

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

Form 10-Q

(Mark One)

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

For the quarterly period ended September 30, 2013

OR

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

For the transition period from to

Commission file number 814-00733

Triangle Capital Corporation

(Exact name of registrant as specified in its charter)

Maryland
(State or other jurisdiction of
incorporation or organization)

06-1798488
(I.R.S. Employer
Identification No.)

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

27612
(Zip Code)

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

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

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

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

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

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

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

The number of shares outstanding of the registrant's Common Stock on November 5, 2013 was 27,678,286.

**TRIANGLE CAPITAL CORPORATION
TABLE OF CONTENTS
QUARTERLY REPORT ON FORM 10-Q**

	<u>Page</u>	
<u>PART I – FINANCIAL INFORMATION</u>		
<u>Item 1.</u>	<u>Financial Statements</u>	
	<u>Unaudited Consolidated Balance Sheet as of September 30, 2013 and Consolidated Balance Sheet as of December 31, 2012</u>	<u>3</u>
	<u>Unaudited Consolidated Statements of Operations for the Three and Nine Months Ended September 30, 2013 and 2012</u>	<u>4</u>
	<u>Unaudited Consolidated Statements of Changes in Net Assets for the Nine Months Ended September 30, 2013 and 2012</u>	<u>5</u>
	<u>Unaudited Consolidated Statements of Cash Flows for the Nine Months Ended September 30, 2013 and 2012</u>	<u>6</u>
	<u>Unaudited Consolidated Schedule of Investments as of September 30, 2013</u>	<u>7</u>
	<u>Consolidated Schedule of Investments as of December 31, 2012</u>	<u>13</u>
	<u>Notes to Unaudited Consolidated Financial Statements</u>	<u>19</u>
<u>Item 2.</u>	<u>Management’s Discussion and Analysis of Financial Condition and Results of Operations</u>	<u>32</u>
<u>Item 3.</u>	<u>Quantitative and Qualitative Disclosures About Market Risk</u>	<u>45</u>
<u>Item 4.</u>	<u>Controls and Procedures</u>	<u>46</u>
<u>PART II – OTHER INFORMATION</u>		
<u>Item 1.</u>	<u>Legal Proceedings</u>	<u>46</u>
<u>Item 1A.</u>	<u>Risk Factors</u>	<u>46</u>
<u>Item 2.</u>	<u>Unregistered Sales of Equity Securities and Use of Proceeds</u>	<u>47</u>
<u>Item 3.</u>	<u>Defaults Upon Senior Securities</u>	<u>47</u>
<u>Item 4.</u>	<u>Mine Safety Disclosures</u>	<u>47</u>
<u>Item 5.</u>	<u>Other Information</u>	<u>47</u>
<u>Item 6.</u>	<u>Exhibits</u>	<u>48</u>
	<u>Signatures</u>	<u>49</u>
	<u>Exhibits</u>	

PART I – FINANCIAL INFORMATION**Item 1. Financial Statements.****TRIANGLE CAPITAL CORPORATION**
Consolidated Balance Sheets

	<u>September 30, 2013</u>	<u>December 31, 2012</u>
	(Unaudited)	
Assets:		
Investments at fair value:		
Non-Control / Non-Affiliate investments (cost of \$499,409,391 and \$565,737,092 at September 30, 2013 and December 31, 2012, respectively)	\$ 519,185,426	\$ 579,078,939
Affiliate investments (cost of \$106,302,777 and \$123,019,204 at September 30, 2013 and December 31, 2012, respectively)	108,028,880	123,408,445
Control investments (cost of \$7,977,878 and \$11,474,208 at September 30, 2013 and December 31, 2012, respectively)	3,261,887	4,315,339
Total investments at fair value	630,476,193	706,802,723
Cash and cash equivalents	160,020,438	72,300,423
Interest and fees receivable	3,885,283	2,650,178
Prepaid expenses and other current assets	785,992	403,123
Deferred financing fees	11,441,030	12,323,430
Property and equipment, net	54,174	55,535
Total assets	\$ 806,663,110	\$ 794,535,412
Liabilities:		
Accounts payable and accrued liabilities	\$ 7,128,708	\$ 6,405,570
Interest payable	1,072,595	3,136,574
Taxes payable	40,249	3,210,989
Deferred income taxes	2,780,236	1,342,456
Borrowings under credit facility	11,636,928	—
Notes	149,500,000	149,500,000
SBA-guaranteed debentures payable	193,238,889	213,604,579
Total liabilities	365,397,605	377,200,168
Net Assets:		
Common stock, \$0.001 par value per share (150,000,000 shares authorized, 27,678,286 and 27,284,798 shares issued and outstanding as of September 30, 2013 and December 31, 2012, respectively)	27,678	27,285
Additional paid in capital	408,501,259	403,322,097
Investment income in excess of distributions	10,432,313	6,783,161
Accumulated realized gains	8,309,620	1,972,940
Net unrealized appreciation	13,994,635	5,229,761
Total net assets	441,265,505	417,335,244
Total liabilities and net assets	\$ 806,663,110	\$ 794,535,412
Net asset value per share	\$ 15.94	\$ 15.30

See accompanying notes.

TRIANGLE CAPITAL CORPORATION
Unaudited Consolidated Statements of Operations

	Three Months Ended September 30, 2013	Three Months Ended September 30, 2012	Nine Months Ended September 30, 2013	Nine Months Ended September 30, 2012
Investment income:				
Loan interest, fee and dividend income:				
Non-Control / Non-Affiliate investments	\$ 19,933,576	\$ 16,376,768	\$ 56,817,499	\$ 44,401,267
Affiliate investments	2,710,338	3,838,341	8,919,819	9,508,295
Control investments	50,334	49,384	145,899	161,375
Total loan interest, fee and dividend income	22,694,248	20,264,493	65,883,217	54,070,937
Payment-in-kind interest income:				
Non-Control / Non-Affiliate investments	3,591,182	3,017,120	10,076,655	8,454,799
Affiliate investments	942,609	946,345	2,882,719	2,470,663
Control investments	6,058	20,250	17,886	60,221
Total payment-in-kind interest income	4,539,849	3,983,715	12,977,260	10,985,683
Interest income from cash and cash equivalent investments	81,071	78,500	176,774	344,407
Total investment income	27,315,168	24,326,708	79,037,251	65,401,027
Operating expenses:				
Interest and other debt financing fees	4,997,620	4,046,885	15,098,655	11,502,245
General and administrative expenses	5,537,980	4,403,469	15,653,640	11,778,156
Total operating expenses	10,535,600	8,450,354	30,752,295	23,280,401
Net investment income	16,779,568	15,876,354	48,284,956	42,120,626
Realized and unrealized gains (losses) on investments and foreign currency borrowings:				
Net realized gains (losses):				
Non-Control / Non-Affiliate	1,006,339	816,393	4,013,789	3,600,501
Affiliate	17,811	785,132	4,613,810	785,132
Control	—	—	(2,290,919)	838,039
Net realized gains (losses)	1,024,150	1,601,525	6,336,680	5,223,672
Net unrealized appreciation (depreciation):				
Investments	4,892,807	(586,937)	8,776,148	(2,011,835)
Foreign currency borrowings	(11,274)	—	(11,274)	—
Net unrealized appreciation (depreciation)	4,881,533	(586,937)	8,764,874	(2,011,835)
Net realized and unrealized gains (losses) on investments and foreign currency borrowings	5,905,683	1,014,588	15,101,554	3,211,837
Loss on extinguishment of debt	—	(624,768)	(412,673)	(829,811)
Income tax benefit (provision)	486,413	(34,388)	466,110	(27,157)
Net increase in net assets resulting from operations	\$ 23,171,664	\$ 16,231,786	\$ 63,439,947	\$ 44,475,495
Net investment income per share—basic and diluted	\$ 0.61	\$ 0.58	\$ 1.75	\$ 1.59
Net increase in net assets resulting from operations per share—basic and diluted	\$ 0.84	\$ 0.59	\$ 2.30	\$ 1.68
Dividends declared per common share	\$ 0.54	\$ 0.52	\$ 1.62	\$ 1.49
Weighted average number of shares outstanding—basic and diluted	27,619,464	27,290,493	27,541,442	26,545,542

See accompanying notes.

TRIANGLE CAPITAL CORPORATION
Unaudited Consolidated Statements of Changes in Net Assets

	Common Stock		Additional Paid In Capital	Investment Income in Excess of Distributions	Accumulated Realized Gains	Net Unrealized Appreciation	Total Net Assets
	Number of Shares	Par Value					
Balance, December 31, 2011	22,774,726	\$ 22,775	\$ 318,297,269	\$ 6,847,486	\$ 1,011,649	\$ 8,107,776	\$ 334,286,955
Net investment income	—	—	—	42,120,626	—	—	42,120,626
Stock-based compensation	—	—	2,074,927	—	—	—	2,074,927
Net realized gain on investments	—	—	—	—	5,223,672	(3,713,579)	1,510,093
Net unrealized appreciation of investments	—	—	—	—	—	1,701,744	1,701,744
Loss on extinguishment of debt	—	—	—	(829,811)	—	—	(829,811)
Income tax benefit	—	—	—	(27,157)	—	—	(27,157)
Dividends/distributions declared	113,112	113	2,462,834	(40,609,249)	—	—	(38,146,302)
Public offering of common stock	4,255,000	4,255	77,118,719	—	—	—	77,122,974
Issuance of restricted stock	235,086	235	(235)	—	—	—	—
Common stock withheld for payroll taxes upon vesting of restricted stock	(57,539)	(58)	(1,111,386)	—	—	—	(1,111,444)
Balance, September 30, 2012	27,320,385	\$ 27,320	\$ 398,842,128	\$ 7,501,895	\$ 6,235,321	\$ 6,095,941	\$ 418,702,605

	Common Stock		Additional Paid In Capital	Investment Income in Excess of Distributions	Accumulated Realized Gains	Net Unrealized Appreciation	Total Net Assets
	Number of Shares	Par Value					
Balance, December 31, 2012	27,284,798	\$ 27,285	\$ 403,322,097	\$ 6,783,161	\$ 1,972,940	\$ 5,229,761	\$ 417,335,244
Net investment income	—	—	—	48,284,956	—	—	48,284,956
Stock-based compensation	—	—	2,817,267	—	—	—	2,817,267
Net realized gain on investments	—	—	—	—	6,336,680	(3,613,847)	2,722,833
Net unrealized appreciation of investments	—	—	—	—	—	12,378,721	12,378,721
Loss on extinguishment of debt	—	—	—	(412,673)	—	—	(412,673)
Income tax benefit	—	—	—	466,110	—	—	466,110
Dividends/distributions declared	84,058	84	2,362,204	(44,689,241)	—	—	(42,326,953)
Issuance of restricted stock	309,430	309	(309)	—	—	—	—
Balance, September 30, 2013	27,678,286	\$ 27,678	\$ 408,501,259	\$ 10,432,313	\$ 8,309,620	\$ 13,994,635	\$ 441,265,505

See accompanying notes.

TRIANGLE CAPITAL CORPORATION
Unaudited Consolidated Statements of Cash Flows

	Nine Months Ended September 30, 2013	Nine Months Ended September 30, 2012
Cash flows from operating activities:		
Net increase in net assets resulting from operations	\$ 63,439,947	\$ 44,475,495
Adjustments to reconcile net increase in net assets resulting from operations to net cash used in operating activities:		
Purchases of portfolio investments	(112,405,369)	(228,510,522)
Repayments received/sales of portfolio investments	210,113,002	113,898,080
Loan origination and other fees received	1,221,431	3,565,896
Net realized gain on investments	(6,336,680)	(5,223,672)
Net unrealized (appreciation) depreciation on investments	(10,213,928)	1,420,124
Net unrealized depreciation on foreign currency borrowings	11,274	—
Deferred income taxes	1,437,780	591,712
Payment-in-kind interest accrued, net of payments received	(1,459,624)	(5,501,302)
Amortization of deferred financing fees	1,154,021	789,479
Loss on extinguishment of debt	412,673	829,811
Accretion of loan origination and other fees	(3,447,435)	(2,397,275)
Accretion of loan discounts	(1,144,867)	(1,482,707)
Accretion of discount on SBA-guaranteed debentures payable	134,310	131,748
Depreciation expense	30,417	24,145
Stock-based compensation	2,817,267	2,074,927
Changes in operating assets and liabilities:		
Interest and fees receivable	(1,235,105)	(2,086,562)
Prepaid expenses	(382,869)	172,301
Accounts payable and accrued liabilities	723,138	768,607
Interest payable	(2,063,979)	(2,664,482)
Taxes payable	(3,170,740)	(1,095,866)
Net cash provided by (used in) operating activities	<u>139,634,664</u>	<u>(80,220,063)</u>
Cash flows from investing activities:		
Purchases of property and equipment	(29,056)	(20,667)
Net cash used in investing activities	<u>(29,056)</u>	<u>(20,667)</u>
Cash flows from financing activities:		
Repayments of SBA-guaranteed debentures payable	(20,500,000)	(40,810,000)
Borrowings under credit facility	11,625,654	26,000,000
Repayments of credit facility	—	(15,000,000)
Proceeds from notes	—	69,000,000
Financing fees paid	(684,294)	(3,572,059)
Proceeds from public stock offerings, net of expenses	—	77,122,974
Common stock withheld for payroll taxes upon vesting of restricted stock	—	(1,111,444)
Cash dividends paid	(42,326,953)	(38,146,302)
Net cash provided by (used in) financing activities	<u>(51,885,593)</u>	<u>73,483,169</u>
Net increase in cash and cash equivalents	87,720,015	(6,757,561)
Cash and cash equivalents, beginning of period	72,300,423	66,868,340
Cash and cash equivalents, end of period	<u>\$ 160,020,438</u>	<u>\$ 60,110,779</u>
Supplemental disclosure of cash flow information:		
Cash paid for interest	<u>\$ 15,374,816</u>	<u>\$ 12,999,240</u>
Summary of non-cash financing transactions:		
Dividends paid through DRIP share issuances	<u>\$ 2,362,288</u>	<u>\$ 2,462,947</u>

See accompanying notes.

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

Portfolio Company	Industry	Type of Investment ⁽¹⁾⁽²⁾	Principal Amount	Cost	Fair Value ⁽³⁾
<u>Non-Control / Non-Affiliate Investments:</u>					
Agilex Flavors & Fragrances, Inc. (3%)*	Custom Fragrance Producers	Subordinated Note (12% Cash, 1.5% PIK, Due 06/19)	\$ 12,649,575	\$ 12,419,618	\$ 12,419,618
		Common Units (1,250 units)		1,250,000	1,273,000
			<u>12,649,575</u>	<u>13,669,618</u>	<u>13,692,618</u>
Ambient Air Corporation (0%)*	Specialty Trade Contractors	Subordinated Note (0% Cash, 8% PIK, Due 06/20)	464,399	66,993	187,000
			<u>464,399</u>	<u>66,993</u>	<u>187,000</u>
Applied Consultants, Inc. (3%)*	Oil and Gas Pipeline Infrastructure Inspection Services	Subordinated Note (10% Cash, 2% PIK, Due 01/19)	13,058,586	12,838,968	12,838,968
		Class A Preferred (2,000,000 units)		2,000,000	2,000,000
			<u>13,058,586</u>	<u>14,838,968</u>	<u>14,838,968</u>
Assurance Operations Corporation (0%)*	Metal Fabrication	Common Stock (517 shares)		516,867	925,000
				<u>516,867</u>	<u>925,000</u>
Audio and Video Labs Holdings, Inc. (3%)*	Manufacturer and Distributor for Independent Artists and Authors	Subordinated Note (12% Cash, 2% PIK, Due 06/18)	13,201,434	12,967,751	12,967,751
		Common Units (134 units)		1,300,000	1,206,000
			<u>13,201,434</u>	<u>14,267,751</u>	<u>14,173,751</u>
Botanical Laboratories, Inc. (0%)*	Nutritional Supplement Manufacturing and Distribution	Common Unit Warrants (998,680 units)		237,301	580,603
				<u>237,301</u>	<u>580,603</u>
Capital Contractors, Inc. (2%)*	Janitorial and Facilities Maintenance Services	Subordinated Notes (12% Cash, 2% PIK, Due 12/15)	9,516,873	9,165,179	9,165,179
		Common Stock Warrants (20 shares)		492,000	362,000
			<u>9,516,873</u>	<u>9,657,179</u>	<u>9,527,179</u>
Carolina Beverage Group, LLC (0%)*	Beverage Manufacturing and Packaging	Class B Units (11,974 units)		119,735	1,930,000
				<u>119,735</u>	<u>1,930,000</u>
Charter Facilities Services, Inc. (2%)*	Retail, Restaurant, and Commercial Facilities Maintenance	Subordinated Note (10% Cash, 3% PIK, Due 07/18)	8,272,988	8,151,488	8,151,488
		Convertible Preferred Units (2,500 units)		250,000	462,000
			<u>8,272,988</u>	<u>8,401,488</u>	<u>8,613,488</u>
Chromafflo Technologies, LLC (0%)*	Colorant Manufacturer and Distributor	Preferred A Units (22,561 units)		2,071,224	2,036,000
				<u>2,071,224</u>	<u>2,036,000</u>
Comverge, Inc. (4%)*	Provider of Intelligent Energy Management Solutions	Senior Note (12% Cash, 1% PIK, Due 05/18)	15,505,583	15,244,256	15,244,256
		Preferred Units (900 units)		900,000	825,000
		Common Units (1,000,000 units)		100,000	—
			<u>15,505,583</u>	<u>16,244,256</u>	<u>16,069,256</u>
Continental Anesthesia Management, LLC (2%)*	Physicians Management Services	Subordinated Note (14.0% Cash, Due 11/14)	9,825,000	9,694,288	9,008,000
		Warrant (263 shares)		276,100	—
			<u>9,825,000</u>	<u>9,970,388</u>	<u>9,008,000</u>
CRS Reprocessing, LLC (6%)*	Fluid Reprocessing Services	Subordinated Note (12% Cash, 2% PIK, Due 11/15)	11,948,026	11,827,620	11,827,620
		Subordinated Note (12% Cash, 2% PIK, Due 11/15)	13,176,432	12,180,550	12,180,550
		Series C Preferred Units (30 units)		288,342	431,000
		Common Unit Warrant (664 units)		1,759,556	2,566,000
		Series D Preferred Units (16 units)		107,074	169,000
			<u>25,124,458</u>	<u>26,163,142</u>	<u>27,174,170</u>
DataSource Incorporated (2%)*	Print Supply Chain Management Services	Subordinated Note (12% Cash, 2% PIK, Due 01/18)	8,715,117	8,574,673	8,574,673
		Common Units (47 units)		1,000,000	1,159,000
			<u>8,715,117</u>	<u>9,574,673</u>	<u>9,733,673</u>
DCWV Acquisition Corporation (1%)*	Arts & Crafts and Home Decor Products Designer and Supplier	Subordinated Note (12% Cash, 3% PIK, Due 09/17)	6,193,828	6,092,512	4,399,000
			<u>6,193,828</u>	<u>6,092,512</u>	<u>4,399,000</u>
DLR Restaurants, LLC (0%)*	Restaurant	Royalty Rights		—	—
				<u>—</u>	<u>—</u>
Dyno Acquiror, Inc. (2%)*	Sewing Products and Seasonal Decorative Products Supplier	Subordinated Note (12% Cash, 2% PIK, Due 11/18)	7,057,746	6,922,628	6,922,628
		Preferred Series A Units (600,000 units)		600,000	600,000
			<u>7,057,746</u>	<u>7,522,628</u>	<u>7,522,628</u>

