SBA and continued accuracy of representations and warranties, all of which are outside the control of the limited partners and TML. Approval of the formation transactions was approved by approximately 90% of the limited partners prior to the time of filing the Registration Statement and BDC election. The partnership agreement of the Existing Fund requires a 75% approval prior to consummation of the transaction, so the Existing Fund attained significantly more than the required approval prior to filing.**

**Section 2(a)(34) of the 1940 Act states that: "Sale," "sell," "offer to sell," or "offer for sale" includes every contract of sale or disposition of...a security or interest in a security for value..." Based on the plain meaning of the statute, the limited partners and the members of TML "sold" their respective interests in the Existing Fund and TML to the Company for value at the time they entered into a definitive agreement, the consummation of which is outside their control. Insofar as the merger agreements were executed and delivered prior to the filing of the 1933 and 1940 Act registration statement and the BDC election, Section 57 does not apply.**

**We believe this position is strongly supported by the no-action letter position taken by the Staff of the Division of Corporation Finance in Black Box, Inc. (June 26, 1990). In Black Box the Staff concluded that for purposes of Rule 152 under the 1933 Act, a private offering is completed at such time as the purchasers in that offering are unconditionally bound to execute their purchase subject only to the satisfaction of specified conditions that are not within their control, including completion of a second offering. While this no-action letter arose in a different legal context involving the potential integration of a private offering of securities with a public offering, the underlying legal principle is the same; the opportunity for investors to be harmed by the acts of parties to a related transaction are**

**substantially eliminated when the related transaction and its parties become subject to a contract that is conditioned upon events outside their control. In other words, there is no opportunity for over-reaching in such a situation.**

**In the context of the formation transactions, the definitive merger agreements were executed prior to the filing of the registration statement and BDC election. The execution of the merger agreements, including all the economic terms of the formation transactions, were approved by limited partners holding approximately 90% of all the limited partnership interests in the Existing Fund. The consummation of the transactions contemplated by the merger agreements, namely the exchange of interests in the Existing Fund and TML for common stock in the Company, is conditioned only upon completion of the offering, SBA approval and continued accuracy of limited representations and warranties contained in the merger agreements. Those conditions are all outside the control of the parties. Therefore, the merger transactions are effectively completed, subject only to physical closing. There is absolutely no opportunity for overreaching on the part of any party.**

**We believe that a transaction virtually identical to the formation transactions described in the registration statement has been permitted by the Staff of the Division of Investment Management; namely the Sirrom Capital Corporation initial public offering on February 6, 1995. Sirrom Capital Corporation involved the acquisition by a BDC of an existing limited partnership that was registered as an SBIC. As stated on page 8 of the final prospectus filed under Rule 497(h) under Registration Statement Nos. 33-86680 and 814-154: "The Company is the successor to Sirrom Capital, L.P., a Tennessee limited partnership (the "Partnership"), that was organized under the laws of Tennessee in 1991. Pursuant to a conversion consummated on February 1, 1995, all partners of the Partnership (the "Partners") transferred their partnership interests to the Company in exchange for the issuance of 5,000,000 shares of Common Stock..." At the time of such transfer, Sirrom Capital, L.P. had a loan portfolio of approximately $72.3 million. In the conversion described above, John A. Morris, Jr., Chairman of the Board of Sirrom Capital Corporation, who with respect to Sirrom Capital Corporation was clearly a person described in Section 53(b), received approximately 36.1% of the common stock issued in the conversion. The conversion occurred on February 1, 1995. The registration statement and BDC election on Form N-54A were filed on November 22, 1994.**

**We further believe that the underlying policy of Sections 17 and 57 of the 1940 Act are to prevent overreaching by persons in control of a registered investment company or a BDC, and such policy is not implicated by the formation transactions described in the Prospectus. At the time the merger agreements were executed by the registrant and the other parties, the registrant had no assets and no shareholders. The limited partners of the Existing Fund, who are the parties most vulnerable to overreaching by the affiliated persons, approved the transactions by a 90% majority vote of all limited partnership interests, after full disclosure of the economics of the formation transactions. The formation transactions are fully described in the Prospectus.**

**We also believe that to strictly apply Section 57 in this context would either substantially impede or eliminate altogether the ability to execute a transaction pursuant to**

