

Edgar Filing: Triangle Capital CORP - Form 10-Q

Triangle Capital CORP  
Form 10-Q  
November 05, 2014  
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UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 20549

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Form 10-Q

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(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, 2014

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

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

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

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

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

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

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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, 2014 was 32,906,347.



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## PART I – FINANCIAL INFORMATION

## Item 1. Financial Statements.

## TRIANGLE CAPITAL CORPORATION

## Consolidated Balance Sheets

	September 30, 2014 (Unaudited)	December 31, 2013
Assets:		
Investments at fair value:		
Non-Control / Non-Affiliate investments (cost of \$702,046,342 and \$528,021,069 at September 30, 2014 and December 31, 2013, respectively)	\$683,606,374	\$546,043,946
Affiliate investments (cost of \$143,870,717 and \$107,418,051 at September 30, 2014 and December 31, 2013, respectively)	146,887,741	107,536,534
Control investments (cost of \$17,223,222 and \$18,378,665 at September 30, 2014 and December 31, 2013, respectively)	11,128,000	10,792,709
Total investments at fair value	841,622,115	664,373,189
Cash and cash equivalents	84,012,141	133,304,346
Interest and fees receivable	4,491,235	5,255,760
Prepaid expenses and other current assets	643,796	831,544
Deferred financing fees	10,639,376	11,063,716
Property and equipment, net	97,757	60,525
Total assets	\$941,506,420	\$814,889,080
Liabilities:		
Accounts payable and accrued liabilities	\$3,800,689	\$7,493,928
Interest payable	1,089,844	3,017,645
Taxes payable	428,033	1,064,544
Deferred income taxes	3,751,194	3,514,376
Borrowings under credit facility	10,754,616	11,221,246
Notes	149,500,000	149,500,000
SBA-guaranteed debentures payable	224,732,468	193,285,211
Total liabilities	394,056,844	369,096,950
Commitments and contingencies (Note 6)		
Net Assets:		
Common stock, \$0.001 par value per share (150,000,000 shares authorized, 32,906,347 and 27,697,483 shares issued and outstanding as of September 30, 2014 and December 31, 2013, respectively)	32,906,347	27,697
Additional paid in capital	540,704,815	409,042,893
Investment income in excess of distributions	13,283,742	8,610,735
Accumulated realized gains	17,826,437	20,665,371
Net unrealized appreciation (depreciation)	(24,398,324)	7,445,434
Total net assets	547,449,576	445,792,130
Total liabilities and net assets	\$941,506,420	\$814,889,080
Net asset value per share	\$16.64	\$16.10

See accompanying notes.



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## TRIANGLE CAPITAL CORPORATION

## Unaudited Consolidated Statements of Operations

	Three Months Ended September 30, 2014	Three Months Ended September 30, 2013	Nine Months Ended September 30, 2014	Nine Months Ended September 30, 2013
Investment income:				
Loan interest, fee and dividend income:				
Non-Control / Non-Affiliate investments	\$ 17,482,268	\$ 19,933,576	\$ 51,282,601	\$ 56,817,499
Affiliate investments	3,436,198	2,710,338	9,812,581	8,919,819
Control investments	139,742	50,334	928,937	145,899
Total loan interest, fee and dividend income	21,058,208	22,694,248	62,024,119	65,883,217
Payment-in-kind interest income:				
Non-Control / Non-Affiliate investments	3,087,464	3,591,182	9,489,524	10,076,655
Affiliate investments	668,201	942,609	2,135,374	2,882,719
Control investments	—	6,058	12,071	17,886
Total payment-in-kind interest income	3,755,665	4,539,849	11,636,969	12,977,260
Interest income from cash and cash equivalent investments	61,897	81,071	193,393	176,774
Total investment income	24,875,770	27,315,168	73,854,481	79,037,251
Operating expenses:				
Interest and other financing fees	5,292,967	4,997,620	15,591,022	15,098,655
General and administrative expenses	4,166,165	5,537,980	14,345,132	15,653,640
Total operating expenses	9,459,132	10,535,600	29,936,154	30,752,295
Net investment income	15,416,638	16,779,568	43,918,327	48,284,956
Realized and unrealized gains (losses) on investments and foreign currency borrowings:				
Net realized gains (losses):				
Non-Control / Non-Affiliate investments	5,231,548	1,006,339	16,966,024	4,013,789
Affiliate investments	(200,000 )	17,811	28,252	4,613,810
Control investments	—	—	(208,553 )	(2,290,919 )
Net realized gains (losses)	5,031,548	1,024,150	16,785,723	6,336,680
Net unrealized appreciation (depreciation):				
Investments	(29,639,438 )	4,892,807	(32,310,388 )	8,776,148
Foreign currency borrowings	501,364	(11,274 )	466,630	(11,274 )
Net unrealized appreciation (depreciation)	(29,138,074 )	4,881,533	(31,843,758 )	8,764,874
Net realized and unrealized gains (losses) on investments and foreign currency borrowings	(24,106,526 )	5,905,683	(15,058,035 )	15,101,554
Loss on extinguishment of debt	—	—	—	(412,673 )
Benefit (provision) for taxes	(122,439 )	486,413	(975,782 )	466,110
Net increase (decrease) in net assets resulting from operations	\$(8,812,327 )	\$ 23,171,664	\$ 27,884,510	\$ 63,439,947
Net investment income per share—basic and diluted	\$ 0.51	\$ 0.61	\$ 1.53	\$ 1.75
Net increase (decrease) in net assets resulting from operations per share—basic and diluted	\$(0.29 )	\$ 0.84	\$ 0.97	\$ 2.30
Dividends/distributions paid per share:				
Regular quarterly dividends/distributions	\$ 0.54	\$ 0.54	\$ 1.62	\$ 1.62
Supplemental dividends/distributions	0.05	—	0.35	—

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Total dividends/distributions	\$0.59	\$0.54	\$1.97	\$1.62
Weighted average number of shares outstanding—basic and diluted	30,412,036	27,619,464	28,718,753	27,541,442

See accompanying notes.

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## TRIANGLE CAPITAL CORPORATION

## Unaudited Consolidated Statements of Changes in Net Assets

	Common Stock Number of Shares	Par Value	Additional Paid In Capital	Investment Income in Excess of Distributions	Accumulated Realized Gains on Investments	Net Unrealized Appreciation (Depreciation)	Total Net Assets
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
Realized gain (loss) on investments	—	—	—	—	6,336,680	(3,613,847 )	2,722,833
Net unrealized gains on investments / foreign currency	—	—	—	—	—	12,378,721	12,378,721
Loss on extinguishment of debt	—	—	—	(412,673 )	—	—	(412,673 )
Tax benefit	—	—	—	466,110	—	—	466,110
Dividends / distributions	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
	Common Stock Number of Shares	Par Value	Additional Paid In Capital	Investment Income in Excess of Distributions	Accumulated Realized Gains on Investments	Net Unrealized Appreciation (Depreciation)	Total Net Assets
Balance, December 31, 2013	27,697,483	\$27,697	\$409,042,893	\$8,610,735	\$20,665,371	\$7,445,434	\$445,792,130
Net investment income	—	—	—	43,918,327	—	—	43,918,327
Stock-based compensation	—	—	4,334,437	—	—	—	4,334,437
Realized gain (loss) on investments	—	—	—	—	16,785,723	(15,977,182 )	808,541
Net unrealized loss on	—	—	—	—	—	(15,866,576 )	(15,866,576 )



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investments / foreign currency							
Provision for taxes	—	—	—	(975,782 )	—	—	(975,782 )
Dividends / distributions	80,002	80	2,119,268	(38,269,538 )	(19,624,657 )	—	(55,774,847 )
Public offering of common stock	4,945,000	4,945	127,816,432	—	—	—	127,821,377
Issuance of restricted stock	282,630	282	(282 )	—	—	—	—
Common stock withheld for payroll taxes upon vesting of restricted stock	(98,768 )	(98 )	(2,607,933 )	—	—	—	(2,608,031 )
Balance, September 30, 2014	32,906,347	\$32,906	\$540,704,815	\$13,283,742	\$17,826,437	\$(24,398,324)	\$547,449,576

See accompanying notes.

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## TRIANGLE CAPITAL CORPORATION

## Unaudited Consolidated Statements of Cash Flows

	Nine Months Ended September 30, 2014	Nine Months Ended September 30, 2013
Cash flows from operating activities:		
Net increase in net assets resulting from operations	\$27,884,510	\$63,439,947
Adjustments to reconcile net increase in net assets resulting from operations to net cash used in operating activities:		
Purchases of portfolio investments	(345,617,501 )	(112,405,369 )
Repayments received/sales of portfolio investments	154,891,195	210,113,002
Loan origination and other fees received	5,669,609	1,221,431
Net realized gain on investments	(16,785,723 )	(6,336,680 )
Net unrealized depreciation (appreciation) on investments	32,073,570	(10,213,928 )
Net unrealized depreciation (appreciation) on foreign currency borrowings	(466,630 )	11,274
Deferred income taxes	236,818	1,437,780
Payment-in-kind interest accrued, net of payments received	(3,965,352 )	(1,459,624 )
Amortization of deferred financing fees	1,225,815	1,154,021
Loss on extinguishment of debt	—	412,673
Accretion of loan origination and other fees	(2,705,077 )	(3,447,435 )
Accretion of loan discounts	(809,647 )	(1,144,867 )
Accretion of discount on SBA-guaranteed debentures payable	137,257	134,310
Depreciation expense	33,412	30,417
Stock-based compensation	4,334,437	2,817,267
Changes in operating assets and liabilities:		
Interest and fees receivable	764,525	(1,235,105 )
Prepaid expenses and other current assets	187,748	(382,869 )
Accounts payable and accrued liabilities	(3,693,239 )	723,138
Interest payable	(1,927,801 )	(2,063,979 )
Taxes payable	(636,511 )	(3,170,740 )
Net cash provided by (used in) operating activities	(149,168,585 )	139,634,664
Cash flows from investing activities:		
Purchases of property and equipment	(70,644 )	(29,056 )
Net cash used in investing activities	(70,644 )	(29,056 )
Cash flows from financing activities:		
Borrowings under SBA-guaranteed debentures payable	31,310,000	—
Repayments of SBA-guaranteed debentures payable	—	(20,500,000 )
Borrowings under credit facility	20,000,000	11,625,654
Repayments of credit facility	(20,000,000 )	—
Financing fees paid	(801,475 )	(684,294 )
Proceeds from public stock offerings, net of expenses	127,821,377	—
Common stock withheld for payroll taxes upon vesting of restricted stock	(2,608,031 )	—
Cash dividends/distributions paid	(55,774,847 )	(42,326,953 )
Net cash provided by (used in) financing activities	99,947,024	(51,885,593 )
Net increase (decrease) in cash and cash equivalents	(49,292,205 )	87,720,015
Cash and cash equivalents, beginning of period	133,304,346	72,300,423
Cash and cash equivalents, end of period	\$84,012,141	\$160,020,438

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Supplemental disclosure of cash flow information:

Cash paid for interest	\$ 15,625,243	\$ 15,374,816
Summary of non-cash financing transactions:		
Dividends/distributions paid through DRIP share issuances	\$ 2,119,348	\$ 2,362,288

See accompanying notes.

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## TRIANGLE CAPITAL CORPORATION

## Unaudited Consolidated Schedule of Investments

September 30, 2014

Portfolio Company	Industry	Type of Investment <sup>(1)(2)</sup>	Principal Amount	Cost	Fair Value <sup>(3)</sup>
Non-Control / Non-Affiliate Investments:					
Agilex Flavors & Fragrances, Inc. (3%)*	Custom Fragrance Producer	Subordinated Note (12% Cash, 1.5% PIK, Due 06/19)	\$ 12,843,054	\$ 12,642,741	\$ 12,642,741
		Common Units (1,250 units)		1,250,000	2,030,000
			12,843,054	13,892,741	14,672,741
AGM Automotive, LLC (5%)*	Auto Industry Interior Components Supplier	Subordinated Note (10% Cash, 3% PIK, Due 07/19)	25,388,779	24,924,531	24,924,531
		Class A Units (1,500 units)		1,500,000	2,722,000
			25,388,779	26,424,531	27,646,531
Applied-Cleveland Holdings, Inc. (5%)*	Oil and Gas Pipeline Infrastructure Inspection Services	Subordinated Note (10% Cash, 2% PIK, Due 06/19)	23,000,000	22,664,267	22,664,267
		Class A Units (2,129,032 units)		2,129,032	2,619,000
			23,000,000	24,793,299	25,283,267
Assurance Operations Corporation (0%)*	Metal Fabrication	Common Stock (517 shares)		516,867	1,211,000
				516,867	1,211,000
Audio and Video Labs Holdings, Inc. (3%)*	Manufacturer and Distributor for Independent Artists and Authors	Subordinated Note (12% Cash, 2% PIK, Due 06/18)	13,471,632	13,276,873	13,276,873
		Common Stock (138 shares)		1,300,000	1,702,000
			13,471,632	14,576,873	14,978,873
BFN Operations LLC (3%)*	Wholesale Grower and Distributor of Container Grown Shrubs, Trees and Plants	Subordinated Note (13% Cash, 4% PIK, Due 11/17)	18,089,153	17,791,902	17,791,902
			18,089,153	17,791,902	17,791,902
Botanical Laboratories, Inc. (0%)*	Nutritional Supplement Manufacturing and Distribution	Common Stock Warrants (998,680 shares)		237,301	240,000
				237,301	240,000
Cafe Enterprises, Inc. (2%)*	Restaurant	Subordinated Note (12% Cash, 2% PIK, Due 09/19)	12,128,579	11,904,533	11,904,533
		Series C Preferred Stock (10,000 shares)		1,000,000	1,000,000

