

Main Street Capital CORP
Form 10-Q
May 04, 2012
[Table of Contents](#)

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

(Mark One)

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

For the quarterly period ended March 31, 2012

OR

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

For the transition period from: to

Commission File Number: 001-33723

Main Street Capital Corporation

(Exact name of registrant as specified in its charter)

Maryland

(State or other jurisdiction of incorporation or organization)

41-2230745

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

**1300 Post Oak Boulevard, Suite 800
Houston, TX**

(Address of principal executive offices)

77056

(Zip Code)

(713) 350-6000

(Registrant's telephone number including area code)

n/a

(Former name, former address and former fiscal year, if changed since last report)

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 (§232.405 of this chapter) 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

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 issuer's common stock as of May 2, 2012 was 27,098,311.

Table of Contents

TABLE OF CONTENTS

PART I
FINANCIAL INFORMATION

<u>Item 1.</u>	<u>Financial Statements</u>	
	<u>Consolidated Balance Sheets – March 31, 2012 (unaudited) and December 31, 2011</u>	1
	<u>Consolidated Statements of Operations (unaudited) – Three months ended March 31, 2012 and 2011</u>	2
	<u>Consolidated Statements of Changes in Net Assets (unaudited) – Three months ended March 31, 2012 and 2011</u>	3
	<u>Consolidated Statements of Cash Flows (unaudited) – Three months ended March 31, 2012 and 2011</u>	4
	<u>Consolidated Schedule of Investments (unaudited) – March 31, 2012</u>	5
	<u>Consolidated Schedule of Investments – December 31, 2011</u>	17
	<u>Notes to Consolidated Financial Statements (unaudited)</u>	30
<u>Item 2.</u>	<u>Management’s Discussion and Analysis of Financial Condition and Results of Operations</u>	52
<u>Item 3.</u>	<u>Quantitative and Qualitative Disclosures about Market Risk</u>	68
<u>Item 4.</u>	<u>Controls and Procedures</u>	68

PART II
OTHER INFORMATION

<u>Item 1.</u>	<u>Legal Proceedings</u>	68
<u>Item 1A.</u>	<u>Risk Factors</u>	68
<u>Item 2.</u>	<u>Unregistered Sales of Equity Securities and Use of Proceeds</u>	69
<u>Item 6.</u>	<u>Exhibits</u>	70
	<u>Signatures</u>	71

Table of Contents**PART I FINANCIAL INFORMATION****Item 1. Financial Statements****MAIN STREET CAPITAL CORPORATION****Consolidated Balance Sheets****(in thousands, except shares and per share amounts)**

	March 31, 2012 (Unaudited)	December 31, 2011
ASSETS		
Portfolio investments at fair value:		
Control investments (cost: \$180,625 and \$206,787 as of March 31, 2012 and December 31, 2011, respectively)	\$ 220,048	\$ 238,924
Affiliate investments (cost: \$102,868 and \$110,157 as of March 31, 2012 and December 31, 2011, respectively)	130,715	146,405
Non-Control/Non-Affiliate investments (cost: \$313,646 and \$275,061 as of March 31, 2012 and December 31, 2011, respectively)	313,334	270,895
Investment in affiliated Investment Manager (cost: \$2,668 and \$4,284 as of March 31, 2012 and December 31, 2011, respectively)	202	1,869
Total portfolio investments (cost: \$599,807 and \$596,289 as of March 31, 2012 and December 31, 2011, respectively)	664,299	658,093
Marketable securities and idle funds investments (cost: \$14,066 and \$25,935 as of March 31, 2012 and December 31, 2011, respectively)	14,345	26,242
Total investments (cost: \$613,873 and \$622,224 as of March 31, 2012 and December 31, 2011, respectively)	678,644	684,335
Cash and cash equivalents	88,955	42,650
Interest receivable and other assets	7,899	6,539
Deferred financing costs (net of accumulated amortization of \$2,395 and \$2,167 as of March 31, 2012 and December 31, 2011, respectively)	3,945	4,168
Total assets	\$ 779,443	\$ 737,692
LIABILITIES		
SBIC debentures (par: \$220,000 as of March 31, 2012 and December 31, 2011; par of \$95,000 is recorded at a fair value of \$76,586 and \$76,887 as of March 31, 2012 and December 31, 2011, respectively)	\$ 201,586	\$ 201,887
Credit facility	138,000	107,000
Interest payable	1,326	3,984
Dividend payable	3,789	2,856
Deferred tax liability, net	4,825	3,776
Payable to affiliated Investment Manager	1,520	4,831

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Accounts payable and other liabilities	2,861	2,170
Total liabilities	353,907	326,504
Commitments and contingencies		
NET ASSETS		
Common stock, \$0.01 par value per share (150,000,000 shares authorized; 27,061,484 and 26,714,384 issued and outstanding as of March 31, 2012 and December 31, 2011, respectively)	270	267
Additional paid-in capital	367,242	360,164
Accumulated net investment income, net of cumulative dividends of \$87,348 and \$79,414 as of March 31, 2012 and December 31, 2011, respectively	17,446	12,531
Accumulated net realized gain from investments, net of cumulative dividends of \$16,911 and \$13,804 as of March 31, 2012 and December 31, 2011, respectively	(15,414)	(20,445)
Net unrealized appreciation, net of income taxes	55,992	53,194
Total Net Asset Value	425,536	405,711
Noncontrolling interest		5,477
Total net assets including noncontrolling interests	425,536	411,188
Total liabilities and net assets	\$ 779,443	\$ 737,692
NET ASSET VALUE PER SHARE	\$ 15.72	\$ 15.19

The accompanying notes are an integral part of these financial statements

Table of Contents

MAIN STREET CAPITAL CORPORATION

Consolidated Statements of Operations

(in thousands, except shares and per share amounts)

(Unaudited)

	Three Months Ended March 31,	
	2012	2011
INVESTMENT INCOME:		
Interest, fee and dividend income:		
Control investments	\$ 5,767	\$ 5,650
Affiliate investments	5,673	2,146
Non-Control/Non-Affiliate investments	8,147	5,526
Total interest, fee and dividend income	19,587	13,322
Interest from marketable securities, idle funds and other	972	52
Total investment income	20,559	13,374
EXPENSES:		
Interest	(3,864)	(2,902)
General and administrative	(608)	(507)
Expenses reimbursed to affiliated Investment Manager	(2,657)	(2,130)
Share-based compensation	(581)	(443)
Total expenses	(7,710)	(5,982)
NET INVESTMENT INCOME	12,849	7,392
NET REALIZED GAIN FROM INVESTMENTS:		
Control investments	(1,965)	
Affiliate investments	9,232	
Non-Control/Non-Affiliate investments	163	
Marketable securities and idle funds investments	708	
Total net realized gain from investments	8,138	
NET REALIZED INCOME	20,987	7,392
NET CHANGE IN UNREALIZED APPRECIATION (DEPRECIATION):		
Portfolio investments	4,507	4,018
Marketable securities and idle funds investments	(29)	115
SBIC debentures	301	39
Investment in affiliated Investment Manager	(51)	(41)
Total net change in unrealized appreciation	4,728	4,131
Income tax provision	(1,876)	(1,200)
NET INCREASE IN NET ASSETS RESULTING FROM OPERATIONS	23,839	10,323
Noncontrolling interest	(54)	
NET INCREASE IN NET ASSETS RESULTING FROM OPERATIONS ATTRIBUTABLE TO COMMON STOCK	\$ 23,785	\$ 10,323
NET INVESTMENT INCOME PER SHARE - BASIC AND DILUTED	\$ 0.48	\$ 0.38
NET REALIZED INCOME PER SHARE - BASIC AND DILUTED	\$ 0.78	\$ 0.38
NET INCREASE IN NET ASSETS RESULTING FROM OPERATIONS ATTRIBUTABLE TO COMMON STOCK PER SHARE - BASIC AND DILUTED	\$ 0.89	\$ 0.54
DIVIDENDS PAID PER SHARE	\$ 0.41	\$ 0.38

WEIGHTED AVERAGE SHARES OUTSTANDING - BASIC AND DILUTED	26,871,084	19,217,690
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The accompanying notes are an integral part of these financial statements

Table of Contents

MAIN STREET CAPITAL CORPORATION

Consolidated Statements of Changes in Net Assets

(in thousands, except shares)

(Unaudited)

	Common Stock Number of Shares	Par Value	Additional Paid-In Capital	Accumulated Net Investment Income, Net of Dividends	Accumulated Net Realized Gain From Investments, Net of Dividends	Net Unrealized Appreciation from Investments, Net of Income Taxes	Total Net Asset Value	Noncontrolling Interest	Total Net Assets Including Noncontrolling Interest
Balances at December 31, 2010	18,797,444	\$ 188	\$ 224,485	\$ 9,262	\$ (20,542)	\$ 32,142	\$ 245,535	\$ 4,448	\$ 249,983
Public offering of common stock, net of offering costs	4,025,000	40	70,310				70,350		70,350
Share-based compensation			443				443		443
Dividend reinvestment	125,122	1	2,408				2,409		2,409
Distributions to noncontrolling interest								(110)	(110)
Dividends to stockholders				(10,048)			(10,048)		(10,048)
Net increase resulting from operations				7,392		2,931	10,323		10,323
Noncontrolling interest									
Balances at March 31, 2011	22,947,566	\$ 229	\$ 297,646	\$ 6,606	\$ (20,542)	\$ 35,073	\$ 319,012	\$ 4,338	\$ 323,350
Balances at December 31, 2011	26,714,384	\$ 267	\$ 360,164	\$ 12,531	\$ (20,445)	\$ 53,194	\$ 405,711	\$ 5,477	\$ 411,188
MSC II noncontrolling interest acquisition	229,634	2	5,413				5,415	(5,417)	(2)
Adjustment to investment in Investment Manager related to MSC II noncontrolling interest acquisition			(1,616)				(1,616)		(1,616)
Share-based compensation			581				581		581
Dividend reinvestment	117,466	1	2,700				2,701		2,701
Distributions to noncontrolling interest								(114)	(114)
Dividends to stockholders				(7,934)	(3,107)		(11,041)		(11,041)
Net increase resulting from operations				12,849	8,138	2,852	23,839		23,839
Noncontrolling interest						(54)	(54)	54	
Balances at March 31, 2012	27,061,484	\$ 270	\$ 367,242	\$ 17,446	\$ (15,414)	\$ 55,992	\$ 425,536	\$	\$ 425,536

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The accompanying notes are an integral part of these financial statements