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

Portfolio Company	Industry	Type of Investment ⁽¹⁾⁽²⁾	Principal Amount	Cost	Fair Value ⁽³⁾
Eckler's Holdings, Inc. (2%)*	Restoration Parts and Accessories for Classic Cars and Trucks	Subordinated Note (11% Cash, 4% PIK, Due 07/18)	\$ 7,013,376	\$ 6,870,614	\$ 6,870,614
		Common Stock (18,029 shares)		183,562	204,000
		Preferred Stock A (1,596 shares)		1,596,126	1,758,000
			7,013,376	8,650,302	8,832,614
Electronic Systems Protection, Inc. (0%)*	Power Protection Systems Manufacturing	Common Stock (570 shares)		285,000	339,000
				285,000	339,000
Foodstate, Inc. (1%)*	Nutritional Supplement Manufacturing and Distribution	Subordinated Note (12% Cash, 3.8% PIK, Due 10/16)	5,637,678	5,568,611	5,568,611
			5,637,678	5,568,611	5,568,611
FrontStream Payments, Inc. (2%)*	Payment and Donation Management Product Service Provider	Senior Note (8% Cash, 6% PIK, Due 08/18)	7,053,667	6,913,667	6,913,667
			7,053,667	6,913,667	6,913,667
Frozen Specialties, Inc. (2%)*	Frozen Foods Manufacturer	Subordinated Note (11% Cash, 4% PIK, Due 05/17)	10,783,729	10,754,687	10,754,687
			10,783,729	10,754,687	10,754,687
Garden Fresh Restaurant Corp. (0%)*	Restaurant	Membership Units (5,000 units)		500,000	250,000
				500,000	250,000
Glencoe Business Services Holdings (5%)*	Business Process Outsourcing Provider	Subordinated Note (12% Cash, 2.5% PIK, Due 06/18)	20,383,790	20,024,276	20,024,276
			20,383,790	20,024,276	20,024,276
Grindmaster-Cecilware Corp. (1%)*	Food Services Equipment Manufacturer	Subordinated Note (12% Cash, 6% PIK, Due 04/16)	6,977,571	6,939,136	6,134,000
			6,977,571	6,939,136	6,134,000
Hatch Chile Co., LLC (1%)*	Food Products Distributor	Senior Note (19% Cash, Due 07/15)	3,150,000	3,098,400	3,098,400
		Subordinated Note (14% Cash, Due 07/15)	700,000	624,797	624,797
		Unit Purchase Warrant (5,265 units)		149,800	336,000
			3,850,000	3,872,997	4,059,197
Infrastructure Corporation of America, Inc. (3%)*	Roadway Maintenance, Repair and Engineering Services	Subordinated Note (12% Cash, 2% PIK, Due 09/18)	11,135,478	9,594,083	9,594,083
		Common Stock Purchase Warrant (417,593 shares)		2,411,000	2,409,000
			11,135,478	12,005,083	12,003,083
Inland Pipe Rehabilitation Holding Company LLC (2%)*	Cleaning and Repair Services	Subordinated Note (13% Cash, 2% PIK, Due 12/16)	8,320,902	8,118,900	8,118,900
		Membership Interest Purchase Warrant (3.0%)		853,500	2,028,000
			8,320,902	8,972,400	10,146,900
IOS Acquisitions, Inc. (4%)*	Provider of Oil Country Tubular Goods Inspections and Repair Services	Subordinated Note (12% Cash, 2% PIK, Due 06/18)	17,264,366	16,958,780	16,958,780
		Common Units (7,314 Class A Units)		1,699,847	1,262,000
			17,264,366	18,658,627	18,220,780
Library Systems & Services, LLC (0%)*	Municipal Business Services	Common Stock Warrants (112 shares)		58,995	1,754,000
				58,995	1,754,000
Magpul Industries Corp. (2%)*	Firearm Accessories Manufacturer and Distributor	Preferred Units (1,470 units)		1,470,000	1,939,000
		Common Units (30,000 units)		30,000	5,961,000
				1,500,000	7,900,000
Marine Acquisition Corp. (3%)*	Boat Steering System and Driver Control Provider	Subordinated Note (11.50% Cash, 2% PIK, Due 05/17)	12,000,000	11,775,430	11,775,430
			12,000,000	11,775,430	11,775,430
Media Storm, LLC (2%)*	Marketing Services	Subordinated Note (12% Cash, 2% PIK, Due 10/17)	8,178,118	8,115,073	8,115,073
		Membership Units (1,216,204 units)		1,176,957	1,331,000
			8,178,118	9,292,030	9,446,073
Media Temple, Inc. (3%)*	Web Hosting Services	Convertible Note (8% Cash, 6% PIK, Due 04/15)	4,000,001	4,626,721	8,312,000
		Common Stock Purchase Warrant (35,000 shares)		1,251,000	3,636,000
			4,000,001	5,877,721	11,948,000
Micros Solutions LLC (3%)*	Provider of Semiconductor Products and Services	Subordinated Note (12% Cash, 2% PIK, Due 06/18)	10,777,399	10,634,493	10,634,493
		Class A-2 Common Units (1,580,559 units)		1,580,599	1,444,000
			10,777,399	12,215,092	12,078,493

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

Portfolio Company	Industry	Type of Investment ⁽¹⁾⁽²⁾	Principal Amount	Cost	Fair Value ⁽³⁾
Minco Technology Labs, LLC (0%)*	Semiconductor Distribution	Subordinated Note (6.5% Cash, 3.5% PIK, Due 12/16)	\$ 5,685,558	\$ 5,468,103	\$ 2,064,000
		Class A Units (5,000 HoldCo. units)		500,000	—
		Class A Units (3,907 OpCo. units)		3,907	—
			5,685,558	5,972,010	2,064,000
My Alarm Center, LLC (3%)*	Security Company	Subordinated Note (12% Cash, 2.5% PIK, Due 09/17)	10,264,194	10,180,740	10,180,740
		Preferred Units (2,000,000 units)		2,000,000	2,100,000
			10,264,194	12,180,740	12,280,740
Novolyte Technologies, Inc. (0%)*	Specialty Manufacturing	Common Units (24,522 units)		43,905	178,801
				43,905	178,801
Performance Health & Wellness Holdings, Inc. (3%)*	Designer and Manufacturer of Rehabilitation and Wellness Products	Subordinated Note (12% Cash, 1% PIK, Due 04/19)	13,128,317	12,954,478	12,954,478
		Class A Limited Partnership Units (15,000 units)		1,500,000	1,297,000
			13,128,317	14,454,478	14,251,478
PowerDirect Marketing, LLC (2%)*	Marketing Services	Subordinated Note (12% Cash, 2% PIK, Due 12/16)	7,273,117	6,787,285	6,787,285
		Common Unit Purchase Warrants		590,200	718,000
			7,273,117	7,377,485	7,505,285
Sheplers, Inc. (3%)*	Western Apparel Retailer	Subordinated Note (13.2% Cash, Due 12/16)	8,750,000	8,592,412	8,592,412
		Subordinated Note (10% Cash, 7% PIK, Due 12/17)	4,241,781	4,188,941	4,188,941
			12,991,781	12,781,353	12,781,353
Snacks Holding Corporation (2%)*	Trail Mixes and Nut Manufacturer and Marketer	Subordinated Note (12% Cash, 1% PIK, Due 5/20)	5,017,930	4,981,303	4,981,303
		Preferred A Units (22,368 units)		1,053,897	2,366,000
		Preferred B Units (10,380 units)		25,337	160,000
		Common Units (190,935 units)		150,000	1,175,000
		Common Stock Warrants (14,558 shares)		14,558	127,000
		5,017,930	6,225,095	8,809,303	
Specialized Tech, Inc. (3%)*(4)	Sand and Particulate Removal Equipment Provider for Oil and Gas Companies	Subordinated Note (12% Cash, 2% PIK, Due 03/19)	11,636,828	11,404,337	11,416,720
		Common C Shares (2,000,000 shares)		1,937,421	1,939,488
			11,636,828	13,341,758	13,356,208
SRC, Inc. (1%)*	Specialty Chemical Manufacturer	Subordinated Notes (12% Cash, 2% PIK, Due 09/14)	6,114,680	5,977,952	2,827,000
		Common Stock Purchase Warrants		123,800	—
			6,114,680	6,101,752	2,827,000
Stella Environmental Services, LLC (0%)*	Waste Transfer Stations	Common Stock Purchase Warrants		20,000	301,000
				20,000	301,000
Syrgis Holdings, Inc. (0%)*	Specialty Chemical Manufacturer	Class C Units (2,114 units)		111,037	201,281
				111,037	201,281
The Krystal Company (0%)*	Quick Service Restaurant	Class A Units of Limited Partnership (2,000 units)		—	1,375,000
				—	1,375,000
TMR Automotive Service Supply, LLC (1%)*	Automotive Supplies	Subordinated Note (12% Cash, 1% PIK, Due 03/16)	4,250,000	4,080,857	4,080,857
		Unit Purchase Warrant (316,858 units)		195,000	360,000
			4,250,000	4,275,857	4,440,857
Tomich Brothers, LLC (3%)*	Squid and Wetfish Processor and Distributor	Subordinated Note (12% Cash, 3% PIK, Due 04/16)	12,221,591	12,022,613	12,022,613
			12,221,591	12,022,613	12,022,613
Top Knobs USA, Inc. (0%)*	Hardware Designer and Distributor	Common Stock (26,593 shares)		750,000	1,325,000
				750,000	1,325,000
Trinity Consultants Holdings, Inc. (2%)*	Air Quality Consulting Services	Subordinated Note (12% Cash, 2.0% PIK, Due 04/19)	8,284,654	8,158,889	8,158,889
		Series A Preferred Stock (10,000 units)		785,775	928,000
		Common Stock (50,000 units)		50,000	531,000
		8,284,654	8,994,664	9,617,889	

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

Portfolio Company	Industry	Type of Investment ⁽¹⁾⁽²⁾	Principal Amount	Cost	Fair Value ⁽³⁾
TrustHouse Services Group, Inc. (0%)*	Food Management Services	Class A Units (1,557 units)		\$ 69,302	\$ 242,996
		Class B Units (82 units)		3,647	8,794
		Class E Units (838 units)		101,532	139,628
				174,481	391,418
Tulsa Inspection Resources, Inc. (3%)*	Pipeline Inspection Services	Subordinated Note (14%-17.5% Cash, Due 03/14)	\$ 5,810,588	5,751,505	5,751,505
		Common Units (2 units)		337,925	897,000
		Common Stock Warrants (8 shares)		321,000	4,578,000
			5,810,588	6,410,430	11,226,505
United Biologics, LLC (2%)*	Allergy Immunotherapy	Subordinated Note (12% Cash, 2% PIK, Due 03/17)	10,071,773	9,283,557	9,283,557
		Class A Common Stock (177,935 shares)		1,999,989	807,000
		Class A-1 Common Stock (18,818 shares)		137,324	137,324
		Class A-1 Common Kicker Stock (14,114 shares)		—	—
		Class A & Class B Unit Purchase Warrants		838,117	193,000
		10,071,773	12,258,987	10,420,881	
United Retirement Plan Consultants, Inc. (3%)*	Retirement Plan Administrator	Subordinated Note (12% Cash, 4% PIK, Due 09/16)	12,717,950	12,544,070	12,544,070
		Preferred A Units (90,000 units)		900,000	1,065,000
		Common Units (10,000 units)		100,000	—
		12,717,950	13,544,070	13,609,070	
Water Pik, Inc. (2%)*	Branded Oral Health and Replacement Shower Head Supplier	Second Lien Term Loan (9.8% Cash, Due 01/21)	10,000,000	9,657,688	9,657,688
			10,000,000	9,657,688	9,657,688
Workforce Software, LLC (4%)*	Software Provider	Subordinated Note (11% Cash, 5% PIK, Due 11/16)	8,000,000	7,185,735	7,185,735
		Class B Preferred Units (1,020,000 units)		1,020,000	1,217,000
		Class C Preferred Units (624,253 units)		1,250,000	2,285,000
		Common Unit Purchase Warrants (2,434,749 units)		952,300	8,539,000
		8,000,000	10,408,035	19,226,735	
WSO Holdings, LP (5%)*	Organic/Fair Trade Sugar, Syrup, Nectar and Honey Producer	Subordinated Note (12% Cash, 2% PIK, Due 10/17)	20,300,379	20,063,926	20,063,926
		Common Points (3,000 points)		3,000,000	2,385,000
			20,300,379	23,063,926	22,448,926
Xchange Technology Group, LLC (0%)*	Used and Refurbished IT Asset Supplier	Subordinated Note (8% Cash, Due 06/15)	6,389,456	5,904,000	250,000
		Royalty Rights		—	—
			6,389,456	5,904,000	250,000
Yellowstone Landscape Group, Inc. (7%)*	Landscaping Services	Subordinated Note (10% Cash, 2.5% PIK, Due 02/19)	30,056,250	30,056,250	30,056,250
			30,056,250	30,056,250	30,056,250
Subtotal Non-Control / Non-Affiliate Investments			463,176,708	499,409,391	519,185,426
<u>Affiliate Investments:</u>					
All Aboard America! Holdings Inc. (2%)*	Motor Coach Operator	Subordinated Note (12% Cash, 3% PIK, Due 10/17)	8,829,526	8,690,999	8,690,999
		Convertible Preferred Interest in LLC		1,500,000	1,653,000
			8,829,526	10,190,999	10,343,999
American De-Rosa Lamparts, LLC and Hallmark Lighting (1%)*	Lighting Wholesale and Distribution	Subordinated Note (12% Cash, 6% PIK, Due 6/16)	6,735,629	5,983,968	5,983,968
		Membership Units (6,516 units)		620,653	—
			6,735,629	6,604,621	5,983,968
AP Services, Inc. (0%)*	Fluid Sealing Supplies and Services	Class A Units (933 units)		302,886	556,618
		Class B Units (496 units)		—	295,642
				302,886	852,260

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

Portfolio Company	Industry	Type of Investment ⁽¹⁾⁽²⁾	Principal Amount	Cost	Fair Value ⁽³⁾
Asset Point, LLC (2%)*	Asset Management Software Provider	Senior Note (12% Cash, 5% PIK, Due 03/14)	\$ 6,548,989	\$ 6,548,987	\$ 6,548,987
		Subordinated Note (12% Cash, 2% PIK, Due 07/15)	639,871	639,871	598,000
		Subordinated Note (7% Cash, Due 03/14)	941,798	941,798	758,000
		Membership Units (1,000,000 units)		8,203	556,000
		Options to Purchase Membership Units (342,407 units)		500,000	214,000
		Membership Unit Warrants (356,506 units)		—	—
			<u>8,130,658</u>	<u>8,638,859</u>	<u>8,674,987</u>
Captek Softgel International, Inc. (2%)*	Nutraceutical Manufacturer	Subordinated Note (12% Cash, 4% PIK, Due 08/16)	8,885,092	8,785,157	8,785,157
		Class A Units (80,000 units)		800,000	585,000
			<u>8,885,092</u>	<u>9,585,157</u>	<u>9,370,157</u>
CIS Secure Computing Inc. (2%)*	Secure Communications and Computing Solutions Provider	Subordinated Note (12% Cash, 3% PIK, Due 06/17)	10,377,906	10,234,996	10,234,996
		Common Stock (84 shares)		502,320	610,000
			<u>10,377,906</u>	<u>10,737,316</u>	<u>10,844,996</u>
Dyson Corporation (1%)*	Custom Forging and Fastener Supplies	Class A Units (1,000,000 units)		1,000,000	2,280,000
				<u>1,000,000</u>	<u>2,280,000</u>
Main Street Gourmet, LLC (1%)*	Baked Goods Provider	Subordinated Note (12% Cash, 4.5% PIK, Due 10/16)	4,477,349	4,427,382	4,427,382
		Jr. Subordinated Note (8% Cash, 2% PIK, Due 04/17)	1,051,547	1,038,746	1,038,746
		Preferred Units (233 units)		211,867	296,000
		Common B Units (3,000 units)		23,140	291,000
		Common A Units (1,652 units)		14,993	160,000
			<u>5,528,896</u>	<u>5,716,128</u>	<u>6,213,128</u>
PartsNow!, LLC (3%)*	Printer Parts Distributor	Subordinated Note (12% Cash, 3% PIK, Due 08/17)	11,368,580	11,189,311	11,189,311
		Member Units (1,000,000 units)		1,000,000	1,362,000
		Royalty Rights		—	75,000
			<u>11,368,580</u>	<u>12,189,311</u>	<u>12,626,311</u>
Pine Street Holdings, LLC (0%)*	Oil and Gas Services	Preferred Units (200 units)		200,000	—
		Common Unit Warrants (2,220 units)		—	—
				<u>200,000</u>	<u>—</u>
Plantation Products, LLC (5%)*	Seed Manufacturing	Subordinated Notes (10.5% Cash, 7% PIK, Due 11/17)	14,517,231	14,341,182	14,341,182
		Preferred Units (4,312 units)		4,312,000	4,936,000
		Common Units (352,000 units)		88,000	3,711,000
			<u>14,517,231</u>	<u>18,741,182</u>	<u>22,988,182</u>
QC Holdings, Inc. (0%)*	Lab Testing Services	Common Stock (5,594 shares)		563,602	470,000
				<u>563,602</u>	<u>470,000</u>
Technology Crops International (1%)*	Supply Chain Management Services	Subordinated Note (12% Cash, 5% PIK, Due 03/15)	6,129,885	6,095,892	6,095,892
		Common Units (50 units)		500,000	341,000
			<u>6,129,885</u>	<u>6,595,892</u>	<u>6,436,892</u>
Venture Technology Groups, Inc. (0%)*	Fluid and Gas Handling Products Distributor	Subordinated Note (12.5% Cash, 4% PIK, Due 09/16)	6,749,511	5,703,715	741,000
		Class A Units (1,000,000 units)		1,000,000	—
			<u>6,749,511</u>	<u>6,703,715</u>	<u>741,000</u>
Waste Recyclers Holdings, LLC (0%)*	Environmental and Facilities Services	Class A Preferred Units (280 units)		2,251,100	—
		Class B Preferred Units (985,372 units)		3,304,218	1,422,000
		Class C Preferred Units (1,444,475 units)		246,598	740,000
		Common Unit Purchase Warrant (1,170,083 units)		748,900	—
		Common Units (153,219 units)		180,783	—
			<u>6,731,599</u>	<u>2,162,000</u>	