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			12,128,579	12,904,533	12,904,533
Capital Contractors, Inc. (1%)*	Janitorial and Facilities Maintenance Services	Subordinated Notes (12% Cash, 2% PIK, Due 12/15)	9,711,658	9,504,794	8,271,000
		Common Stock Warrants (20 shares)		492,000	—
			9,711,658	9,996,794	8,271,000
Carolina Beverage Group, LLC (0%)*	Beverage Manufacturing and Packaging	Class B Units (11,974 units)		119,735	510,000
				119,735	510,000
Chromaflo Technologies Parent LP (2%)*	Colorant Manufacturer and Distributor	Second Lien Term Loan (8.3% Cash, Due 06/20)	10,000,000	9,954,510	9,954,510
		Class A Units (22,561 units)		906,604	2,276,000
			10,000,000	10,861,114	12,230,510
Comverge, Inc. (3%)*	Provider of Intelligent Energy Management Solutions	Senior Note (12% Cash, Due 05/18)	15,505,583	15,287,784	15,287,784
		Preferred Stock (900 shares)		900,000	937,000
		Common Stock (1,000,000 shares)		100,000	—
			15,505,583	16,287,784	16,224,784
Continental Anesthesia Management, LLC (2%)*	Physicians Management Services	Subordinated Note (8% Cash, 6% PIK Due 04/15)	10,130,411	10,119,749	10,119,749
		Warrant (263 shares)		276,100	115,000
			10,130,411	10,395,849	10,234,749
CRS Reprocessing, LLC (3%)*	Fluid Reprocessing Services	Subordinated Note (12% Cash, 2% PIK, Due 11/15) <sup>(6)</sup>	12,441,321	12,066,015	9,723,000
		Subordinated Note (12% Cash, 2% PIK, Due 11/15) <sup>(6)</sup>	13,720,445	12,705,812	5,236,000
		Series C Preferred Units (30 units)		288,342	—
		Common Unit Warrant (664 units)		1,759,556	—
		Series D Preferred Units (16 units)		107,074	—
		Series E Preferred Units (5 units)		31,651	—
			26,161,766	26,958,450	14,959,000
CWS Acquisition Corp. (3%)*	Manufacturer of Custom Windows and Sliding Doors	Subordinated Note (11% Cash, 2% PIK, Due 01/20)	16,155,456	15,883,197	15,883,197
		1,500,000 Class A Units		1,500,000	1,500,000
			16,155,456	17,383,197	17,383,197

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## TRIANGLE CAPITAL CORPORATION

## Unaudited Consolidated Schedule of Investments

September 30, 2014

Portfolio Company	Industry	Type of Investment <sup>(1)(2)</sup>	Principal Amount	Cost	Fair Value <sup>(3)</sup>
Danville Materials, LLC (2%)*	Manufacturer of Dental Products	Subordinated Note (10% Cash, Due 12/18)	\$8,000,000	\$7,860,551	\$7,860,551
		Common Units (45,492 units)		500,000	558,000
			8,000,000	8,360,551	8,418,551
DataSource Incorporated (1%)*	Print Supply Chain Management Services	Subordinated Note (12% Cash, 2% PIK, Due 01/18)	4,840,296	4,726,852	4,726,852
		Common Units (47 units)		1,000,000	760,000
			4,840,296	5,726,852	5,486,852
DCWV Acquisition Corporation (1%)*	Arts & Crafts and Home Decor Products Designer and Supplier	Subordinated Note (12% Cash, 5% PIK, Due 09/17) <sup>(5)</sup>	6,449,894	6,161,147	3,101,000
			6,449,894	6,161,147	3,101,000
DialogDirect, Inc. (4%)*	Business Process Outsourcing Provider	Subordinated Note (12% Cash, 2.5% PIK, Due 06/18)	23,964,075	23,638,406	23,638,406
			23,964,075	23,638,406	23,638,406
DLC Acquisition, LLC (4%)*	Staffing Firm	Senior Note (10% Cash, Due 07/19)	21,750,000	21,296,593	21,296,593
			21,750,000	21,296,593	21,296,593
DLR Restaurants, LLC (0%)*	Restaurant	Royalty Rights		—	15,000
				—	15,000
Dyno Acquiror, Inc. (1%)*	Sewing Products and Seasonal Decorative Products Supplier	Subordinated Note (12% Cash, 2% PIK, Due 11/18)	7,200,203	7,086,123	7,086,123
		Preferred series A Units (600,000 units)		600,000	302,000
			7,200,203	7,686,123	7,388,123
Eckler's Holdings, Inc. (2%)*	Restoration Parts and Accessories for Classic Cars and Trucks	Subordinated Note (11% Cash, 4% PIK, Due 07/18)	7,302,345	7,182,296	7,182,296
		Common Stock (18,029 shares)		183,562	—
		Preferred Stock A (1,596 shares)		1,596,126	1,335,000
			7,302,345	8,961,984	8,517,296
		Common Stock (570 shares)		285,000	447,000

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Electronic Systems Protection, Inc. (0%)*	Power Protection Systems Manufacturing		285,000	447,000	
Flowchem Ltd. (2%)*	Provider of Support Services to Crude Oil Pipeline Operators	Subordinated Note (11% Cash, 2% PIK, Due 06/19)	7,877,718	7,738,817	7,738,817
		Common Units (1,000,000 units)		1,000,000	902,000
			7,877,718	8,738,817	8,640,817
FrontStream Payments, Inc. (2%)*	Payment and Donation Management Product Service Provider	Senior Note (8% Cash, 6% PIK, Due 08/18)	11,511,916	11,329,004	11,329,004
			11,511,916	11,329,004	11,329,004
Frontstreet Facility Solutions, Inc. (1%)*	Retail, Restaurant and Commercial Facilities Maintenance	Subordinated Note (10% Cash, 3% PIK, Due 07/18)	8,527,509	8,427,334	4,780,000
		Convertible Preferred Units (2,500 units)		250,000	—
			8,527,509	8,677,334	4,780,000
Frozen Specialties, Inc. (2%)*	Frozen Foods Manufacturer	Subordinated Note (10% Cash, 4% PIK, Due 05/17)	11,792,518	11,792,518	9,705,000
			11,792,518	11,792,518	9,705,000
Garden Fresh Restaurant Holding, LLC (0%)*	Restaurant	Class A Units (5,000 units)		500,000	74,000
				500,000	74,000
Grindmaster-Cecilware Corp. (1%)*	Food Services Equipment Manufacturer	Subordinated Note (12% Cash, 6% PIK, Due 04/16)	7,414,076	7,400,564	7,400,564
			7,414,076	7,400,564	7,400,564
GST AutoLeather, Inc. (4%)*	Supplier of Automotive Interior Leather	Subordinated Note (11% Cash, 2% PIK, Due 01/21)	22,100,222	21,670,860	21,670,860
			22,100,222	21,670,860	21,670,860
Hatch Chile Co., LLC (1%)*	Food Products Distributor	Subordinated Note (19% Cash, Due 11/18)	2,992,500	2,968,322	2,968,322
		Subordinated Note (14% Cash, Due 11/18)	3,277,500	3,067,445	3,067,445
		Unit Purchase Warrant (7,817 units)		295,800	643,000
			6,270,000	6,331,567	6,678,767





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## TRIANGLE CAPITAL CORPORATION

## Unaudited Consolidated Schedule of Investments

September 30, 2014

Portfolio Company	Industry	Type of Investment <sup>(1)(2)</sup>	Principal Amount	Cost	Fair Value <sup>(3)</sup>
Hickman's Egg Ranch, Inc. (3%)*	Egg Producer	Subordinated Note (12% Cash, 1% PIK, Due 06/19)	\$ 15,042,961	\$ 14,754,126	\$ 14,754,126
			15,042,961	14,754,126	14,754,126
HKW Capital Partners IV, L.P. (0%)*(4)	Multi-Sector Holdings	Limited Partnership Interest		714,895	754,000
				714,895	754,000
Huron, Inc. (2%)*	Manufacturer for Automotive Industry	Subordinated Note (10% Cash, 3% PIK, Due 08/18)	13,750,964	13,685,848	13,685,848
			13,750,964	13,685,848	13,685,848
Infrastructure Corporation of America, Inc. (2%)*	Roadway Maintenance, Repair and Engineering Services	Subordinated Note (12% Cash, 2% PIK, Due 09/18)	11,363,391	10,061,986	10,061,986
		Common Stock Purchase Warrant (487,877 shares)		2,411,000	2,238,000
			11,363,391	12,472,986	12,299,986
Inland Pipe Rehabilitation Holding Company LLC (2%)*	Cleaning and Repair Services	Subordinated Note (13% Cash, 2.5% PIK, Due 12/16)	8,550,095	8,401,566	8,401,566
		Membership Interest Purchase Warrant (3.0%)		853,500	1,003,000
			8,550,095	9,255,066	9,404,566
IOS Acquisitions, Inc. (4%)*	Provider of Oil Country Tubular Goods Inspections and Repair Services	Subordinated Note (12% Cash, 3.5% PIK, Due 06/18)	20,038,626	19,749,051	19,749,051
		Common Units (7,314 Class A Units)		1,699,847	1,830,000
			20,038,626	21,448,898	21,579,051
Justrite Manufacturing Company, LLC (3%)*	Storage Product Developer and Supplier for Hazardous Materials	Subordinated Note (10% Cash, 2% PIK, Due 07/19)	14,702,313	14,507,990	14,507,990
		Class A Common Units (1,268 units)		118,110	118,110
		Class A Preferred Units (132 units)		131,890	168,000
			14,702,313	14,757,990	14,794,100
Library Systems & Services, LLC (0%)*	Municipal Business Services	Common Unit Warrants (112 units)		58,995	2,673,000
				58,995	2,673,000
Magpul Industries Corp. (1%)*	Firearm Accessories	Preferred Units (1,470 units)		1,470,000	2,220,000
		Common Units (30,000 units)		30,000	4,296,000

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	Manufacturer and Distributor			1,500,000	6,516,000
Media Storm, LLC (2%)*	Marketing Services	Subordinated Note (10% Cash, Due 08/19)	8,000,000	7,924,431	7,924,431
		Membership Units (1,216,204 units)		1,176,957	1,923,000
			8,000,000	9,101,388	9,847,431
Micross Solutions LLC (2%)*	Provider of Semiconductor Products and Services	Subordinated Note (12% Cash, 2% PIK, Due 06/18)	10,997,983	10,878,880	10,878,880
		Class A-2 Common Units (1,580,559 units)		1,580,599	1,431,000
			10,997,983	12,459,479	12,309,880
Minco Technology Labs, LLC (1%)*	Semiconductor Distribution	Subordinated Note (6.5% Cash, 3.5% PIK, Due 12/16) <sup>(6)</sup>	6,184,671	5,484,627	3,000,000
		Class A Units (5,000 HoldCo. units)		500,000	—
		Class A Units (3,907 OpCo. units)		3,907	—
			6,184,671	5,988,534	3,000,000
My Alarm Center, LLC (0%)*	Security Company	Preferred Units (2,000,000 units)		2,000,000	1,918,000
				2,000,000	1,918,000
On Event Services, LLC (2%)*	Equipment Rentals to Conference Venues and Live Events	Subordinated Note (10% Cash, 2% PIK, Due 01/19)	9,895,720	9,724,199	9,724,199
			9,895,720	9,724,199	9,724,199
PCX Aerostructures, LLC (4%)*	Aerospace Component Manufacturer	Subordinated Note (11% Cash, 3% PIK, Due 04/19)	19,277,164	18,924,761	18,924,761
		Series A Preferred Stock (3,980 shares)		3,980,000	3,980,000
		Class A Common Stock (80,000 shares)		20,000	20,000
			19,277,164	22,924,761	22,924,761
Performance Health & Wellness Holdings, Inc. (2%)*	Designer and Manufacturer of Rehabilitation and Wellness Products	Subordinated Note (12% Cash, 1% PIK, Due 04/19)	6,718,681	6,568,660	6,631,000
		Class A Limited Partnership Units (15,000 units)		1,500,000	2,253,000
			6,718,681	8,068,660	8,884,000

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## TRIANGLE CAPITAL CORPORATION

## Unaudited Consolidated Schedule of Investments

September 30, 2014

Portfolio Company	Industry	Type of Investment <sup>(1)(2)</sup>	Principal Amount	Cost	Fair Value <sup>(3)</sup>
PetroLiance, LLC (3%)*	Lubricant, Fuel and Ancillary Products Distributor	Subordinated Note (12% Cash, 0.5% PIK, Due 08/19)	\$ 12,045,575	\$ 11,829,867	\$ 11,829,867
		Class A Units (1,142,857 Units)		1,200,000	2,117,000
			12,045,575	13,029,867	13,946,867
PowerDirect Marketing, LLC (1%)*	Marketing Services	Subordinated Note (13% Cash, 2% PIK, Due 12/16) <sup>(6)</sup>	7,254,113	6,613,149	3,456,000
		Common Unit Purchase Warrants		590,200	—
			7,254,113	7,203,349	3,456,000
Sheplers, Inc. (2%)*	Western Apparel Retailer	Subordinated Note (13.2% Cash, Due 12/16)	8,750,000	8,634,079	8,634,079
		Subordinated Note (10% Cash, 7% PIK, Due 12/17)	4,545,735	4,507,387	4,507,387
			13,295,735	13,141,466	13,141,466
SPC Partners V, LP (0%)* <sup>(4)</sup>	Multi-Sector Holdings	0.7% Limited Partnership Interest		742,036	742,036
				742,036	742,036
Specialized Desanders, Inc. (4%)* <sup>(4)</sup>	Sand and Particulate Removal Equipment Provider for Oil and Gas Companies	Subordinated Note (12% Cash, 2% PIK, Due 03/20)	16,110,043	15,864,548	14,990,211
		LLP Units (2,000,000 units)		1,937,421	6,413,000
			16,110,043	17,801,969	21,403,211
Stella Environmental Services, LLC (0%)*	Waste Transfer Stations	Common Stock Purchase Warrants (2,500 shares)		20,000	949,000
				20,000	949,000
TACH Holdings, Inc. (f/k/a Trinity Consultants Holdings, Inc.) (3%)*	Air Quality Consulting Services	Subordinated Note (10% Cash, 3% PIK, Due 08/20)	15,058,750	14,931,328	14,931,328
		Series A1 Preferred Stock (10,000 units)		—	101,000
		Common Stock (50,000 units)		50,000	911,000
			15,058,750	14,981,328	15,943,328
Tate's Bake Shop (2%)*	Producer of Gourmet Cookies and Other Baked	Subordinated Note (10% Cash, 3% PIK, Due 02/20)	10,028,333	9,828,333	9,828,333
		Limited Partnership Investment		999,000	999,000
			10,028,333	10,827,333	10,827,333