**which an unregistered fund (particularly one exempt under Section 3(c)(1) of the 1940 Act) becomes a registered fund. In virtually every case, unregistered funds are organized as partnerships or limited liability companies taxed as partnerships for federal income tax purposes. When such funds desire to increase their investor pools and become subject to the registration and reporting provisions of the 1940 Act and, in the case of a BDC, the reporting provisions of the Exchange Act and listing standards of national securities exchanges, they are generally required to adopt a corporation entity structure. Requiring such funds to follow the exemptive order process set forth in Section 17(b) and 57(c) creates a substantial risk that legitimate opportunities to raise capital will be missed while funds are waiting for exemptive relief at the time of their initial formation, without any measurable benefit to investor protection.**

**Accordingly, based on the plain meaning of the statute, analogous no-action letter authority contained in Black Box, Inc. and its progeny, the Division of Investment Management staff's prior acceptance of an almost identical transaction in Sirrom Capital Corporation, and compelling policy reasons, we believe that the formation transactions involving the directors and officers of the Company after the offering are not subject to the prohibition of Sections 57(a) or 57(d).**

The Offering

COMMENT 21: It appears from the disclosure regarding use of the proceeds of the offering that the Fund will receive the proceeds of the offering and will invest them through a subsidiary that is not wholly-owned by the Fund. Accordingly, please inform us whether the registrant is relying on the exemption from Section 12(d)(1)(a) and (c) of the Act provided by Rule 60a-1 under the Act, and if so, how the reliance can be successful when the subsidiary in question is not wholly-owned.

**RESPONSE: In response to the Staff's comment, we supplementally advise the Staff that the Company is relying on the exemption from Section 12(d)(1)(a) and (c) of the 1940 Act provided by Rule 60a-1 under the 1940 Act. Pursuant to Section 2(a)(43) of the 1940 Act, the term "wholly-owned subsidiary" means an entity, 95% or more of the outstanding voting securities of which are owned by another entity. Upon consummation of the Company's initial public offering and the formation transactions described in the Prospectus, the Company will own 100% of the outstanding voting interest in the Existing Fund (a 99.9% limited partnership interest and a 0.1% General Partnership interest), and, therefore, the Existing Fund is a wholly owned subsidiary as defined in Section 2(a)(43) of the 1940 Act.**

Selected Financial and Other Data

COMMENT 22: Please add a line item to this table disclosing expense ratios.

**RESPONSE: In response to the Staff's comment, we have added expense ratios for all presented accounting periods on pages 10 and 32 of the Prospectus. We supplementally advise the Staff that we have computed the ratios based on actual expenses from the historical financial statements of the Existing Fund and the actual average monthly net**

**asset value of the Existing Fund as determined from the accounting records of the Existing Fund. We believe this is the most meaningful presentation of the requested information.**

Fees and Expenses

COMMENT 23: Please move the Fee Table and Example to precede the Selected Financial Data on the previous two pages. See General Instruction 1 to Parts A and B of Form N-2.

**RESPONSE**: **In response to the Staff's comment, we have moved the Fee Table and Example to precede Selected Financial and Other Data. Please see page 9 of the Prospectus.**

COMMENT 24: Please remove the footnotes from between the Fee Table and Example and insert them immediately after the Example.

**RESPONSE: In response to the Staff's comment, we have made the requested change. Please see page 9 of the Prospectus.**

COMMENT 25: Please include the line item for dividend reinvestment plan expenses in Stockholder Transaction Expenses, rather than Annual Expenses. See Form N-2, Item 3.

**RESPONSE**: **In response to the Staff's request to include the line item for dividend reinvestment plan expenses in Stockholder Transaction Expenses, rather than Annual Expenses, we respectfully note that this line item is already included under Stockholder Transaction Expenses in the table included on page 9 of the Prospectus.**

COMMENT 26: If the Fund intends to increase its use of leverage subsequent to the conclusion of this offering, please disclose in the Fee Table the resulting increase in expenses to be borne by the Fund's shareholders. Also, please delete the word "may" from Footnote 6, and state that the Fund *will* borrow to leverage.

**RESPONSE: In response to the Staff's comment, we have changed the word "may" to "will" in Footnote 6 to the Fee Table. Please see page 9 of the Prospectus. We respectfully inform the Staff that the Company does not expect to incur additional leverage until the net proceeds of the offering have been fully invested, and we have disclosed throughout the Prospectus that the investment of the net proceeds could take twelve months or more. The Company cannot predict how much, if any, additional funds it will borrow at that time or what prevailing rates of interest would apply to any such debt. Therefore, it is not practicable at this time, and potentially misleading to investors, to ascribe a number to the potential increase in expenses to be borne by the Company's shareholders due to future borrowings. We respectfully submit that the Prospectus contains adequate disclosure of the current effect of existing leverage and the potential risks surrounding the use of leverage in the future.**

COMMENT 27: Please confirm that no fees will be paid to the underwriters other than those referenced in Footnote 1 to the Fee Table.