Table of Contents

MAIN STREET CAPITAL CORPORATION

Consolidated Statements of Cash Flows

(in thousands)

(Unaudited)

	Three Months Ended March 31,	
	2012	2011
CASH FLOWS FROM OPERATING ACTIVITIES		
Net increase in net assets resulting from operations	\$ 23,839	\$ 10,323
Adjustments to reconcile net increase in net assets resulting from operations to net cash provided by operating activities:		
Net change in unrealized appreciation	(4,728)	(4,131)
Net realized gain from investments	(8,138)	
Accretion of unearned income	(4,715)	(1,557)
Net payment-in-kind interest	(628)	(561)
Cumulative dividends	(67)	(386)
Share-based compensation expense	581	443
Amortization of deferred financing costs	228	146
Deferred taxes	1,049	1,150
Changes in other assets and liabilities:		
Interest receivable and other assets	(246)	(1,206)
Interest payable	(2,658)	(2,332)
Payable to affiliated Investment Manager	(3,311)	1,154
Accounts payable and other liabilities	490	559
Deferred fees and other	220	523
Net cash provided by operating activities	1,916	4,125
CASH FLOWS FROM INVESTING ACTIVITIES		
Investments in portfolio companies	(88,439)	(58,260)
Principal payments received on loans and debt securities in portfolio companies	70,939	13,186
Proceeds from sale of equity investments and related notes in portfolio companies	25,182	
Investments in marketable securities and idle funds investments	(5,592)	(25,039)
Proceeds from marketable securities and idle funds investments	18,827	3,021
Net cash provided by (used in) investing activities	20,917	(67,092)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from public offering of common stock, net of offering costs		70,350
Distributions to noncontrolling interest	(114)	(110)
Dividends paid to stockholders	(8,157)	(4,655)
Net change in DRIP deposit	750	(800)
Proceeds from issuance of SBIC debentures		30,000
Proceeds from credit facility	63,000	41,000
Repayments on credit facility	(32,000)	(65,000)
Payment of deferred loan costs and SBIC debenture fees	(7)	(1,088)
Net cash provided by financing activities	23,472	69,697
Net increase in cash and cash equivalents	46,305	6,730
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	42,650	22,334
CASH AND CASH EQUIVALENTS AT END OF PERIOD	\$ 88,955	\$ 29,064

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Table of Contents

MAIN STREET CAPITAL CORPORATION
CONSOLIDATED SCHEDULE OF INVESTMENTS

March 31, 2012

(in thousands)

(Unaudited)

Control Investments (3)

Café Brazil, LLC	Casual Restaurant Group	12% Secured Debt (Maturity - April 20, 2013) Member Units (Fully diluted 41.0%) (7)	1,200	1,199 42 1,241	1,200 3,430 4,630
California Healthcare Medical Billing, Inc.	Healthcare Services	12% Secured Debt (Maturity - October 17, 2015) Warrants (Fully diluted 21.0%) Common Stock (Fully diluted 9.6%)	8,853	8,538 1,193 1,177 10,908	8,761 3,380 1,560 13,701
CBT Nuggets, LLC	Produces and Sells IT Training Certification Videos	14% Secured Debt (Maturity - December 31, 2013) Member Units (Fully diluted 40.8%) (7)	850	850 1,300 2,150	850 6,360 7,210
Ceres Management, LLC (Lambs)	Aftermarket Automotive Services Chain	14% Secured Debt (Maturity - May 31, 2013) 9.5% Secured Debt (Lamb's Real Estate Investment I, LLC) (Maturity - October 1, 2025) Member Units (Fully diluted 79.0%) Member Units (Lamb's Real Estate Investment I, LLC) (Fully diluted 100%)	4,000 1,102	3,982 1,102 5,273 625 10,982	3,982 1,102 540 800 6,424

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Gulf Manufacturing, LLC	Industrial Metal Fabrication	9% PIK Secured Debt (Maturity - June 30, 2017)	1,044	1,044	1,044
		Member Units (Fully diluted 34.2%) (7)		2,980	11,240
				4,024	12,284
Hawthorne Customs and Dispatch Services, LLC	Transportation / Logistics	Member Units (Fully diluted 47.6%) (7)		589	1,410
		Member Units (Wallisville Real Estate, LLC) (Fully diluted 59.1%) (7)		1,215	1,215
				1,804	2,625
Indianapolis Aviation Partners, LLC	Fixed Base Operator	12% Secured Debt (Maturity - September 15, 2014)	4,500	4,253	4,350
		Warrants (Fully diluted 30.1%)		1,129	1,650
				5,382	6,000

Table of Contents

MAIN STREET CAPITAL CORPORATION
CONSOLIDATED SCHEDULE OF INVESTMENTS

March 31, 2012

(in thousands)

(Unaudited)

Control Investments (3)

Jensen Jewelers of Idaho, LLC	Retail Jewelry Store	Prime Plus 2%, Current Coupon 5.25%, Secured Debt (Maturity - November 14, 2013) (8)	2,260	2,260	2,260
		13% Current / 6% PIK Secured Debt (Maturity - November 14, 2013)	2,345	2,345	2,345
		Member Units (Fully diluted 60.8%) (7)		811	1,750
				5,416	6,355
Lighting Unlimited, LLC	Commercial and Residential Lighting Products and Design Services	8% Secured Debt (Maturity - August 22, 2012)	2,000	1,990	1,990
		Preferred Stock (non-voting)		510	510
		Warrants (Fully diluted 7.1%)		54	60
		Common Stock (Fully diluted 70.0%)		100	580
				2,654	3,140
Mid-Columbia Lumber Products, LLC	Manufacturer of Finger - Jointed Lumber Products	10% Secured Debt (Maturity - December 18, 2014)	1,250	1,250	1,250
		12% Secured Debt (Maturity - December 18, 2014)	3,900	3,900	3,900
		9.5% Secured Debt (Mid - Columbia Real Estate, LLC) (Maturity - May 13, 2025)	1,051	1,051	1,051
		Warrants (Fully diluted 9.2%)		250	890
		Member Units (Fully diluted 42.9%)		812	930
		Member Units (Mid - Columbia Real Estate, LLC) (Fully diluted 50.0%) (7)		250	810
				7,513	8,831
NAPCO Precast, LLC	Precast Concrete Manufacturing	Prime Plus 2%, Current Coupon 9%, Secured Debt (Maturity - February 1, 2013) (8)	3,385	3,378	3,378
		18% Secured Debt (Maturity - February 1, 2013)	5,173	5,149	5,149
		Member Units (Fully diluted 46.3%) (7)		2,975	4,195

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			11,502	12,722
NRI Clinical Research, LLC	Clinical Research Center	14% Secured Debt (Maturity - September 8, 2016)	5,265	4,973
		Warrants (Fully diluted 12.5%)		252
		Member Units (Fully diluted 24.8%)		500
			5,725	6,133
NRP Jones, LLC	Manufacturer of Hoses, Fittings and Assemblies	12% Secured Debt (Maturity - December 22, 2016)	12,100	11,079
		Warrants (Fully diluted 12.2%)		817
		Member Units (Fully diluted 43.2%)		2,900
			14,796	14,796
OMi Holdings, Inc.	Manufacturer of Overhead Cranes	12% Secured Debt (Maturity - April 1, 2013)	7,618	7,600
		Common Stock (Fully diluted 48.0%)		1,080
			8,680	11,150
Pegasus Research Group, LLC (Televerde)	Telemarketing and Data Services	13% Current / 5% PIK Secured Debt (Maturity - January 6, 2016)	5,691	5,630
		Member Units (Fully diluted 43.7%)		1,250
			6,880	6,880
PPL RVs, Inc.	Recreational Vehicle Dealer	18% Secured Debt (Maturity - June 10, 2015)	4,450	4,404
		Common Stock (Fully diluted 51.1%)		2,150
			6,554	8,430

Table of Contents

MAIN STREET CAPITAL CORPORATION
CONSOLIDATED SCHEDULE OF INVESTMENTS

March 31, 2012

(in thousands)

(Unaudited)

Control Investments (3)

Principle Environmental, LLC	Noise Abatement Services	12% Secured Debt (Maturity - February 1, 2016)	4,750	3,808	4,080
		12% Current / 2% PIK Secured Debt (Maturity - February 1, 2016)	3,525	3,470	3,525
		Warrants (Fully diluted 14.6%)		1,200	2,630
		Member Units (Fully diluted 25.0%)		2,000	4,510
				10,478	14,745
River Aggregates, LLC	Processor of Construction Aggregates	12% Secured Debt (Maturity - March 30, 2016)	3,700	3,468	3,468
		Warrants (Fully diluted 20.0%)		202	100
		Member Units (Fully diluted 40.0%)		550	200
				4,220	3,768
The MPI Group, LLC	Manufacturer of Custom Hollow Metal Doors, Frames and Accessories	4.5% Current / 4.5% PIK Secured Debt (Maturity - October 2, 2013)	1,056	1,053	1,053
		6% Current / 6% PIK Secured Debt (Maturity - October 2, 2013)	5,482	5,384	5,384
		Warrants (Fully diluted 47.1%)		896	
		Member Units (Non-voting)		200	
				7,533	6,437
Thermal and Mechanical Equipment, LLC	Commercial and Industrial Engineering Services	Prime Plus 2%, Current Coupon 9%, Secured Debt (Maturity - September 25, 2014) (8)	1,272	1,267	1,267
			4,053	4,013	4,053

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		13% Current / 5% PIK Secured Debt (Maturity - September 25, 2014)			
		Member Units (Fully diluted 50.0%) (7)		1,000	6,090
				6,280	11,410
Uvalco Supply, LLC	Farm and Ranch Supply Store				
		Member Units (Fully diluted 42.8%) (7)		1,113	3,110
Van Gilder Insurance Corporation	Insurance Brokerage				
		8% Secured Debt (Maturity - January 31, 2013)	1,000	990	990
		8% Secured Debt (Maturity - January 31, 2016)	1,634	1,619	1,619
		13% Secured Debt (Maturity - January 31, 2016)	5,400	4,430	4,430
		Warrants (Fully diluted 10.0%)		1,209	1,209
		Common Stock (Fully diluted 15.5%)		2,500	2,500
				10,748	10,748
Vision Interests, Inc.	Manufacturer / Installer of Commercial Signage				
		6.5% Current / 6.5% PIK Secured Debt (Maturity - December 23, 2016)	3,051	2,986	2,986
		Series A Preferred Stock (Fully diluted 33.3%)		3,000	3,000
		Common Stock (Fully diluted 36.7%)		3,706	
				9,692	5,986
Ziegler s NYPD, LLC	Casual Restaurant Group				
		Prime Plus 2%, Current Coupon 9%, Secured Debt (Maturity - October 1, 2013) (8)	1,000	996	996
		13% Current / 5% PIK Secured Debt (Maturity - October 1, 2013)	4,353	4,328	4,328
		Warrants (Fully diluted 46.6%)		600	300
				5,924	5,624
Subtotal Control Investments (32.4% of total investments at fair value)				180,625	220,048