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Goods

TCFI Merlin LLC (3%)*	Specialty Staffing Service Provider	Senior Note (10% Cash, 1% PIK, Due 09./19)	15,003,750	14,703,750	14,703,750
		Limited Partnership Units (500,000 units)		500,000	500,000
			15,003,750	15,203,750	15,203,750
The Cook & Boardman Group, LLC (3%)*	Specialty Distributor of Doors and Related Products	Subordinated Note (10% Cash, 2.5% PIK, Due 03/20)	14,018,472	13,738,472	13,738,472
		Class A Units (1,400,000 units)		1,400,000	1,400,000
			14,018,472	15,138,472	15,138,472
The Krystal Company (1%)*	Restaurant	Class A Units of Limited Partnership (2,000 units)		638,260	3,119,000
				638,260	3,119,000
Tomich Brothers, LLC (0%)*	Squid and Wetfish Processor and Distributor	Subordinated Note (9.5% Cash, 5.5% PIK, Due 04/16) <sup>(6)</sup>	13,206,424	12,807,836	2,713,000
			13,206,424	12,807,836	2,713,000
Top Knobs USA, Inc. (0%)*	Hardware Designer and Distributor	Common Stock (26,593 shares)		402,828	1,647,000
				402,828	1,647,000
United Biologics, LLC (2%)*	Allergy Immunotherapy	Subordinated Note (12% Cash, 2% PIK, Due 03/17)	12,805,264	12,167,196	12,167,196
		Class A Common Stock (177,935 shares)		1,999,989	820,000
		Class A-1 Common Stock (18,818 shares)		137,324	137,000
		Class A-1 Common Kicker Stock (14,114 shares)		—	—
		Class A & Class B Unit Purchase Warrants		838,117	195,000
			12,805,264	15,142,626	13,319,196
United Retirement Plan Consultants, Inc. (0%)*	Retirement Plan Administrator	Preferred A Units (90,000 units)		900,000	1,050,000
		Common Units (10,000 units)		100,000	—
				1,000,000	1,050,000



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## TRIANGLE CAPITAL CORPORATION

### Unaudited Consolidated Schedule of Investments

September 30, 2014

Portfolio Company	Industry	Type of Investment <sup>(1)(2)</sup>	Principal Amount	Cost	Fair Value <sup>(3)</sup>
Water Pik, Inc. (2%)*	Branded Oral Health and Replacement Shower Head Supplier	Second Lien Term Loan (9.8% Cash, Due 01/21)	\$8,842,105	\$8,532,464	\$8,532,464
			8,842,105	8,532,464	8,532,464
Wheel Pros Holdings, Inc. (2%)*	Wheel/Rim and Performance Tire Distributor	Second Lien Term Loan (11% Cash, Due 06/20) Class A Units (2,000 units)	9,500,000	9,292,656	9,292,656
			9,500,000	2,000,000 11,292,656	2,000,000 11,292,656
Workforce Software, LLC (0%)*	Software Provider	Member Units		232,799	423,539
				232,799	423,539
WSO Holdings, LP (0%)*	Organic/Fair Trade Sugar, Syrup, Nectar and Honey Producer	Common Points (3,000 points)		3,000,000	2,266,000
				3,000,000	2,266,000
Yellowstone Landscape Group, Inc. (4%)*	Landscaping Services	Subordinated Note (10% Cash, 2.5% PIK, Due 02/19)	20,250,783	20,293,188	20,293,188
			20,250,783	20,293,188	20,293,188
Subtotal Non–Control / Non–Affiliate Investments			659,528,759	702,046,342	683,606,374
Affiliate Investments:					
All Aboard America! Holdings Inc. (3%)*	Motor Coach Operator	Subordinated Note (12% Cash, 3% PIK, Due 12/17) Membership Units in LLC	14,521,761	14,316,791	14,316,791
			14,521,761	2,185,492 16,502,283	2,185,492 16,502,283
American De-Rosa Lamparts, LLC and Hallmark Lighting (1%)*	Lighting Wholesale and Distribution	Subordinated Note (12% Cash, 2% PIK, Due 06/16) Membership Units (8,364 units)	7,048,880	7,031,220	7,031,220
			7,048,880	620,653 7,651,873	762,000 7,793,220
AP Services, Inc. (0%)*	Fluid Sealing Supplies and Services	Class A Units (933 units) Class B Units (496 units)		1,486	2,394
				— 1,486	1,272 3,666
			7,893,962	7,893,960	7,893,960

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Asset Point, LLC (2%)*	Asset Management Software Provider	Senior Note (11.3% Cash, 5.8% PIK, Due 03/15)			
		Subordinated Note (12% Cash, 2% PIK, Due 07/15)	652,967	652,967	612,000
		Membership Units (1,000,000 units)		8,203	—
		Options to Purchase Membership Units (342,407 units)		500,000	146,000
		Membership Unit Warrants (356,506 units)		—	—
			8,546,929	9,055,130	8,651,960
Captek Softgel International, Inc. (3%)*	Nutraceutical Manufacturer	Subordinated Note (9.5% Cash, Due 02/20)	16,872,635	16,709,837	16,709,837
		Class A Units (80,000 units)		737,468	701,000
			16,872,635	17,447,305	17,410,837
CIS Secure Computing Inc. (2%)*	Secure Communications and Computing Solutions Provider	Subordinated Note (12% Cash, 4% PIK, Due 06/17)	10,779,200	10,688,443	9,944,000
		Common Stock (84 shares)		502,320	—
			10,779,200	11,190,763	9,944,000
DPII Holdings, LLC (1%)*	Satellite Communication Business	Senior Note (12% Cash, 4% PIK, Due 07/17)	3,417,996	3,354,930	3,354,930
		Class A Membership Interest (17,308 units)		1,107,692	1,107,692
			3,417,996	4,462,622	4,462,622
Dyson Corporation (0%)*	Custom Forging and Fastener Supplies	Common Units (1,000,000 units)		1,000,000	—
				1,000,000	—
Frank Entertainment Group, LLC (2%)*	Movie Theatre and Family Entertainment Complex Owner and Operator	Senior Note (10% Cash, 3.8% PIK, Due 06/18)	7,141,319	7,013,285	7,013,285
		Redeemable Preferred Units (10.5% Cash)		3,368,000	3,368,000
		Class A Common Units		1,000,000	1,000,000
		Class A Common Warrants		632,000	632,000
			7,141,319	12,013,285	12,013,285

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## TRIANGLE CAPITAL CORPORATION

## Unaudited Consolidated Schedule of Investments

September 30, 2014

Portfolio Company	Industry	Type of Investment <sup>(1)(2)</sup>	Principal Amount	Cost	Fair Value <sup>(3)</sup>
Main Street Gourmet, LLC (0%)*	Baked Goods Provider	Jr. Subordinated Notes (8% Cash, 2% PIK, Due 04/17)	\$ 758,950	\$ 749,451	\$ 749,451
		Preferred Units (233 units)		211,867	325,000
		Common B Units (3,000 units)		23,140	958,000
		Common A Units (1,652 units)		14,993	528,000
			758,950	999,451	2,560,451
PartsNow!, LLC (1%)*	Printer Parts Distributor	Subordinated Note (12% Cash, 3% PIK, Due 08/17) <sup>(6)</sup>	12,076,796	11,487,784	6,967,000
		Member Units (1,500,000 units)		1,500,000	—
		Royalty Rights		—	—
			12,076,796	12,987,784	6,967,000
Plantation Products (3%)*	Seed Manufacturing	Series A Preferred Stock (4,312 shares)		4,312,000	5,331,000
		Class A Common Stock (352,000 shares)		88,000	12,960,000
				4,400,000	18,291,000
Playhaven, LLC (4%)*	Mobile Game Advertising Network	Senior Note (9.5% Cash, 2.5% PIK, Due 09/19)	21,778,697	20,523,072	20,523,072
		Class A Common Units (999,999 units)		869,999	869,999
		Class C Common Units (1 unit)		5,001	5,001
			21,778,697	21,398,072	21,398,072
QC Holdings, Inc. (0%)*	Lab Testing Services	Common Stock (5,594 shares)		563,602	460,000
				563,602	460,000
Technology Crops International (2%)*	Supply Chain Management Services	Subordinated Note (12% Cash, 5% PIK, Due 03/15)	10,561,535	10,508,345	10,508,345
		Common Units (50 units)		500,000	215,000
			10,561,535	11,008,345	10,723,345
Venture Technology Groups, Inc. (0%)*	Fluid and Gas Handling Products Distributor	Subordinated Note (12.5% Cash, 4% PIK, Due 09/16) <sup>(6)</sup>	7,969,370	5,703,715	96,000
		Class A Units (1,000,000 units)		1,000,000	—
			7,969,370	6,703,715	96,000
Waste Recyclers Holdings, LLC (0%)*	Environmental and Facilities Services	Class A Preferred Units (280 units)		2,251,100	—
		Class B Preferred Units (11,484,867 units)		3,304,218	1,675,000
		Common Unit Purchase Warrant (1,170,083 units)		748,900	—



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		Common Units (153,219 units)		180,783	—
				6,485,001	1,675,000
Wythe Will Tzetzto, LLC (1%)*	Confectionery Goods Distributor	Series A Preferred Units (99,829 units)		—	7,935,000
				—	7,935,000
Subtotal Affiliate Investments			121,474,068	143,870,717	146,887,741
Control Investments:					
Buckingham SRC, Inc. (0%)*	Specialty Chemical Manufacturer	Subordinated Note (10.8% Cash, 0.25% PIK, Due 12/14) <sup>(6)</sup>	2,160,348	250,000	—
		Common Stock Purchase Warrants		123,800	—
			2,160,348	373,800	—
FCL Graphics, Inc. ("FCL") and FCL Holding SPV, LLC ("SPV") (0%)*	Commercial Printing Services	Senior Note-FCL (4.7% Cash, Due 09/16)	1,215,271	1,215,271	931,000
		Senior Note-FCL (7.8% Cash, 2% PIK, Due 09/16) <sup>(5)</sup>	1,213,623	1,207,439	—
		Senior Note-SPV (1.9% Cash, 5.2% PIK, Due 09/16) <sup>(6)</sup>	1,110,990	1,007,272	—
		Members Interests-SPV (299,875 units)		—	—
			3,539,884	3,429,982	931,000
Gerli & Company (0%)*	Specialty Woven Fabrics Manufacturer	Subordinated Note (13% Cash, Due 07/15) <sup>(6)</sup>	484,110	375,000	375,000
		Subordinated Note (8.5% Cash, Due 07/15) <sup>(6)</sup>	4,043,682	3,000,000	789,000
		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)	4,527,792	100,000	—
				4,491,440	1,164,000

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TRIANGLE CAPITAL CORPORATION

Unaudited Consolidated Schedule of Investments

September 30, 2014

Portfolio Company	Industry	Type of Investment <sup>(1)(2)</sup>	Principal Amount	Cost	Fair Value <sup>(3)</sup>
SRC, Inc. (2%)*	Specialty Chemical Manufacturer	Common Stock (5,000 shares)		\$8,928,000	\$9,033,000
				8,928,000	9,033,000
Subtotal Control Investments			\$ 10,228,024	17,223,222	11,128,000
Total Investments, September 30, 2014 (153%)*			\$791,230,851	\$863,140,281	\$841,622,115

\* Fair value as a percent of net assets

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

(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.

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

(4) non-qualifying assets. If at any time qualifying assets do not represent at least 70% of the Company's total assets, the Company will be precluded from acquiring any additional non-qualifying asset until such time as it complies with the requirements of Section 55(a).

(5) PIK non-accrual investment

(6) Non-accrual investment

See accompanying notes.