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

Portfolio Company	Industry	Type of Investment ⁽¹⁾⁽²⁾	Principal Amount	Cost	Fair Value ⁽³⁾
Wythe Will Tzetzto, LLC (2%)*	Confectionary Goods Distributor	Series A Preferred Units (74,764 units)		\$ 1,500,000	\$ 6,215,000
		Common Unit Purchase Warrants (25,065 units)		301,510	1,826,000
				1,801,510	8,041,000
Subtotal Affiliate Investments			87,252,914	106,302,777	108,028,880
<u>Control Investments:</u>					
FCL Graphics, Inc. ("FCL") and FCL Holding SPV, LLC ("SPV") (1%)*	Commercial Printing Services	Senior Note-FCL (4.8% Cash, Due 09/16)	\$ 1,289,887	1,289,887	1,289,887
		Senior Note-FCL (7.5% Cash, 2% PIK, Due 09/16)	1,189,281	1,189,279	1,047,000
		Senior Note-SPV (2.0% Cash, 5.4% PIK, Due 09/16)	1,049,747	1,007,272	141,000
		Members Interests-SPV (299,875 units)		—	—
			3,528,915	3,486,438	2,477,887
Gerli & Company (0%)*	Specialty Woven Fabrics Manufacturer	Subordinated Note (13% Cash, Due 07/15)	425,231	375,000	375,000
		Subordinated Note (8.5% Cash, Due 03/15)	3,713,187	3,000,000	409,000
		Class A Preferred Shares (1,211 shares)		855,000	—
		Class C Preferred Shares (744 shares)		—	—
		Class E Preferred Shares (400 shares)		161,440	—
		Common Stock (300 shares)		100,000	—
			4,138,418	4,491,440	784,000
Subtotal Control Investments			7,667,333	7,977,878	3,261,887
Total Investments, September 30, 2013 (143%)*			\$ 558,096,955	\$ 613,690,046	\$ 630,476,193

* Fair value as a percent of net assets

- (1) All debt investments are income producing. Equity and equity-linked investments are non-income producing.
- (2) Disclosures of interest rates on notes include cash interest rates and payment-in-kind ("PIK") interest rates.
- (3) All investments are restricted as to resale and were valued at fair value as determined in good faith by the Board of Directors.
- (4) Investment is not a qualifying investment as defined under Section 55(a) of the Investment Company Act of 1940. Qualifying assets must represent at least 70% of total assets at the time of acquisition of any additional non-qualifying assets.

See accompanying notes.

TRIANGLE CAPITAL CORPORATION
Consolidated Schedule of Investments
December 31, 2012

Portfolio Company	Industry	Type of Investment ⁽¹⁾⁽²⁾	Principal Amount	Cost	Fair Value ⁽³⁾
<u>Non-Control / Non-Affiliate Investments:</u>					
Agilex Flavors & Fragrances, Inc. (3%)*	Custom Fragrance Producers	Subordinated Note (12% Cash, 1.5% PIK, Due 06/19)	\$ 12,506,771	\$ 12,256,771	\$ 12,256,771
		Common Units (1,250 units)		1,250,000	1,250,000
			<u>12,506,771</u>	<u>13,506,771</u>	<u>13,506,771</u>
Ambient Air Corporation ("AA") and Peaden-Hobbs Mechanical, LLC ("PHM") (1%)*	Specialty Trade Contractors	Subordinated Note-AA (15% Cash, 3% PIK, Due 06/13)	4,047,120	4,038,351	4,038,351
		Subordinated Note-PHM (12% Cash, Due 09/12)	12,857	12,857	12,857
		Common Stock-PHM (128,571 shares)		128,571	128,571
		Common Stock Warrants-AA (455 shares)		142,361	242,000
			<u>4,059,977</u>	<u>4,322,140</u>	<u>4,421,779</u>
Aramco, Inc. (0%)*	Environmental Emergency Products Distributor	Subordinated Note (12% Cash, 2% PIK, Due 03/14)	1,231,819	1,156,696	1,156,696
			<u>1,231,819</u>	<u>1,156,696</u>	<u>1,156,696</u>
Assurance Operations Corporation (0%)*	Metal Fabrication	Common Stock (517 shares)		516,867	905,000
				<u>516,867</u>	<u>905,000</u>
Audio and Video Labs Holdings, Inc. (3%)*	Manufacturer and Distributor for Independent Artists and Authors	Subordinated Note (12% Cash, 2% PIK, Due 06/18)	13,002,889	12,742,889	12,742,889
		Common Units (134 units)		1,300,000	1,300,000
			<u>13,002,889</u>	<u>14,042,889</u>	<u>14,042,889</u>
Botanical Laboratories, Inc. (0%)*	Nutritional Supplement Manufacturing and Distribution	Common Unit Warrants (998,680 units)		474,600	1,031,000
				<u>474,600</u>	<u>1,031,000</u>
Capital Contractors, Inc. (2%)*	Janitorial and Facilities Maintenance Services	Subordinated Notes (12% Cash, 2% PIK, Due 12/15)	9,373,742	8,924,127	8,924,127
		Common Stock Warrants (20 shares)		492,000	339,000
			<u>9,373,742</u>	<u>9,416,127</u>	<u>9,263,127</u>
Carolina Beverage Group, LLC (1%)*	Beverage Manufacturing and Packaging	Class A Units (11,974 units)		1,077,615	1,367,000
		Class B Units (11,974 units)		119,735	963,000
				<u>1,197,350</u>	<u>2,330,000</u>
Chromafllo Technologies, LLC (5%)*	Colorant Manufacturer and Distributor	Subordinated Note (12% Cash, 2% PIK, Due 10/17)	16,466,899	16,174,905	16,174,905
		Preferred A Units (22,561 units)		2,256,098	2,878,098
			<u>16,466,899</u>	<u>18,431,003</u>	<u>19,053,003</u>
Comverge, Inc. (4%)*	Provider of Intelligent Energy Management Solutions	Subordinated Note (12% Cash, 3% PIK, Due 05/18)	15,042,500	14,751,744	14,751,744
		Preferred Units (900 units)		900,000	900,000
		Common Units (1,000,000 units)		100,000	100,000
			<u>15,042,500</u>	<u>15,751,744</u>	<u>15,751,744</u>
Continental Anesthesia Management, LLC (2%)*	Physicians Management Services	Senior Note (14% Cash, Due 11/14)	9,950,000	9,739,469	9,739,469
		Warrant (263 shares)		276,100	—
			<u>9,950,000</u>	<u>10,015,569</u>	<u>9,739,469</u>
CRS Reprocessing, LLC (7%)*	Fluid Reprocessing Services	Subordinated Note (10% Cash, 4% PIK, Due 11/15)	11,768,332	11,531,905	11,531,905
		Subordinated Note (10% Cash, 4% PIK, Due 11/15)	12,978,264	11,746,721	11,746,721
		Series C Preferred Units (30 units)		288,342	454,000
		Common Unit Warrant (664 units)		1,759,556	3,653,000
		Series D Preferred Units (16 units)		107,074	184,000
			<u>24,746,596</u>	<u>25,433,598</u>	<u>27,569,626</u>
DataSource Incorporated (2%)*	Print Supply Chain Management Services	Subordinated Note (12% Cash, 2% PIK, Due 01/18)	8,584,263	8,425,564	8,425,564
		Common Units (47 units)		1,000,000	1,000,000
			<u>8,584,263</u>	<u>9,425,564</u>	<u>9,425,564</u>
DCWV Acquisition Corporation (1%)*	Arts & Crafts and Home Decor Products Designer and Supplier	Subordinated Note (12% Cash, 3% PIK, Due 09/17)	6,054,683	5,939,149	5,939,149
			<u>6,054,683</u>	<u>5,939,149</u>	<u>5,939,149</u>
DLR Restaurants, LLC (3%)*	Restaurant	Subordinated Note (12% Cash, 2% PIK, Due 03/16)	10,934,260	10,764,337	10,764,337
		Subordinated Note (12% Cash, 4% PIK, Due 03/16)	783,243	768,243	768,243
		Royalty Rights		—	132,000
			<u>11,717,503</u>	<u>11,532,580</u>	<u>11,664,580</u>



TRIANGLE CAPITAL CORPORATION
Consolidated Schedule of Investments
December 31, 2012

Portfolio Company	Industry	Type of Investment ⁽¹⁾⁽²⁾	Principal Amount	Cost	Fair Value ⁽³⁾	
Eckler's Holdings, Inc. (2%)*	Restoration Parts and Accessories for Classic Cars and Trucks	Subordinated Note (11% Cash, 4% PIK, Due 07/18)	\$ 6,804,178	\$ 6,645,927	\$ 6,645,927	
		Common Stock (18,029 shares)		183,562	183,562	
		Preferred Stock A (1,596.13 shares)			1,596,126	1,596,126
			6,804,178	8,425,615	8,425,615	
Electronic Systems Protection, Inc. (1%)*	Power Protection Systems Manufacturing	Subordinated Note (12% Cash, 2% PIK, Due 12/15)	4,246,680	4,219,387	4,219,387	
		Common Stock (570 shares)		285,000	301,000	
			4,246,680	4,504,387	4,520,387	
Empire Facilities Management Group, Inc. (1%)*	Retail, Restaurant, and Commercial Facilities Maintenance	Subordinated Note (9% Cash, 4% PIK, Due 07/18)	5,101,061	5,019,203	5,019,203	
		Convertible Preferred Units (2,500 units)		250,000	250,000	
			5,101,061	5,269,203	5,269,203	
Foodstate, Inc. (1%)*	Nutritional Supplement Manufacturing and Distribution	Subordinated Note (12% Cash, 3.8% PIK, Due 10/16)	5,480,349	5,398,773	5,398,773	
			5,480,349	5,398,773	5,398,773	
Frozen Specialties, Inc. (1%)*	Frozen Foods Manufacturer	Subordinated Note (13% Cash, 5% PIK, Due 05/16)	6,245,877	6,190,449	6,190,449	
			6,245,877	6,190,449	6,190,449	
Garden Fresh Restaurant Corp. (0%)*	Restaurant	Membership Units (5,000 units)		500,000	295,000	
				500,000	295,000	
Glencoe Business Services Holdings (5%)*	Business Process Outsourcing Provider	Subordinated Note (12% Cash, 2.5% PIK, Due 06/18)	20,001,388	19,601,388	19,601,388	
			20,001,388	19,601,388	19,601,388	
Grindmaster-Cecilware Corp. (1%)*	Food Services Equipment Manufacturer	Subordinated Note (12% Cash, 6% PIK, Due 04/16)	6,667,971	6,612,541	5,894,000	
			6,667,971	6,612,541	5,894,000	
Hatch Chile Co., LLC (1%)*	Food Products Distributor	Senior Note (19% Cash, Due 07/15)	3,600,000	3,530,928	3,530,928	
		Subordinated Note (14% Cash, Due 07/15)	800,000	697,713	697,713	
		Unit Purchase Warrant (5,265 units)		149,800	229,000	
			4,400,000	4,378,441	4,457,641	
Home Physicians, LLC ("HP") and Home Physicians Holdings, LP ("HPH") (2%)*	In-home Primary Care Physician Services	Subordinated Note-HP (12% Cash, 5% PIK, Due 03/16)	11,208,476	10,628,482	6,219,000	
		Subordinated Note-HPH (4% Cash, 6% PIK, Due 03/16)	1,364,331	1,303,361	—	
		Senior Subordinated Note-HP (14% Cash, 2% PIK, Due 03/16)	612,245	602,472	602,472	
		Royalty Rights		—	—	
			13,185,052	12,534,315	6,821,472	
Infrastructure Corporation of America, Inc. (3%)*	Roadway Maintenance, Repair and Engineering Services	Subordinated Note (12% Cash, 1% PIK, Due 10/15)	10,989,934	10,213,309	10,213,309	
		Common Stock Purchase Warrant (199,526 shares)		980,000	1,164,000	
			10,989,934	11,193,309	11,377,309	
Inland Pipe Rehabilitation Holding Company LLC (6%)*	Cleaning and Repair Services	Subordinated Note (13% Cash, 2.5% PIK, Due 12/16)	20,797,791	20,559,945	20,559,945	
		Membership Interest Purchase Warrant (3.0%)		853,500	2,726,000	
			20,797,791	21,413,445	23,285,945	
IOS Acquisitions, Inc. (4%)*	Provider of Oil Country Tubular Goods Inspections and Repair Services	Subordinated Note (12% Cash, 2% PIK, Due 06/18)	17,004,723	16,664,723	16,664,723	
		Common Units (7,314 Class A Units)		1,699,847	1,699,847	
			17,004,723	18,364,570	18,364,570	
Library Systems & Services, LLC (2%)*	Municipal Business Services	Subordinated Note (12.5% Cash, 4.5% PIK, Due 06/15)	5,250,002	5,159,230	5,159,230	
		Common Stock Warrants (112 shares)		58,995	1,486,000	
			5,250,002	5,218,225	6,645,230	
Magpul Industries Corp. (4%)*	Firearm Accessories Manufacturer and Distributor	Subordinated Note (12% Cash, 3% PIK, Due 03/17)	13,300,000	13,080,247	13,080,247	
		Preferred Units (1,470 units)		1,470,000	1,694,000	
		Common Units (30,000 units)		30,000	3,100,000	
			13,300,000	14,580,247	17,874,247	
Marine Acquisition Corp. (3%)*	Boat Steering System and Driver Control Provider	Subordinated Note (11.50% Cash, 2% PIK, Due 05/17)	12,000,000	11,740,879	11,740,879	
			12,000,000	11,740,879	11,740,879	

TRIANGLE CAPITAL CORPORATION
Consolidated Schedule of Investments
December 31, 2012