Table of Contents

MAIN STREET CAPITAL CORPORATION

CONSOLIDATED SCHEDULE OF INVESTMENTS

March 31, 2012

(in thousands)

(Unaudited)

Portfolio Company	Business Description	Type of Investment (1) (2)	Principal (6)	Cost (6)	Fair Value
<u>Affiliate Investments (4)</u>					
American Sensor Technologies, Inc.	Manufacturer of Commercial / Industrial Sensors	Warrants (Fully diluted 19.6%)		50	3,370
Compact Power Equipment Centers LLC	Equipment / Tool Rental	6% Current / 6% PIK Secured Debt (Maturity - December 31, 2014)	3,523	3,500	3,500
		8% PIK Secured Debt (Maturity - December 31, 2012)	99	99	99
		Series A Member Units (8% cumulative) (7)		870	870
		Member Units (Fully diluted 10.6%)		1	1
					4,470
Drilling Info, Inc.	Information Services for the Oil and Gas Industry	Common Stock (Fully diluted 2.4%)		1,335	5,070
East Teak Fine Hardwoods, Inc.	Hardwood Products	Common Stock (Fully diluted 5.0%)		480	380
Gault Financial, LLC (RMB Capital, LLC)	Purchases and Manages Liquidation of Distressed Assets	14% Secured Debt (Maturity - November 21, 2016)	10,500	9,918	9,918
		Warrants (Fully diluted 22.5%)		400	400
				10,318	10,318
Houston Plating and Coatings, LLC	Plating and Industrial Coating Services	Member Units (Fully diluted 11.1%) (7)		635	6,300
Integrated Printing Solutions, LLC	Specialty Card Printing	13% Secured Debt (Maturity - September 23, 2016)	12,500	11,707	11,707
		Warrants (Fully diluted 9.0%)		600	940
				12,307	12,647
IRTH Holdings, LLC	Damage Prevention Technology Information				

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	Services	12% Secured Debt (Maturity - December 29, 2015)	4,873	4,802	4,873
		Member Units (Fully diluted 22.3%)		850	2,720
				5,652	7,593
KBK Industries, LLC	Specialty Manufacturer of Oilfield and Industrial Products	10% Secured Debt (Maturity - December 31, 2012)	458	458	458
		14% Secured Debt (Maturity - January 23, 2014)	5,182	5,182	5,182
		Member Units (Fully diluted 18.8%) (7)		341	3,190
				5,981	8,830
Laurus Healthcare, LP	Management of Outpatient Cardiac Cath Labs	9% Secured Debt (Maturity - May 12, 2016)	5,800	5,800	5,800
		Class A and C Units (Fully diluted 13.1%) (7)		80	5,430
				5,880	11,230
Olympus Building Services, Inc.	Custodial / Facilities Services	10% Current / 2% PIK Secured Debt (Maturity - March 27, 2014)	2,446	2,330	2,330
		15% PIK Secured Debt (Maturity - March 27, 2014)	1,031	1,031	1,031
		Warrants (Fully diluted 22.5%)		470	70
				3,831	3,431

Table of Contents

MAIN STREET CAPITAL CORPORATION

CONSOLIDATED SCHEDULE OF INVESTMENTS

March 31, 2012

(in thousands)

(Unaudited)

Portfolio Company	Business Description	Type of Investment (1) (2)	Principal (6)	Cost (6)	Fair Value
<u>Affiliate Investments (4)</u>					
OnAsset Intelligence, Inc.	Transportation Monitoring / Tracking Services	12% Secured Debt (Maturity - October 18, 2012)	1,500	1,057	1,057
		Preferred Stock (7% cumulative) (Fully diluted 5.75%) (7)		1,604	1,604
		Warrants (Fully diluted 4.0%)		830	640
				3,491	3,301
OPI International Ltd. (12)	Oil and Gas Construction Services	12% Secured Debt (Maturity - November 30, 2015)	11,750	11,132	11,360
		Common Equity (Fully diluted 9.7%)		1,370	4,970
				12,502	16,330
Radial Drilling Services Inc.	Oil and Gas Technology	12% Secured Debt (Maturity - November 23, 2016)	4,200	3,394	3,394
		Warrants (Fully diluted 24.0%)		758	758
				4,152	4,152
Samba Holdings, Inc.	Intelligent Driver Record Monitoring Software and Services	12.5% Secured Debt (Maturity - November 17, 2016)	3,000	2,943	2,943
		Common Stock (Fully diluted 14.7%)		950	950
				3,893	3,893
Schneider Sales Management, LLC	Sales Consulting and Training	13% Secured Debt (Maturity - October 15, 2013)	3,568	3,489	
		Warrants (Fully diluted 20.0%)		45	
				3,534	
Spectrio LLC	Audio Messaging Services				

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		8% Secured Debt (Maturity - June 16, 2016)	280	280	280
		12% Secured Debt (Maturity - June 16, 2016)	13,475	13,029	13,343
		Warrants (Fully diluted 9.8%)		887	2,830
				14,196	16,453
SYNEO, LLC	Manufacturer of Specialty Cutting Tools and Punches				
		12% Secured Debt (Maturity - July 13, 2016)	5,500	5,379	5,379
		10% Secured Debt (Leadrock Properties, LLC) (Maturity - May 4, 2026)	1,440	1,412	1,412
		Member Units (Fully diluted 11.1%)		1,000	1,000
				7,791	7,791
Walden Smokey Point, Inc.	Specialty Transportation Provider				
		Common Stock (Fully diluted 12.6%)		1,427	4,510
WorldCall, Inc.	Telecommunication / Information Services				
		13% Secured Debt (Maturity - April 22, 2012)	646	646	646
		Common Stock (Fully diluted 10.0%)		297	
				943	646
Subtotal Affiliate Investments (19.3% of total investments at fair value)				102,868	130,715

Table of Contents

MAIN STREET CAPITAL CORPORATION
CONSOLIDATED SCHEDULE OF INVESTMENTS

March 31, 2012

(in thousands)

(Unaudited)

Portfolio Company	Business Description	Type of Investment (1) (2)	Principal (6)	Cost (6)	Fair Value
<u>Non-Control/Non-Affiliate Investments (5)</u>					
Academy, Ltd. (9)	Sporting Goods Stores	LIBOR Plus 4.50%, Current Coupon 6.00%, Secured Debt (Maturity - August 3, 2018) (8)	2,993	2,981	3,010
Affinity Videonet, Inc.	Video Conferencing and Managed Services	13% Secured Debt (Maturity - December 31, 2015) 13% Current / 1% PIK Secured Debt (Maturity - December 31, 2015) Warrants (Fully diluted 2.6%)	2,000	1,917	2,000
			1,012	1,007	1,007
				63	120
				2,987	3,127
Ameritech College Operations, LLC	Education Services	18% Secured Debt (Maturity - March 9, 2017)	6,800	6,665	6,665
API Technologies Corp. (9)	Manufacturer of Electrical Components and Equipment	LIBOR Plus 6.25%, Current Coupon 7.75%, Secured Debt (Maturity - June 27, 2016) (8)	2,480	2,403	2,480
Aspen Dental Management, Inc. (9)	Dental Practice Management	LIBOR Plus 5.50%, Current Coupon 7.00%, Secured Debt (Maturity - October 6, 2016) (8)	3,990	3,970	3,960
Associated Asphalt Partners, LLC (9)	Liquid Asphalt Supplier	LIBOR Plus 5.75%, Current Coupon 7.25%, Secured Debt (Maturity - March 13, 2018) (8)	8,950	8,773	8,815
ATI Acquisition I Corp. (9)	Physical Therapy Facilities	LIBOR Plus 5.50%, Current Coupon 7.50%, Secured Debt	2,846	2,810	2,775

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(Maturity - March 11, 2016) (8)

Blackboard, Inc. (9)	Education Software Provider	LIBOR Plus 6.00%, Current Coupon 7.50%, Secured Debt (Maturity - October 4, 2018) (8)	2,993	2,890	2,983
		LIBOR Plus 10.00%, Current Coupon 11.50%, Secured Debt (Maturity - October 4, 2019) (8)	2,000	1,842 4,732	1,851 4,834
Blue Coat Systems, Inc. (9)	Web Security and WAN Optimization	LIBOR Plus 6.00%, Current Coupon 7.50%, Secured Debt (Maturity - February 15, 2018) (8)	2,000	1,961	1,998
		LIBOR Plus 10.00%, Current Coupon 11.50%, Secured Debt (Maturity - February 15, 2019) (8)	2,000	1,941 3,902	2,010 4,008
Bourland and Leverich Supply Co., LLC (9)	Distributor of Oil and Gas Tubular Goods	LIBOR Plus 9.00%, Current Coupon 11.00%, Secured Debt (Maturity - August 19, 2015) (8)	3,753	3,613	3,986
Brand Connections, LLC	Venue-Based Marketing and Media	14% Secured Debt (Maturity - April 30, 2015)	6,668	6,554	6,668
Business Development Corporation of America (10) (12)	Investment Management	LIBOR plus 3.50%, Current Coupon 3.74%, Secured Debt (Maturity - January 14, 2013)	10,000	10,000	10,000

Table of Contents

MAIN STREET CAPITAL CORPORATION
CONSOLIDATED SCHEDULE OF INVESTMENTS

March 31, 2012

(in thousands)

(Unaudited)