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## TRIANGLE CAPITAL CORPORATION

## Consolidated Schedule of Investments

December 31, 2013

Portfolio Company	Industry	Type of Investment <sup>(1)(2)</sup>	Principal Amount	Cost	Fair Value <sup>(3)</sup>
Non-Control / Non-Affiliate Investments:					
Agilex Flavors & Fragrances, Inc. (3%)*	Custom Fragrance Producers	Subordinated Note (12% Cash, 1.5% PIK, Due 06/19)	\$ 12,698,065	\$ 12,475,194	\$ 12,475,194
		Common Units (1,250 units)		1,250,000	1,398,000
			12,698,065	13,725,194	13,873,194
Ambient Air Corporation (0%)*	Specialty Trade Contractors	Subordinated Note (0% Cash, 8% PIK, Due 06/20)	473,958	66,993	200,000
			473,958	66,993	200,000
Applied-Cleveland Holdings, Inc. (4%)*	Oil and Gas Pipeline Infrastructure Inspection Services	Subordinated Note (10% Cash, 2% PIK, Due 06/19)	18,000,000	17,700,961	17,700,961
		Class A Units (2,000,000 units)		2,000,000	2,000,000
			18,000,000	19,700,961	19,700,961
Assurance Operations Corporation (0%)*	Metal Fabrication	Common Stock (517 shares)		516,867	1,076,000
				516,867	1,076,000
Audio and Video Labs Holdings, Inc. (3%)*	Manufacturer and Distributor for Independent Artists and Authors	Subordinated Note (12% Cash, 2% PIK, Due 06/18)	13,269,023	13,044,644	13,044,644
		Common Stock (138 shares)		1,300,000	1,406,000
			13,269,023	14,344,644	14,450,644
Berry Family Nursery Operations LLC (4%)*	Wholesale Grower and Distributor of Container Grown Shrubs, Trees and Plants	Subordinated Note (13% Cash, 3% PIK, Due 11/17)	17,549,583	17,199,583	17,199,583
			17,549,583	17,199,583	17,199,583
Botanical Laboratories, Inc. (0%)*	Nutritional Supplement Manufacturing and Distribution	Common Stock Warrants (998,680 shares)		237,301	580,603
				237,301	580,603
Capital Contractors, Inc. (2%)*	Janitorial and Facilities Maintenance Services	Subordinated Notes (12% Cash, 2% PIK, Due 12/15)	9,565,598	9,248,522	9,248,522
		Common Stock Warrants (20 shares)		492,000	361,000

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			9,565,598	9,740,522	9,609,522
Carepoint Resources, Inc. (5%)*	Business Process Outsourcing Provider	Subordinated Note (12% Cash, 2.5% PIK, Due 06/18)	23,514,505	23,139,305	23,139,305
			23,514,505	23,139,305	23,139,305
Carolina Beverage Group, LLC (1%)*	Beverage Manufacturing and Packaging	Class B Units (11,974 units)		119,735	2,266,000
				119,735	2,266,000
Chromaflo Technologies Parent LP (3%)*	Colorant Manufacturer and Distributor	Subordinated Note (8.3% Cash, Due 06/20)	10,000,000	9,950,000	9,950,000
		Class A Units (22,561 units)		—	2,239,000
			10,000,000	9,950,000	12,189,000
Comverge, Inc. (4%)*	Provider of Intelligent Energy Management Solutions	Senior Note (12% Cash, Due 05/18)	15,505,583	15,254,660	15,254,660
		Preferred Stock (900 shares)		900,000	981,000
		Common Stock (1,000,000 shares)		100,000	225,000
			15,505,583	16,254,660	16,460,660
Continental Anesthesia Management, LLC (2%)*	Physicians Management Services	Subordinated Note (14% Cash, Due 9/14)	9,825,000	9,722,773	9,176,000
		Warrant (263 shares)		276,100	—
			9,825,000	9,998,873	9,176,000
CRS Reprocessing, LLC (6%)*	Fluid Reprocessing Services	Subordinated Note (12% Cash, 2% PIK, Due 11/15)	12,009,198	11,884,003	11,884,003
		Subordinated Note (12% Cash, 2% PIK, Due 11/15)	13,243,893	12,376,217	12,376,217
		Series C Preferred Units (30 units)		288,342	443,000
		Common Unit Warrant (664 units)		1,759,556	2,755,000
		Series D Preferred Units (16 units)		107,074	175,000
		Series E Preferred Units (5 units)		31,651	48,000
			25,253,091	26,446,843	27,681,220
Danville Materials, LLC (2%)*	Manufacturer of Dental Products	Senior Note (10% Cash, Due 12/18)	8,000,000	7,840,000	7,840,000
		Common Units (45,492 units)		500,000	500,000
			8,000,000	8,340,000	8,340,000

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## TRIANGLE CAPITAL CORPORATION

## Consolidated Schedule of Investments

December 31, 2013

Portfolio Company	Industry	Type of Investment <sup>(1)(2)</sup>	Principal Amount	Cost	Fair Value <sup>(3)</sup>
DataSource Incorporated (2%)*	Print Supply Chain	Subordinated Note (12% Cash, 2% PIK, Due 01/18)	\$8,759,661	\$8,625,671	\$8,625,671
	Management Services	Common Units (47 units)	8,759,661	1,000,000 9,625,671	965,000 9,590,671
DCWV Acquisition Corporation (1%)*	Arts & Crafts and Home Decor Products	Subordinated Note (12% Cash, 3% PIK, Due 09/17)	6,241,435	6,145,145	4,505,000
	Designer and Supplier		6,241,435	6,145,145	4,505,000
DLR Restaurants, LLC (0%)*	Restaurant	Royalty Rights		— —	— —
Dyno Acquiror, Inc. (2%)*	Sewing Products and Seasonal Decorative Products Supplier	Subordinated Note (12% Cash, 2% PIK, Due 11/18)	7,093,094	6,963,005	6,963,005
		Preferred series A Units (600,000 units)	7,093,094	600,000 7,563,005	594,000 7,557,005
Eckler's Holdings, Inc. (2%)*	Restoration Parts and Accessories for Classic Cars and Trucks	Subordinated Note (11% Cash, 4% PIK, Due 07/18)	7,084,528	6,947,215	6,947,215
		Common Stock (18,029 shares)		183,562	6,000
		Preferred Stock A (1,596 shares)	7,084,528	1,596,126 8,726,903	1,794,000 8,747,215
Electronic Systems Protection, Inc. (0%)*	Power Protection Systems Manufacturing	Common Stock (570 shares)		285,000	309,000
				285,000	309,000
Flowchem Ltd. (2%)*	Provider of Support Services to Crude Oil Pipeline Operators	Subordinated Note (11% Cash, 2% PIK, Due 06/19)	7,761,041	7,606,041	7,606,041
		Common Units (1,000,000 units)	7,761,041	1,000,000 8,606,041	1,000,000 8,606,041
Foodstate, Inc. (1%)*	Nutritional Supplement Manufacturing and Distribution	Subordinated Note (12% Cash, 3.8% PIK, Due 10/16)	5,691,706	5,627,061	5,627,061
			5,691,706	5,627,061	5,627,061

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FrontStream Payments, Inc. (2%)*	Payment and Donation	Senior Note (8% Cash, 6% PIK, Due 08/18)	7,161,823	7,027,585	7,027,585
	Management Product Service Provider		7,161,823	7,027,585	7,027,585
Frontstreet Facility Solutions, Inc. (2%)*	Retail, Restaurant and Commercial Facilities Maintenance	Subordinated Note (10% Cash, 3% PIK, Due 07/18)	8,336,414	8,220,061	6,887,000
		Convertible Preferred Units (2,500 units)		250,000	—
			8,336,414	8,470,061	6,887,000
Frozen Specialties, Inc. (2%)*	Frozen Foods Manufacturer	Subordinated Note (11% Cash, 5% PIK, Due 05/17)	10,922,109	10,902,440	10,902,440
			10,922,109	10,902,440	10,902,440
Garden Fresh Restaurant Corp. (0%)*	Restaurant	Membership Units (5,000 units)		500,000	285,000
				500,000	285,000
Grindmaster-Cecilware Corp. (2%)*	Food Services Equipment Manufacturer	Subordinated Note (12% Cash, 6% PIK, Due 04/16)	7,085,108	7,052,652	7,052,652
			7,085,108	7,052,652	7,052,652
Hatch Chile Co., LLC (2%)*	Food Products Distributor	Senior Note (19% Cash, Due 11/18)	3,150,000	3,104,786	3,104,786
		Subordinated Note (14% Cash, Due 11/18)	3,450,000	3,185,408	3,185,408
		Unit Purchase Warrant (7,817 units)		295,800	672,000
			6,600,000	6,585,994	6,962,194
Infrastructure Corporation of America, Inc. (3%)*	Roadway Maintenance, Repair and Engineering Services	Subordinated Note (12% Cash, 2% PIK, Due 09/18)	11,192,490	9,708,459	9,708,459
		Common Stock Purchase Warrant (417,593 shares)		2,411,000	2,257,000
			11,192,490	12,119,459	11,965,459
Inland Pipe Rehabilitation Holding Company LLC (2%)*	Cleaning and Repair Services	Subordinated Note (13% Cash, 2.0% PIK, Due 12/16)	8,363,431	8,174,163	8,174,163
		Membership Interest Purchase Warrant (3.0%)		853,500	1,254,000
			8,363,431	9,027,663	9,428,163
IOS Acquisitions, Inc. (5%)*	Provider of Oil Country Tubular Goods Inspections and Repair Services	Subordinated Note (12% Cash, 3.5% PIK, Due 06/18)	19,502,372	19,168,757	19,168,757
		Common Units (7,314 Class A Units)		1,699,847	1,231,000
			19,502,372	20,868,604	20,399,757



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TRIANGLE CAPITAL CORPORATION  
Consolidated Schedule of Investments  
December 31, 2013

Portfolio Company	Industry	Type of Investment <sup>(1)(2)</sup>	Principal Amount	Cost	Fair Value <sup>(3)</sup>
Library Systems & Services, LLC (0%)*	Municipal Business Services	Common Unit Warrants (112 units)		\$ 58,995	\$ 1,820,000
				58,995	1,820,000
Magpul Industries Corp. (2%)*	Firearm Accessories Manufacturer and Distributor	Preferred Units (1,470 units)		1,470,000	2,006,000
		Common Units (30,000 units)		30,000	7,839,000
				1,500,000	9,845,000
Marine Acquisition Corp. (3%)*	Boat Steering System and Driver Control Provider	Subordinated Note (11.5% Cash, 2% PIK, Due 05/17)	\$ 12,000,000	11,787,615	12,000,000
			12,000,000	11,787,615	12,000,000
Media Storm, LLC (2%)*	Marketing Services	Subordinated Note (12% Cash, 2% PIK, Due 10/17)	8,219,009	8,159,092	8,159,092
		Membership Units (1,216,204 units)		1,176,957	1,416,000
			8,219,009	9,336,049	9,575,092
Micross Solutions LLC (3%)*	Provider of Semiconductor Products and Services	Subordinated Note (12% Cash, 2% PIK, Due 06/18)	10,832,577	10,695,361	10,695,361
		Class A-2 Common Units (1,580,559 units)		1,580,599	1,190,000
			10,832,577	12,275,960	11,885,361
Minco Technology Labs, LLC (0%)*	Semiconductor Distribution	Subordinated Note (6.5% Cash, 3.5% PIK, Due 12/16) <sup>(6)</sup>	5,830,856	5,473,436	1,994,000
		Class A Units (5,000 HoldCo. units)		500,000	—
		Class A Units (3,907 OpCo. units)		3,907	—
			5,830,856	5,977,343	1,994,000
My Alarm Center, LLC (3%)*	Security Company	Subordinated Note (12% Cash, 2.5% PIK, Due 04/19)	10,329,382	10,250,068	10,329,382
		Preferred Units (2,000,000 units)		2,000,000	2,079,000
			10,329,382	12,250,068	12,408,382
Novolyte Technologies, Inc. (0%)*	Specialty Manufacturing	Common Units (24,522 units)		43,905	178,801
				43,905	178,801



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Performance Health & Wellness Holdings, Inc. (3%)*	Designer and Manufacturer of Rehabilitation and Wellness Products	Subordinated Note (12% Cash, 1% PIK, Due 04/19)	13,161,867	12,993,721	12,993,721
		Class A Limited Partnership Units (15,000 units)		1,500,000	1,440,000
			13,161,867	14,493,721	14,433,721
PowerDirect Marketing, LLC (2%)*	Marketing Services	Subordinated Note (13% Cash, 2% PIK, Due 12/16)	7,310,361	6,861,977	6,861,977
		Common Unit Purchase Warrants		590,200	1,131,000
			7,310,361	7,452,177	7,992,977
Sheplers, Inc. (3%)*	Western Apparel Retailer	Subordinated Note (13.2% Cash, Due 12/16)	8,750,000	8,602,331	8,602,331
		Subordinated Note (10% Cash, 7% PIK, Due 12/17)	4,315,809	4,266,459	4,266,459
			13,065,809	12,868,790	12,868,790
Snacks Holding Corporation (2%)*	Trail Mixes and Nut Manufacturer and Marketer	Subordinated Note (12% Cash, 1% PIK, Due 05/20)	5,030,893	4,995,166	4,995,166
		Preferred A Units (22,368 units)		1,053,897	2,485,000
		Preferred B Units (10,380 units)		25,337	201,000
		Common Units (190,935 units)		150,000	1,471,000
		Common Stock Warrants (14,558 shares)		14,558	160,000
			5,030,893	6,238,958	9,312,166
Specialized Desanders, Inc. (3%)* (4)	Sand and Particulate Removal Equipment Provider for Oil and Gas Companies	Subordinated Notes (12% Cash, 2% PIK, Due 03/19)	11,695,386	11,470,508	11,065,626
		Class C Common Stock (2,000,000 shares)		1,937,421	1,870,208
			11,695,386	13,407,929	12,935,834
Stella Environmental Services, LLC (0%)*	Waste Transfer Stations	Common Stock Purchase Warrants (2,500 shares)		20,000	406,000
				20,000	406,000
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%)*	Restaurant	Class A Units of Limited Partnership (2,000 units)		—	1,709,000
				—	1,709,000

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## TRIANGLE CAPITAL CORPORATION

## Consolidated Schedule of Investments

December 31, 2013

Portfolio Company	Industry	Type of Investment <sup>(1)(2)</sup>	Principal Amount	Cost	Fair Value <sup>(3)</sup>
TMR Automotive Service Supply, LLC (1%)*	Automotive Supplies	Subordinated Note (12% Cash, 1% PIK, Due 03/16)	\$4,250,000	\$4,095,611	\$4,095,611
		Unit Purchase Warrant (316,858 units)		195,000	577,000
			4,250,000	4,290,611	4,672,611
Tomich Brothers, LLC (2%)*	Squid and Wetfish Processor and Distributor	Subordinated Note (5% Cash, 10% PIK, Due 04/16)	12,315,529	12,133,908	10,622,000
			12,315,529	12,133,908	10,622,000
Top Knobs USA, Inc. (0%)*	Hardware Designer and Distributor	Common Stock (26,593 shares)		402,828	1,296,828
				402,828	1,296,828
Trinity Consultants Holdings, Inc. (2%)*	Air Quality Consulting Services	Subordinated Note (12% Cash, 2% PIK, Due 04/19)	8,327,070	8,207,084	8,207,084
		Series A Preferred Stock (10,000 units)		785,775	968,000
		Common Stock (50,000 units)		50,000	819,000
			8,327,070	9,042,859	9,994,084
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
United Biologics, LLC (2%)*	Allergy Immunotherapy	Subordinated Note (12% Cash, 2% PIK, Due 03/17)	10,123,339	9,381,255	9,381,255
		Class A Common Stock (177,935 shares)		1,999,989	1,198,001
		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	262,000
			10,123,339	12,356,685	10,978,580
United Retirement Plan Consultants, Inc. (3%)*	Retirement Plan Administrator	Subordinated Note (12% Cash, 4% PIK, Due 09/16)	12,847,956	12,686,503	12,686,503
		Preferred A Units (90,000 units)		900,000	835,000
		Common Units (10,000 units)		100,000	—