Portfolio Company	Industry	Type of Investment ⁽¹⁾⁽²⁾	Principal Amount	Cost	Fair Value ⁽³⁾
Media Storm, LLC (2%)*	Marketing Services	Subordinated Note (12% Cash, 2% PIK, Due 10/17)	\$ 8,056,663	\$ 7,984,771	\$ 7,984,771
		Membership Units (1,216,204 units)		1,176,957	1,307,000
			<u>8,056,663</u>	<u>9,161,728</u>	<u>9,291,771</u>
Media Temple, Inc. (4%)*	Web Hosting Services	Subordinated Note (12% Cash, 3% PIK, Due 04/15)	8,800,000	8,696,378	8,696,378
		Convertible Note (8% Cash, 6% PIK, Due 04/15)	3,200,000	2,896,501	6,377,000
		Common Stock Purchase Warrant (28,000 shares)		536,000	2,790,000
			<u>12,000,000</u>	<u>12,128,879</u>	<u>17,863,378</u>
Micros Solutions LLC (3%)*	Provider of Semiconductor Products and Services	Subordinated Note (12% Cash, 2% PIK, Due 06/18)	10,615,311	10,456,311	10,456,311
		Class A-2 Common Units (1,500,000 units)		1,500,000	1,500,000
			<u>10,615,311</u>	<u>11,956,311</u>	<u>11,956,311</u>
Minco Technology Labs, LLC (1%)*	Semiconductor Distribution	Subordinated Note (6.5% Cash, 3.5% PIK, Due 05/16)	5,537,286	5,453,091	3,619,000
		Class A Units (5,000 HoldCo. units)		500,000	—
		Class A Units (3,907 OpCo. units)		3,907	—
			<u>5,537,286</u>	<u>5,956,998</u>	<u>3,619,000</u>
My Alarm Center, LLC (2%)*	Security Company	Subordinated Note (12% Cash, 2.5% PIK, Due 09/17)	8,084,991	8,010,654	8,010,654
		Preferred Units (2,000,000 units)		2,000,000	2,000,000
			<u>8,084,991</u>	<u>10,010,654</u>	<u>10,010,654</u>
National Investment Managers Inc. (3%)*	Retirement Plan Administrator	Subordinated Note (12% Cash, 5% PIK, Due 09/16)	12,309,375	12,100,174	12,100,174
		Preferred A Units (90,000 units)		900,000	658,000
		Common Units (10,000 units)		100,000	—
			<u>12,309,375</u>	<u>13,100,174</u>	<u>12,758,174</u>
Novolyte Technologies, Inc. (0%)*	Specialty Manufacturing	Common Units (24,522 units)		43,905	178,801
				43,905	178,801
				<u>43,905</u>	<u>178,801</u>
Performance Health & Wellness Holdings, Inc. (3%)*	Designer and Manufacturer of Rehabilitation and Wellness Products	Subordinated Note (12% Cash, 1% PIK, Due 04/19)	13,029,262	12,839,320	12,839,320
		Class A Limited Partnership Units (15,000 units)		1,500,000	1,500,000
			<u>13,029,262</u>	<u>14,339,320</u>	<u>14,339,320</u>
PowerDirect Marketing, LLC (2%)*	Marketing Services	Subordinated Note (12% Cash, 2% PIK, Due 05/16)	7,660,631	7,069,381	7,069,381
		Common Unit Purchase Warrants		590,200	1,820,000
			<u>7,660,631</u>	<u>7,659,581</u>	<u>8,889,381</u>
ROM Acquisition Corporation (3%)*	Military and Industrial Vehicle Equipment Manufacturing	Subordinated Note (12% Cash, 3% PIK, Due 03/17)	13,157,755	13,037,948	13,037,948
			13,157,755	13,037,948	13,037,948
			<u>13,157,755</u>	<u>13,037,948</u>	<u>13,037,948</u>
Sheplers, Inc. (3%)*	Western Apparel Retailer	Subordinated Note (13.15% Cash, Due 12/16)	8,750,000	8,564,503	8,564,503
		Subordinated Note (10% Cash, 7% PIK, Due 12/17)	4,027,230	3,964,422	3,964,422
			<u>12,777,230</u>	<u>12,528,925</u>	<u>12,528,925</u>
Snacks Holding Corporation (3%)*	Trail Mixes and Nut Manufacturer and Marketer	Subordinated Note (12% Cash, 1% PIK, Due 11/17)	7,152,710	6,835,477	6,835,477
		Preferred A Units (22,368 units)		2,124,957	3,016,000
		Preferred B Units (10,380 units)		986,059	1,430,000
		Common Units (190,935 units)		150,000	415,000
		Common Stock Warrants (14,558 shares)		14,558	40,000
			<u>7,152,710</u>	<u>10,111,051</u>	<u>11,736,477</u>
SRC, Inc. (1%)*	Specialty Chemical Manufacturer	Subordinated Notes (12% Cash, 2% PIK, Due 12/14)	6,023,719	5,856,719	5,643,000
		Common Stock Purchase Warrants		123,800	—
			<u>6,023,719</u>	<u>5,980,519</u>	<u>5,643,000</u>
Stella Environmental Services, LLC (1%)*	Waste Transfer Stations	Subordinated Note (12% Cash, 3% PIK, Due 02/17)	5,916,326	5,788,004	5,788,004
		Common Stock Purchase Warrants		20,000	259,000
			<u>5,916,326</u>	<u>5,808,004</u>	<u>6,047,004</u>
Syrgis Holdings, Inc. (0%)*	Specialty Chemical Manufacturer	Class C Units (2,114 units)		111,037	201,281
				<u>111,037</u>	<u>201,281</u>

TRIANGLE CAPITAL CORPORATION
Consolidated Schedule of Investments
December 31, 2012

Portfolio Company	Industry	Type of Investment ⁽¹⁾⁽²⁾	Principal Amount	Cost	Fair Value ⁽³⁾
The Krystal Company (4%)*	Quick Service Restaurant	Subordinated Note (12% Cash, 3% PIK, Due 06/17)	\$ 12,514,671	\$ 12,296,595	\$ 12,296,595
		Class A Units of Limited Partnership (2,000 units)		2,000,000	3,051,000
			<u>12,514,671</u>	<u>14,296,595</u>	<u>15,347,595</u>
TMR Automotive Service Supply, LLC (1%)*	Automotive Supplies	Subordinated Note (12% Cash, 1% PIK, Due 03/16)	4,750,000	4,539,123	4,539,123
		Unit Purchase Warrant (316,858 units)		195,000	384,000
			<u>4,750,000</u>	<u>4,734,123</u>	<u>4,923,123</u>
Tomich Brothers, LLC (2%)*	Squid and Wetfish Processor and Distributor	Subordinated Note (12% Cash, 3% PIK, Due 04/16)	7,146,576	7,028,045	7,028,045
		Royalty Rights		—	—
			<u>7,146,576</u>	<u>7,028,045</u>	<u>7,028,045</u>
Top Knobs USA, Inc. (3%)*	Hardware Designer and Distributor	Common Stock (26,593 shares)		750,000	1,071,000
				750,000	1,071,000
				<u>750,000</u>	<u>1,071,000</u>
Trinity Consultants Holdings, Inc. (2%)*	Air Quality Consulting Services	Subordinated Note (12% Cash, 2.5% PIK, Due 11/17)	7,402,071	7,275,570	7,275,570
		Series A Preferred Stock (10,000 units)		950,000	1,143,000
		Common Stock (50,000 units)		50,000	478,000
			<u>7,402,071</u>	<u>8,275,570</u>	<u>8,896,570</u>
TrustHouse Services Group, Inc. (7%)*	Food Management Services	Subordinated Note (12% Cash, 2.25% PIK, Due 06/19)	25,334,160	25,050,372	25,050,372
		Class A Units (1,557 units)		512,124	1,699,000
		Class B Units (82 units)		26,954	70,000
		Class E Units (838 units)		750,406	976,000
			<u>25,334,160</u>	<u>26,339,856</u>	<u>27,795,372</u>
Tulsa Inspection Resources, Inc. (2%)*	Pipeline Inspection Services	Subordinated Note (14%-17.5% Cash, Due 03/14)	5,810,588	5,670,249	5,670,249
		Common Units (2 units)		337,925	569,000
		Common Stock Warrants (8 shares)		321,000	2,188,000
			<u>5,810,588</u>	<u>6,329,174</u>	<u>8,427,249</u>
United Biologics, LLC (3%)*	Allergy Immunotherapy	Subordinated Note (12% Cash, 2% PIK, Due 03/17)	10,169,051	9,250,348	9,250,348
		Class A Common Stock (177,935 shares)		1,999,989	2,029,000
		Class A & Class B Unit Purchase Warrants		838,117	349,000
			<u>10,169,051</u>	<u>12,088,454</u>	<u>11,628,348</u>
Wholesale Floors, Inc. (1%)*	Commercial Services	Subordinated Note (12.5% Cash, 3.5% PIK, Due 06/14)	3,820,271	3,766,095	3,766,095
		Membership Interest Purchase Warrant (4.0%)		132,800	—
			<u>3,820,271</u>	<u>3,898,895</u>	<u>3,766,095</u>
Workforce Software, LLC (2%)*	Software Provider	Subordinated Note (11% Cash, 5% PIK, Due 11/16)	8,000,000	7,035,228	7,035,228
		Class B Preferred Units (1,020,000 units)		1,020,000	1,133,000
		Common Unit Purchase Warrants (2,434,749 units)		952,300	2,218,000
			<u>8,000,000</u>	<u>9,007,528</u>	<u>10,386,228</u>
WSO Holdings, LP (6%)*	Organic/Fair Trade Sugar, Syrup, Nectar and Honey Producer	Subordinated Note (12% Cash, 2% PIK, Due 10/17)	20,198,267	19,928,633	19,928,633
		Common Points (3,000 points)		3,000,000	3,172,000
			<u>20,198,267</u>	<u>22,928,633</u>	<u>23,100,633</u>
Xchange Technology Group, LLC (0%)*	Used and Refurbished IT Asset Supplier	Subordinated Note (8% Cash, Due 06/15)	6,024,000	5,904,000	1,512,000
		Royalty Rights		—	—
			<u>6,024,000</u>	<u>5,904,000</u>	<u>1,512,000</u>
Yellowstone Landscape Group, Inc. (4%)*	Landscaping Services	Subordinated Note (10% Cash, 6% PIK, Due 04/14)	15,247,823	15,132,751	15,132,751
			<u>15,247,823</u>	<u>15,132,751</u>	<u>15,132,751</u>
Subtotal Non-Control / Non-Affiliate Investments			532,951,385	565,737,092	579,078,939

TRIANGLE CAPITAL CORPORATION
Consolidated Schedule of Investments
December 31, 2012

Portfolio Company	Industry	Type of Investment ⁽¹⁾⁽²⁾	Principal Amount	Cost	Fair Value ⁽³⁾	
<i>Affiliate Investments:</i>						
All Aboard America! Holdings Inc. (2%)*	Motor Coach Operator	Subordinated Note (12% Cash, 3% PIK, Due 10/17)	\$ 8,631,169	\$ 8,473,203	\$ 8,473,203	
		Convertible Preferred Interest in LLC		1,500,000	1,500,000	
			8,631,169	9,973,203	9,973,203	
American De-Rosa Lamparts, LLC and Hallmark Lighting (1%)*	Wholesale and Distribution	Subordinated Note (12% Cash, 6% PIK, Due 10/13)	6,436,764	5,679,311	5,679,311	
		Membership Units (6,516 units)		620,653	—	
			6,436,764	6,299,964	5,679,311	
AP Services, Inc. (0%)*	Fluid Sealing Supplies and Services	Class A Units (933 units)		302,886	556,618	
		Class B Units (496 units)		—	295,642	
				302,886	852,260	
Asset Point, LLC (2%)*	Asset Management Software Provider	Senior Note (12% Cash, 4% PIK, Due 03/13)	6,305,825	6,299,297	6,299,297	
		Senior Note (12% Cash, 2% PIK, Due 07/15)	630,247	630,247	576,000	
		Subordinated Note (7% Cash, Due 03/13)	941,798	941,798	647,000	
		Membership Units (1,000,000 units)		8,203	398,000	
		Options to Purchase Membership Units (342,407 units)			500,000	180,000
		Membership Unit Warrants (356,506 units)			—	—
			7,877,870	8,379,545	8,100,297	
Axxiom Manufacturing, Inc. (0%)*	Industrial Equipment Manufacturer	Common Stock (136,400 shares)		200,000	1,437,000	
		Common Stock Warrant (4,000 shares)		—	37,000	
				200,000	1,474,000	
Captek Softgel International, Inc. (2%)*	Nutraceutical Manufacturer	Subordinated Note (12% Cash, 4% PIK, Due 08/16)	8,620,064	8,500,212	8,500,212	
		Class A Units (80,000 units)		800,000	409,000	
			8,620,064	9,300,212	8,909,212	
CIS Secure Computing Inc. (3%)*	Secure Communications and Computing Solutions Provider	Subordinated Note (12% Cash, 3% PIK, Due 06/17)	10,144,765	9,966,594	9,966,594	
		Common Stock (84 shares)		502,320	1,081,000	
			10,144,765	10,468,914	11,047,594	
Dyson Corporation (1%)*	Custom Forging and Fastener Supplies	Class A Units (1,000,000 units)		1,000,000	3,122,000	
				1,000,000	3,122,000	
				1,000,000	3,122,000	
Equisales, LLC (0%)*	Energy Products and Services	Subordinated Note (6.5% Cash, 10.5% PIK, Due 06/12)	3,574,630	3,157,043	250,000	
		Class A Units (500,000 units)		480,900	—	
			3,574,630	3,637,943	250,000	
Fischbein Partners, LLC (2%)*	Packaging and Materials Handling Equipment Manufacturer	Class A Units (1,750,000 units)		417,088	6,616,000	
				417,088	6,616,000	
				417,088	6,616,000	
Main Street Gourmet, LLC (1%)*	Baked Goods Provider	Subordinated Note (12% Cash, 4.5% PIK, Due 10/16)	4,327,970	4,268,044	4,268,044	
		Jr. Subordinated Note (8% Cash, 2% PIK, Due 04/17)	1,035,758	1,020,646	1,020,646	
		Preferred Units (233 units)		211,867	153,000	
		Common B Units (3,000 units)		23,140	—	
		Common A Units (1,652 units)		14,993	—	
			5,363,728	5,538,690	5,441,690	
PartsNow!, LLC (3%)*	Printer Parts Distributor	Subordinated Note (12% Cash, 3% PIK, Due 08/17)	11,113,184	10,908,758	10,908,758	
		Member Units (1,000,000 units)		1,000,000	1,000,000	
		Royalty Rights		—	—	
			11,113,184	11,908,758	11,908,758	
Pine Street Holdings, LLC (0%)*	Oil and Gas Services	Preferred Units (200 units)		200,000	417,000	
		Common Unit Warrants (2,220 units)		—	36,000	
				200,000	453,000	

TRIANGLE CAPITAL CORPORATION
Consolidated Schedule of Investments
December 31, 2012

Portfolio Company	Industry	Type of Investment ⁽¹⁾⁽²⁾	Principal Amount	Cost	Fair Value ⁽³⁾
Plantation Products, LLC (6%)*	Seed Manufacturing	Subordinated Notes (10.5% Cash, 7% PIK, Due 11/17)	\$ 19,308,135	\$ 19,108,298	\$ 19,108,298
		Preferred Units (4,312 units)		4,312,000	4,660,000
		Common Units (352,000 units)		88,000	382,000
			<u>19,308,135</u>	<u>23,508,298</u>	<u>24,150,298</u>
QC Holdings, Inc. (0%)*	Lab Testing Services	Common Stock (5,594 shares)		563,602	233,000
				<u>563,602</u>	<u>233,000</u>
Technology Crops International (2%)*	Supply Chain Management Services	Subordinated Note (12% Cash, 5% PIK, Due 03/15)	5,902,282	5,853,425	5,853,425
		Common Units (50 units)		500,000	680,000
			<u>5,902,282</u>	<u>6,353,425</u>	<u>6,533,425</u>
Venture Technology Groups, Inc. (0%)*	Fluid and Gas Handling Products Distributor	Subordinated Note (12.5% Cash, 4% PIK, Due 09/16)	5,731,024	5,469,170	1,288,000
		Class A Units (1,000,000 units)		1,000,000	—
			<u>5,731,024</u>	<u>6,469,170</u>	<u>1,288,000</u>
Waste Recyclers Holdings, LLC (1%)*	Environmental and Facilities Services	Class A Preferred Units (280 units)		2,251,100	—
		Class B Preferred Units (985,372 units)		3,304,218	2,974,000
		Class C Preferred Units (1,444,475 units)		246,598	663,000
		Common Unit Purchase Warrant (1,170,083 units)		748,900	—
		Common Units (153,219 units)		180,783	—
				<u>6,731,599</u>	<u>3,637,000</u>
Wythe Will Tzetzto, LLC (3%)*	Confectionary Goods Distributor	Subordinated Notes (13% Cash, Due 10/16)	10,357,475	9,964,397	9,964,397
		Series A Preferred Units (74,764 units)		1,500,000	3,007,000
		Common Unit Purchase Warrants (25,065 units)		301,510	768,000
			<u>10,357,475</u>	<u>11,765,907</u>	<u>13,739,397</u>
Subtotal Affiliate Investments			103,061,090	123,019,204	123,408,445
<u>Control Investments:</u>					
FCL Graphics, Inc. ("FCL") and FCL Holding SPV, LLC ("SPV") (1%)*	Commercial Printing Services	Senior Note-FCL (5.0% Cash, Due 09/16)	1,386,706	1,386,706	1,386,706
		Senior Note-FCL (8.0% Cash, 2% PIK, Due 09/16)	1,171,394	1,170,881	1,006,000
		Senior Note-SPV (2.5% Cash, 6% PIK, Due 09/16)	1,007,272	1,007,272	—
		Members Interests-SPV (299,875 units)		—	—
			<u>3,565,372</u>	<u>3,564,859</u>	<u>2,392,706</u>
Fire Sprinkler Systems, Inc. (0%)*	Specialty Trade Contractors	Subordinated Notes (2% PIK, Due 03/13)	3,565,051	2,992,528	140,000
		Common Stock (2,978 shares)		294,624	—
			<u>3,565,051</u>	<u>3,287,152</u>	<u>140,000</u>
Fischbein, LLC (0%)*	Packaging and Materials Handling Equipment Manufacturer	Class A-1 Common Units (501,984 units)		29,575	141,512
		Class A Common Units (3,839,068 units)		226,182	927,121
				<u>255,757</u>	<u>1,068,633</u>
Gerli & Company (0%)*	Specialty Woven Fabrics Manufacturer	Subordinated Note (10% Cash, Due 03/15)	264,694	250,000	250,000
		Subordinated Note (8.5% Cash, Due 03/15)	3,483,770	3,000,000	464,000
		Class A Preferred Shares (1,211 shares)		855,000	—
		Class C Preferred Shares (744 shares)		—	—
		Class E Preferred Shares (400 shares)		161,440	—
		Common Stock (300 shares)		100,000	—
			<u>3,748,464</u>	<u>4,366,440</u>	<u>714,000</u>
Subtotal Control Investments			10,878,887	11,474,208	4,315,339
Total Investments, December 31, 2012 (169%)*			\$ 646,891,362	\$ 700,230,504	\$ 706,802,723

* Fair value as a percent of net assets

- (1) All debt investments are income producing. Equity and equity-linked investments are non-income producing.
- (2) Disclosures of interest rates on notes include cash interest rates and payment-in-kind ("PIK") interest rates.
- (3) All investments are restricted as to resale and were valued at fair value as determined in good faith by the Board of Directors.

See accompanying notes.

TRIANGLE CAPITAL CORPORATION
Notes to Unaudited Consolidated Financial Statements

1. ORGANIZATION, BUSINESS AND BASIS OF PRESENTATION

Organization and Business

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

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

Basis of Presentation

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

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

2. INVESTMENTS

Portfolio Composition

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

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

	Cost	Percentage of Total Portfolio	Fair Value	Percentage of Total Portfolio
September 30, 2013:				
Subordinated debt and 2 nd lien notes	\$ 509,207,799	83%	\$ 488,985,821	78%
Senior debt and 1 st lien notes	34,284,476	5	34,142,197	5
Equity shares	58,603,134	10	76,959,572	12
Equity warrants	11,594,637	2	30,313,603	5
Royalty rights	—	—	75,000	—
	<u>\$ 613,690,046</u>	<u>100%</u>	<u>\$ 630,476,193</u>	<u>100%</u>
December 31, 2012:				
Subordinated debt and 2 nd lien notes	\$ 582,365,584	83%	\$ 559,355,550	79%
Senior debt and 1 st lien notes	46,955,594	7	46,576,994	7
Equity shares	60,948,229	9	78,979,179	11
Equity warrants	9,961,097	1	21,759,000	3
Royalty rights	—	—	132,000	—
	<u>\$ 700,230,504</u>	<u>100%</u>	<u>\$ 706,802,723</u>	<u>100%</u>

During the three months ended September 30, 2013, the Company made five new investments totaling approximately \$75.2 million and one investment in an existing portfolio company totaling approximately \$0.1 million. During the nine months ended September 30, 2013, the Company made seven new investments totaling approximately \$87.8 million and thirteen investments in existing portfolio companies totaling approximately \$24.6 million.