Portfolio Company	Business Description	Type of Investment (1) (2)	Principal (6)	Cost (6)	Fair Value
<u>Non-Control/Non-Affiliate Investments (5)</u>					
Calloway Laboratories, Inc. (9)	Health Care Testing Facilities	LIBOR Plus 11.00% / 3.00% PIK, Current Coupon with PIK 15.00%, Secured Debt (Maturity - March 29, 2015) (8)	5,001	4,851	4,851
CCCG, LLC (9)	Manufacturer of Oil and Gas Equipment	LIBOR Plus 5.00%, Current Coupon 6.75%, Secured Debt (Maturity - March 31, 2014) (8)	3,369	3,289	3,268
CHI Overhead Doors, Inc. (9)	Manufacturer of Overhead Garage Doors	LIBOR Plus 5.75%, Current Coupon 7.25%, Secured Debt (Maturity - August 17, 2017) (8)	2,488	2,442	2,465
		LIBOR Plus 9.50%, Current Coupon 11.00%, Secured Debt (Maturity - February 17, 2018) (8)	2,500	2,453 4,895	2,463 4,928
Citadel Plastics Holding, Inc. (9)	Supplier of Commodity Chemicals / Plastic Parts	LIBOR plus 5.25%, Current Coupon 6.75%, Secured Debt (Maturity - February 22, 2018) (8)	3,000	2,970	3,005
Congruent Credit Opportunities Fund II, LP (10) (12)	Investment Partnership	LP Interests (Fully diluted 18.75%)		6,068	6,068
Diversified Machine, Inc. (9)	Automotive Component Supplier	LIBOR plus 7.75%, Current Coupon 9.25%, Secured Debt (Maturity - December 1, 2016) (8)	1,995	1,957	2,001
EnCap Energy Capital Fund VIII, L.P. (10) (12)	Investment Partnership				

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LP Interests (Fully diluted 0.2%) 1,487 1,487

Fairway Group Acquisition Company (9)	Retail Grocery	LIBOR plus 6.00%, Current Coupon 7.50%, Secured Debt (Maturity - March 3, 2017) (8)	7,444	7,390	7,369
Flexera Software LLC (9)	Software Licensing	LIBOR Plus 9.75%, Current Coupon 11.00%, Secured Debt (Maturity - September 30, 2018) (8)	3,000	2,771	2,970
Fram Group Holdings, Inc. (9)	Manufacturer of Automotive Maintenance Products	LIBOR plus 5.00%, Current Coupon 6.50%, Secured Debt (Maturity - July 29, 2017) (8)	995	990	1,003
		LIBOR plus 9.00%, Current Coupon 10.50%, Secured Debt (Maturity - January 29, 2018) (8)	1,000	995	986
				1,985	1,989
Go Daddy Group, Inc. (9)	Domain Name Management	LIBOR Plus 4.25%, Current Coupon 5.50%, Secured Debt (Maturity - December 17, 2018) (8)	7,481	7,481	7,496

Table of Contents

MAIN STREET CAPITAL CORPORATION
CONSOLIDATED SCHEDULE OF INVESTMENTS

March 31, 2012

(in thousands)

(Unaudited)

Portfolio Company	Business Description	Type of Investment (1) (2)	Principal (6)	Cost (6)	Fair Value
<u>Non-Control/Non-Affiliate Investments (5)</u>					
Gundle/SLT Environmental, Inc. (9)	Manufacturer of Geosynthetic Lining Products	LIBOR plus 5.50%, Current Coupon 7.00%, Secured Debt (Maturity - May 27, 2016) (8)	2,978	2,952	2,963
		LIBOR Plus 9.50%, Current Coupon 13.00%, Secured Debt (Maturity - November 23, 2016) (8)	2,000	1,964 4,916	1,980 4,943
Hayden Acquisition, LLC	Manufacturer of Utility Structures	8% Secured Debt (Maturity - April 1, 2012)	1,800	1,781	
Helm Financial Corporation (9)	Railcar Leasing	LIBOR Plus 5.00%, Current Coupon 6.25%, Secured Debt (Maturity - June 1, 2017) (8)	1,980	1,962	1,953
HMS Income LLC (10) (12)	Investment Management	LIBOR plus 3.00%, Current Coupon 3.24%, Secured Debt (Maturity - December 12, 2012)	7,500	7,500	7,500
HOA Restaurant Group, LLC (9)	Casual Restaurant Group	11.25% Bond (Maturity - April 1, 2017)	2,000	2,000	1,975
Hupah Finance Inc. (9)	Manufacturer of Industrial Machinery	LIBOR Plus 5.00%, Current Coupon 6.25%, Secured Debt (Maturity - January 19, 2019) (8)	3,000	2,941	3,024
Il Fornaio Corporation (9)	Casual Restaurant Group	LIBOR Plus 5.25%, Current Coupon 6.50%, Secured Debt (Maturity - June 10, 2017) (8)	1,980	1,971	1,982

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Ipreo Holdings LLC (9)	Application Software for Capital Markets	LIBOR Plus 6.50%, Current Coupon 8.00%, Secured Debt (Maturity - August 5, 2017) (8)	4,229	4,153	4,165
Ivy Hill Middle Market Credit Fund III, Ltd. (9) (12)	Asset Management	LIBOR Plus 6.50%, Current Coupon 6.74%, Secured Debt (Maturity - January 15, 2022)	2,000	1,664	1,658
JJ Lease Funding Corp. (9)	Apparel Retail	LIBOR Plus 8.50%, Current Coupon 10.00%, Secured Debt (Maturity - April 29, 2017) (8)	3,900	3,797	3,013
Kadmon Pharmaceuticals, LLC (9)	Biopharmaceutical Products	LIBOR Plus 13.00%, Current Coupon 15.00%, Secured Debt (Maturity - October 31, 2012) (8)	5,985	5,913	6,240
Lawson Software, Inc. (9)	Application Software	LIBOR Plus 5.25%, Current Coupon 6.75%, Secured Debt (Maturity - July 5, 2017) (8)	4,975	4,796	4,995
Liqui-Box, Inc. (9)	Supplier of Specialty Packaging	LIBOR plus 5.25%, Current Coupon 6.75%, Secured Debt (Maturity - December 29, 2017) (8)	2,993	2,949	2,978
Media Holdings, LLC (9) (12)	Internet Traffic Generator	LIBOR plus 13.00%, Current Coupon 15.00%, Secured Debt (Maturity - April 28, 2014) (8)	5,000	5,195	5,200

Table of Contents

MAIN STREET CAPITAL CORPORATION
CONSOLIDATED SCHEDULE OF INVESTMENTS

March 31, 2012

(in thousands)

(Unaudited)

Portfolio Company	Business Description	Type of Investment (1) (2)	Principal (6)	Cost (6)	Fair Value
<u>Non-Control/Non-Affiliate Investments (5)</u>					
Medpace Intermediateco, Inc. (9)	Clinical Trial Development and Execution	LIBOR Plus 5.00%, Current Coupon 6.50%, Secured Debt (Maturity - June 17, 2017) (8)	4,963	4,896	4,814
Metal Services LLC (9)	Steel Mill Services	LIBOR Plus 7.50%, Current Coupon 9.00%, Secured Debt (Maturity - January 24, 2018) (8)	7,900	7,745	7,959
Metropolitan Health Networks, Inc. (9) (12)	Healthcare Network Provider	LIBOR plus 5.50%, Current Coupon 7.00%, Secured Debt (Maturity - October 4, 2016) (8) LIBOR plus 11.75%, Current Coupon 13.50%, Secured Debt (Maturity - October 4, 2017) (8)	1,980	1,953	1,921
			3,250	3,188 5,141	3,185 5,106
Milk Specialties Company (9)	Processor of Nutrition Products	LIBOR plus 7.00%, Current Coupon 8.50%, Secured Debt (Maturity - December 27, 2017) (8) LIBOR plus 13.00%, Current Coupon 14.50%, Secured Debt (Maturity - December 27, 2018) (8)	3,990	3,874	3,995
			1,000	961 4,835	990 4,985
Miramax Film NY, LLC (9)	Motion Picture Producer and Distributor	Class B Units (Fully diluted 0.2%)		500	500
Mood Media Corporation (9) (12)	Music Provider	LIBOR Plus 5.50%, Current Coupon 7.00%, Secured Debt (Maturity - May 6, 2018) (8)	2,978	2,949	2,917
Morton's Restaurant Group, Inc. (9)	Restaurants				

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		LIBOR Plus 7.25%, Current Coupon 8.75%, Secured Debt (Maturity - February 1, 2017) (8)	3,000	2,927	3,000
MultiPlan, Inc. (9)	Managed Healthcare Provider	LIBOR Plus 3.25%, Current Coupon 4.75%, Secured Debt (Maturity - August 26, 2017) (8)	2,913	2,913	2,893
National Healing Corporation (9)	Wound Care Management	LIBOR plus 6.75%, Current Coupon 8.25%, Secured Debt (Maturity - November 30, 2017) (8)	2,743	2,611	2,716
		LIBOR plus 10.00%, Current Coupon 11.50%, Secured Debt (Maturity - November 30, 2018) (8)	1,500	1,413	1,500
		Common Equity (Fully diluted 0.02%)		50 4,074	50 4,266
Northland Cable Television, Inc. (9)	Television Broadcasting	LIBOR Plus 6.00%, Current Coupon 7.75%, Secured Debt (Maturity - December 30, 2016) (8)	4,919	4,798	4,796
Pacific Architects and Engineers Incorporated (9)	Provider of Contract Support Services	LIBOR Plus 6.00%, Current Coupon 7.50%, Secured Debt (Maturity - April 4, 2017) (8)	3,995	3,920	3,975
Phillips Plastic Corporation (9)	Custom Molder of Plastics and Metals	LIBOR Plus 5.00%, Current Coupon 6.50%, Secured Debt (Maturity - February 12, 2017) (8)	1,741	1,725	1,738

Table of Contents

MAIN STREET CAPITAL CORPORATION
CONSOLIDATED SCHEDULE OF INVESTMENTS

March 31, 2012

(in thousands)

(Unaudited)

Portfolio Company	Business Description	Type of Investment (1) (2)	Principal (6)	Cost (6)	Fair Value
<u>Non-Control/Non-Affiliate Investments (5)</u>					
Physician Oncology Services, L.P. (9)	Provider of Radiation Therapy and Oncology Services	LIBOR plus 4.75%, Current Coupon 6.25%, Secured Debt (Maturity - January 31, 2017) (8)	942	934	909
Pierre Foods, Inc. (9)	Foodservice Supplier	LIBOR plus 5.25%, Current Coupon 7.00%, Secured Debt (Maturity - September 30, 2016) (8)	4,938	4,860	4,947
		LIBOR plus 9.50%, Current Coupon 11.25%, Secured Debt (Maturity - September 29, 2017) (8)	2,000	1,941 6,801	2,018 6,965
Preferred Proppants, LLC (9)	Producer of Sand Based Proppants	LIBOR plus 6.00%, Current Coupon 7.50%, Secured Debt (Maturity - December 15, 2016) (8)	4,988	4,870	4,913
Race Point Power, LLC (9)	Electric Utilities / Power Generation	LIBOR Plus 6.00%, Current Coupon 7.75%, Secured Debt (Maturity - January 11, 2018) (8)	2,238	2,200	2,235
Radio One, Inc. (9)	Radio Broadcasting	LIBOR Plus 6.00%, Current Coupon 7.50%, Secured Debt (Maturity - March 31, 2016) (8)	2,970	2,921	2,954
Shearer s Foods, Inc. (9)	Manufacturer of Food/ Snacks	12.00% Current /3.75% PIK Secured Debt (Maturity - March 31, 2016)	4,303	4,222	4,174
SonicWALL, Inc. (9)	IT Security Provider	LIBOR Plus 6.25%, Current Coupon 8.25%, Secured Debt (Maturity - January 23, 2016) (8)	878	879	883