**RESPONSE**: **In response to the Staff's comment, we supplementally advise the Staff that no fees will be paid to the underwriters other than those referenced in Footnote 1 to the Fee Table.**

COMMENT 28: Please note that the staff anticipates providing additional comments pertaining to the Fund's financial statements under separate cover.

**RESPONSE: We acknowledge the Staff's comment.**

**In addition, please be advised that a need for a classification adjustment was identified in the financial statements for the year ended December 31, 2005. It was determined that the investment in Porter's Group, LLC was originally classified as a "control" investment and should have been classified as an "affiliate" investment. This correction impacted the classification of Affiliate and Control Investments in the December 31, 2005 Balance Sheet (but did not impact Total Investments at Fair Value) and the classification of Affiliate and Control Loan Interest, Fee and Dividend Income in the Statement of Operations (but did not impact total Loan Interest, Fee and Dividend Income). We have made this correction in the Amendment.**

**We further advise the Staff that Amendment No. 1 contains financial statements for the Existing Fund as of and for the periods ended September 30, 2005 and 2006, and that such financial statements as of and for the period ended September 30, 2006 have been audited.**

Risk Factors

COMMENT 29: Please identify the entity which will assist the board in determining the fair value of the Fund's investments. Please disclose that the determination of fair value, and thus the amount of unrealized losses the Fund may incur in any year, is to a degree subjective. Please also disclose any conflicts of interest attendant with the fair valuation process.

**RESPONSE**: **In response to the Staff's comment, we have identified Duff and Phelps, LLC on page 11 of the Prospectus as the entity that initially will assist the Company's board of directors in determining the fair value of the Company's investments. We have also expanded the discussion under this risk factor to provide the Staff's requested disclosure regarding the subjective nature of the Board's determination of fair value and the inherent conflicts of interest attendant with the fair valuation process.**

COMMENT 30: Please explain how the Fund will be able to issue $124.4 million in debentures and simultaneously meet the asset-coverage requirements of the Act. Also, please inform us whether the applicable SBA regulations contain asset coverage requirements and, if so, how the registrant will comply with them.

**RESPONSE**: **The Existing Fund is permitted by SBA rules to issue debentures, guaranteed by the SBA, in an amount equal to 300% of its regulatory capital (generally defined as its "paid in capital") up to a maximum amount set forth in the SBA rules, which maximum amount is indexed for inflation. For 2006, the maximum amount is $124.4 million. Under Section 18(k) of the 1940 Act, the provisions of subparagraphs (A) and (B)**

**of paragraph (1) of subsection (a) (i.e. the asset coverage provisions and the dividend prohibition provisions) do not apply to investment companies operating under the Small Business Investment Act of 1958, which covers SBICs such as the Existing Fund. Therefore, notwithstanding the Existing Fund's registration under the 1940 Act and election to be treated as a BDC, the leverage limitations in Section 18 do not apply, and the Existing Fund's leverage will be limited only by the leverage provisions of Section 107.1150 of the SBA Rules.**

COMMENT 31: With respect to the chart illustrating the effect of leverage on investment returns, please disclose the interest rate on borrowed funds assumed.

**RESPONSE**: **In response to the Staff's comment, we have noted that we have used our weighted average annualized interest cost as the assumed interest rate on borrowed funds. Please see page 14 of the Prospectus.**

Provisions of the Maryland General Corporation Law and our articles of incorporation and bylaws could deter takeover attempts and have an adverse impact on the price of our common stock

COMMENT 32: Please disclose under what conditions the Board of Directors may authorize issuance of shares of stock without shareholder action, and describe what findings, if any, the Board of Directors must make before issuance.