During the three months ended September 30, 2012, the Company made eight new investments totaling approximately \$71.9 million. During the nine months ended September 30, 2012, the Company made nineteen new investments totaling approximately \$225.3 million and six investments in existing portfolio companies totaling approximately \$3.2 million.

Investment Valuation Process

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

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

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

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

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

The Company’s valuation process is led by the Company’s executive officers and managing directors. The Company’s valuation process begins with a quarterly review of each investment in the Company’s investment portfolio by the Company’s executive officers and investment committee. Valuations of each portfolio security are then prepared by the Company’s investment professionals, who have direct responsibility for the origination, management and monitoring of each investment. Under the Company’s valuation policy, each investment valuation is subject to (i) a review by the lead investment officer responsible for the portfolio company investment and (ii) a peer review by a second investment officer or executive officer of

[Table of Contents](#)

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

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

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

For the quarter ended:	Total companies	Percent of total investments at fair value (1)
March 31, 2012	10	19%
June 30, 2012	14	21%
September 30, 2012	16	33%
December 31, 2012	17	30%
March 31, 2013	17	23%
June 30, 2013	13	27%
September 30, 2013	14	28%

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

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

Investment Valuation Inputs

Under ASC Topic 820, fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between a willing buyer and a willing seller at the measurement date. For the Company's portfolio securities, fair value is generally the amount that the Company might reasonably expect to receive upon the current sale of the security. Under ASC Topic 820, the fair value measurement assumes that the sale occurs in the principal market for the security, or in the absence of a principal market, in the most advantageous market for the security. Under ASC Topic 820, if no market for the security exists or if the Company does not have access to the principal market, the security should be valued based on the sale occurring in a hypothetical market. The securities in which the Company invests are generally only purchased and sold in merger and acquisition transactions, in which case the entire portfolio company is sold to a third-party purchaser. As a result, unless the Company has the ability to control such a transaction, the assumed principal market for the Company's securities is a hypothetical secondary market. The Level 3 inputs to the Company's valuation process reflect the Company's best estimate of the assumptions that would be used by market participants in pricing the investment in a transaction in a hypothetical secondary market.

Enterprise Value Waterfall Approach

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

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

The significant Level 3 inputs to the Enterprise Value Waterfall model are (i) an appropriate transaction multiple and (ii) a measure of the portfolio company's financial performance, which generally is either earnings before interest, taxes, depreciation and amortization, as adjusted ("Adjusted EBITDA") or revenues. Such inputs can be based on historical operating results, projections of future operating results or a combination thereof. The operating results of a portfolio company may be unaudited, projected or pro forma financial information and may require adjustments for certain non-recurring items. In determining the operating results input, the Company utilizes the most recent portfolio company financial statements and forecasts available as of the valuation date. The Company also consults with the portfolio company's senior management to obtain updates on the portfolio company's performance, including information such as industry trends, new product development, loss of customers and other operational issues. Fair value measurements using the Enterprise Value Waterfall model can be sensitive to significant changes in one or more of the inputs. A significant increase (decrease) in either the transaction multiple, Adjusted EBITDA or revenues for a particular equity security would result in a higher (lower) fair value for that security.

Income Approach

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

The Company considers the factors above, particularly any significant changes in the portfolio company's results of operations and leverage, and develops an expectation of the yield that a hypothetical market participant would require when purchasing the debt investment (the "Required Rate of Return"). The Required Rate of Return, along with the Leverage Ratio and Adjusted EBITDA, are the significant Level 3 inputs to the Income Approach model. For investments where the Leverage Ratio and Adjusted EBITDA have not fluctuated significantly from the date the investment was made or have not fluctuated significantly from the Company's expectations as of the date the investment was made, and where there have been no significant fluctuations in the market pricing for such investments, the Company may conclude that the Required Rate of Return is equal to the stated rate on the investment and therefore, the debt security is appropriately priced. In instances where the Company determines that the Required Rate of Return is different from the stated rate on the investment, the Company discounts the contractual cash flows on the debt instrument using the Required Rate of Return in order to estimate the fair value of the debt security.

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

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

[Table of Contents](#)

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

	Fair Value	Valuation Model	Level 3 Inputs	Range of Inputs	Weighted Average
Subordinated debt and 2 nd lien notes	\$ 482,178,821	Income Approach	Required Rate of Return	9.8% – 30.0%	14.8%
			Leverage Ratio	0.8x – 8.5x	3.7x
			Adjusted EBITDA	\$0.8 million – \$57.7 million	\$14.4 million
Subordinated debt and 2 nd lien notes	6,807,000	Enterprise Value Waterfall Approach	Adjusted EBITDA Multiple	4.5x – 5.5x	4.9x
			Adjusted EBITDA	\$0.5 million – \$5.0 million	\$1.3 million
Senior debt and 1 st lien notes	34,142,197	Income Approach	Required Rate of Return	4.8% – 19.0%	14.4%
			Leverage Ratio	0.0x – 8.5x	2.9x
			Adjusted EBITDA	\$0.8 million – \$5.0 million	\$2.5 million
Equity shares and warrants	107,273,175	Enterprise Value Waterfall Approach	Adjusted EBITDA Multiple	4.0x – 10.0x	6.6x
			Adjusted EBITDA	\$0.5 million – \$61.2 million	\$17.3 million
			Revenue Multiple	1.5x – 4.5x	3.7x
			Revenues	\$8.2 million – \$57.0 million	\$46.5 million

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

	Fair Value as of September 30, 2013			
	Level 1	Level 2	Level 3	Total
Subordinated debt and 2 nd lien notes	\$ —	\$ —	\$ 488,985,821	\$ 488,985,821
Senior debt and 1 st lien notes	—	—	34,142,197	34,142,197
Equity shares	—	—	76,959,572	76,959,572
Equity warrants	—	—	30,313,603	30,313,603
Royalty rights	—	—	75,000	75,000
	\$ —	\$ —	\$ 630,476,193	\$ 630,476,193
	Fair Value as of December 31, 2012			
	Level 1	Level 2	Level 3	Total
Subordinated debt and 2 nd lien notes	\$ —	\$ —	\$ 559,355,550	\$ 559,355,550
Senior debt and 1 st lien notes	—	—	46,576,994	46,576,994
Equity shares	—	—	78,979,179	78,979,179
Equity warrants	—	—	21,759,000	21,759,000
Royalty rights	—	—	132,000	132,000
	\$ —	\$ —	\$ 706,802,723	\$ 706,802,723

[Table of Contents](#)

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

Nine Months Ended September 30, 2013:	Subordinated Debt and 2 nd Lien Notes	Senior Debt and 1 st Lien Notes	Equity Shares	Equity Warrants	Royalty Rights	Total
Fair value, beginning of period	\$ 559,355,550	\$ 46,576,994	\$ 78,979,179	\$ 21,759,000	\$ 132,000	\$ 706,802,723
New investments	94,654,025	8,500,000	7,105,344	2,146,000	—	112,405,369
Reclassifications	8,769,569	(8,769,569)	—	—	—	—
Proceeds from sales of investments	—	—	(19,454,275)	(1,427,011)	—	(20,881,286)
Loan origination fees received	(1,081,431)	(140,000)	—	—	—	(1,221,431)
Principal repayments received	(176,684,897)	(12,546,819)	—	—	—	(189,231,716)
PIK interest earned	12,187,919	789,341	—	—	—	12,977,260
PIK interest payments received	(11,010,028)	(507,608)	—	—	—	(11,517,636)
Accretion of loan discounts	1,144,867	—	—	—	—	1,144,867
Accretion of deferred loan origination revenue	3,230,179	217,256	—	—	—	3,447,435
Realized gain	(4,581,707)	—	10,003,836	914,551	—	6,336,680
Unrealized gain (loss)	3,001,775	22,602	325,488	6,921,063	(57,000)	10,213,928
Fair value, end of period	\$ 488,985,821	\$ 34,142,197	\$ 76,959,572	\$ 30,313,603	\$ 75,000	\$ 630,476,193

Nine Months Ended September 30, 2012:	Subordinated Debt and 2 nd Lien Notes	Senior Debt and 1 st Lien Notes	Equity Shares	Equity Warrants	Royalty Rights	Total
Fair value, beginning of period	\$ 387,169,056	\$ 59,974,195	\$ 43,972,024	\$ 15,043,300	\$ 920,000	\$ 507,078,575
New investments	196,117,782	9,161,883	21,678,540	1,552,317	—	228,510,522
Proceeds from sales of investments	—	—	(7,554,964)	(818,732)	(874,400)	(9,248,096)
Loan origination fees received	(3,365,896)	(200,000)	—	—	—	(3,565,896)
Principal repayments received	(97,223,732)	(7,426,252)	—	—	—	(104,649,984)
PIK interest earned	9,840,162	1,145,521	—	—	—	10,985,683
PIK interest payments received	(4,838,397)	(645,984)	—	—	—	(5,484,381)
Accretion of loan discounts	1,239,138	243,569	—	—	—	1,482,707
Accretion of deferred loan origination revenue	2,195,586	201,689	—	—	—	2,397,275
Realized gains	230,034	—	4,208,506	785,132	—	5,223,672
Unrealized gain (loss)	(12,031,319)	477,213	5,994,599	4,075,983	63,400	(1,420,124)
Fair value, end of period	\$ 479,332,414	\$ 62,931,834	\$ 68,298,705	\$ 20,638,000	\$ 109,000	\$ 631,309,953

All realized and unrealized gains and losses are included in earnings (changes in net assets) and are reported on separate line items within the Company's Statements of Operations. Pre-tax net unrealized gains on investments of \$5.1 million and \$6.2 million, respectively, during the three and nine months ended September 30, 2013 were related to portfolio company investments that were still held by the Company as of September 30, 2013. Pre-tax net unrealized gains (losses) on investments of \$0.3 million and (\$1.0) million, respectively, during the three and nine months ended September 30, 2012 were related to portfolio company investments that were still held by the Company as of September 30, 2012.

Warrants

When originating a debt security, the Company will sometimes receive warrants or other equity-related securities from the borrower. The Company determines the cost basis of the warrants or other equity-related securities received based upon

their respective fair values on the date of receipt in proportion to the total fair value of the debt and warrants or other equity-related securities received. Any resulting difference between the face amount of the debt and its recorded fair value resulting from the assignment of value to the warrant or other equity instruments is treated as original issue discount and accreted into interest income over the life of the loan.

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

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

Investment Classification

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

Investment Income

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

Fee Income

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

Payment-in-Kind Interest

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

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

Concentration of Credit Risk

The Company's investments are generally in lower middle market companies in a variety of industries. As of both September 30, 2013 and December 31, 2012, there were no individual investments greater than 10% of the fair value of the Company's portfolio. As of September 30, 2013 and December 31, 2012, the Company's largest single portfolio company investment represented approximately 4.8% and 3.9%, respectively, of the fair value of the Company's portfolio. Income, consisting of interest, dividends, fees, other investment income, and realization of gains or losses on equity interests, can fluctuate dramatically upon repayment of an investment or sale of an equity interest and in any given year can be highly concentrated among several investees.

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

Investments Denominated in Foreign Currency

As of September 30, 2013, the Company held an investment in one portfolio company that was denominated in Canadian dollars.

At each balance sheet date, portfolio company investments denominated in foreign currencies are translated into United States dollars using the spot exchange rate on the last business day of the period. Purchases and sales of foreign portfolio company investments, and any income from such investments, are translated into United States dollars using the rates of exchange prevailing on the respective dates of such transactions.

Although the fair values of foreign portfolio company investments and the fluctuation in such fair values are translated into United States dollars using the applicable foreign exchange rates described above, the Company does not isolate that portion of the change in fair values resulting from foreign currency exchange rates fluctuations from the change in fair values of the underlying investment. All fluctuations in fair value are included in net unrealized appreciation (depreciation) of investments in our unaudited consolidated statements of operations.

Investments denominated in foreign currencies and foreign currency transactions may involve certain considerations and risks not typically associated with those of domestic origin, including unanticipated movements in the value of the foreign currency relative to the United States dollar.

3. INCOME TAXES

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

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

ICTI generally differs from net investment income for financial reporting purposes due to temporary and permanent differences in the recognition of income and expenses. The Company may be required to recognize ICTI in certain circumstances in which it does not receive cash. For example, if the Company holds debt obligations that are treated under applicable tax rules as having original issue discount (such as debt instruments issued with warrants), the Company must include in ICTI each year a portion of the original issue discount that accrues over the life of the obligation, regardless of whether cash representing such income is received by the Company in the same taxable year. The Company may also have to include in ICTI other amounts that it has not yet received in cash, such as (i) PIK interest income and (ii) interest income from investments that have been classified as non-accrual for financial reporting purposes. Interest income on non-accrual investments is not recognized for financial reporting purposes, but generally is recognized in ICTI. Because any original issue

discount or other amounts accrued will be included in the Company's ICTI for the year of accrual, the Company may be required to make a distribution to its stockholders in order to satisfy the minimum distribution requirements, even though the Company will not have received and may not ever receive any corresponding cash amount. ICTI also excludes net unrealized appreciation or depreciation, as investment gains or losses are not included in taxable income until they are realized.

The Company has certain wholly-owned taxable subsidiaries (the "Taxable Subsidiaries"), each of which holds one or more of its portfolio investments that are listed on the Consolidated Schedule of Investments. The Taxable Subsidiaries are consolidated for financial reporting purposes, such that the Company's consolidated financial statements reflect the Company's investments in the portfolio companies owned by the Taxable Subsidiaries. The purpose of the Taxable Subsidiaries is to permit the Company to hold certain portfolio companies that are organized as limited liability companies ("LLCs") (or other forms of pass-through entities) and still satisfy the RIC tax requirement that at least 90% of the RIC's gross revenue for income tax purposes must consist of investment income. Absent the Taxable Subsidiaries, a proportionate amount of any gross income of an LLC (or other pass-through entity) portfolio investment would flow through directly to the RIC. To the extent that such income did not consist of investment income, it could jeopardize the Company's ability to qualify as a RIC and therefore cause the Company to incur significant amounts of federal income taxes. When LLCs (or other pass-through entities) are owned by the Taxable Subsidiaries, their income is taxed to the Taxable Subsidiaries and does not flow through to the RIC, thereby helping the Company preserve its RIC status and resultant tax advantages. The Taxable Subsidiaries are not consolidated for income tax purposes and may generate income tax expense as a result of their ownership of the portfolio companies. This income tax expense is reflected in the Company's Consolidated Statements of Operations.

For federal income tax purposes, the cost of investments owned as of September 30, 2013 and December 31, 2012 was approximately \$616.5 million and \$704.0 million, respectively.

4. BORROWINGS

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

Issuance/Pooling Date	Maturity Date	Interest Rate as of September 30, 2013	September 30, 2013	December 31, 2012
<u>SBA-Guaranteed Debentures:</u>				
September 24, 2008	September 1, 2018	N/A	\$ —	\$ 20,500,000
March 25, 2009	March 1, 2019	5.337%	22,000,000	22,000,000
March 24, 2010	March 1, 2020	4.825%	6,800,000	6,800,000
September 22, 2010	September 1, 2020	3.687%	32,590,000	32,590,000
March 29, 2011	March 1, 2021	4.474%	75,400,000	75,400,000
September 21, 2011	September 1, 2021	3.392%	19,100,000	19,100,000
March 27, 2013	March 1, 2023	3.155%	30,000,000	30,000,000
<u>SBA-Guaranteed LMI Debenture:</u>				
September 14, 2010	March 1, 2016	2.508%	7,348,889	7,214,579
<u>Credit Facility:</u>				
June 26, 2013	September 17, 2017	4.025%	11,636,928	—
<u>Notes:</u>				
March 2, 2012	March 15, 2019	7.000%	69,000,000	69,000,000
October 19, 2012	December 15, 2022	6.375%	80,500,000	80,500,000
			\$ 354,375,817	\$ 363,104,579

SBA and SBA LMI Debentures

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

In addition to a one-time 1.0% fee on the total commitment from the SBA, the Company also pays a one-time 2.425% fee on the amount of each SBA-guaranteed debenture issued and a one-time 2.0% fee on the amount of each SBA-guaranteed LMI debenture issued. These fees are capitalized as deferred financing costs and are amortized over the term of the debt agreements.

using the effective interest method. Upon prepayment of an SBA-guaranteed debenture, any unamortized deferred financing costs related to the SBA-guaranteed debenture are written off and recognized as a loss on extinguishment of debt in the Consolidated Statements of Operations. In the nine months ended September 30, 2013 and 2012, the Company prepaid approximately \$20.5 million and \$40.8 million, respectively, of SBA-guaranteed debentures and recognized losses on extinguishment of debt of approximately \$0.4 million and \$0.8 million, respectively.

Under the Small Business Investment Act and current SBA policy applicable to SBICs, an SBIC (or group of SBICs under common control) can have outstanding at any time, SBA-guaranteed debentures and SBA-guaranteed LMI debentures (collectively, SBA-guaranteed debentures) up to two times (and in certain cases, up to three times) the amount of its regulatory capital. As of September 30, 2013, the maximum statutory limit on the dollar amount of outstanding SBA-guaranteed debentures that can be issued by a single SBIC was \$150.0 million and by a group of SBICs under common control was \$225.0 million. As of September 30, 2013, Triangle SBIC had issued \$118.7 million of SBA-guaranteed debentures and had the current capacity to issue up to the statutory maximum of \$150.0 million, subject to SBA approval. As of September 30, 2013, Triangle SBIC II had issued \$75.0 million in face amount of SBA-guaranteed debentures. The weighted average interest rate for all SBA-guaranteed debentures as of September 30, 2013 and December 31, 2012 was 4.07% and 4.05%, respectively. As of September 30, 2013, all SBA debentures were pooled. The weighted average interest rate as of December 31, 2012 included \$183.6 million of pooled SBA-guaranteed debentures with a weighted average fixed rate of 4.48% and \$30.0 million of unpooled SBA-guaranteed debentures with a weighted average interim interest rate of 1.42%.