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Sourcehov LLC (9)	Business Process Services	LIBOR plus 5.38%, Current Coupon 6.63%, Secured Debt (Maturity - April 28, 2017) (8)	2,985	2,892	2,749
		LIBOR plus 9.25%, Current Coupon 10.50%, Secured Debt (Maturity - April 30, 2018) (8)	5,000	4,496 7,388	3,963 6,712
Speedy Cash Intermediate Holdings Corp. (9)	Consumer Finance	10.75% Bond (Maturity - May 15, 2018)	2,000	2,000	2,070
Surgery Center Holdings, Inc. (9)	Ambulatory Surgical Centers	LIBOR Plus 5.00%, Current Coupon 6.50%, Secured Debt (Maturity - February 6, 2017) (8)	4,950	4,928	4,690
The Tennis Channel, Inc.	Television-Based Sports Broadcasting	LIBOR Plus 6% / 4% PIK, Current Coupon with PIK 14%, Secured Debt (Maturity - January 1, 2013) (8)	10,717	11,776	11,776
		Warrants (Fully diluted 0.1%)		235	235
				12,011	12,011
Totes Isotoner Corporation (9)	Weather Accessory Retail	LIBOR Plus 5.75%, Current Coupon 7.25%, Secured Debt (Maturity - July 7, 2017) (8)	4,964	4,874	4,914

Table of Contents**MAIN STREET CAPITAL CORPORATION****CONSOLIDATED SCHEDULE OF INVESTMENTS****March 31, 2012****(in thousands)****(Unaudited)**

Portfolio Company	Business Description	Type of Investment (1) (2)	Principal (6)	Cost (6)	Fair Value
<u>Non-Control/Non-Affiliate Investments (5)</u>					
Tube City IMS Corporation (9) (12)	Steel Mill Services	LIBOR Plus 4.50%, Current Coupon 5.75%, Secured Debt (Maturity - March 19, 2019) (8)	1,000	990	1,001
Ulterra Drilling Technologies, L.P. (9)	Manufacturer of Oil and Gas Drilling Products	LIBOR plus 7.50%, Current Coupon 9.50%, Secured Debt (Maturity - June 9, 2016) (8)	6,488	6,375	6,504
		LIBOR plus 7.50%, Current Coupon 9.50%, Secured Debt (Maturity - June 9, 2016) (8)	2,348	2,305	2,333
				8,680	8,837
UniTek Global Services, Inc. (9)	Provider of Outsourced Infrastructure Services	LIBOR plus 7.50%, Current Coupon 9.00%, Secured Debt (Maturity - April 15, 2018) (8)	6,418	6,245	6,321
Vantage Specialties, Inc. (9)	Manufacturer of Specialty Chemicals	LIBOR Plus 5.50%, Current Coupon 7.00%, Secured Debt (Maturity - February 10, 2018) (8)	4,000	3,922	3,996
VFH Parent LLC (9)	Electronic Trading and Market Making	LIBOR Plus 6.00%, Current Coupon 7.50%, Secured Debt (Maturity - July 8, 2016) (8)	3,889	3,821	3,909
Visant Corporation (9)	School Affinity Stores	LIBOR Plus 4.00%, Current Coupon 5.25%, Secured Debt (Maturity - December 22, 2016) (8)	3,998	3,998	3,911

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Vision Solutions, Inc. (9)	Computer Software	LIBOR plus 4.50%, Current Coupon 6.00%, Secured Debt (Maturity - July 23, 2016) (8)	2,801	2,566	2,579
		LIBOR plus 8.00%, Current Coupon 9.50%, Secured Debt (Maturity - July 23, 2017) (8)	5,000	4,956 7,522	4,850 7,429
Walter Investment Management Corp. (9) (12)	Real Estate Services	LIBOR plus 6.25%, Current Coupon 7.75%, Secured Debt (Maturity - June 30, 2016) (8)	2,775	2,725	2,792
		LIBOR plus 11.00%, Current Coupon 12.50%, Secured Debt (Maturity - December 30, 2016) (8)	3,000	2,946 5,671	3,080 5,872
Willis Group, LLC	Staffing and Recruitment Services	12% Current / 3% PIK Secured Debt (Maturity - December 19, 2014)	9,000	8,835	8,835
Wyle Services Corporation (9)	Specialized Engineering and Technical Services	LIBOR Plus 4.25%, Current Coupon 5.75%, Secured Debt (Maturity - March 26, 2017) (8)	3,713	3,693	3,676
Yankee Cable Acquisition, LLC (9)	Broadband Service Provider	LIBOR Plus 4.50%, Current Coupon 6.50%, Secured Debt (Maturity - August 26, 2016) (8)	3,790	3,746	3,782
Subtotal Non-Control/Non-Affiliate Investments (46.2% of total investments at fair value)				313,646	313,334
Main Street Capital Partners, LLC (Investment Manager)	Asset Management	100% of Membership Interests		2,668	202
Total Portfolio Investments, March 31, 2012				599,807	664,299

Table of Contents

MAIN STREET CAPITAL CORPORATION

CONSOLIDATED SCHEDULE OF INVESTMENTS

March 31, 2012

(in thousands)

(Unaudited)

Portfolio Company	Business Description	Type of Investment (1) (2)	Principal (6)	Cost (6)	Fair Value
Marketable Securities and Idle Funds Investments					
Comstock Resources Inc. Bond (12)	Investments in Marketable Securities and Diversified, Registered Bond Funds	8.38% Bond (Maturity - October 15, 2017)	2,000	1,907	1,945
Fairfield Redevelopment Bond (12)		9.50% Bond (Maturity - March 1, 2021)	1,085	1,101	1,180
General Motors Company (12)		Preferred stock (0.59% cumulative) (7)		255	213
NRG Energy Inc Bond (12)		8.00% Bond (Maturity - June 15, 2017)	2,000	2,024	2,015
San Diego Redevelopment Bond (12)		7.38% Bond (Maturity - September 1, 2037)	275	275	285
Stanton Redevelopment Tax Bond (12)		9.00% Bond (Maturity - December 1, 2021)	980	1,012	1,026
Stora Enso OYJ Bond (12)		7.25% Bond (Maturity - April 15, 2036)	1,900	1,533	1,663
Toll Road Investors Partnership II, LP Bond (12)		Zero Coupon Bond (Maturity - February 15, 2033)	7,500	1,649	1,541
United Refining Company Bond (12)					

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	10.50% Bond (Maturity - February 28, 2017)	3,990	3,967	4,120
Other Marketable Securities and Idle Funds Investments (11) (12)			343	357
Subtotal Marketable Securities and Idle Funds Investments (2.1% of total investments at fair value)			14,066	14,345
Total Investments, March 31, 2012		\$	613,873	\$ 678,644

-
- (1) Debt investments are generally income producing. Equity and warrants are non-income producing, unless otherwise noted.
 - (2) See Note C for summary geographic location of portfolio companies.
 - (3) Controlled investments are defined by the Investment Company Act of 1940, as amended (1940 Act) as investments in which more than 25% of the voting securities are owned or where the ability to nominate greater than 50% of the board representation is maintained.
 - (4) Affiliate investments are defined by the 1940 Act as investments in which between 5% and 25% of the voting securities are owned and the investments are not classified as Controlled investments.
 - (5) Non-Control/Non-Affiliate investments are defined by the 1940 Act as investments that are neither Control Investments nor Affiliate Investments.
 - (6) Principal is net of prepayments. Cost is net of prepayments and accumulated unearned income.
 - (7) Income producing through dividends or distributions.
 - (8) Index based floating interest rate is subject to contractual minimum interest rates.
 - (9) Middle Market portfolio investment.
 - (10) Other Portfolio investment.
 - (11) Other Marketable Securities and Idle Funds Investments generally consist of investments in secured and rated debt investments and/or diversified bond funds.
 - (12) Investment is not a qualifying asset as defined under Section 55(a) of the 1940 Act. Qualifying assets must represent at least 70% of total assets at the time of acquisition of any additional non-qualifying assets.

Table of Contents

MAIN STREET CAPITAL CORPORATION
CONSOLIDATED SCHEDULE OF INVESTMENTS

December 31, 2011

(in thousands)

Portfolio Company	Business Description	Type of Investment (1) (2)	Principal (6)	Cost (6)	Fair Value
<u>Control Investments (3)</u>					
Café Brazil, LLC	Casual Restaurant Group	12% Secured Debt (Maturity - April 20, 2013)	1,400	1,399	1,400
		Member Units (Fully diluted 41.0%) (7)		42	3,430
				1,441	4,830
California Healthcare Medical Billing, Inc.	Healthcare Services	12% Secured Debt (Maturity - October 17, 2015)	8,623	8,290	8,528
		Warrants (Fully diluted 21.0%)		1,193	3,380
		Common Stock (Fully diluted 9.6%)		1,177	1,560
				10,660	13,468
CBT Nuggets, LLC	Produces and Sells IT Training Certification Videos	14% Secured Debt (Maturity - December 31, 2013)	1,750	1,750	1,750
		Member Units (Fully diluted 40.8%) (7)		1,300	5,570
				3,050	7,320
Ceres Management, LLC (Lambs)	Aftermarket Automotive Services Chain	14% Secured Debt (Maturity - May 31, 2013)	3,770	3,749	3,749
		9.5% Secured Debt (Lambs Real Estate Investment I, LLC) (Maturity - October 1, 2025)	1,115	1,115	1,115
		Member Units (Fully diluted 79.0%)		4,773	1,050
		Member Units (Lambs Real Estate Investment I, LLC) (Fully diluted 100%)		625	800
				10,262	6,714
Condit Exhibits, LLC	Tradeshaw Exhibits / Custom Displays	9% Current / 9% PIK Secured Debt (Maturity - July 1, 2013)	4,431	4,406	4,406
		Warrants (Fully diluted 47.9%)		320	560
				4,726	4,966
Currie Acquisitions, LLC	Retail Electric Bikes		4,750	4,112	4,750