**RESPONSE**: **In response to the Staff's comment, we supplementally advise the Staff that under the Company's Articles of Incorporation, the board of directors may, without shareholder approval, amend the charter from time to time to increase or decrease the number of authorized shares of any class or series of stock that the Company has authority to issue. A vote of the majority of the board of directors is necessary to take such action.**

**We intend to file Articles of Amendment and Restatement to amend and restate the Company's charter. In the Articles of Amendment and Restatement, the board of directors also may authorize the issuance from time to time of shares of any class or series of the Company's stock for such consideration as the board of directors deem advisable, subject to such limitations or restrictions, if any, that are set forth in the charter or bylaws of the Company. The board of directors may from time to time classify and reclassify unissued shares of common stock into one or more classes or series of stock and cause issuance of such shares without stockholder approval. Prior to the issuance of classified or reclassified shares of any class or series, the Board by resolution must: (a) designate that class or series to distinguish it from all other classes and series of stock of the Company; (b) specify the number of shares to be included in the class or series; (c) set or change, subject to the express terms of any class or series of stock of the Company outstanding at the time, the preferences, conversion or other rights, voting powers, restrictions, limitations as to dividends or other distributions, qualifications and terms and conditions of redemption for each class or series; and (d) cause the Company to file articles supplementary with the State Department of Assessments and Taxation of Maryland. Any of the terms of any class or series of stock set or changed may be made dependent upon facts or events ascertainable outside the charter (including determinations by the board of directors or other facts or**

**events within the control of the Company) and may vary among holders thereof. The manner in which such facts, events or variations shall operate upon the terms of such class or series of stock must be clearly and expressly set forth in the articles supplementary or other charter document. The authority of the Board under the Articles of Incorporation will at all times be subject to the provisions of the 1940 Act, including Section 18.**

COMMENT 33: It appears to us that the effect of each of the Maryland Business Combination Act and the Maryland Control Share Acquisition Act is inconsistent with the requirements of Section 18(i) of the Act. In your response letter, the Fund should undertake to notify the SEC's staff before altering any of its resolutions or bylaws in such a manner so as to subject the Fund to either the Maryland Business Combination Act or the Maryland Control Share Acquisition Act. Also in your response letter, the Fund should undertake to file a current report on Form 8-K with the SEC after Board approval, but prior to the effective date, of any such change to its resolutions or bylaws.

**RESPONSE: In response to the Staff's comment, we supplementally advise the Staff that Subtitles 6 and 7 of the Maryland General Corporation Law generally provide that those Subtitles do not apply to closed-end investment companies registered under the 1940 Act unless the board of directors adopts a resolution (after June 1, 2000) electing to be subject to the provisions of such Subtitles, in which event the election will not be effective with respect to any business combination with an interested stockholder or person holding control shares, as the case may be, prior to the adoption of such election. Because of the statutory exclusion of closed-end investment companies described above, the Company has not included any provision in its Articles of Incorporation or bylaws addressing such statutes, and the disclosure in the Prospectus has been amended to remove such references.**

**We respectfully submit that it is still an open question as to whether or not the Maryland statutes cited above violate the provisions of Section 18(i) of the 1940 Act. We are advised that such issue is the subject of ongoing litigation and discussion between the staff and the investment company bar, and we are not aware of a regulatory basis for such an undertaking. The Company will certainly exercise extreme caution in taking any such action so as to avoid violating the 1940 Act.**

Forward-Looking Statements

COMMENT 34: This section attempts to limit liability for forward-looking statements. Statements relating to investment companies (including business development companies) and statements made in connection with initial public offerings are excluded from the safe harbor for forward-looking statements. *See* Section 21E(b)(2)(B) & (D) of the Securities Exchange Act of 1934. Please revise the disclosure accordingly.

**RESPONSE: In response to the Staff's comment, we supplementally advise the Staff that the Company is aware that the safe harbor for forward-looking statements is not available in connection with this offering. However, we respectfully submit that the referenced disclosure is, nevertheless, appropriate in light of the protection for forward-looking statements provided by Rule 175 under the Securities Act and the "bespeaks**

**caution" doctrine. In response to the Staff's concern, we have revised the disclosure to clarify that forward-looking statements in the Prospectus are excluded from the safe harbor protection provided by the Private Securities Litigation Reform Act of 1995. See page 24 of the Prospectus.**

Managerial Assistance to Portfolio Companies

COMMENT 35: This paragraph states that the Fund or another person or entity will provide managerial assistance on behalf of the Fund to portfolio companies that request assistance. Please disclose the identities of all potential providers of managerial assistance to portfolio companies. Please supplementally inform us whether the Fund or portfolio companies will pay for managerial assistance provided to portfolio companies.