The fair values of the SBA-guaranteed debentures are based on a market yield approach and current interest rates, which are Level 3 inputs to the market yield model. As of September 30, 2013 and December 31, 2012, the carrying amounts of the SBA-guaranteed debentures were approximately \$193.2 million and \$213.6 million, respectively. As of September 30, 2013 and December 31, 2012, the fair values of the SBA-guaranteed debentures were \$205.0 million and \$228.4 million, respectively.

Credit Facility

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

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

Borrowings under the Credit Facility bear interest, subject to the Company's election, on a per annum basis equal to (i) the applicable base rate plus 1.75%, (ii) the applicable LIBOR rate plus 2.75%, or (iii) for borrowings denominated in Canadian dollars, the applicable Canadian Dealer Offered Rate plus 2.75%. The applicable base rate is equal to the greater of (i) the prime rate, (ii) the federal funds rate plus 0.5% or (iii) the adjusted one-month LIBOR rate plus 2.0%. The Company pays a commitment fee of 0.375% per annum on undrawn amounts, which is included with interest and other financing fees on the Company's Consolidated Statements of Operations. Borrowings under the Credit Facility are also limited to a borrowing base, which includes certain cash and a portion of eligible debt investments.

As of September 30, 2013, the Company had non-United States dollar borrowings denominated in Canadian dollars of \$12.0 million (\$11.6 million United States dollars) outstanding under the Credit Facility with an interest rate of 4.03%. The borrowings denominated in Canadian dollars are translated into United States dollars based on the spot rate at each balance sheet date. The impact resulting from changes in foreign exchange rates on the credit facility borrowings is included in unrealized appreciation (depreciation) on foreign currency borrowings in the Company's Consolidated Statements of Operations. The borrowings denominated in Canadian dollars may be positively or negatively affected by movements in the rate of exchange between the United States dollar and the Canadian dollar. This movement is beyond the control of the Company and cannot be predicted. As of December 31, 2012, the Company had no borrowings outstanding under the Prior Facility.

The fair value of the borrowings outstanding under the Credit Facility are based on a market yield approach and current interest rates, which are Level 3 inputs to the market yield model. As of September 30, 2013, the fair value of the borrowings outstanding under the Credit Facility was \$11.6 million.

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

Notes

In March 2012, the Company issued \$69.0 million of unsecured notes due 2019 (the "2019 Notes"). The 2019 Notes mature on March 15, 2019, and may be redeemed in whole or in part at any time or from time to time at the Company's option on or after March 15, 2015. The 2019 Notes bear interest at a rate of 7.00% per year payable quarterly on March 15, June 15, September 15 and December 15 of each year, beginning June 15, 2012. The net proceeds to the Company from the sale of the 2019 Notes, after underwriting discounts and offering expenses, were approximately \$66.7 million. As of both September 30, 2013 and December 31, 2012, the carrying amount of the 2019 Notes was approximately \$69.0 million. As of September 30, 2013 and December 31, 2012, the fair values of the 2019 Notes were \$70.5 million and \$72.6 million, respectively.

In October 2012, the Company issued \$70.0 million of unsecured notes due 2022 (the "2022 Notes") and in November 2012, issued \$10.5 million of 2022 Notes pursuant to the exercise of an over-allotment option. The 2022 Notes mature on December 15, 2022, and may be redeemed in whole or in part at any time or from time to time at the Company's option on or after December 15, 2015. The 2022 Notes bear interest at a rate of 6.375% per year payable quarterly on March 15, June 15, September 15 and December 15 of each year, beginning December 15, 2012. The net proceeds to the Company from the sale of the 2022 Notes, after underwriting discounts and offering expenses, were approximately \$77.8 million. As of both September 30, 2013 and December 31, 2012, the carrying amount of the 2022 Notes was approximately \$80.5 million. As of September 30, 2013 and December 31, 2012, the fair values of the 2022 Notes were \$78.2 million and \$78.1 million, respectively. The fair values of the 2019 Notes and the 2022 Notes are based on the closing prices of each respective security on the New York Stock Exchange, which are Level 1 inputs under ASC 820.

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

5. EQUITY-BASED AND OTHER COMPENSATION PLANS

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

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

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

	Nine Months Ended September 30, 2013		Nine Months Ended September 30, 2012	
	Number of Shares	Weighted Average Grant Date Fair Value per Share	Number of Shares	Weighted Average Grant Date Fair Value per Share
Unvested shares, beginning of period	290,198	\$18.52	359,555	\$15.39
Shares granted during the period	309,430	\$28.66	235,086	\$19.00
Shares vested during the period	(7,455)	\$20.12	(140,464)	\$13.42
Unvested shares, end of period	592,173	\$23.80	454,177	\$17.87

[Table of Contents](#)

In the three and nine months ended September 30, 2013, the Company recognized equity-based compensation expense of approximately \$1.1 million and \$2.8 million, respectively. In the three and nine months ended September 30, 2012, the Company recognized equity-based compensation expense of approximately \$0.7 million and \$2.1 million, respectively. This expense is included in general and administrative expenses in the Company's Consolidated Statements of Operations.

As of September 30, 2013, there was approximately \$11.3 million of total unrecognized compensation cost, related to the Company's non-vested restricted shares. This cost is expected to be recognized over a weighted average period of approximately 2.3 years.

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

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

6. FINANCIAL HIGHLIGHTS

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

	Nine Months Ended September 30,	
	2013	2012
Per share data:		
Net asset value at beginning of period	\$ 15.30	\$ 14.68
Net investment income(1)	1.75	1.59
Net realized gains(1)	0.23	0.20
Net unrealized appreciation (depreciation)(1)	0.32	(0.08)
Total increase from investment operations(1)	2.30	1.71
Cash dividends/distributions declared	(1.62)	(1.49)
Shares issued pursuant to Dividend Reinvestment Plan	0.03	0.03
Common stock offerings	—	0.54
Stock-based compensation	(0.07)	(0.09)
Loss on extinguishment of debt(1)	(0.01)	(0.03)
Income tax benefit(1)	0.02	—
Other(2)	(0.01)	(0.02)
Net asset value at end of period	\$ 15.94	\$ 15.33
Market value at end of period(3)	\$ 29.37	\$ 25.66
Shares outstanding at end of period	27,678,286	27,320,385
Net assets at end of period	\$ 441,265,505	\$ 418,702,605
Average net assets	\$ 430,834,263	\$ 401,118,293
Ratio of total expenses to average net assets (annualized)	9.52%	7.74%
Ratio of net investment income to average net assets (annualized)	14.94%	14.00%
Portfolio turnover ratio	16.72%	20.59%
Total return(4)	21.58%	42.00%
Supplemental Data:		
Efficiency ratio(5)	19.81%	18.01%

- (1) Weighted average basic per share data.
- (2) Represents the impact of the different share amounts used in calculating per share data as a result of calculating certain per share data based upon the weighted average basic shares outstanding during the period and certain per share data based on the shares outstanding as of a period end or transaction date.
- (3) Represents the closing price of the Company's common stock on the last day of the period.
- (4) Total return equals the change in the ending market value of the Company's common stock during the period, plus dividends declared per share during the period, divided by the market value of the Company's common stock on the first day of the period. Total return is not annualized.
- (5) Efficiency ratio equals general and administrative expenses divided by total investment income.

7. SUBSEQUENT EVENTS

On October 7, 2013, the Company invested \$2.3 million in first lien senior debt of SRC, Inc. ("SRC"), bringing the Company's total debt investments in SRC at cost to approximately \$8.3 million (including the Company's \$6.0 million in SRC subordinated notes held as of September 30, 2013). On October 28, 2013, SRC filed for bankruptcy protection under Chapter 11 of the United States Bankruptcy Code. As a result of the filing, the Company placed its \$6.0 million in SRC subordinated notes, which were on PIK non-accrual status for the quarter ended September 30, 2013, on non-accrual status effective October 1, 2013. Additionally, as part of the bankruptcy process and subsequent reorganization, the Company has committed to fund a debtor-in-possession credit facility to SRC totaling approximately \$2.0 million.

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

The following discussion is designed to provide a better understanding of our financial statements, including a brief discussion of our business, key factors that impacted our performance and a summary of our operating results. The following discussion should be read in conjunction with the Unaudited Financial Statements and the notes thereto included in Item 1 of this Quarterly Report on Form 10-Q, and the Consolidated Financial Statements and notes thereto and Management's Discussion and Analysis of Financial Condition and Results of Operations contained in our Annual Report on Form 10-K for the year ended December 31, 2012. Historical results and percentage relationships among any amounts in the financial statements are not necessarily indicative of trends in operating results for any future periods.

Forward-Looking Statements

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

Overview of Our Business

We are a Maryland corporation which has elected to be treated and operates as an internally managed business development company, or BDC, under the Investment Company Act of 1940, or 1940 Act. Our wholly-owned subsidiaries, Triangle Mezzanine Fund LLLP, or Triangle SBIC, and Triangle Mezzanine Fund II LP, or Triangle SBIC II, are licensed as small business investment companies, or SBICs, by the United States Small Business Administration, or SBA. In addition, Triangle SBIC has also elected to be treated as a BDC under the 1940 Act. We, Triangle SBIC and Triangle SBIC II invest primarily in debt instruments, equity investments, warrants and other securities of lower middle market privately-held companies located in the United States.

Our business is to provide capital to lower middle market companies in the United States. We focus on investments in companies with a history of generating revenues and positive cash flows, an established market position and a proven management team with a strong operating discipline. Our target portfolio company has annual revenues between \$20.0 million and \$200.0 million and annual earnings before interest, taxes, depreciation and amortization, or EBITDA, between \$3.0 million and \$35.0 million.

We invest primarily in subordinated debt securities secured by second lien security interests in portfolio company assets, coupled with equity interests. On a more limited basis, we also invest in senior debt securities secured by first lien security interests in portfolio companies. Our investments generally range from \$5.0 million to \$35.0 million per portfolio company. In certain situations, we have partnered with other funds to provide larger financing commitments.

We generate revenues in the form of interest income, primarily from our investments in debt securities, loan origination and other fees and dividend income. Fees generated in connection with our debt investments are recognized over the life of the loan using the effective interest method or, in some cases, recognized as earned. In addition, we generate revenue in the form of capital gains, if any, on warrants or other equity-related securities that we acquire from our portfolio companies. Our debt

investments generally have a term of between three and seven years and typically bear interest at fixed rates between 12.0% and 17.0% per annum. Certain of our debt investments have a form of interest, referred to as payment-in-kind, or PIK, interest, that is not paid currently but is instead accrued and added to the loan balance and paid at the end of the term. In our negotiations with potential portfolio companies, we generally seek to minimize PIK interest. Cash interest on our debt investments is generally payable monthly; however, some of our debt investments pay cash interest on a quarterly basis. As of September 30, 2013 and December 31, 2012, the weighted average yield on our outstanding debt investments other than non-accrual debt investments was approximately 14.3% and 14.6%, respectively. The weighted average yield on all of our outstanding investments (including equity and equity-linked investments but excluding non-accrual debt investments) was approximately 12.8% and 13.3% as of September 30, 2013 and December 31, 2012, respectively. The weighted average yield on all of our outstanding investments (including equity and equity-linked investments and non-accrual debt investments) was approximately 12.4% and 12.9% as of September 30, 2013 and December 31, 2012 respectively.

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

Portfolio Investment Composition

The total value of our investment portfolio was \$630.5 million as of September 30, 2013, as compared to \$706.8 million as of December 31, 2012. As of September 30, 2013, we had investments in 78 portfolio companies with an aggregate cost of \$613.7 million. As of December 31, 2012, we had investments in 82 portfolio companies with an aggregate cost of \$700.2 million. As of both September 30, 2013 and December 31, 2012, none of our portfolio investments represented greater than 10% of the total fair value of our investment portfolio.

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

	Cost	Percentage of Total Portfolio	Fair Value	Percentage of Total Portfolio
September 30, 2013:				
Subordinated debt and 2nd lien notes	\$ 509,207,799	83%	\$ 488,985,821	78%
Senior debt and 1st lien notes	34,284,476	5	34,142,197	5
Equity shares	58,603,134	10	76,959,572	12
Equity warrants	11,594,637	2	30,313,603	5
Royalty rights	—	—	75,000	—
	<u>\$ 613,690,046</u>	<u>100%</u>	<u>\$ 630,476,193</u>	<u>100%</u>
December 31, 2012:				
Subordinated debt and 2nd lien notes	\$ 582,365,584	83%	\$ 559,355,550	79%
Senior debt and 1st lien notes	46,955,594	7	46,576,994	7
Equity shares	60,948,229	9	78,979,179	11
Equity warrants	9,961,097	1	21,759,000	3
Royalty rights	—	—	132,000	—
	<u>\$ 700,230,504</u>	<u>100%</u>	<u>\$ 706,802,723</u>	<u>100%</u>

Investment Activity

During the nine months ended September 30, 2013, we made seven new investments totaling approximately \$87.8 million, debt investments in ten existing portfolio companies totaling approximately \$21.3 million and equity investments in five existing portfolio companies totaling approximately \$3.3 million. We had seventeen portfolio company loans repaid at par of approximately \$169.7 million resulting in realized gains of \$1.2 million and received normal principal repayments and partial loan prepayments totaling approximately \$17.9 million in the nine months ended September 30, 2013. We had three portfolio company loans settled at less than par with proceeds totaling approximately \$1.7 million and recognized realized losses of \$5.7 million. In addition, we received proceeds related to the sales of certain equity securities totaling \$20.8 million and recognized net realized gains on such sales totaling approximately \$10.8 million in the nine months ended September 30, 2013.

[Table of Contents](#)

During the nine months ended September 30, 2012, we made nineteen new investments totaling approximately \$225.3 million, debt investments in four existing portfolio companies totaling approximately \$2.6 million and equity investments in three existing portfolio companies totaling approximately \$0.6 million. We had eleven portfolio company loans repaid at par totaling approximately \$96.9 million and received normal principal repayments and partial loan prepayments totaling approximately \$7.7 million in the nine months ended September 30, 2012. In addition, we received proceeds related to the sale of certain equity securities totaling \$9.2 million and realized gains totaling approximately \$5.2 million in the nine months ended September 30, 2012.

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

Nine Months Ended September 30, 2013:	Subordinated Debt and 2 nd Lien Notes	Senior Debt and 1 st Lien Notes	Equity Shares	Equity Warrants	Royalty Rights	Total
Fair value, beginning of period	\$ 559,355,550	\$ 46,576,994	\$ 78,979,179	\$ 21,759,000	\$ 132,000	\$ 706,802,723
New investments	94,654,025	8,500,000	7,105,344	2,146,000	—	112,405,369
Reclassifications	8,769,569	(8,769,569)	—	—	—	—
Proceeds from sales of investments	—	—	(19,454,275)	(1,427,011)	—	(20,881,286)
Loan origination fees received	(1,081,431)	(140,000)	—	—	—	(1,221,431)
Principal repayments received	(176,684,897)	(12,546,819)	—	—	—	(189,231,716)
PIK interest earned	12,187,919	789,341	—	—	—	12,977,260
PIK interest payments received	(11,010,028)	(507,608)	—	—	—	(11,517,636)
Accretion of loan discounts	1,144,867	—	—	—	—	1,144,867
Accretion of deferred loan origination revenue	3,230,179	217,256	—	—	—	3,447,435
Realized gain	(4,581,707)	—	10,003,836	914,551	—	6,336,680
Unrealized gain (loss)	3,001,775	22,602	325,488	6,921,063	(57,000)	10,213,928
Fair value, end of period	<u>\$ 488,985,821</u>	<u>\$ 34,142,197</u>	<u>\$ 76,959,572</u>	<u>\$ 30,313,603</u>	<u>\$ 75,000</u>	<u>\$ 630,476,193</u>
Weighted average yield on debt investments at end of period(1)						<u>14.3%</u>
Weighted average yield on total investments at end of period(1)						<u>12.8%</u>
Weighted average yield on total investments at end of period						<u>12.4%</u>

(1) Excludes non-accrual debt investments.

[Table of Contents](#)

Nine Months Ended September 30, 2012:	Subordinated Debt and 2nd Lien Notes	Senior Debt and 1st Lien Notes	Equity Shares	Equity Warrants	Royalty Rights	Total
Fair value, beginning of period	\$ 387,169,056	\$ 59,974,195	\$ 43,972,024	\$ 15,043,300	\$ 920,000	\$ 507,078,575
New investments	196,117,782	9,161,883	21,678,540	1,552,317	—	228,510,522
Proceeds from sales of investments	—	—	(7,554,964)	(818,732)	(874,400)	(9,248,096)
Loan origination fees received	(3,365,896)	(200,000)	—	—	—	(3,565,896)
Principal repayments received	(97,223,732)	(7,426,252)	—	—	—	(104,649,984)
PIK interest earned	9,840,162	1,145,521	—	—	—	10,985,683
PIK interest payments received	(4,838,397)	(645,984)	—	—	—	(5,484,381)
Accretion of loan discounts	1,239,138	243,569	—	—	—	1,482,707
Accretion of deferred loan origination revenue	2,195,586	201,689	—	—	—	2,397,275
Realized gains	230,034	—	4,208,506	785,132	—	5,223,672
Unrealized gain (loss)	(12,031,319)	477,213	5,994,599	4,075,983	63,400	(1,420,124)
Fair value, end of period	\$ 479,332,414	\$ 62,931,834	\$ 68,298,705	\$ 20,638,000	\$ 109,000	\$ 631,309,953
Weighted average yield on debt investments at end of period(1)						14.7%
Weighted average yield on total investments at end of period(1)						13.4%
Weighted average yield on total investments at end of period						13.1%

(1) Excludes non-accrual debt investments.