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		12% Secured Debt (Maturity - March 1, 2015)		2,566	100
		Warrants (Fully diluted 47.3%)		6,678	4,850
Gulf Manufacturing, LLC	Industrial Metal Fabrication				
		9% PIK Secured Debt (Maturity - June 30, 2017)	1,185	1,185	1,185
		Member Units (Fully diluted 34.2%) (7)		2,980	9,840
				4,165	11,025
Harrison Hydra-Gen, Ltd.	Manufacturer of Hydraulic Generators				
		12% Secured Debt (Maturity - June 4, 2015)	5,507	4,938	5,230
		Preferred stock (8% cumulative) (7)		1,081	1,081
		Warrants (Fully diluted 34.5%)		718	2,240
				6,737	8,551
Hawthorne Customs and Dispatch Services, LLC	Transportation / Logistics				
		Member Units (Fully diluted 47.6%) (7)		589	1,410
		Member Units (Wallisville Real Estate, LLC) (Fully diluted 59.1%) (7)		1,215	1,215
				1,804	2,625
Hydratec, Inc.	Designer and Installer of Micro - Irrigation Systems				
		Common Stock (Fully diluted 92.5%) (7)		7,092	12,337
Indianapolis Aviation Partners, LLC	Fixed Base Operator				
		12% Secured Debt (Maturity - September 15, 2014)	4,270	4,003	4,120
		Warrants (Fully diluted 30.1%)		1,129	1,650
				5,132	5,770

Table of Contents

MAIN STREET CAPITAL CORPORATION
CONSOLIDATED SCHEDULE OF INVESTMENTS

December 31, 2011

(in thousands)

Portfolio Company	Business Description	Type of Investment (1) (2)	Principal (6)	Cost (6)	Fair Value
<u>Control Investments (3)</u>					
Jensen Jewelers of Idaho, LLC	Retail Jewelry Store	Prime Plus 2%, Current Coupon 5.25%, Secured Debt (Maturity - November 14, 2013) (8)	2,260	2,260	2,260
		13% Current / 6% PIK Secured Debt (Maturity - November 14, 2013)	2,345	2,345	2,345
		Member Units (Fully diluted 60.8%) (7)		811	1,750
				5,416	6,355
Lighting Unlimited, LLC	Commercial and Residential Lighting Products and Design Services	8% Secured Debt (Maturity - August 22, 2012)	2,000	1,984	1,984
		Preferred Stock (non-voting)		510	510
		Warrants (Fully diluted 7.1%)		54	
		Common Stock (Fully diluted 70.0%)		100	210
				2,648	2,704
Mid-Columbia Lumber Products, LLC	Manufacturer of Finger - Jointed Lumber Products	10% Secured Debt (Maturity - December 18, 2014)	1,250	1,250	1,250
		12% Secured Debt (Maturity - December 18, 2014)	3,670	3,670	3,670
		9.5% Secured Debt (Mid - Columbia Real Estate, LLC) (Maturity - May 13, 2025)	1,062	1,062	1,062
		Warrants (Fully diluted 9.2%)		250	890
		Member Units (Fully diluted 42.9%)		812	930
		Member Units (Mid - Columbia Real Estate, LLC) (Fully diluted 50.0%) (7)		250	810
				7,294	8,612
NAPCO Precast, LLC	Precast Concrete Manufacturing	Prime Plus 2%, Current Coupon 9%, Secured Debt (Maturity - February 1, 2013) (8)	3,385	3,376	3,376
		18% Secured Debt (Maturity - February 1, 2013)	5,173	5,142	5,142
		Member Units (Fully diluted 46.3%) (7)		2,975	4,195
				11,493	12,713

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NRI Clinical Research, LLC	Clinical Research Center	14% Secured Debt (Maturity - September 8, 2016)	5,500	5,183	5,183
		Warrants (Fully diluted 12.5%)		252	252
		Member Units (Fully diluted 24.8%)		500	500
				5,935	5,935
NRP Jones, LLC	Manufacturer of Hoses, Fittings and Assemblies	12% Secured Debt (Maturity - December 22, 2016)	12,100	11,041	11,041
		Warrants (Fully diluted 12.2%)		817	817
		Member Units (Fully diluted 43.2%)		2,900	2,900
				14,758	14,758
NTS Holdings, Inc.	Trench and Traffic Safety Equipment Rental and Sales	12% Secured Debt (Maturity - April 30, 2015)	5,770	5,742	5,742
		Preferred Stock (12% cumulative, compounded quarterly) (7)		11,918	11,918
		Common Stock (Fully diluted 72.3%)		1,621	2,140
				19,281	19,800
OMi Holdings, Inc.	Manufacturer of Overhead Cranes	12% Secured Debt (Maturity - April 1, 2013)	7,974	7,950	7,950
		Common Stock (Fully diluted 48.0%)		1,080	2,270
				9,030	10,220

Table of Contents

MAIN STREET CAPITAL CORPORATION

CONSOLIDATED SCHEDULE OF INVESTMENTS

December 31, 2011

(in thousands)

Portfolio Company	Business Description	Type of Investment (1) (2)	Principal (6)	Cost (6)	Fair Value
<u>Control Investments (3)</u>					
Pegasus Research Group, LLC (Televerde)	Telemarketing and Data Services	13% Current / 3% PIK Secured Debt (Maturity - January 6, 2016)	6,160	6,089	6,089
		Member Units (Fully diluted 43.7%)		1,250	1,250
				7,339	7,339
PPL RVs, Inc.	Recreational Vehicle Dealer	18% Secured Debt (Maturity - June 10, 2015)	4,235	4,186	4,235
		Common Stock (Fully diluted 51.1%)		2,150	3,980
				6,336	8,215
Principle Environmental, LLC	Noise Abatement Services	12% Secured Debt (Maturity - February 1, 2016)	4,750	3,766	4,080
		12% Current / 2% PIK Secured Debt (Maturity - February 1, 2016)	3,507	3,450	3,507
		Warrants (Fully diluted 14.6%)		1,200	2,110
		Member Units (Fully diluted 25.0%)		2,000	3,600
				10,416	13,297
River Aggregates, LLC	Processor of Construction Aggregates	12% Secured Debt (Maturity - March 30, 2016)	3,470	3,227	3,227
		Warrants (Fully diluted 20.0%)		202	100
		Member Units (Fully diluted 40.0%)		550	200
				3,979	3,527
The MPI Group, LLC	Manufacturer of Custom Hollow Metal Doors, Frames and Accessories	4.5% Current / 4.5% PIK Secured Debt (Maturity - October 2, 2013)	1,045	1,041	1,041
		6% Current / 6% PIK Secured Debt (Maturity - October 2, 2013)	5,406	5,294	5,294
		Warrants (Fully diluted 47.1%)		896	
		Member Units (Non-voting)		200	
				7,431	6,335

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Thermal and Mechanical Equipment, LLC	Commercial and Industrial Engineering Services	Prime Plus 2%, Current Coupon 9%, Secured Debt (Maturity - September 25, 2014) (8)	1,272	1,266	1,266
		13% Current / 5% PIK Secured Debt (Maturity - September 25, 2014)	4,053	4,010	4,053
		Member Units (Fully diluted 50.0%) (7)		1,000	5,660
				6,276	10,979
Uvalco Supply, LLC	Farm and Ranch Supply Store	Member Units (Fully diluted 42.8%) (7)		1,113	3,290

Table of Contents

MAIN STREET CAPITAL CORPORATION
CONSOLIDATED SCHEDULE OF INVESTMENTS

December 31, 2011

(in thousands)

Portfolio Company	Business Description	Type of Investment (1) (2)	Principal (6)	Cost (6)	Fair Value
<u>Control Investments (3)</u>					
Van Gilder Insurance Corporation	Insurance Brokerage	8% Secured Debt (Maturity - January 31, 2013)	1,000	987	987
		8% Secured Debt (Maturity - January 31, 2016)	1,721	1,705	1,705
		13% Secured Debt (Maturity - January 31, 2016)	5,400	4,387	4,387
		Warrants (Fully diluted 10.0%)		1,209	1,209
		Common Stock (Fully diluted 15.5%)			2,500
				10,788	10,788
Vision Interests, Inc.	Manufacturer / Installer of Commercial Signage	6.5% Current / 6.5% PIK Secured Debt (Maturity - December 23, 2016)	3,000	2,935	2,935
		Series A Preferred Stock (Fully diluted 33.3%)		3,000	3,000
		Common Stock (Fully diluted 36.7%)		3,706	3,706
				9,641	9,641
Ziegler s NYPD, LLC	Casual Restaurant Group	Prime Plus 2%, Current Coupon 9%, Secured Debt (Maturity - October 1, 2013) (8)	1,000	996	996
		13% Current / 5% PIK Secured Debt (Maturity - October 1, 2013)	4,299	4,270	4,270
		Warrants (Fully diluted 46.6%)		600	400
				5,866	5,666
Subtotal Control Investments (34.9% of total investments at fair value)				206,787	238,924

Table of Contents

MAIN STREET CAPITAL CORPORATION
CONSOLIDATED SCHEDULE OF INVESTMENTS

December 31, 2011

(in thousands)

Portfolio Company	Business Description	Type of Investment (1) (2)	Principal (6)	Cost (6)	Fair Value
<u>Affiliate Investments (4)</u>					
American Sensor Technologies, Inc.	Manufacturer of Commercial / Industrial Sensors	9% Secured Debt (Maturity - May 31, 2012)	3,046	3,039	3,039
		Warrants (Fully diluted 19.6%)		50	3,100
				3,089	6,139
Compact Power Equipment Centers LLC	Equipment / Tool Rental	6% Current / 6% PIK Secured Debt (Maturity - December 31, 2014)	2,855	2,831	2,831
		8% PIK Secured Debt (Maturity - December 31, 2011)	108	108	108
		Series A Member Units (8% cumulative) (7)		853	853
		Member Units (Fully diluted 10.6%)		1	1
				3,793	3,793
Drilling Info, Inc.	Information Services for the Oil and Gas Industry	12% Secured Debt (Maturity - November 20, 2014)	8,000	7,065	8,000
		8.75% Secured Debt (Maturity - April 18, 2016)	750	750	750
		Warrants (Fully diluted 4.9%)		1,250	10,360
		Common Stock (Fully diluted 2.4%)		1,335	4,890
				10,400	24,000
East Teak Fine Hardwoods, Inc.	Hardwood Products	Common Stock (Fully diluted 5.0%)		480	380
Gault Financial, LLC (RMB Capital, LLC)	Purchases and Manages Liquidation of Distressed Assets	14% Secured Debt (Maturity - November 21, 2016)	10,500	9,897	9,897
		Warrants (Fully diluted 22.5%)		400	400
				10,297	10,297
Houston Plating and Coatings, LLC	Plating and Industrial Coating Services	Member Units (Fully diluted 11.1%) (7)		635	5,990
Integrated Printing Solutions, LLC	Specialty Card Printing				