**RESPONSE: In response to the Staff's comment, we have revised the disclosure on page 48 of the Prospectus to clarify that the Company's senior management team will provide managerial assistance to the portfolio companies. In some instances, the portfolio company may pay the Company a fee for these services.**

Dividend Reinvestment Plan

COMMENT 36: The third paragraph states that the dividend reinvestment plan will use primarily newly issued shares to implement the plan and that these shares will be issued at the market price per share. Section 23(b) of the Act provides that closed-end funds may not issue shares below net asset value. Please explain to us how the Fund will issue shares to stockholders if the market price is below the Fund's net asset value.

**RESPONSE: In response to the Staff's comment, we have revised the disclosure in the third paragraph on page 61 of the Prospectus to clarify that the Company intends to use primarily newly issued shares to implement its Dividend Reinvestment Plan, so long as the Company's shares are trading at or above net asset value. If the Company's shares are trading at or below net asset value, the Company will purchase shares in the open market in connection with implementation of the plan.**

Control Share Acquisitions

COMMENT 37: The first sentence of the fourth paragraph states that, if the voting rights are not approved or the acquiring person does not deliver an acquiring person statement, then the corporation may repurchase for fair value any or all of the control shares, except those for which voting rights have been previously approved. Please explain how this provision is consistent with Section 23(c) of the Investment Company Act.

**RESPONSE: In response to the Staff's comment, we have revised the disclosure in the last paragraph under "Control Share Acquisitions" on page 66 of the Prospectus to clarify that the Control Share Act does not apply to a corporation registered under the 1940 Act as a closed-end investment company unless the board of directors adopts a resolution that the corporation will be subject to the Control Share Act. Our board of directors has not adopted and does not presently intend to adopt such a resolution. In addition, please refer to our response to comment 33 above.**

Formation; Business Development Company and Regulated Investment Company Elections

COMMENT 38: Please disclose the status of the Fund's request for the written consent of the SBA regarding the formation transactions. What will happen if the SBA does not consent to the transactions? Please disclose all attendant risks.

**RESPONSE: In response to the Staff's comment, we supplementally advise the Staff that the Company has retained special SBA counsel to work on the SBA's approval of the formation transactions. In addition, as disclosed on page 26 of the Prospectus, the consummation of the offering and the formation transactions is conditioned on the SBA's approval of such transactions; therefore, the Company believes that the requested risk disclosure would not be necessary.**

COMMENT 39: Is Triangle Capital Partners a registered investment adviser?

**RESPONSE: In response to the Staff's comment, we supplementally advise the Staff that Triangle Capital Partners is not a registered investment adviser.**

COMMENT 40: It appears from the disclosure in this section that a BDC is issuing securities to affiliates to extinguish a liability. Is this the case? If so, how does this action comply with the requirements of Sections 23 and 63 of the Act?

**RESPONSE: In response to the Staff's comment, we supplementally advise the Staff that the Company is not issuing securities to affiliates to extinguish a liability and we have revised the disclosure on pages 5 and 25 to clarify that the common stock being issued in the formation transaction will be in exchange for an equivalent value consisting of interests in Triangle Mezzanine LLC.**

COMMENT 41: Please explain to us why you believe that the payment of an intra-company management fee may be permissible under the Act.

**RESPONSE: In response to the Staff's comment, we supplementally advise the Staff that the Company acknowledges that the payment of an intra-company management fee may be impermissible under the 1940 Act and therefore has included this proposed arrangement in the Company's application for exemption discussed in the Company's response to comment 8 above.**

COMMENT 42: Why will the partnership interests of the limited partners of the fund be exchanged for stock with a value based on the offering price, rather than the fair value of the interest acquired?

**RESPONSE: In response to the Staff's comment, we supplementally advise the Staff that the fixed value of $21,250,000 was negotiated among the general partner and the limited partners of the Existing Fund. Given the fact that the Company has fixed the initial public offering price at $15.00 per share in Amendment No. 1, we have likewise stated the fixed number of shares that will be issued to the limited partners in exchange for their**

**limited partnership interests. We have clarified and simplified the disclosure of the formation transactions on pages 5 and 25 of the Prospectus.**

Selected Financial and Other Data

COMMENT 43: This disclosure contains performance information for Triangle Mezzanine Fund, an unregistered entity not subject to the requirements of the Act. Accordingly, it must be deleted unless the registrant can meet the conditions set for in MassMutual Institutional Funds (September 28, 1995).