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			12,847,956	13,686,503	13,521,503
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	9,665,563	9,665,563
			10,000,000	9,665,563	9,665,563
Workforce Software, LLC (5%)*	Software Provider	Subordinated Note (11% Cash, 5% PIK, Due 11/16)	8,000,000	7,238,689	7,238,689
		Class B Preferred Units (1,020,000 units)		1,020,000	1,256,000
		Class C Preferred Units (624,253 units)		1,250,000	2,764,000
		Common Unit Purchase Warrants (2,434,749 units)		952,300	9,778,000
			8,000,000	10,460,989	21,036,689
WSO Holdings, LP (5%)*	Organic/Fair Trade Sugar, Syrup, Nectar and Honey Producer	Subordinated Note (12% Cash, 2% PIK, Due 10/17)	20,198,264	19,973,542	19,973,542
		Common Points (3,000 points)		3,000,000	2,338,000
			20,198,264	22,973,542	22,311,542
Xchange Technology Group, LLC (0%)*	Used and Refurbished IT Asset Supplier	Subordinated Note (8% Cash, Due 06/15) <sup>(6)</sup>	6,527,677	5,904,000	—
		Royalty Rights	6,527,677	—	—
Yellowstone Landscape Group, Inc. (5%)*	Landscaping Services	Subordinated Note (10% Cash, 2.5% PIK, Due 02/19)	20,181,603	20,191,788	20,191,788
			20,181,603	20,191,788	20,191,788
Subtotal Non–Control / Non–Affiliate Investments			495,697,196	528,021,069	546,043,946
Affiliate Investments:					
All Aboard America! Holdings Inc. (2%)*	Motor Coach Operator	Subordinated Note (12% Cash, 3% PIK, Due 10/17)	8,897,392	8,765,737	8,765,737
		Convertible Preferred Interest in LLC		1,500,000	1,002,000
			8,897,392	10,265,737	9,767,737

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## TRIANGLE CAPITAL CORPORATION

## Consolidated Schedule of Investments

December 31, 2013

Portfolio Company	Industry	Type of Investment <sup>(1)(2)</sup>	Principal Amount	Cost	Fair Value <sup>(3)</sup>
American De-Rosa Lamparts, LLC and Hallmark Lighting (2%)*	Lighting Wholesale and Distribution	Subordinated Note (12% Cash, 6% PIK, Due 06/16)	\$6,839,436	\$6,815,257	\$6,815,257
		Membership Units (8,364 units)	6,839,436	620,653 7,435,910	39,000 6,854,257
AP Services, Inc. (0%)*	Fluid Sealing Supplies and Services	Class A Units (933 units)		156,953	253,004
		Class B Units (496 units)		— 156,953	134,381 387,385
Asset Point, LLC (2%)*	Asset Management Software Provider	Senior Note (12% Cash, 5% PIK, Due 03/14)	6,633,027	6,633,025	6,633,025
		Subordinated Note (12% Cash, 2% PIK, Due 07/15)	643,147	643,147	606,000
		Subordinated Note (7% Cash, Due 03/14)	941,798	941,798	786,000
		Membership Units (1,000,000 units)		8,203	725,000
		Options to Purchase Membership Units (342,407 units)		500,000	227,000
		Membership Unit Warrants (356,506 units)		—	—
			8,217,972	8,726,173	8,977,025
Captek Softgel International, Inc. (2%)*	Nutraceutical Manufacturer	Subordinated Note (12% Cash, 4% PIK, Due 08/16)	8,976,227	8,883,334	8,883,334
		Class A Units (80,000 units)		800,000 9,683,334	694,000 9,577,334
CIS Secure Computing Inc. (2%)*	Secure Communications and Computing Solutions Provider	Subordinated Note (12% Cash, 3% PIK, Due 06/17)	10,457,673	10,327,229	10,327,229
		Common Stock (84 shares)		502,320	213,000
			10,457,673	10,829,549	10,540,229
Dyson Corporation (0%)*	Custom Forging and Fastener Supplies	Common Units (1,000,000 units)		1,000,000	1,555,000
				1,000,000	1,555,000
Main Street Gourmet, LLC (1%)*	Baked Goods Provider	Subordinated Notes (12% Cash, 4.5% PIK, Due 10/16)	4,528,839	4,482,393	4,482,393
		Jr. Subordinated Notes (8% Cash, 2% PIK, Due 04/17)	1,056,922	1,044,922	1,044,922
		Preferred Units (233 units)		211,867	303,000
		Common B Units (3,000 units)		23,140	440,000

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		Common A Units (1,652 units)	5,585,761	14,993 5,777,315	242,000 6,512,315
PartsNow!, LLC (3%)*	Printer Parts Distributor	Subordinated Note (12% Cash, 3% PIK, Due 08/17)	11,455,962	11,285,587	11,285,587
		Member Units (1,000,000 units)		1,000,000	1,351,000
		Royalty Rights		—	73,000
			11,455,962	12,285,587	12,709,587
Pine Street Holdings, LLC (0%)*	Oil and Gas Services	Preferred Units (200 units)		200,000	—
		Common Unit Warrants (2,220 units)		—	—
				200,000	—
Plantation Products (5%)*	Seed Manufacturing	Subordinated Notes (12% Cash, 2% PIK, Due 11/17)	14,591,557	14,423,858	14,423,858
		Series A Preferred Stock (4,312 shares)		4,312,000	5,033,000
		Class A Common Stock (352,000 shares)		88,000	4,241,000
			14,591,557	18,823,858	23,697,858
QC Holdings, Inc. (0%)*	Lab Testing Services	Common Stock (5,594 shares)		563,602 563,602	470,000 470,000
Technology Crops International (1%)*	Supply Chain Management Services	Subordinated Note (12% Cash, 5% PIK, Due 03/15)	6,208,545	6,179,807	6,179,807
		Common Units (50 units)		500,000	—
			6,208,545	6,679,807	6,179,807
Venture Technology Groups, Inc. (0%)*	Fluid and Gas Handling Products Distributor	Subordinated Note (12.5% Cash, 4% PIK, Due 09/16) <sup>(5)</sup>	7,038,134	5,703,715	411,000
		Class A Units (1,000,000 units)		1,000,000	—
			7,038,134	6,703,715	411,000

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## TRIANGLE CAPITAL CORPORATION

## Consolidated Schedule of Investments

December 31, 2013

Portfolio Company	Industry	Type of Investment <sup>(1)(2)</sup>	Principal Amount	Cost	Fair Value <sup>(3)</sup>
Waste Recyclers Holdings, LLC (0%)*	Environmental and Facilities Services	Class A Preferred Units (280 units)		\$2,251,100	\$—
		Class B Preferred Units (11,484,867 units)		3,304,218	1,482,000
		Common Unit Purchase Warrant (1,170,083 units)		748,900	—
		Common Units (153,219 units)		180,783	—
				6,485,001	1,482,000
Wythe Will Tzetzto, LLC (2%)*	Confectionery Goods Distributor	Series A Preferred Units (74,764 units)		1,500,000	6,500,000
		Common Unit Purchase Warrants (25,065 units)		301,510	1,915,000
				1,801,510	8,415,000
Subtotal Affiliate Investments			\$88,268,659	107,418,051	107,536,534
Control Investments:					
FCL Graphics, Inc. (“FCL”) and FCL Holding SPV, LLC (“SPV”) (1%)*	Commercial Printing Services	Senior Note-FCL (4.8% Cash, Due 09/16)	1,271,233	1,271,233	1,271,233
		Senior Note-FCL (7.8% Cash, 2% PIK, Due 09/16)	1,195,370	1,195,368	1,062,000
		Senior Note-SPV (2.0% Cash, 5.3% PIK, Due 09/16) <sup>(5)</sup>	1,064,061	1,007,272	9,000
		Members Interests-SPV (299,875 units)		—	—
			3,530,664	3,473,873	2,342,233
Gerli & Company (0%)*	Specialty Woven Fabrics Manufacturer	Subordinated Note (13% Cash, Due 07/15) <sup>(6)</sup>	439,358	375,000	375,000
		Subordinated Note (8.5% Cash, Due 07/15) <sup>(6)</sup>	3,793,846	3,000,000	358,000
		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)	4,233,204	100,000	—
				4,491,440	733,000
SRC, Inc. (2%)*	Specialty Chemical	Subordinated Note (10.8% Cash, 0.25% PIK, Due 12/14) <sup>(6)</sup>	2,160,348	250,000	—

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Senior Revolver (9.3% Cash, Due 05/14) <sup>(6)</sup>	374,999	376,195	376,195
Senior Term Loan (10.3% Cash, Due 05/14) <sup>(6)</sup>	1,900,000	1,907,481	1,907,481
Debtor in Possession Loan (8.0% Cash, Due 01/14) <sup>(6)</sup>	1,491,800	1,491,800	1,491,800
Subordinated Notes (12% Cash, 2% PIK, Due 09/14) <sup>(6)</sup>	6,331,199	6,264,076	3,942,000
Common Stock Purchase Warrants		123,800	—
	12,258,346	10,413,352	7,717,476
Subtotal Control Investments	20,022,214	18,378,665	10,792,709
Total Investments, December 31, 2013 (149%)*	\$603,988,069	\$653,817,785	\$664,373,189

\* Fair value as a percent of net assets

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

(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.

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

(4) non-qualifying assets. If at any time qualifying assets do not represent at least 70% of the Company's total assets, the Company will be precluded from acquiring any additional non-qualifying asset until such time as it complies with the requirements of Section 55(a).

(5) PIK non-accrual investment

(6) Non-accrual investment

See accompanying notes.

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### TRIANGLE CAPITAL CORPORATION

#### Notes to Unaudited Consolidated Financial Statements

## 1. ORGANIZATION, BUSINESS AND BASIS OF PRESENTATION

### Organization and Business

Triangle Capital Corporation and its wholly owned subsidiaries, including Triangle Mezzanine Fund LLLP (“Triangle SBIC”) and Triangle Mezzanine Fund II LP (“Triangle SBIC II”) (collectively, the “Company”), operate as a Business Development Company (“BDC”) under the Investment Company Act of 1940 (the “1940 Act”). Triangle SBIC and Triangle SBIC II are specialty finance limited partnerships formed to make investments primarily in lower 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. The effects of all intercompany transactions between Triangle Capital Corporation and its subsidiaries have been eliminated in consolidation. Under the investment company rules and regulations pursuant to Article 6 of Regulation S-X and FASB Accounting Standards Codification Topic 946, Financial Services - Investment Companies, the Company is precluded from consolidating portfolio company investments, including those in which it has a controlling interest, unless the portfolio company is another investment company. An exception to this general principle occurs if the Company holds a controlling interest in an operating company that provides all or substantially all of its services directly to the Company or to its portfolio companies. None of the portfolio investments made by the Company qualify for this exception. Therefore, the Company's investment portfolio is carried on the Consolidated Balance Sheets at fair value, as discussed further in Note 2, with any adjustments to fair value recognized as “Net Unrealized Appreciation (Depreciation)” on the Consolidated Statements of Operations.

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 year ended December 31, 2013. 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.

### Reclassifications

Certain reclassifications have been made in the financial highlights for the nine months ended September 30, 2013 in order to conform to current presentation. The Company had historically presented the ratio of total expenses to average net assets exclusive of provision for taxes. Beginning in 2014, this ratio is presented including provision for taxes.

## 2. INVESTMENTS



#### Portfolio Composition

The Company primarily invests in subordinated debt securities of privately held companies, generally secured by second lien security interests in portfolio company assets. 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.

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On a more limited basis, the Company also invests in senior debt securities secured by first lien security interests in portfolio companies. The Company's investments generally range from \$5.0 million to \$35.0 million per portfolio company.

The cost basis of the Company's 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, 2014:					
Subordinated debt and 2 <sup>nd</sup> lien notes	\$665,347,612	77	% \$614,575,202	73	%
Senior debt and 1 <sup>st</sup> lien notes	103,825,088	12	102,333,378	12	
Equity shares	84,630,312	10	116,010,535	14	
Equity warrants	9,337,269	1	8,688,000	1	
Royalty rights	—	—	15,000	—	
	\$863,140,281	100	% \$841,622,115	100	%
December 31, 2013:					
Subordinated debt and 2 <sup>nd</sup> lien notes	\$540,561,082	83	% \$514,467,575	77	%
Senior debt and 1 <sup>st</sup> lien notes	46,102,133	7	45,968,765	7	
Equity shares	56,985,933	9	79,935,246	12	
Equity warrants	10,168,637	1	23,928,603	4	
Royalty rights	—	—	73,000	—	
	\$653,817,785	100	% \$664,373,189	100	%

During the three months ended September 30, 2014, the Company made eleven new investments totaling approximately \$175.1 million and four investments in existing portfolio companies totaling approximately \$5.7 million. During the nine months ended September 30, 2014, the Company made twenty-two new investments totaling approximately \$315.4 million and eleven investments in existing portfolio companies totaling approximately \$30.3 million.

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.