Non-Accrual Assets

Generally, when interest and/or principal payments on a loan become past due, or if we otherwise do not expect the borrower to be able to service its debt and other obligations, we will place the loan on non-accrual status and will generally cease recognizing interest income on that loan for financial reporting purposes until all principal and interest have been brought current through payment or due to a restructuring such that the interest income is deemed to be collectible. As of September 30, 2013, the fair value of our non-accrual assets was approximately \$1.8 million, which comprised 0.3% of the total fair value of our portfolio, and the cost of our non-accrual assets was approximately \$15.0 million, which comprised 2.4% of the total cost of our portfolio. As of December 31, 2012, the fair value of our non-accrual assets was approximately \$2.4 million, which comprised 0.3% of the total fair value of our portfolio, and the cost of our non-accrual assets was approximately \$14.9 million, which comprised 2.1% of the total cost of our portfolio.

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

Gerli and Company

In November 2008, we placed our debt investment in Gerli and Company, or Gerli, on non-accrual status. As a result, under generally accepted accounting principles in the United States, or U.S. GAAP, we no longer recognize interest income on our debt investment in Gerli for financial reporting purposes. During the first quarter of 2011, we restructured our investment in Gerli. As a result of the restructuring, we received a new note from Gerli with a face amount of \$3.0 million and a fair value of approximately \$2.3 million and preferred stock with a liquidation preference of \$0.4 million. In addition, we invested \$375,000 in a Gerli senior subordinated note. Under the terms of the notes, interest on the notes is payable only if Gerli meets certain covenants, which they were not compliant with as of September 30, 2013. In the nine months ended September 30, 2013, we recognized unrealized depreciation on our debt investments in Gerli of approximately \$0.1 million. As of September 30, 2013, the cost of our debt investments in Gerli was \$3.4 million and the fair value of such investments was \$0.8 million.

Venture Technology Groups, Inc.

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

Xchange Technology Groups, LLC

In March 2013, we placed our debt investment in Xchange Technology Groups, LLC, or XTG, on non-accrual status. As a result, under U.S. GAAP, we no longer recognize interest income on our debt investment in XTG for financial reporting purposes. During the nine months ended September 30, 2013, we recorded unrealized depreciation of \$1.3 million on our debt investment in XTG. As of September 30, 2013, the cost of our debt investment in XTG was \$5.9 million and the fair value of such investment was \$0.3 million. In October 2013, XTG filed for bankruptcy protection under Canada's Bankruptcy and Insolvency Act and under Chapter 15 of the United States Bankruptcy Code.

PIK Non-Accrual Assets

In addition to our non-accrual assets, as of September 30, 2013, we had debt investments in three portfolio companies (our subordinated notes to Minco Technology Labs, LLC, SRC, Inc. and FCL Holding SPV, LLC) that were on non-accrual only with respect to the PIK interest component of the loans. As of September 30, 2013, the fair value of these debt investments was approximately \$5.0 million, or 0.8% of the total fair value of our portfolio and the cost of these assets was approximately \$12.5 million, or 2.0% of the total cost of our portfolio.

Results of Operations

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

Investment Income

For the three months ended September 30, 2013, total investment income was \$27.3 million, a 12% increase from \$24.3 million of total investment income for the three months ended September 30, 2012. This increase was primarily attributable to a \$3.0 million increase in total loan interest (including PIK interest), fee and dividend income. The increase in total loan interest, fee and dividend income was due to (i) an increase in non-recurring fee income of approximately \$1.7 million, (ii) an increase in non-recurring dividend income of approximately \$1.8 million and (iii) non-recurring PIK interest income of approximately \$0.6 million in the three months ended September 30, 2013, partially offset by a decrease in loan interest of approximately \$1.1 million due to a decrease in the weighted average yield on our outstanding investments during the three months ended September 30, 2013 as compared to the three months ended September 30, 2012. Non-recurring fee income was \$3.2 million for the three months ended September 30, 2013 as compared to \$1.5 million for the three months ended September 30, 2012, and non-recurring dividend income was \$2.5 million for the three months ended September 30, 2013 as compared to \$0.7 million for the three months ended September 30, 2012.

Operating Expenses

For the three months ended September 30, 2013, operating expenses increased by 25% to \$10.5 million from \$8.5 million for the three months ended September 30, 2012. Our operating expenses consist of interest and other debt financing fees and general and administrative expenses.

For the three months ended September 30, 2013, interest and other debt financing fees increased by 23% to \$5.0 million from \$4.0 million for the three months ended September 30, 2012. The increase in interest and other debt financing fees was related to (i) interest on our 2022 Notes, which were issued in the fourth quarter of 2012, of approximately \$1.3 million for the quarter ended September 30, 2013 and (ii) an increase of \$0.1 million in amortization of deferred financing fees related to costs associated with the 2022 Notes, partially offset by lower interest expense related to SBA-guaranteed debentures in the quarter ended September 30, 2013 versus the quarter ended September 30, 2012. The decrease in interest expense on SBA-guaranteed debentures was related to lower SBA loan balances and lower weighted average rates on outstanding SBA-guaranteed debentures for the quarter ended September 30, 2013 as compared to loan balances and weighted average rates on outstanding SBA-guaranteed debentures for the quarter ended September 30, 2012.

Our general and administrative expenses are primarily influenced by compensation, headcount and levels of business activity. Our compensation expenses include salaries, discretionary compensation, equity-based compensation and benefits. Discretionary compensation is significantly impacted by our level of total investment income, our investment results including investment realizations, prevailing labor markets and the external environment. As a result of these and other factors, our compensation expense can fluctuate materially from period to period. Accordingly, the amount of compensation expense recognized in any particular period may not be indicative of compensation expense in a future period.

For the three months ended September 30, 2013, general and administrative expenses increased by 26% to \$5.5 million from \$4.4 million for the three months ended September 30, 2012. In addition, our efficiency ratio (defined as general and administrative expenses as a percentage of total investment income) increased to 20.3% for the three months ended September 30, 2013 from 18.1% for the three months ended September 30, 2012. The increase in general and administrative expenses in the quarter ended September 30, 2013 was primarily related to increased discretionary compensation related to successful investment performance and investment realization, as well as increased equity-based compensation expenses.

Net Investment Income

As a result of the \$3.0 million increase in total investment income and the \$2.1 million increase in expenses, net investment income increased by 6% to \$16.8 million for the three months ended September 30, 2013 as compared to \$15.9 million for the three months ended September 30, 2012.

Net Increase in Net Assets Resulting from Operations

In the three months ended September 30, 2013, we realized gains on the sales/repayments of three non-control/non-affiliate investments totaling approximately \$1.0 million. In addition, during the three months ended September 30, 2013, we recorded net unrealized appreciation of investments totaling \$4.9 million, consisting of unrealized appreciation on our current portfolio of approximately \$4.7 million and unrealized appreciation reclassification adjustments of \$0.2 million related to the realized gains and losses noted above.

In the three months ended September 30, 2012, we realized a gain on the sale of one affiliate investment of approximately \$0.8 million and gains on the sales of two non-control/non-affiliate investments totaling approximately \$0.8 million. In addition, during the three months ended September 30, 2012, we recorded net unrealized depreciation of investments totaling approximately \$0.6 million, consisting of unrealized appreciation on our current portfolio of approximately \$0.1 million and unrealized depreciation reclassification adjustments of \$0.7 million related to the realized gains and losses noted above.

In the three months ended September 30, 2012, we recognized a non-cash loss on the extinguishment of debt of approximately \$0.6 million related to a prepayment of SBA-guaranteed debentures.

As a result of these events, our net increase in net assets resulting from operations was \$23.2 million for the three months ended September 30, 2013, an increase of 43% from the net increase in net assets resulting from operations of \$16.2 million for the three months ended September 30, 2012.

Comparison of nine months ended September 30, 2013 and September 30, 2012

Investment Income

For the nine months ended September 30, 2013, total investment income was \$79.0 million, a 21% increase from \$65.4 million of total investment income for the nine months ended September 30, 2012. This increase was primarily attributable to a \$13.8 million increase in total loan interest (including PIK interest), fee and dividend income. The increase in total loan interest, fee and dividend income was due to (i) a increase in our average portfolio investments outstanding from the nine months ended September 30, 2012 to the nine months ended September 30, 2013, (ii) an increase in non-recurring fee income of approximately \$3.6 million, (iii) an increase in non-recurring dividend income of approximately \$2.7 million and (iv) non-recurring PIK income of approximately \$0.6 million in the nine months ended September 30, 2013. Non-recurring fee income was approximately \$6.5 million for the nine months ended September 30, 2013 as compared to \$2.9 million for the nine months ended September 30, 2012, and non-recurring dividend income was approximately \$3.6 million for the nine months ended September 30, 2013 as compared to \$0.9 million for the nine months ended September 30, 2012.

Operating Expenses

For the nine months ended September 30, 2013, operating expenses increased by 32% to \$30.8 million from \$23.3 million for the nine months ended September 30, 2012. Our operating expenses consist of interest and other debt financing fees and general and administrative expenses.

For the nine months ended September 30, 2013, interest and other debt financing fees increased by 31% to \$15.1 million from \$11.5 million for the nine months ended September 30, 2012. The increase in interest and other debt financing fees was related to (i) an increase in interest on our 2019 Notes, which were issued in the first quarter 2012, of approximately \$0.8 million, (ii) interest on our 2022 Notes, which were issued in the fourth quarter of 2012, of approximately \$3.8 million for the nine months ended September 30, 2013 and (iii) an increase of \$0.7 million in amortization of deferred financing fees related to costs associated with the 2019 and 2022 Notes, partially offset by lower interest expense related to SBA-guaranteed debentures in the nine months ended September 30, 2013 versus the nine months ended September 30, 2012. The decrease in interest expense on SBA-guaranteed debentures related to lower SBA loan balances and lower weighted average rates on outstanding SBA-guaranteed debentures for the nine months ended September 30, 2013 as compared to loan balances and weighted average rates on outstanding SBA-guaranteed debentures for the nine months ended September 30, 2012.

Our general and administrative expenses are primarily influenced by compensation, headcount and levels of business activity. Our compensation expenses include salaries, discretionary compensation, equity-based compensation and benefits. Discretionary compensation is significantly impacted by our level of total investment income, our investment results including investment realizations, prevailing labor markets and the external environment. As a result of these and other factors, our compensation expense can fluctuate materially from period to period. Accordingly, the amount of compensation expense recognized in any particular period may not be indicative of compensation expense in a future period.

[Table of Contents](#)

For the nine months ended September 30, 2013, general and administrative expenses increased by 33% to \$15.7 million from \$11.8 million for the nine months ended September 30, 2012. In addition, our efficiency ratio (defined as general and administrative expenses as a percentage of total investment income) increased to 19.8% for the nine months ended September 30, 2013 from 18.0% for the nine months ended September 30, 2012. The increase in general and administrative expenses for the nine months ended September 30, 2013 was primarily related to increased discretionary compensation related to successful investment performance and investment realization, as well as increased equity-based compensation expenses.

Net Investment Income

As a result of the \$13.6 million increase in total investment income and the \$7.5 million increase in expenses, net investment income increased by 15% to \$48.3 million for the nine months ended September 30, 2013 as compared to net investment income of \$42.1 million for the nine months ended September 30, 2012.

Net Increase/Decrease in Net Assets Resulting from Operations

In the nine months ended September 30, 2013, we realized a gain on the sale of one control investment of approximately \$0.7 million, a loss on the repayment of one control investment of approximately \$3.0 million, gains on the sales of three affiliate investments of approximately \$8.1 million, a loss on the repayment of one affiliate investment of approximately \$3.4 million and gains on the sales/repayments of ten non-control/non-affiliate investments totaling approximately \$4.0 million. In addition, during the nine months ended September 30, 2013, we recorded net unrealized appreciation of investments totaling \$8.8 million, consisting of unrealized appreciation on our current portfolio of approximately \$12.4 million and unrealized depreciation reclassification adjustments of \$3.6 million related to the realized gains and losses noted above.

In the nine months ended September 30, 2012, we realized a gain on the sale of one control investment of approximately \$0.8 million, a gain on the sale of one affiliate investment of approximately \$0.8 million, gains on the sales of four non-control/non-affiliate investments totaling approximately \$3.4 million and a gain on the repayment of one non-control/non-affiliate investment totaling approximately \$0.2 million. In addition, during the nine months ended September 30, 2012, we recorded net unrealized depreciation of investments totaling \$2.0 million, consisting of unrealized appreciation on our current portfolio of approximately \$1.7 million and unrealized depreciation reclassification adjustments of \$3.7 million related to the realized gains and losses noted above.

During the nine months ended September 30, 2013 and September 30, 2012, we recognized losses on extinguishment of debt of approximately \$0.4 million and \$0.8 million, respectively, related to repayments of SBA-guaranteed debentures.

As a result of these events, our net increase in net assets resulting from operations was \$63.4 million for the nine months ended September 30, 2013, an increase of 43% from the net increase in net assets resulting from operations of \$44.5 million for the nine months ended September 30, 2012.

Liquidity and Capital Resources

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

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

Cash Flows

For the nine months ended September 30, 2013, we experienced a net increase in cash and cash equivalents in the amount of \$87.7 million. During that period, our operating activities generated \$139.6 million in cash, consisting primarily of repayments received from portfolio companies and proceeds from sales of portfolio investments of approximately \$210.1 million, partially offset by purchases of portfolio investments of \$112.4 million. In addition, financing activities reduced cash by \$51.9 million, consisting primarily of cash dividends paid in the amount of \$42.3 million and voluntary prepayments of SBA-guaranteed debentures of \$20.5 million, partially offset by borrowings under our credit facility of \$11.6 million. As of September 30, 2013, we had \$160.0 million of cash and cash equivalents on hand.

For the nine months ended September 30, 2012, we experienced a net decrease in cash and cash equivalents in the amount of \$6.8 million. During that period, our operating activities used \$80.2 million in cash, consisting primarily of new portfolio investments of \$228.5 million, partially offset by repayments received from portfolio companies totaling \$113.9 million. In addition, financing activities provided \$73.5 million of cash, consisting primarily of proceeds from a public common stock offering of \$77.1 million, net proceeds from a public offering of 2019 Notes of \$66.7 million and credit facility borrowings of \$26.0 million, partially offset by cash dividends paid in the amount of \$38.1 million, voluntary prepayments of SBA-guaranteed debentures of \$40.8 million and a repayment of borrowings under our credit facility of \$15.0 million. As of September 30, 2012, we had \$60.1 million of cash and cash equivalents on hand.

Financing Transactions

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

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

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

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

Borrowings under the Credit Facility bear interest, subject to our election, on a per annum basis equal to (i) the applicable base rate plus 1.75%, (ii) the applicable LIBOR rate plus 2.75%, or (iii) for borrowings denominated in Canadian dollars, the applicable Canadian Dealer Offered Rate plus 2.75%. The applicable base rate is equal to the greater of (i) the prime rate, (ii) the federal funds rate plus 0.5% or (iii) the adjusted one-month LIBOR rate plus 2.0%. We pay a commitment fee of 0.375% per annum on undrawn amounts, which is included with interest and other financing fees on our Consolidated Statements of Operations. Borrowings under the Credit Facility are also limited to a borrowing base, which includes certain cash and a portion of eligible debt investments.

As of September 30, 2013, we had non-United States dollar borrowings denominated in Canadian dollars of \$12.0 million (\$11.6 million United States dollars) outstanding under the Credit Facility with an interest rate of 4.03%. The borrowings denominated in Canadian dollars are translated into United States dollars based on the spot rate at each balance sheet date. The impact resulting from changes in foreign exchange rates on the credit facility borrowings is included in unrealized appreciation (depreciation) on foreign currency borrowings in our Consolidated Statements of Operations. The borrowings denominated in Canadian dollars may be positively or negatively affected by movements in the rate of exchange between the United States dollar and the Canadian dollar. This movement is beyond our control and cannot be predicted. As of December 31, 2012, we had no borrowings outstanding under the Prior Facility.

As with the Prior Facility, the Credit Facility contains certain affirmative and negative covenants, including but not limited to (i) maintaining a minimum interest coverage ratio, (ii) maintaining minimum consolidated tangible net worth and (iii)

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

In March 2012, we issued \$69.0 million of 2019 Notes. The 2019 Notes mature on March 15, 2019, and may be redeemed in whole or in part at any time or from time to time at our option on or after March 15, 2015. The 2019 Notes bear interest at a rate of 7.00% per year payable quarterly on March 15, June 15, September 15 and December 15 of each year, beginning June 15, 2012. The net proceeds from the sale of the 2019 Notes, after underwriting discounts and offering expenses, were approximately \$66.7 million.

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

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

Distributions to Stockholders

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

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

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

Current Market Conditions

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

among other factors. These events, along with the deterioration of the housing market, led to an economic recession in the U.S. and abroad. Banks, investment companies and others in the financial services industry reported significant write-downs in the fair value of their assets, which led to the failure of a number of banks and investment companies, a number of distressed mergers and acquisitions and the government take-over of the nation's two largest government-sponsored mortgage companies. These events significantly impacted the financial and credit markets and reduced the availability of debt and equity capital for the market as a whole, and for financial firms in particular. Notwithstanding recent gains across both the equity and debt markets, recent U.S. budget deficit concerns and uncertainty regarding potential federal spending cuts and the federal debt ceiling, together with continued signs of deteriorating sovereign debt conditions in Europe, have increased the possibility that these unfavorable conditions in the debt and equity capital markets may reoccur in the future and could then continue for a prolonged period of time.

Recent Developments

On October 7, 2013, we invested \$2.3 million in first lien senior debt of SRC, Inc. ("SRC"), bringing our total debt investments in SRC at cost to approximately \$8.3 million (including our \$6.0 million in SRC subordinated notes held as of September 30, 2013). On October 28, 2013, SRC filed for bankruptcy protection under Chapter 11 of the United States Bankruptcy Code. As a result of the filing, we placed our \$6.0 million in SRC subordinated notes, which were on PIK non-accrual status for the quarter ended September 30, 2013, on non-accrual status effective October 1, 2013. Additionally, as part of the bankruptcy process and subsequent reorganization, we have committed to fund a debtor-in-possession credit facility to SRC totaling approximately \$2.0 million.