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		13% Secured Debt (Maturity - September 23, 2016)	10,000	9,228	9,228
		Warrants (Fully diluted 9.0%)		600	600
				9,828	9,828
IRTH Holdings, LLC	Damage Prevention Technology Information Services				
		12% Secured Debt (Maturity - December 29, 2015)	5,084	5,006	5,084
		Member Units (Fully diluted 22.3%)		850	2,480
				5,856	7,564
KBK Industries, LLC	Specialty Manufacturer of Oilfield and Industrial Products				
		10% Secured Debt (Maturity - March 31, 2012)	15	15	15
		14% Secured Debt (Maturity - January 23, 2014)	5,250	5,250	5,250
		Member Units (Fully diluted 18.8%) (7)		341	2,800
				5,606	8,065
Laurus Healthcare, LP	Management of Outpatient Cardiac Cath Labs				
		9% Secured Debt (Maturity - May 12, 2016)	5,850	5,850	5,850
		Class A and C Units (Fully diluted 13.1%) (7)		80	5,430
				5,930	11,280

Table of Contents

MAIN STREET CAPITAL CORPORATION
CONSOLIDATED SCHEDULE OF INVESTMENTS

December 31, 2011

(in thousands)

Portfolio Company	Business Description	Type of Investment (1) (2)	Principal (6)	Cost (6)	Fair Value
<u>Affiliate Investments (4)</u>					
Olympus Building Services, Inc.	Custodial / Facilities Services	10% Current / 2% PIK Secured Debt (Maturity - March 27, 2014)	2,434	2,306	2,306
		15% PIK Secured Debt (Maturity - March 27, 2014)	994	994	994
		Warrants (Fully diluted 22.5%)		470	70
				3,770	3,370
OnAsset Intelligence, Inc.	Transportation Monitoring / Tracking Services	12% Secured Debt (Maturity - October 18, 2012)	1,500	916	916
		Preferred Stock (7% cumulative) (Fully diluted 5.75%) (7)		1,577	1,577
		Warrants (Fully diluted 4.0%)		830	830
				3,323	3,323
OPI International Ltd. (11)	Oil and Gas Construction Services	12% Secured Debt (Maturity - November 30, 2015)	11,520	10,882	11,130
		Warrants (Fully diluted 8.0%)		500	4,100
				11,382	15,230
Radial Drilling Services Inc.	Oil and Gas Technology	12% Secured Debt (Maturity - November 23, 2016)	4,200	3,367	3,367
		Warrants (Fully diluted 24.0%)		758	758
				4,125	4,125
Samba Holdings, Inc.	Intelligent Driver Record Monitoring Software and Services	12.5% Secured Debt (Maturity - November 17, 2016)	3,000	2,941	2,941
		Common Stock (Fully diluted 14.7%)		950	950
				3,891	3,891
Schneider Sales Management, LLC	Sales Consulting and Training				

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		13% Secured Debt (Maturity - October 15, 2013)	3,568	3,488	250
		Warrants (Fully diluted 20.0%)		45	
				3,533	250
Spectrio LLC	Audio Messaging Services				
		8% Secured Debt (Maturity - June 16, 2016)	168	168	168
		12% Secured Debt (Maturity - June 16, 2016)	13,475	13,008	13,340
		Warrants (Fully diluted 9.8%)		887	2,720
				14,063	16,228
SYNEO, LLC	Manufacturer of Specialty Cutting Tools and Punches				
		12% Secured Debt (Maturity - July 13, 2016)	5,500	5,374	5,374
		10% Secured Debt (Maturity - May 4, 2026)	1,440	1,412	1,412
		Member Units (Fully diluted 11.1%)		1,000	1,000
				7,786	7,786
Walden Smokey Point, Inc.	Specialty Transportation Provider				
		Common Stock (Fully diluted 12.6%)		1,427	4,220
WorldCall, Inc.	Telecommunication / Information Services				
		13% Secured Debt (Maturity - April 22, 2012)	646	646	646
		Common Stock (Fully diluted 10.0%)		297	
				943	646
Subtotal Affiliate Investments (21.4% of total investments at fair value)				110,157	146,405

Table of Contents

MAIN STREET CAPITAL CORPORATION
CONSOLIDATED SCHEDULE OF INVESTMENTS

December 31, 2011

(in thousands)

Portfolio Company	Business Description	Type of Investment (1) (2)	Principal (6)	Cost (6)	Fair Value
<u>Non-Control/Non-Affiliate Investments (5)</u>					
Academy, Ltd. (9)	Sporting Goods Stores	LIBOR Plus 4.50%, Current Coupon 6.00%, Secured Debt (Maturity - August 3, 2018) (8)	3,000	2,989	2,977
Affinity Videonet, Inc.	Video Conferencing and Managed Services	13% Secured Debt (Maturity - December 31, 2015) 13% Current / 1% PIK Secured Debt (Maturity - December 31, 2015) Warrants (Fully diluted 2.6%)	2,000	1,914	2,000
			1,132	1,125	1,125
				63	63
				3,102	3,188
API Technologies Corp. (9)	Manufacturer of Electrical Components and Equipment	LIBOR Plus 6.25%, Current Coupon 7.75%, Secured Debt (Maturity - June 27, 2016) (8)	2,486	2,406	2,374
Arrowhead General Insurance Agency, Inc. (9)	Insurance	LIBOR plus 5.75%, Current Coupon 7.50%, Secured Debt (Maturity - March 4, 2017) (8) LIBOR plus 9.5%, Current Coupon 11.25%, Secured Debt (Maturity - September 30, 2017) (8)	3,970	3,900	3,932
			2,000	1,944	2,010
				5,844	5,942
ATI Acquisition I Corp. (9)	Physical Therapy Facilities	LIBOR Plus 5.50%, Current Coupon 7.50%, Secured Debt (Maturity - March 11, 2016) (8)	2,849	2,812	2,725
Bourland and Leverich Supply Co., LLC (9)	Distributor of Oil and Gas Tubular Goods	LIBOR Plus 9.00%, Current Coupon 11.00%, Secured Debt (Maturity - August 19, 2015) (8)	4,191	4,028	4,065
Brand Connections, LLC					

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	Venue-Based Marketing and Media	14% Secured Debt (Maturity - April 30, 2015)	6,761	6,639	6,639
Brickman Group Holdings, Inc. (9)	Commercial Landscape Services	LIBOR Plus 5.50%, Current Coupon 7.25%, Secured Debt (Maturity - October 14, 2016) (8)	1,990	1,962	1,997
Business Development Corporation of America (10) (11)	Investment Management	LIBOR plus 3.50%, Current Coupon 3.77%, Secured Debt (Maturity - January 14, 2013)	5,900	5,900	5,900
Carestream Health, Inc. (9)	Medical Imaging Products	LIBOR Plus 3.50%, Current Coupon 5.00%, Secured Debt (Maturity - February 25, 2017) (8)	2,985	2,704	2,690
Centerplate, Inc. (9)	Food and Catering Services	LIBOR Plus 8.50%, Current Coupon 10.50%, Secured Debt (Maturity - September 16, 2016) (8)	2,970	2,896	2,966
CHI Overhead Doors, Inc. (9)	Manufacturer of Overhead Garage Doors	LIBOR Plus 5.75%, Current Coupon 7.25%, Secured Debt (Maturity - August 17, 2017) (8)	2,494	2,446	2,462
		LIBOR Plus 9.50%, Current Coupon 11.00%, Secured Debt (Maturity - February 17, 2018) (8)	2,500	2,452	2,463
				4,898	4,925

Table of Contents

MAIN STREET CAPITAL CORPORATION
CONSOLIDATED SCHEDULE OF INVESTMENTS

December 31, 2011

(in thousands)

Portfolio Company	Business Description	Type of Investment (1) (2)	Principal (6)	Cost (6)	Fair Value
<u>Non-Control/Non-Affiliate Investments (5)</u>					
Diversified Machine, Inc. (9)	Automotive Component Supplier	LIBOR plus 7.75%, Current Coupon 9.25%, Secured Debt (Maturity - November 28, 2017) (8)	2,000	1,960	2,001
EnCap Energy Capital Fund VIII, L.P. (10) (11)	Investment Partnership	LP Interests (Fully diluted 0.2%)		709	709
Fairway Group Acquisition Company (9)	Retail Grocery	LIBOR plus 6.00%, Current Coupon 7.50%, Secured Debt (Maturity - March 3, 2017) (8)	7,463	7,403	7,253
Flexera Software LLC (9)	Software Licensing	LIBOR Plus 9.75%, Current Coupon 11.00%, Secured Debt (Maturity - September 30, 2018) (8)	3,000	2,765	2,790
Fram Group Holdings, Inc. (9)	Manufacturer of Automotive Maintenance Products	LIBOR plus 5.00%, Current Coupon 6.50%, Secured Debt (Maturity - July 29, 2017) (8) LIBOR plus 9.00%, Current Coupon 10.50%, Secured Debt (Maturity - January 29, 2018) (8)	998 1,000	993 995 1,988	998 968 1,966
Golden Nugget, LLC (9)	Hotel and Gaming	LIBOR Plus 8.50%, Current Coupon 10.00%, Secured Debt (Maturity - May 24, 2016) (8)	10,000	9,636	9,450
Gundle/SLT Environmental, Inc. (9)	Manufacturer of Geosynthetic Lining Products	LIBOR plus 5.50%, Current Coupon 7.00%, Secured Debt (Maturity - May 27, 2016) (8)	2,985 4,000	2,958 3,926	2,940 3,980

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LIBOR Plus 9.50%, Current
 Coupon 13.00%, Secured Debt
 (Maturity - November 23, 2016)
 (8)