#### 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,

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

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

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

For the quarter ended:	Total companies	Percent of total investments at fair value <sup>(1)</sup>
March 31, 2013	17	23%
June 30, 2013	13	27%
September 30, 2013	14	28%
December 31, 2013	14	21%
March 31, 2014	15	25%
June 30, 2014	15	31%
September 30, 2014	18	29%

(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.

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### 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. For certain non-performing assets, the Company may utilize the liquidation or collateral value of the portfolio company’s assets in its estimation of enterprise value.

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

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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.

The ranges and weighted average values of the significant Level 3 inputs used in the valuation of the Company's debt and equity securities at September 30, 2014 and December 31, 2013 are summarized as follows:

September 30, 2014:	Fair Value	Valuation Model	Level 3 Inputs	Range of Inputs	Weighted Average
Subordinated debt and 2 <sup>nd</sup> lien notes	\$574,339,202	Income Approach	Required Rate of Return	8.3% – 25.0%	13.9%
			Leverage Ratio	1.5x – 7.7x	4.0x
			Adjusted EBITDA	\$1.2 million – \$76.4 million	\$18.1 million
Subordinated debt and 2 <sup>nd</sup> lien notes	40,236,000	Enterprise Value	Adjusted EBITDA Multiple	3.5x – 6.0x	5.4x
		Waterfall Approach	Adjusted EBITDA	\$0.8 million – \$7.5 million	\$4.6 million
Senior debt and 1 <sup>st</sup> lien notes	102,333,378	Income Approach	Required Rate of Return	4.7% – 17.0%	12.2%
			Leverage Ratio	0.0x – 6.6x	3.1x
			Adjusted EBITDA	\$1.2 million – \$8.1 million	\$5.5 million
Equity shares and warrants	124,698,535	Enterprise Value	Adjusted EBITDA Multiple	3.8x – 14.9x	6.6x
		Waterfall Approach	Adjusted EBITDA	\$0.8 million – \$76.4 million	\$13.5 million
			Revenue Multiple	1.3x – 4.0x	3.4x
			Revenues	\$9.0 million – \$74.0 million	\$60.8 million
December 31, 2013:	Fair Value	Valuation Model	Level 3 Input	Range of Inputs	Weighted Average
Subordinated debt and 2 <sup>nd</sup> lien notes	\$508,522,575	Income Approach	Required Rate of Return	8.3% – 30.0%	14.7%
			Leverage Ratio	0.8x – 6.7x	3.9x
			Adjusted EBITDA	\$1.0 million – \$77.0 million	\$17.0 million
Subordinated debt and 2 <sup>nd</sup> lien notes	5,945,000	Enterprise Value	Adjusted EBITDA Multiple	4.5x – 5.5x	4.9x
		Waterfall Approach	Adjusted EBITDA	\$0.5 million – \$4.7 million	\$1.4 million
Senior debt and 1 <sup>st</sup> lien notes	45,968,765	Income Approach	Required Rate of Return	4.8% – 19.0%	12.9%
			Leverage Ratio	0.0x – 6.4x	2.9x
			Adjusted EBITDA	\$1.0 million – \$4.7 million	\$2.8 million
Equity shares and warrants	103,863,849	Enterprise Value	Adjusted EBITDA Multiple	3.8x – 10.0x	6.4x
		Waterfall Approach	Adjusted EBITDA	\$0.5 million – \$77.0 million	\$15.9 million
			Revenue Multiple	1.5x – 4.2x	3.9x
			Revenues	\$8.5 million – \$59.5 million	\$50.8 million





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The following table presents the Company's investment portfolio at fair value as of September 30, 2014 and December 31, 2013, categorized by the ASC Topic 820 valuation hierarchy, as previously described:

	Fair Value as of September 30, 2014			
	Level 1	Level 2	Level 3	Total
Subordinated debt and 2 <sup>nd</sup> lien notes	\$—	\$—	\$614,575,202	\$614,575,202
Senior debt and 1 <sup>st</sup> lien notes	—	—	102,333,378	102,333,378
Equity shares	—	—	116,010,535	116,010,535
Equity warrants	—	—	8,688,000	8,688,000
Royalty rights	—	—	15,000	15,000
	\$—	\$—	\$841,622,115	\$841,622,115

	Fair Value as of December 31, 2013			
	Level 1	Level 2	Level 3	Total
Subordinated debt and 2 <sup>nd</sup> lien notes	\$—	\$—	\$514,467,575	\$514,467,575
Senior debt and 1 <sup>st</sup> lien notes	—	—	45,968,765	45,968,765
Equity shares	—	—	79,935,246	79,935,246
Equity warrants	—	—	23,928,603	23,928,603
Royalty rights	—	—	73,000	73,000
	\$—	\$—	\$664,373,189	\$664,373,189

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, 2014 and 2013:

Nine Months Ended September 30, 2014:	Subordinated Debt and 2 <sup>nd</sup> Lien Notes	Senior Debt and 1 <sup>st</sup> Lien Notes	Equity Shares	Equity Warrants	Royalty Rights	Total
Fair value, beginning of period	\$514,467,575	\$45,968,765	\$79,935,246	\$23,928,603	\$73,000	\$664,373,189
New investments	249,439,728	72,074,626	23,471,147	632,000	—	345,617,501
Reclassifications	3,888,934	(13,816,934)	11,715,000	(1,787,000)	—	—
Proceeds from sales of investments	—	—	(18,158,696)	(11,622,546)	—	(29,781,242)
Loan origination fees received	(4,240,860)	(1,428,749)	—	—	—	(5,669,609)
Principal repayments received	(124,975,241)	(134,712)	—	—	—	(125,109,953)
PIK interest earned	10,716,532	920,437	—	—	—	11,636,969
PIK interest payments received	(7,671,617)	—	—	—	—	(7,671,617)
Accretion of loan discounts	809,647	—	—	—	—	809,647
Accretion of deferred loan origination revenue	2,596,790	108,287	—	—	—	2,705,077
Realized gain	(5,777,383)	—	12,403,928	10,159,178	—	16,785,723
Unrealized gain (loss)	(24,678,903)	(1,358,342)	6,643,910	(12,622,235)	(58,000)	(32,073,570)
Fair value, end of period	\$614,575,202	\$102,333,378	\$116,010,535	\$8,688,000	\$15,000	\$841,622,115



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Nine Months Ended September 30, 2013:	Subordinated Debt and 2 <sup>nd</sup> Lien Notes	Senior Debt and 1 <sup>st</sup> Lien Notes	Equity Shares	Equity Warrants	Royalty Rights	Total
Fair value, beginning of period	\$559,355,550	\$46,576,994	\$78,979,179	\$21,759,000	\$132,000	\$706,802,723
New investments	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 gains	(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

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 Unaudited Consolidated Statements of Operations. Pre-tax net unrealized losses on investments of \$27.4 million and \$23.5 million, respectively, during the three and nine months ended September 30, 2014 were related to portfolio company investments that were still held by the Company as of September 30, 2014. 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.

The Company's primary investment objective is to generate current income and capital appreciation by investing directly in privately-held lower middle market companies to help these companies fund acquisitions, growth or refinancing. During the nine months ended September 30, 2014, the Company made investments of approximately \$344.9 million in portfolio companies to which it was not previously contractually committed to provide the financial support. During the nine months ended September 30, 2014, the Company made investments of \$0.7 million in companies to which it was previously committed to provide the financial support. The details of the Company's investments have been disclosed on the Unaudited Consolidated Schedule of Investments.

**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

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**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 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 at the time of recognition, 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, 2014 and December 31, 2013, there were no individual investments greater than 10% of the fair value of the Company's portfolio. As of September 30, 2014 and December 31, 2013, the Company's largest single portfolio company investment represented approximately 3.3% and 4.2%, 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 portfolio companies.

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.

As of September 30, 2014, \$570.5 million of the Company's assets were pledged as collateral for the Company's second amended and restated senior secured credit facility (the "Credit Facility") and \$371.0 million were subject to superior claim

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over the Company's shareholders by the SBA. If the Company defaults on its obligations under the Credit Facility or its SBA-guaranteed debentures, the lenders and/or the SBA may have the right to foreclose upon and sell, or otherwise transfer, the collateral subject to their security interests or their superior claims.

### Investments Denominated in Foreign Currency

As of both September 30, 2014 and December 31, 2013, the Company held investments in one portfolio company that were 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 the Company's 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

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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, 2014 and December 31, 2013 was approximately \$868.5 million and \$656.6 million, respectively.

**4. BORROWINGS**

The Company had the following borrowings outstanding as of September 30, 2014 and December 31, 2013:

Issuance/Pooling Date	Maturity Date	Interest Rate as of September 30, 2014	September 30, 2014	December 31, 2013
<b>SBA-Guaranteed Debentures:</b>				
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
September 24, 2014	September 1, 2024	3.790%	31,310,000	—
<b>SBA-Guaranteed LMI Debenture:</b>				
September 14, 2010	March 1, 2016	2.508%	7,532,468	7,395,211
<b>Credit Facility:</b>				
June 26, 2013	September 17, 2017	4.023%	10,754,616	11,221,246
<b>Notes:</b>				
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
			<b>\$384,987,084</b>	<b>\$354,006,457</b>

**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.

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, 2014, 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, 2014, Triangle SBIC had issued the maximum \$150.0 million of SBA-guaranteed debentures and Triangle SBIC II had issued \$75.0 million in face amount of SBA-guaranteed debentures. The weighted average interest rates for all SBA-guaranteed debentures as of September 30, 2014 and December 31, 2013 were 4.03% and 4.07%, respectively. As of both September 30, 2014 and December 31, 2013, all SBA-guaranteed debentures were pooled.

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

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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 the Company prepaid approximately \$20.5 million of SBA-guaranteed debentures and recognized losses on extinguishment of debt of approximately \$0.4 million.

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, 2014 and December 31, 2013, the carrying amounts of the SBA-guaranteed debentures were approximately \$224.7 million and \$193.3 million, respectively. As of September 30, 2014 and December 31, 2013, the fair values of the SBA-guaranteed debentures were \$228.3 million and \$206.6 million, respectively.

### Credit Facility

In June 2013, the Company entered into 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 Credit Facility, which matures on September 17, 2017, allows the Company to borrow certain foreign currencies 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, 2014, the Company had borrowings denominated in Canadian dollars of \$12.0 million (\$10.8 million in United States dollars) outstanding under the Credit Facility with an interest rate of 4.02%. There were no other borrowings outstanding under the Credit Facility as of that date. 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 Unaudited 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, 2013, the Company had borrowings denominated in Canadian dollars of \$12.0 million (\$11.2 million United States dollars) outstanding under the Credit Facility with an interest rate of 4.03%.

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, 2014 and December 31, 2013, the fair values of the borrowings outstanding under the Credit Facility were \$10.8 million and \$11.2 million, respectively.

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 BDC. As of September 30, 2014, 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, 2014 and December 31, 2013, the carrying amount of the 2019 Notes was \$69.0 million. As of September 30, 2014 and December 31, 2013, the fair values of the 2019 Notes were \$71.1 million and \$71.6 million, respectively.

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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, 2014 and December 31, 2013, the carrying amount of the 2022 Notes was \$80.5 million. As of September 30, 2014 and December 31, 2013, the fair values of the 2022 Notes were \$82.4 million and \$76.7 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, as amended.

## 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, 2014 and 2013:

	Nine Months Ended September 30, 2014		Nine Months Ended September 30, 2013	
	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	592,173	\$23.80	290,198	\$18.52
Shares granted during the period	282,630	\$26.09	309,430	\$28.66
Shares vested during the period	(211,838)	\$21.78	(7,455)	\$20.12
Unvested shares, end of period	662,965	\$25.87	592,173	\$23.80

In the three and nine months ended September 30, 2014, the Company recognized equity-based compensation expense of approximately \$1.5 million and \$4.3 million, respectively. 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. This expense is included in general and administrative expenses in the Company's Unaudited Consolidated Statements of Operations.

As of September 30, 2014, there was approximately \$13.2 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 2.1 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.

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The Company maintains a 401(k) plan in which all full-time employees who are at least 21 years of age 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. COMMITMENTS AND CONTINGENCIES**

In the normal course of business, the Company is party to financial instruments with off-balance sheet risk, consisting primarily of unused commitments to extend credit, in the form of loans, to the Company's portfolio companies. The balance of unused commitments to extend credit as September 30, 2014 and December 31, 2013 was approximately \$12.6 million and \$4.0 million, respectively. Since commitments may expire without being drawn upon, the total commitment amount does not necessarily represent future cash requirements.

The Company may, in the future, be involved in litigation arising out of its operations in the normal course of business or otherwise. Furthermore, third parties may try to seek to impose liability on the Company in connection with the activities of its portfolio companies. Since its inception, neither Triangle Capital Corporation nor any of its subsidiaries have been party to any material legal proceedings.



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## 7. FINANCIAL HIGHLIGHTS

The following is a schedule of financial highlights for the nine months ended September 30, 2014 and 2013:

	Nine Months Ended September 30,	
	2014	2013
Per share data:		
Net asset value at beginning of period	\$ 16.10	\$ 15.30
Net investment income(1)	1.53	1.75
Net realized gain on investments(1)	0.58	0.23
Net unrealized appreciation (depreciation) on investments / foreign currency(1)	(1.11)	) 0.32
Total increase from investment operations(1)	1.00	2.30
Cash dividends/distributions	(1.97)	) (1.62)
Shares issued pursuant to Dividend Reinvestment Plan	0.03	0.03
Common stock offering	1.49	—
Stock-based compensation	(0.06)	) (0.07)
Loss on extinguishment of debt(1)	—	) (0.01)
Benefit (provision) for taxes(1)	(0.03)	) 0.02
Other(2)	0.08	) (0.01)
Net asset value at end of period	\$ 16.64	\$ 15.94
Market value at end of period(3)	\$ 25.32	\$ 29.37
Shares outstanding at end of period	32,906,347	27,678,286
Net assets at end of period	\$ 547,449,576	\$ 441,265,505
Average net assets	\$ 460,858,389	\$ 430,834,263
Ratio of total expenses, including provision for taxes, to average net assets (annualized)	8.94	% 9.37
Ratio of net investment income to average net assets (annualized)	12.71	% 14.94
Portfolio turnover ratio	22.10	% 16.72
Total return(4)	(1.30)	)% 21.58
Supplemental Data:		
Efficiency ratio(5)	19.42	% 19.81

(1) Weighted average basic per share data.