Critical Accounting Policies and Use of Estimates

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

Investment Valuation

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

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

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

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

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

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

origination, management and monitoring of each investment. Under our valuation policy, each investment valuation is subject to (i) a review by the lead investment officer responsible for the portfolio company investment and (ii) a peer review by a second investment officer or executive officer. Generally, any investment that is valued below cost is subjected to review by one of our executive officers. After the peer review is complete, we engage two independent valuation firms, Duff & Phelps, LLC and Lincoln Partners Advisors LLC (collectively, the “Valuation Firms”), to provide third-party reviews of certain investments, as described further below. Finally, the Board of Directors has the responsibility for reviewing and approving, in good faith, the fair value of our investments in accordance with the 1940 Act.

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

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

For the quarter ended:	Total companies	Percent of total investments at fair value⁽¹⁾
March 31, 2012	10	19%
June 30, 2012	14	21%
September 30, 2012	16	33%
December 31, 2012	17	30%
March 31, 2013	17	23%
June 30, 2013	13	27%
September 30, 2013	14	28%

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

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

Investment Valuation Inputs

Under ASC Topic 820, fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between a willing buyer and a willing seller at the measurement date. For our portfolio securities, fair value is generally the amount that we might reasonably expect to receive upon the current sale of the security. Under ASC Topic 820, the fair value measurement assumes that the sale occurs in the principal market for the security, or in the absence of a principal market, in the most advantageous market for the security. Under ASC Topic 820, if no market for the security exists or if we do not have access to the principal market, the security should be valued based on the sale occurring in a hypothetical market. The securities in which we invest are generally only purchased and sold in merger and acquisition transactions, in which case the entire portfolio company is sold to a third-party purchaser. As a result, unless we have the ability to control such a transaction, the assumed principal market for our securities is a hypothetical secondary market. The Level 3 inputs to our valuation process reflect management’s best estimate of the assumptions that would be used by market participants in pricing the investment in a transaction in a hypothetical secondary market.

Enterprise Value Waterfall Approach

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

[Table of Contents](#)

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

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

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

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

Income Approach

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

We consider the factors above, particularly any significant changes in the portfolio company's results of operations and leverage, and develop an expectation of the yield that a hypothetical market participant would require when purchasing the debt investment (the "Required Rate of Return"). The Required Rate of Return, along with the Leverage Ratio and Adjusted EBITDA, are the significant Level 3 inputs to the Income Approach model. For investments where the Leverage Ratio and Adjusted EBITDA have not fluctuated significantly from the date the investment was made or have not fluctuated significantly from management's expectations as of the date the investment was made, and where there have been no significant fluctuations in the market pricing for such investments, we may conclude that the Required Rate of Return is equal to the stated rate on the investment and therefore, the debt security is appropriately priced. In instances where we determine that the Required Rate of Return is different from the stated rate on the investment, we discount the contractual cash flows on the debt instrument using the Required Rate of Return in order to estimate the fair value of the debt security.

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

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

Revenue Recognition

Interest and Dividend Income

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

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

Fee Income

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

Payment-in-Kind (PIK) Interest Income

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

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

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

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

Off-Balance Sheet Arrangements

We currently have no off-balance sheet arrangements.

Item 3. Quantitative and Qualitative Disclosures About Market Risk.

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

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

During 2011, we experienced a \$6.4 million increase in the fair value of our investment portfolio related to unrealized appreciation of investments. In 2012, we experienced a \$1.7 million increase in the fair value of our investment portfolio related to unrealized appreciation of investments, exclusive of \$4.6 million of unrealized depreciation reclassification adjustments related to certain realized gains and losses. In the first nine months of 2013, we experienced a \$12.4 million increase in the fair value of our investment portfolio related to unrealized appreciation of investments, exclusive of \$3.6 million of unrealized depreciation reclassification adjustments related to certain realized gains.

As of September 30, 2013, the fair value of our non-accrual assets was approximately \$1.8 million, which comprised approximately 0.3% of the total fair value of our portfolio, and the cost of our non-accrual assets was approximately \$15.0 million, or 2.4% of the total cost of our portfolio.

In addition to our non-accrual assets, as of September 30, 2013, we had debt investments in three portfolio companies (our subordinated notes to Minco Technology Labs, LLC, SRC Inc. and FCL Holding SPV, LLC) that were on non-accrual only with respect to the PIK interest component of the loans. As of September 30, 2013, the fair value of these debt investments was approximately \$5.0 million, or 0.8% of the total fair value of our portfolio and the cost of these assets was approximately \$12.5 million, or 2.0% of the total cost of our portfolio.

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

As of September 30, 2013, approximately 94.7%, or \$514.8 million (at cost), of our debt portfolio investments bore interest at fixed rates and approximately 5.3%, or \$28.7 million (at cost), of our debt portfolio investments bore interest at

variable rates, which are either prime-based or LIBOR-based, and all of which are subject to certain floors. A hypothetical 200 basis point increase or decrease in the interest rates on our variable-rate debt investments could increase or decrease, as applicable, our investment income by a maximum of approximately \$0.6 million on an annual basis. All of our SBA-guaranteed debentures, our 2019 Notes and our 2022 Notes bear interest at fixed rates. Our Credit Facility bears interest, subject to the Company's election, on a per annum basis equal to (i) the applicable base rate plus 1.75%, (ii) the applicable LIBOR rate plus 2.75%, or (iii) for borrowings denominated in Canadian dollars, the applicable Canadian Dealer Offered Rate plus 2.75%. The applicable base rate is equal to the greater of (i) the prime rate, (ii) the federal funds rate plus 0.5% or (iii) the adjusted one-month LIBOR rate plus 2.0%.

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

We may also have exposure to foreign currencies (Canadian dollar) related to certain investments. Such investments are translated into United States dollars based on the spot rate at each balance sheet date, exposing us to movements in the exchange rate. In order to reduce our exposure to fluctuations in exchange rates, we generally borrow in Canadian dollars under our Credit Facility to finance such investments. As of September 30, 2013, we had non-United States dollar borrowings denominated in Canadian dollars of \$12.0 million (\$11.6 million United States dollars) outstanding under the Credit Facility with an interest rate of 4.03%.

Item 4. Controls and Procedures.

Evaluation of Disclosure Controls and Procedures

We maintain disclosure controls and procedures that are designed to ensure that information required to be disclosed in the reports that we file or submit under the Securities Exchange Act of 1934, as amended, is recorded, processed, summarized and reported within the time periods specified in the SEC's rules and forms and that such information is accumulated and communicated to our management, including our Chief Executive Officer and Chief Financial Officer, as appropriate, to allow timely decisions regarding required disclosure. Our Chief Executive Officer and Chief Financial Officer carried out an evaluation of the effectiveness of the design and operation of our disclosure controls and procedures as of the end of the period covered by this report. Based on the evaluation of these disclosure controls and procedures, the Chief Executive Officer and Chief Financial Officer concluded that our disclosure controls and procedures were effective. It should be noted that any system of controls, however well designed and operated, can provide only reasonable, and not absolute, assurance that the objectives of the system are met. In addition, the design of any control system is based in part upon certain assumptions about the likelihood of future events. Because of these and other inherent limitations of control systems, there can be no assurance that any design will succeed in achieving its stated goals under all potential future conditions, regardless of how remote.

Changes in Internal Control Over Financial Reporting

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

PART II – OTHER INFORMATION

Item 1. Legal Proceedings.

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

Item 1A. Risk Factors.

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

Pending legislation may allow us to incur additional leverage.

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

The failure of U.S. lawmakers to reach an agreement on the national debt ceiling or a budget could have a material adverse effect on our financial condition and stock price.

On October 16, 2013, the U.S. Congress passed legislation to reopen the government through January 15, 2014 and effectively suspend the debt ceiling through February 7, 2014 to permit broader negotiations over budget issues. In the event U.S. lawmakers fail to reach a viable agreement on the national debt ceiling or a budget, the U.S. could default on its obligations, which could negatively impact the trading market for U.S. government securities. This may, in turn, negatively affect our ability to obtain financing for our investments. As a result, it may materially adversely affect our financial condition and stock price.

On August 5, 2011, Standard & Poor's downgraded its long-term sovereign credit rating on the U.S. to AA+ for the first time due to the U.S. Congress' inability to reach an effective agreement on the national debt ceiling and a budget in a timely manner. The current U.S. debt ceiling and budget deficit concerns have increased the possibility of the credit-rating agencies further downgrading the U.S. credit rating. On October 15, 2013, Fitch Ratings Service placed the U.S. credit rating on negative watch, warning that a failure by the U.S. Government to honor interest or principal payments on U.S. treasury securities would impact its decision on whether to downgrade the U.S. credit rating. Fitch also stated that the manner and duration of an agreement to raise the debt ceiling and resolve the budget impasse, as well as the perceived risk of such events occurring in the future, would weigh on its ratings.

The impact of any further downgrades to the U.S. government's sovereign credit rating, or its perceived creditworthiness, and deteriorating sovereign debt conditions in Europe, is inherently unpredictable and could adversely affect the U.S. and global financial markets and economic conditions. There can be no assurance that governmental or other measures to aid economic recovery will be effective. These developments and the government's credit concerns in general could cause interest rates and borrowing costs to rise, negatively impact our ability to access the capital markets on favorable terms, decrease our ability to borrow under our line of credit or result in a decision by other lenders not to extend credit to us. In addition, the broader financial turmoil and uncertainty may weigh heavily on our stock price. Continued adverse economic conditions could have a material adverse effect on our financial condition and stock price.

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

Sales of Unregistered Securities

None.

Issuer Purchases of Equity Securities

None.

Item 3. *Defaults Upon Senior Securities.*

None.

Item 4. *Mine Safety Disclosures.*

Not applicable.

Item 5. *Other Information.*

None.

Item 6. Exhibits.

<u>Number</u>	<u>Exhibit</u>
3.1	Articles of Amendment and Restatement of the Registrant (Filed as Exhibit (a)(3) to the Registrant's Registration Statement on Form N-2/N-5 (File No. 333-138418) filed with the Securities and Exchange Commission on December 29, 2006 and incorporated herein by reference).
3.2	Third Amended and Restated Bylaws of the Registrant (Filed as Exhibit 3.2 to the Registrant's Quarterly Report on Form 10-Q filed with the Securities and Exchange Commission on May 4, 2011 and incorporated herein by reference).
4.1	Form of Common Stock Certificate (Filed as Exhibit (d) to the Registrant's Post-Effective Amendment No. 1 to the Registration Statement on Form N-2/N-5 (File No. 333-138418) filed with the Securities and Exchange Commission on February 15, 2007 and incorporated herein by reference).
4.2	Dividend Reinvestment Plan of the Registrant (Filed as Exhibit 4.2 to the Registrant's Annual Report on Form 10-K for the year ended December 31, 2007 filed with the Securities and Exchange Commission on March 12, 2008 and incorporated herein by reference).
4.3	Agreement to Furnish Certain Instruments (Filed as Exhibit 4.19 to the Registrant's Annual Report on Form 10-K for the year ended December 31, 2008 filed with the Securities and Exchange Commission on February 25, 2009 and incorporated herein by reference).
4.4	Indenture, dated March 2, 2012 between the Registrant and the Bank of New York Mellon Trust Company, N.A. (Filed as Exhibit (d)(5) to the Registrant's Post-Effective Amendment No. 2 to the Registration Statement on Form N-2 filed with the Securities and Exchange Commission on March 2, 2012 and incorporated herein by reference).
4.5	First Supplemental Indenture, dated March 2, 2012 between the Registrant and the Bank of New York Mellon Trust Company, N.A. (Filed as Exhibit (d)(6) to the Registrant's Post-Effective Amendment No. 2 to the Registration Statement on Form N-2 filed with the Securities and Exchange Commission on March 2, 2012 and incorporated herein by reference).
4.6	Form of 7.00% Senior Note Due 2019 (Contained in the First Supplemental Indenture filed as Exhibit (d)(6) to the Registrant's Post-Effective Amendment No. 2 to the Registration Statement on Form N-2 filed with the Securities and Exchange Commission on March 2, 2012 and incorporated herein by reference).
4.7	Second Supplemental Indenture, dated October 19, 2012 between the Registrant and the Bank of New York Mellon Trust Company, N.A. (Filed as Exhibit 4.1 to the Registrant's Current Report on Form 8-K filed with the Securities and Exchange Commission on October 19, 2012 and incorporated herein by reference).
4.8	Form of 6.375% Senior Note Due 2022 (Contained in the Second Supplemental Indenture filed as Exhibit 4.1 to the Registrant's Current Report on Form 8-K filed with the Securities and Exchange Commission on October 19, 2012 and incorporated herein by reference).
31.1	Chief Executive Officer Certification Pursuant to Rule 13a-14 of the Securities Exchange Act of 1934, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.*
31.2	Chief Financial Officer Certification Pursuant to Rule 13a-14 of the Securities Exchange Act of 1934, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.*
32.1	Chief Executive Officer Certification pursuant to Section 1350, Chapter 63 of Title 18, United States Code, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.**
32.2	Chief Financial Officer Certification pursuant to Section 1350, Chapter 63 of Title 18, United States Code, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.**

* Filed
Herewith.

** Furnished
Herewith.

SIGNATURES

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

TRIANGLE CAPITAL CORPORATION

Date: November 6, 2013

/s/ Garland S. Tucker, III

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

Date: November 6, 2013

/s/ Steven C. Lilly

Steven C. Lilly
Chief Financial Officer and Director

Date: November 6, 2013

/s/ C. Robert Knox, Jr.

C. Robert Knox, Jr.
Principal Accounting Officer

EXHIBIT INDEX

<u>Number</u>	<u>Exhibit</u>
3.1	Articles of Amendment and Restatement of the Registrant (Filed as Exhibit (a)(3) to the Registrant's Registration Statement on Form N-2/N-5 (File No. 333-138418) filed with the Securities and Exchange Commission on December 29, 2006 and incorporated herein by reference).
3.2	Third Amended and Restated Bylaws of the Registrant (Filed as Exhibit 3.2 to the Registrant's Quarterly Report on Form 10-Q filed with the Securities and Exchange Commission on May 4, 2011 and incorporated herein by reference).
4.1	Form of Common Stock Certificate (Filed as Exhibit (d) to the Registrant's Post-Effective Amendment No. 1 to the Registration Statement on Form N-2/N-5 (File No. 333-138418) filed with the Securities and Exchange Commission on February 15, 2007 and incorporated herein by reference).
4.2	Dividend Reinvestment Plan of the Registrant (Filed as Exhibit 4.2 to the Registrant's Annual Report on Form 10-K for the year ended December 31, 2007 filed with the Securities and Exchange Commission on March 12, 2008 and incorporated herein by reference).
4.3	Agreement to Furnish Certain Instruments (Filed as Exhibit 4.19 to the Registrant's Annual Report on Form 10-K for the year ended December 31, 2008 filed with the Securities and Exchange Commission on February 25, 2009 and incorporated herein by reference).
4.4	Indenture, dated March 2, 2012 between the Registrant and the Bank of New York Mellon Trust Company, N.A. (Filed as Exhibit (d)(5) to the Registrant's Post-Effective Amendment No. 2 to the Registration Statement on Form N-2 filed with the Securities and Exchange Commission on March 2, 2012 and incorporated herein by reference).
4.5	First Supplemental Indenture, dated March 2, 2012 between the Registrant and the Bank of New York Mellon Trust Company, N.A. (Filed as Exhibit (d)(6) to the Registrant's Post-Effective Amendment No. 2 to the Registration Statement on Form N-2 filed with the Securities and Exchange Commission on March 2, 2012 and incorporated herein by reference).
4.6	Form of 7.00% Senior Note Due 2019 (Contained in the First Supplemental Indenture filed as Exhibit (d)(6) to the Registrant's Post-Effective Amendment No. 2 to the Registration Statement on Form N-2 filed with the Securities and Exchange Commission on March 2, 2012 and incorporated herein by reference).
4.7	Second Supplemental Indenture, dated October 19, 2012 between the Registrant and the Bank of New York Mellon Trust Company, N.A. (Filed as Exhibit 4.1 to the Registrant's Current Report on Form 8-K filed with the Securities and Exchange Commission on October 19, 2012 and incorporated herein by reference).
4.8	Form of 6.375% Senior Note Due 2022 (Contained in the Second Supplemental Indenture filed as Exhibit 4.1 to the Registrant's Current Report on Form 8-K filed with the Securities and Exchange Commission on October 19, 2012 and incorporated herein by reference).
31.1	Chief Executive Officer Certification Pursuant to Rule 13a-14 of the Securities Exchange Act of 1934, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.*
31.2	Chief Financial Officer Certification Pursuant to Rule 13a-14 of the Securities Exchange Act of 1934, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.*
32.1	Chief Executive Officer Certification pursuant to Section 1350, Chapter 63 of Title 18, United States Code, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.**
32.2	Chief Financial Officer Certification pursuant to Section 1350, Chapter 63 of Title 18, United States Code, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.**
*	Filed Herewith.
**	Furnished Herewith.

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

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

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

/s/ GARLAND S. TUCKER, III

Garland S. Tucker, III
Chief Executive Officer

November 6, 2013

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

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

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

/s/ STEVEN C. LILLY

Steven C. Lilly
Chief Financial Officer

November 6, 2013

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

In connection with the Quarterly Report of Triangle Capital Corporation (the "Company") on Form 10-Q for the period ended September 30, 2013 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Garland S. Tucker, III, Chief Executive Officer of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

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

/s/ GARLAND S. TUCKER, III

Garland S. Tucker, III
Chief Executive Officer

November 6, 2013

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

In connection with the Quarterly Report of Triangle Capital Corporation (the "Company") on Form 10-Q for the period ended September 30, 2013 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Steven C. Lilly, Chief Financial Officer of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

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

/s/ STEVEN C. LILLY

Steven C. Lilly
Chief Financial Officer

November 6, 2013