**RESPONSE: In response to the Staff's comment and in light of Comment 48 below, we respectfully submit that we believe that the Prospectus would be incomplete and misleading absent historical financial statements of the Existing Fund. The Existing Fund has been capitalized and investing since 2003 and currently has investments in 17 portfolio companies. Upon consummation of the IPO, the purchasers of common stock in the IPO will own approximately 65% of all outstanding shares of the Company's common stock, and the Company will own 100% of the Existing Fund. Accordingly, the IPO investors will indirectly own approximately 65% of the Existing Fund. It would be contrary to the policy of investor protection for investors to invest in an existing fund having an established financial reporting history without providing such investors with available historical financial statements.**

**We supplementally advise the Staff that the Company is relying on SEC No Action Letter MassMutual Institutional Funds (publicly available September 28, 1995). In the MassMutual letter the SEC staff permitted a newly formed registered investment company to include in its registration statement the performance figures of unregistered separate investment accounts ("SIA") that merged into the registered investment company. This was premised on the representations that each series of the registrant was managed in a manner that was in all material respects equivalent to the management of the corresponding SIA, and the SIAs were created for purposes entirely unrelated to the establishment of a performance record. The Company was formed to acquire the Existing Fund, which will be wholly owned, and the Company's investment assets will include only its interests in the Existing Fund, the New General Partner and short term cash equivalents. Thus, the inclusion of the prior performance of the Existing Fund in the Company's registration statement is consistent with the SEC staff's position articulated in the MassMutual letter.**

Management's Discussion and Analysis of Financial Condition and Results of Operations

COMMENT 44: Much of the disclosure in this section relates to an entity operating outside of the Commission's regulatory scheme. Please review and revise this disclosure in light of the previous comment.

**RESPONSE: In response to the Staff's comment, please refer to our response to comment 43 above.**

General

COMMENT 45: We note that portions of the filing are incomplete. We may have additional comments on such portions when you complete them in a pre-effective amendment, on disclosures made in response to this letter, on information supplied supplementally, or on exhibits added in any pre-effective amendments. Please note that comments we give in one section apply to other sections in the filing that contain the same or similar disclosure.

**RESPONSE**: **We note the Staff's comment and, where changes have been made in response to a comment, we have made corresponding changes, to the extent appropriate, throughout the Prospectus.**

COMMENT 46: Please advise us if you have submitted or expect to submit an exemptive application (other than that disclosed in the prospectus) or no-action request in connection with your registration statement.

**RESPONSE: In response to the Staff's comment, we supplementally advise the Staff that in addition to the exemptive application described above, the Company expects to apply for exemptive relief from the SEC to permit the Company to grant options to purchase shares of its common stock to its independent directors as a portion of their compensation for service on the Company's board of directors and to permit the Company to grant restricted stock or other non-option stock-based compensation in exchange for or in recognition of services. See the paragraph at the top of page 58 of the Prospectus.**

COMMENT 47: Response to this letter should be in the form of a pre-effective amendment filed pursuant to Rule 472 under the Securities Act. Where no change will be made in the filing in response to a comment, please indicate this fact in a supplemental letter and briefly state the basis for your position.

**RESPONSE: In response to the Staff's comment, concurrently herewith we have filed Pre-Effective Amendment No. 1 to the Registration Statement.**

COMMENT 48: We urge all persons who are responsible for the accuracy and adequacy of the disclosure in the filings reviewed by the staff to be certain that they have provided all information investors require for an informed decision. Since the Fund and its management are in possession of all facts relating to the Fund's disclosure, they are responsible for the accuracy and adequacy of the disclosures they have made.

Notwithstanding our comments, in the event the Fund requests acceleration of the effective date of the pending registration statement, it should furnish a letter, at the time of such request, acknowledging that:

- should the Commission or the staff, acting pursuant to delegated authority, declare the filing effective, it does not foreclose the Commission from taking any action with respect to the filing;
- the action of the Commission or the staff, acting pursuant to delegated authority, in declaring the filing effective, does not relieve the Fund from its full responsibility for the adequacy and accuracy of the disclosure in the filing; and

- the Fund may not assert this action as defense in any proceeding initiated by the Commission or any person under the federal securities laws of the United States.

**RESPONSE**: **In response to the Staff's a comment, we supplementally advise the Staff that we will provide the Staff with a letter acknowledging the foregoing at the time of a written request for acceleration of the effective date of the Registration Statement.**

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Please direct any further questions or comments concerning the Amendment or this response letter to the undersigned at (901) 543-5901 or Helen W. Brown at (901) 543-5918.

Sincerely,

/s/ John A. Good
John A. Good

Cc: Steven Lilly
Garland Tucker
Rob Rosenblum