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

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

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

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

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

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

## 8. SUBSEQUENT EVENT

In October 2014, the Company invested \$15.5 million in unitranche debt and equity of Halcyon Healthcare, LLC, a provider of hospice care. Under the terms of the investment, the unitranche debt bears interest at a rate of 11.0% per annum.

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### 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 Consolidated 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, 2013. 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, 2013. 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, as amended, or the 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 primarily in the United States.

Our business is to provide capital to lower middle market companies located primarily 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 company assets. 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

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investments generally have a term of between three and seven years and typically bear interest at fixed rates between 10.0% and 15.0% per annum. Certain of our debt investments have a form of interest, referred to as payment-in-kind, or PIK, interest, that is not paid currently but 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, 2014 and December 31, 2013, the weighted average yield on our outstanding debt investments other than non-accrual debt investments was approximately 13.2% and 14.1%, 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 11.8% and 12.8% as of September 30, 2014 and December 31, 2013, respectively. The weighted average yield on all of our outstanding investments (including equity and equity-linked investments and non-accrual debt investments) was approximately 10.7% and 12.4% as of September 30, 2014 and December 31, 2013, 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 \$841.6 million as of September 30, 2014, as compared to \$664.4 million as of December 31, 2013. As of September 30, 2014, we had investments in 90 portfolio companies with an aggregate cost of \$863.1 million. As of December 31, 2013, we had investments in 79 portfolio companies with an aggregate cost of \$653.8 million. As of both September 30, 2014 and December 31, 2013, none of our portfolio investments represented greater than 10% of the total fair value of our investment portfolio.

As of September 30, 2014 and December 31, 2013, our investment portfolio consisted of the following investments:

	Cost	Percentage of Total Portfolio	Fair Value	Percentage of Total Portfolio	
September 30, 2014:					
Subordinated debt and 2nd lien notes	\$665,347,612	77	% \$614,575,202	73	%
Senior debt and 1st lien notes	103,825,088	12	102,333,378	12	
Equity shares	84,630,312	10	116,010,535	14	
Equity warrants	9,337,269	1	8,688,000	1	
Royalty rights	—	—	15,000	—	
	\$863,140,281	100	% \$841,622,115	100	%
December 31, 2013:					
Subordinated debt and 2nd lien notes	\$540,561,082	83	% \$514,467,575	77	%
Senior debt and 1st lien notes	46,102,133	7	45,968,765	7	
Equity shares	56,985,933	9	79,935,246	12	
Equity warrants	10,168,637	1	23,928,603	4	
Royalty rights	—	—	73,000	—	
	\$653,817,785	100	% \$664,373,189	100	%

**Investment Activity**

During the nine months ended September 30, 2014, we made twenty-two new investments totaling approximately \$315.4 million, debt investments in nine existing portfolio companies totaling approximately \$29.0 million and equity investments in three existing portfolio companies totaling approximately \$1.3 million. We had thirteen portfolio company loans repaid at par totaling approximately \$109.9 million resulting in realized gains totaling approximately \$0.8 million and received normal principal repayments and partial loan prepayments totaling approximately \$15.7

million in the nine months ended September 30, 2014. We converted debt investments in one portfolio company into an equity investment and recognized a net realized loss on such conversion totaling approximately \$0.2 million. We wrote-off investments in two portfolio companies and recognized realized losses totaling approximately \$6.1 million. In addition, we received proceeds related to the sales of certain equity securities totaling approximately \$29.3 million and recognized net realized gains on such sales totaling approximately \$22.3 million in the nine months ended September 30, 2014.

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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 approximately \$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 approximately \$5.7 million. In addition, we received proceeds related to the sales of certain equity securities totaling approximately \$20.8 million and recognized net realized gains on such sales totaling approximately \$10.8 million in the nine months ended September 30, 2013. Total portfolio investment activity for the nine months ended September 30, 2014 and 2013 was as follows:

Nine Months Ended September 30, 2014:	Subordinated Debt and 2 <sup>nd</sup> Lien Notes	Senior Debt and 1 <sup>st</sup> Lien Notes	Equity Shares	Equity Warrants	Royalty Rights	Total
Fair value, beginning of period	\$514,467,575	\$45,968,765	\$79,935,246	\$23,928,603	\$73,000	\$664,373,189
New investments	249,439,728	72,074,626	23,471,147	632,000	—	345,617,501
Reclassifications	3,888,934	(13,816,934)	11,715,000	(1,787,000)	—	—
Proceeds from sales of investments	—	—	(18,158,696)	(11,622,546)	—	(29,781,242)
Loan origination fees received	(4,240,860)	(1,428,749)	—	—	—	(5,669,609)
Principal repayments received	(124,975,241)	(134,712)	—	—	—	(125,109,953)
PIK interest earned	10,716,532	920,437	—	—	—	11,636,969
PIK interest payments received	(7,671,617)	—	—	—	—	(7,671,617)
Accretion of loan discounts	809,647	—	—	—	—	809,647
Accretion of deferred loan origination revenue	2,596,790	108,287	—	—	—	2,705,077
Realized gain	(5,777,383)	—	12,403,928	10,159,178	—	16,785,723
Unrealized gain (loss)	(24,678,903)	(1,358,342)	6,643,910	(12,622,235)	(58,000)	(32,073,570)
Fair value, end of period	\$614,575,202	\$102,333,378	\$116,010,535	\$8,688,000	\$15,000	\$841,622,115
Weighted average yield on debt investments at end of period(1)						13.2 %
Weighted average yield on total investments at end of period(1)						11.8 %
Weighted average yield on total investments at end of period						10.7 %

(1) Excludes non-accrual debt investments.

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Nine Months Ended September 30, 2013:	Subordinated Debt and 2 <sup>nd</sup> Lien Notes	Senior Debt and 1 <sup>st</sup> Lien Notes	Equity Shares	Equity Warrants	Royalty Rights	Total
Fair value, beginning of period	\$559,355,550	\$46,576,994	\$78,979,179	\$21,759,000	\$132,000	\$706,802,723
New investments	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 gains	(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
Weighted average yield on debt investments at end of period(1)						14.3 %
Weighted average yield on total investments at end of period(1)						12.8 %
Weighted average yield on total investments at end of period						12.4 %

(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, 2014, the fair value of our non-accrual assets was approximately \$32.4 million, which comprised 3.8% of the total fair value of our portfolio, and the cost of our non-accrual assets was approximately \$71.5 million, which comprised 8.3% of the total cost of our portfolio. As of December 31, 2013, the fair value of our non-accrual assets was approximately \$7.1 million, which comprised 1.1% of the total fair value of our portfolio, and the cost of our non-accrual assets was approximately \$27.0 million, which comprised 4.1% of the total cost of our portfolio.

Our non-accrual assets as of September 30, 2014 were as follows:

#### CRS Reprocessing, LLC

In September 2014, we placed our debt investments in CRS Reprocessing, LLC, or CRS, on non-accrual status effective with the monthly payment due August 31, 2014. As a result, under U.S. GAAP, we no longer recognize interest income on our debt investments in CRS for financial reporting purposes. During the nine months ended September 30, 2014, we recorded unrealized depreciation of \$9.8 million on our debt investments in CRS. As of September 30, 2014, the cost of our debt investments in CRS was \$24.8 million and the fair value of such investments was \$15.0 million.

#### FCL Holding SPV, LLC

In August 2014, we placed our debt investment in FCL Holding SPV, LLC, or FCL on non-accrual status effective with the monthly payment due August 15, 2014. As a result, under U.S. GAAP, we no longer recognize interest income on our debt investment in FCL for financial reporting purposes. During the nine months ended September 30, 2014, we recorded unrealized depreciation of \$9,000 on our debt investment in FCL. As of September 30, 2014, the cost of our debt investment in FCL was \$1.0 million and the fair value of such investment was zero.



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### Gerli and Company

In November 2008, we placed our debt investments 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 investments in Gerli for financial reporting purposes. 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, 2014. In the nine months ended September 30, 2014, we recognized unrealized appreciation on our debt investments in Gerli of approximately \$0.4 million. As of September 30, 2014, the cost of our debt investments in Gerli was \$3.4 million and the fair value of such investments was \$1.2 million.

### Minco Technology Labs, LLC

In June 2014, we placed our debt investment in Minco Technology Labs, LLC, or Minco, on non-accrual status. As a result, under U.S. GAAP, we no longer recognize interest income on our debt investment in Minco for financial reporting purposes. During the nine months ended September 30, 2014, we recorded unrealized appreciation of \$1.0 million on our debt investment in Minco. As of September 30, 2014, the cost of our debt investment in Minco was \$5.5 million and the fair value of such investment was \$3.0 million.

### PartsNow!, LLC

In October 2014, we placed our debt investment in PartsNow!, LLC, or PartsNow, on non-accrual status effective with the quarterly payment due September 30, 2014. As a result, under U.S. GAAP, we no longer recognize interest income on our debt investment in PartsNow for financial reporting purposes. During the nine months ended September 30, 2014, we recorded unrealized depreciation of \$4.5 million on our debt investment in PartsNow. As of September 30, 2014, the cost of our debt investment in PartsNow was \$11.5 million and the fair value of such investment was \$7.0 million.

### PowerDirect Marketing, LLC

In August 2014, we placed our debt investment in PowerDirect Marketing, LLC, or PowerDirect, on non-accrual status effective with the monthly payment due July 31, 2014. As a result, under U.S. GAAP, we no longer recognize interest income on our debt investment in PowerDirect for financial reporting purposes. During the nine months ended September 30, 2014, we recorded unrealized depreciation of \$3.2 million on our debt investment in PowerDirect. As of September 30, 2014, the cost of our debt investment in PowerDirect was \$6.6 million and the fair value of such investment was \$3.5 million.

### Tomich Brothers, LLC

In October 2014, we placed our debt investment in Tomich Brothers, LLC, or Tomich, on non-accrual status effective with the monthly payment due September 30, 2014. As a result, under U.S. GAAP, we no longer recognize interest income on our debt investment in Tomich for financial reporting purposes. During the nine months ended September 30, 2014, we recorded unrealized depreciation of \$8.6 million on our debt investment in Tomich. As of September 30, 2014, the cost of our debt investment in Tomich was \$12.8 million and the fair value of such investment was \$2.7 million.

### Venture Technology Groups, Inc.

In November 2012, we placed our debt investment in Venture Technology Groups, Inc., or VTG, on non-accrual status. As a result, under U.S. GAAP, we no longer recognize interest income on our debt investment in VTG for financial reporting purposes. During the nine months ended September 30, 2014, we recorded unrealized depreciation of \$0.3 million on our debt investment in VTG. As of September 30, 2014, the cost of our debt investment in VTG was \$5.7 million and the fair value of such investment was \$0.1 million.

### PIK Non-Accrual Assets

In addition to our non-accrual assets, as of September 30, 2014, we had debt investments in two portfolio companies (our subordinated note to DCWV Acquisition Corporation and our term loan B senior note to FCL Graphics, Inc.) that were on non-accrual only with respect to the PIK interest component of the loans. As of September 30, 2014, the fair value of these debt investments was approximately \$3.1 million, or 0.4% of the total fair value of our portfolio and the cost of these assets was approximately \$7.4 million, or 0.9% of the total cost of our portfolio. As of December 31, 2013, we had a debt investment in one portfolio company (our subordinated note to FCL Holding SPV, LLC) that was on non-accrual only with respect to PIK interest component of the loan. As of December 31, 2013, the fair value of

this debt investment was approximately \$9,000 and the cost of this asset was approximately \$1.0 million, or 0.2% of the total cost of our portfolio.

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### Results of Operations

Comparison of three months ended September 30, 2014 and September 30, 2013

#### Investment Income

For the three months ended September 30, 2014, total investment income was \$24.9 million, an 8.9% decrease from \$27.3 million of total investment income for the three months ended September 30, 2013. This decrease was primarily attributable to a \$4.2 million decrease in non-recurring fee and dividend income, a \$1.9 million decrease in investment income relating to non-accrual assets and a decrease in the weighted average yield on our debt investments from September 30, 2013 to September 30, 2014. These decreases were partially offset by an increase in investment income relating to an increase in portfolio debt investments from September 30, 2013 to September 30, 2014. Non-recurring fee income was \$0.6 million for the three months ended September 30, 2014 as compared to \$3.2 million for the three months ended September 30, 2013, and non-recurring dividend income was \$0.9 million for the three months ended September 30, 2014 as compared to \$2.5 million for the three months ended September 30, 2013.

#### Operating Expenses

For the three months ended September 30, 2014, operating expenses decreased by 10.2% to \$9.5 million from \$10.5 million for the three months ended September 30, 2013. Our operating expenses consist of interest and other financing fees and general and administrative expenses.

For the three months ended September 30, 2014, interest and other debt financing fees increased by 5.9% to \$5.3 million from \$5.0 million for the three months ended September 30, 2013. The increase in interest and other debt financing fees was related to an increase in interest on borrowings under our Credit Facility of approximately \$0.2 million in the three months ended September 30, 2014 and an increase in interest and debt financing fees on our SBA-guaranteed debentures of approximately \$0.1 million in the three months ended September 30, 2014.

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, 2014, general and administrative expenses decreased by 24.8% to \$4.2 million from \$5.5 million for the three months ended September 30, 2013. In addition, our efficiency ratio (defined as general and administrative expenses as a percentage of total investment income) decreased to 16.7% for the three months ended September 30, 2014 from 20.3% for the three months ended September 30, 2013. The decrease in general and administrative expenses in the quarter ended September 30, 2014 was primarily related to decreased cash compensation expense, partially offset by an increase in non-cash compensation expense.

#### Net Investment Income

As a result of the \$2.4 million decrease in total investment income and the \$1.1 million decrease in expenses, net investment income decreased by 8.1% to \$15.4 million for the three months ended September 30, 2014 as compared to \$16.8 million for the three months ended September 30, 2013.

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

In the three months ended September 30, 2014, we realized gains on the sales/repayments of eight non-control/non-affiliate investments totaling approximately \$11.1 million, a loss on the write-off of one non-control/non-affiliate investment totaling \$5.9 million and a loss relating to the write-off of one affiliate investment totaling approximately \$0.2 million. In addition, during the three months ended September 30, 2014, we recorded net unrealized depreciation of investments totaling \$29.6 million, consisting of net unrealized depreciation on our current portfolio of approximately \$25.3 million and net unrealized depreciation reclassification adjustments of \$4.3 million related to the realized gains and losses noted above.

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 depreciation of investments totaling approximately \$4.9 million,

consisting of net unrealized appreciation on our current portfolio of approximately \$4.7 million and net unrealized appreciation reclassification adjustments of \$0.2 million million related to the realized gains and losses noted above.

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As a result of these events, our net decrease in net assets resulting from operations was \$8.8 million for the three months ended September 30, 2014, as compared to a net increase in net assets resulting from operations of \$23.2 million for the three months ended September 30, 2013.

Comparison of nine months ended September 30, 2014 and September 30, 2013

### Investment Income

For the nine months ended September 30, 2014, total investment income was \$73.9 million, a 6.6% decrease from \$79.0 million of total investment income for the nine months ended September 30, 2013. This decrease was primarily attributable to a decrease in non-recurring fee income of approximately \$2.7 million, a decrease in non-recurring dividend income of approximately \$0.5 million, a \$1.7 million decrease in investment income relating to non-accrual assets and a decrease in the weighted average yield on our debt investments from September 30, 2013 to September 30, 2014, partially offset by an increase in investment income relating to an increase in portfolio debt investments from September 30, 2013 to September 30, 2014. Non-recurring fee income was \$3.8 million for the nine months ended September 30, 2014 as compared to \$6.5 million for the nine months ended September 30, 2013, and non-recurring dividend income was \$3.1 million for the nine months ended September 30, 2014 as compared to \$3.6 million for the nine months ended September 30, 2013.

### Operating Expenses

For the nine months ended September 30, 2014, operating expenses decreased 2.7% to \$29.9 million from \$30.8 million for the nine months ended September 30, 2013. Our operating expenses consist of interest and other financing fees and general and administrative expenses.

For the nine months ended September 30, 2014, interest and other debt financing fees increased by 3.3% to \$15.6 million from \$15.1 million for the nine months ended September 30, 2013. The increase in interest and other debt financing fees was related to an increase in interest on borrowings under our Credit Facility of approximately \$0.5 million.

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 nine months ended September 30, 2014, general and administrative expenses decreased by 8.4% to \$14.3 million from \$15.7 million for the nine months ended September 30, 2013. In addition, our efficiency ratios were 19.4% and 19.8% for the nine months ended September 30, 2014 and September 30, 2013, respectively. The decrease in general and administrative expenses in the nine months ended September 30, 2014 was primarily related to decreased cash compensation expense, partially offset by increased non-cash compensation expense.

### Net Investment Income

As a result of the \$5.2 million decrease in total investment income and the \$0.8 million decrease in expenses, net investment income decreased by 9.0% to \$43.9 million for the nine months ended September 30, 2014 as compared to net investment income of \$48.3 million for the nine months ended September 30, 2013.

### Net Increase in Net Assets Resulting from Operations

In the nine months ended September 30, 2014, we realized gains on the sales/repayments of eleven non-control/non-affiliate investments totaling approximately \$23.3 million, losses relating to the sale/write-off of two non-control/non-affiliate investments totaling approximately \$6.3 million, a gain on the sale of one affiliate investment totaling approximately \$0.2 million, a loss on the write-off of one affiliate investment totaling approximately \$0.2 million and a loss on the restructuring of one control investment of approximately \$0.2 million. In addition, during the nine months ended September 30, 2014, we recorded net unrealized depreciation of investments totaling \$32.3 million, consisting of net unrealized depreciation on our current portfolio of approximately \$16.3 million and net unrealized depreciation adjustments of \$16.0 million related to the realized gains and losses noted above.

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 of ten non-control/non-affiliate investments totaling approximately \$4.0 million. In addition,

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during the nine months ended September 30, 2013, we recorded net unrealized appreciation of investments totaling \$8.8 million, consisting of net unrealized appreciation on our current portfolio of approximately \$12.4 million and net unrealized depreciation adjustments of \$3.6 million related to the realized gains and losses noted above.

During the nine months ended September 30, 2013 we recognized a loss on extinguishment of debt of approximately \$0.4 million related to prepayments of SBA-guaranteed debentures.

As a result of these events, our net increase in net assets from operations was \$27.9 million for the nine months ended September 30, 2014, a decrease of 56.0% from the net increase in net assets from operations of \$63.4 million for the nine months ended September 30, 2013.

### Liquidity and Capital Resources

We believe that our current cash and cash equivalents on hand, our available leverage under our Credit Facility (as defined below) 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, 2014, we experienced a net decrease in cash and cash equivalents in the amount of \$49.3 million. During that period, our operating activities used \$149.2 million in cash, consisting primarily of new portfolio investments of \$345.6 million, partially offset by repayments received from portfolio companies and proceeds from sales of portfolio investments of approximately \$154.9 million. In addition, financing activities increased cash by \$99.9 million, consisting primarily of proceeds from the public stock offering of \$127.8 million and borrowings under SBA-guaranteed debentures of \$31.3 million, partially offset by cash dividends paid in the amount of \$36.5 million and cash distributions of capital gains paid in the amount of \$19.2 million. As of September 30, 2014, we had \$84.0 million of cash and cash equivalents on hand.

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 totaling \$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.

### 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. Our SBA-guaranteed debentures are collateralized by the assets of Triangle SBIC and Triangle SBIC II.

As of September 30, 2014, Triangle SBIC had issued the maximum \$150.0 million of SBA-guaranteed debentures and 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, 2014 was 4.03%. As of September 30, 2014, all SBA-guaranteed debentures were pooled.



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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. The Credit Facility, which matures on September 17, 2017, allows us to borrow certain foreign currencies 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, 2014, we had borrowings denominated in Canadian dollars of \$12.0 million (\$10.8 million in United States dollars) outstanding under the Credit Facility with a weighted average interest rate of 4.02%. There were no other borrowings outstanding under the Credit Facility as of that date. 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 Unaudited 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.

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 BDC. As of September 30, 2014 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, as amended, or the Exchange Act.

### Distributions to Stockholders

We elected to be treated as a RIC under the Internal Revenue Code of 1986, as amended, or 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

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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

In 2013, we were able to amend our credit facility to extend the term by one year and in 2014, we were able to access additional liquidity through a public offering of common stock and new leverage through SBA-guaranteed debentures. 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 Development

In October 2014, we invested \$15.5 million in unitranche debt and equity of Halcyon Healthcare, LLC, a provider of hospice care. Under the terms of the investment, the unitranche debt bears interest at a rate of 11.0% per annum.

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### 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, which we refer herein 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.

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

For the quarter ended:	Total companies	Percent of total investments at fair value <sup>(1)</sup>
March 31, 2013	17	23%
June 30, 2013	13	27%
September 30, 2013	14	28%
December 31, 2013	14	21%
March 31, 2014	15	25%
June 30, 2014	15	31%
September 30, 2014	18	29%

(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.

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. For certain non-performing assets, we may utilize the liquidation or collateral value of the portfolio company's assets in our estimation of enterprise value.

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

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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
- any other factors we deem pertinent with respect to a particular investment.

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, which we refer to herein as 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

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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.

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### 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.

As of September 30, 2014, the fair value of our non-accrual assets was approximately \$32.4 million, which comprised approximately 3.8% of the total fair value of our portfolio, and the cost of our non-accrual assets was approximately \$71.5 million, or 8.3% of the total cost of our portfolio.

In addition to our non-accrual assets, as of September 30, 2014, we had debt investments in two portfolio companies (our subordinated note to DCWV Acquisition Corporation and our term loan B senior note to FCL Graphics, Inc.) that were on non-accrual only with respect to the PIK interest component of the loans. As of September 30, 2014, the fair value of these debt investments was approximately \$3.1 million, or 0.4% of the total fair value of our portfolio and the cost of these assets was approximately \$7.4 million, or 0.9% 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, 2014, we were not a party to any hedging arrangements.

As of September 30, 2014, approximately 89.6%, or \$689.4 million (at cost), of our debt portfolio investments bore interest at fixed rates and approximately 10.4%, or \$79.7 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 \$1.6 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 (currently the 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, 2014, we had non-United States

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dollar borrowings denominated in Canadian dollars of \$12.0 million (\$10.8 million United States dollars) outstanding under the Credit Facility with an interest rate of 4.0%.

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

Changes in Internal Control Over Financial Reporting

There were no changes in our internal control over financial reporting during the third quarter of 2014 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 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, 2013, which could materially affect our business, financial condition or operating results. The risks described 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.

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.

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Item 6. Exhibits.

Number Exhibit

- 3.1 Articles of Amendment and Restatement of the Registrant (Filed as Exhibit (a)(3) to the Registrant's Registration Statement on Form N-2/N-5 (File No. 333-138418) filed with the Securities and Exchange Commission on December 29, 2006 and incorporated herein by reference).
- 3.2 Fourth Amended and Restated Bylaws of the Registrant (Filed as Exhibit 3.1 to the Registrant's Current Report on Form 8-K filed with the Securities and Exchange Commission on February 7, 2014 and incorporated herein by reference).
- 4.1 Form of Common Stock Certificate (Filed as Exhibit (d) to the Registrant's Post-Effective Amendment No. 1 to the Registration Statement on Form N-2/N-5 (File No. 333-138418) filed with the Securities and Exchange Commission on February 15, 2007 and incorporated herein by reference).
- 4.2 Dividend Reinvestment Plan of the Registrant (Filed as Exhibit 4.2 to the Registrant's Annual Report on Form 10-K for the year ended December 31, 2007 filed with the Securities and Exchange Commission on March 12, 2008 and incorporated herein by reference).
- 4.3 Agreement to Furnish Certain Instruments (Filed as Exhibit 4.19 to the Registrant's Annual Report on Form 10-K for the year ended December 31, 2008 filed with the Securities and Exchange Commission on February 25, 2009 and incorporated herein by reference).
- 4.4 Indenture, dated March 2, 2012 between the Registrant and the Bank of New York Mellon Trust Company, N.A. (Filed as Exhibit (d)(5) to the Registrant's Post-Effective Amendment No. 2 to the Registration Statement on Form N-2 filed with the Securities and Exchange Commission on March 2, 2012 and incorporated herein by reference).
- 4.5 First Supplemental Indenture, dated March 2, 2012 between the Registrant and the Bank of New York Mellon Trust Company, N.A. (Filed as Exhibit (d)(6) to the Registrant's Post-Effective Amendment No. 2 to the Registration Statement on Form N-2 filed with the Securities and Exchange Commission on March 2, 2012 and incorporated herein by reference).
- 4.6 Form of 7.00% Senior Note Due 2019 (Contained in the First Supplemental Indenture filed as Exhibit (d)(6) to the Registrant's Post-Effective Amendment No. 2 to the Registration Statement on Form N-2 filed with the Securities and Exchange Commission on March 2, 2012 and incorporated herein by reference).
- 4.7 Second Supplemental Indenture, dated October 19, 2012 between the Registrant and the Bank of New York Mellon Trust Company, N.A. (Filed as Exhibit 4.1 to the Registrant's Current Report on Form 8-K filed with the Securities and Exchange Commission on October 19, 2012 and incorporated herein by reference).
- 4.8 Form of 6.375% Senior Note Due 2022 (Contained in the Second Supplemental Indenture filed as Exhibit 4.1 to the Registrant's Current Report on Form 8-K filed with the Securities and Exchange Commission on October 19, 2012 and incorporated herein by reference).
- 10.1 Custody Agreement between the Registrant and Branch Banking and Trust Company dated June 20, 2014 (Filed as Exhibit (j)(1) to the Registrant's Registration Statement on Form N-2 filed with the Securities and Exchange Commission on October 1, 2014 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.

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SIGNATURES

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

TRIANGLE CAPITAL CORPORATION

Date: November 5, 2014

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

Date: November 5, 2014

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

Date: November 5, 2014

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

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EXHIBIT INDEX

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4.6	Form of 7.00% Senior Note Due 2019 (Contained in the First Supplemental Indenture filed as Exhibit (d)(6) to the Registrant's Post-Effective Amendment No. 2 to the Registration Statement on Form N-2 filed with the Securities and Exchange Commission on March 2, 2012 and incorporated herein by reference).
4.7	Second Supplemental Indenture, dated October 19, 2012 between the Registrant and the Bank of New York Mellon Trust Company, N.A. (Filed as Exhibit 4.1 to the Registrant's Current Report on Form 8-K filed with the Securities and Exchange Commission on October 19, 2012 and incorporated herein by reference).
4.8	Form of 6.375% Senior Note Due 2022 (Contained in the Second Supplemental Indenture filed as Exhibit 4.1 to the Registrant's Current Report on Form 8-K filed with the Securities and Exchange Commission on October 19, 2012 and incorporated herein by reference).
10.1	

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Custody Agreement between the Registrant and Branch Banking and Trust Company dated June 20, 2014 (Filed as Exhibit (j)(1) to the Registrant's Registration Statement on Form N-2 filed with the Securities and Exchange Commission on October 1, 2014 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.