6,884 6,920

Hayden Acquisition, LLC	Manufacturer of Utility Structures	8% Secured Debt (Maturity - January 1, 2012)	1,800	1,781	
Helm Financial Corporation (9)	Railcar Leasing	LIBOR Plus 5.00%, Current Coupon 6.25%, Secured Debt (Maturity - June 1, 2017) (8)	1,985	1,967	1,940
Henniges Automotive Holdings, Inc. (9)	Auto Parts	LIBOR Plus 10.00%, Current Coupon 12.00%, Secured Debt (Maturity - October 28, 2016) (8)	2,833	2,785	2,785
HMS Income LLC (10) (11)	Investment Management	LIBOR plus 3.00%, Current Coupon 3.27%, Secured Debt (Maturity - December 12, 2012)	7,500	7,500	7,500
HOA Restaurant Group, LLC (9)	Casual Restaurant Group	11.25% Bond (Maturity - April 1, 2017)	2,000	2,000	1,865
Il Fornaio Corporation (9)	Casual Restaurant Group	LIBOR Plus 5.25%, Current Coupon 6.50%, Secured Debt (Maturity - June 10, 2017) (8)	1,985	1,976	1,978
Ipreo Holdings LLC (9)	Application Software for Capital Markets	LIBOR Plus 6.50%, Current Coupon 8.00%, Secured Debt (Maturity - August 5, 2017) (8)	4,239	4,160	4,144

Table of Contents

MAIN STREET CAPITAL CORPORATION
CONSOLIDATED SCHEDULE OF INVESTMENTS

December 31, 2011

(in thousands)

Portfolio Company	Business Description	Type of Investment (1) (2)	Principal (6)	Cost (6)	Fair Value
<u>Non-Control/Non-Affiliate Investments (5)</u>					
Ivy Hill Middle Market Credit Fund III, Ltd. (9) (11)	Asset Management	LIBOR Plus 6.50%, Current Coupon 6.77%, Secured Debt (Maturity - January 15, 2022)	2,000	1,659	1,658
JJ Lease Funding Corp. (9)	Apparel Retail	LIBOR Plus 8.50%, Current Coupon 10.00%, Secured Debt (Maturity - April 29, 2017) (8)	3,950	3,842	3,160
Kadmon Pharmaceuticals, LLC (9)	Biopharmaceutical Products	LIBOR Plus 13.00%, Current Coupon 15.00%, Secured Debt (Maturity - October 31, 2012) (8)	6,000	5,899	6,255
Lawson Software, Inc. (9)	Application Software	LIBOR Plus 5.25%, Current Coupon 6.75%, Secured Debt (Maturity - July 5, 2017) (8)	4,988	4,801	4,875
Liqui-Box, Inc. (9)	Supplier of Specialty Packaging	LIBOR plus 5.25%, Current Coupon 6.75%, Secured Debt (Maturity - December 29, 2017) (8)	3,000	2,955	2,985
Media Holdings, LLC (9) (11)	Internet Traffic Generator	LIBOR plus 13.00%, Current Coupon 15.00%, Secured Debt (Maturity - April 28, 2014) (8)	5,000	5,129	5,000
Medpace Intermediateco, Inc. (9)	Clinical Trial Development and Execution	LIBOR Plus 5.00%, Current Coupon 6.50%, Secured Debt (Maturity - June 17, 2017) (8)	4,975	4,905	4,726
Megapath, Inc. (9)	Communications Technology	LIBOR plus 10.00%, Current Coupon 12.00%, Secured Debt (Maturity - November 3, 2015) (8)	3,600	3,541	3,546

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Metropolitan Health Networks, Inc. (9) (11)	Healthcare Network Provider	LIBOR plus 5.50%, Current Coupon 7.00%, Secured Debt (Maturity - October 4, 2016) (8)	2,000	1,971	1,940
		LIBOR plus 11.75%, Current Coupon 13.50%, Secured Debt (Maturity - October 4, 2017) (8)	3,250	3,187 5,158	3,185 5,125
Milk Specialties Company (9)	Processor of Nutrition Products	LIBOR plus 7.00%, Current Coupon 8.50%, Secured Debt (Maturity - December 27, 2017) (8)	4,000	3,880	3,900
		LIBOR plus 13.00%, Current Coupon 14.50%, Secured Debt (Maturity - December 27, 2018) (8)	1,000	960 4,840	965 4,865
Miramax Film NY, LLC (9)	Motion Picture Producer and Distributor	Class B Units (Fully diluted 0.2%)		500	500
Mood Media Corporation (9) (11)	Music Provider	LIBOR Plus 5.50%, Current Coupon 7.00%, Secured Debt (Maturity - May 6, 2018) (8)	2,985	2,956	2,779
MultiPlan, Inc. (9)	Managed Healthcare Provider	LIBOR Plus 3.25%, Current Coupon 4.75%, Secured Debt (Maturity - August 26, 2017) (8)	2,956	2,956	2,821

Table of Contents

MAIN STREET CAPITAL CORPORATION
CONSOLIDATED SCHEDULE OF INVESTMENTS

December 31, 2011

(in thousands)

Portfolio Company	Business Description	Type of Investment (1) (2)	Principal (6)	Cost (6)	Fair Value
<u>Non-Control/Non-Affiliate Investments (5)</u>					
National Healing Corporation (9)	Wound Care Management	LIBOR plus 6.75%, Current Coupon 8.25%, Secured Debt (Maturity - November 30, 2017) (8)	2,750	2,614	2,653
		LIBOR plus 10.00%, Current Coupon 11.50%, Secured Debt (Maturity - November 30, 2018) (8)	1,500	1,411	1,433
		Common Equity (Fully diluted 0.02%)		50	50
				4,075	4,136
Northland Cable Television, Inc. (9)	Television Broadcasting	LIBOR Plus 6.00%, Current Coupon 7.75%, Secured Debt (Maturity - December 30, 2016) (8)	4,950	4,823	4,802
Ocwen Financial Corporation (9) (11)	Residential and Commercial Loan Services	LIBOR Plus 5.50%, Current Coupon 7.00%, Secured Debt (Maturity - September 1, 2016) (8)	4,750	4,660	4,685
Pacific Architects and Engineers Incorporated (9)	Provider of Contract Support Services	LIBOR Plus 6.00%, Current Coupon 7.50%, Secured Debt (Maturity - April 4, 2017) (8)	3,995	3,917	3,875
Phillips Plastic Corporation (9)	Custom Molder of Plastics and Metals	LIBOR Plus 5.00%, Current Coupon 6.50%, Secured Debt (Maturity - February 12, 2017) (8)	1,750	1,733	1,737
Physician Oncology Services, L.P. (9)	Provider of Radiation Therapy and Oncology Services	LIBOR plus 4.75%, Current Coupon 6.25%, Secured Debt (Maturity - January 31, 2017) (8)	942	934	904
Pierre Foods, Inc. (9)	Foodservice Supplier		4,950	4,868	4,945

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LIBOR plus 5.25%, Current
 Coupon 7.00%, Secured Debt
 (Maturity - September 30, 2016)
 (8)
 LIBOR plus 9.50%, Current
 Coupon 11.25%, Secured Debt
 (Maturity - September 29, 2017)
 (8)

	2,000	1,939 6,807	1,995 6,940
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Preferred Proppants, LLC (9)	Producer of Sand Based Proppants	LIBOR plus 6.00%, Current Coupon 7.50%, Secured Debt (Maturity - December 15, 2016) (8)	5,000	4,877	4,889
Race Point Power, LLC (9)	Electric Utilities / Power Generation	LIBOR Plus 6.00%, Current Coupon 7.75%, Secured Debt (Maturity - January 11, 2018) (8)	4,658	4,576	4,617
Radio One, Inc. (9)	Radio Broadcasting	LIBOR Plus 6.00%, Current Coupon 7.50%, Secured Debt (Maturity - March 31, 2016) (8)	2,978	2,925	2,775
Shearers Foods, Inc. (9)	Manufacturer of Food/ Snacks	12.00% Current /3.75% PIK Secured Debt (Maturity - March 31, 2016)	4,262	4,179	4,092
SonicWALL, Inc. (9)	IT Security Provider	LIBOR Plus 6.25%, Current Coupon 8.25%, Secured Debt (Maturity - January 23, 2016) (8)	1,072	1,073	1,074

Table of Contents

MAIN STREET CAPITAL CORPORATION
CONSOLIDATED SCHEDULE OF INVESTMENTS

December 31, 2011

(in thousands)

Portfolio Company	Business Description	Type of Investment (1) (2)	Principal (6)	Cost (6)	Fair Value
<u>Non-Control/Non-Affiliate Investments (5)</u>					
Sourcehov LLC (9)	Business Process Services	LIBOR plus 5.38%, Current Coupon 6.63%, Secured Debt (Maturity - April 28, 2017) (8)	2,993	2,896	2,526
		LIBOR plus 9.25%, Current Coupon 10.50%, Secured Debt (Maturity - April 30, 2018) (8)	3,000	2,872 5,768	2,505 5,031
Speedy Cash Intermediate Holdings Corp. (9)	Consumer Finance	10.75% Bond (Maturity - May 15, 2018)	2,000	2,000	2,010
Surgery Center Holdings, Inc. (9)	Ambulatory Surgical Centers	LIBOR Plus 5.00%, Current Coupon 6.50%, Secured Debt (Maturity - February 6, 2017) (8)	4,963	4,940	4,628
The Tennis Channel, Inc.	Television-Based Sports Broadcasting	LIBOR Plus 6% / 4% PIK, Current Coupon with PIK 14%, Secured Debt (Maturity - January 1, 2013) (8)	10,610	11,450	11,450
		Warrants (Fully diluted 0.1%)		235 11,685	235 11,685
Totes Isotoner Corporation (9)	Weather Accessory Retail	LIBOR Plus 5.75%, Current Coupon 7.25%, Secured Debt (Maturity - July 7, 2017) (8)	4,976	4,883	4,839
Ulterra Drilling Technologies, L.P. (9)	Manufacturer of Oil and Gas Drilling Products	LIBOR plus 7.50%, Current Coupon 9.50%, Secured Debt (Maturity - June 9, 2016) (8)	6,572	6,452	6,441
		LIBOR plus 7.50%, Current Coupon 9.50%, Secured Debt (Maturity - June 9, 2016) (8)	1,848	1,803 8,255	1,754 8,195

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UniTek Global Services, Inc. (9)	Provider of Outsourced Infrastructure Services	LIBOR plus 7.50%, Current Coupon 9.00%, Secured Debt (Maturity - April 15, 2018) (8)	6,434	6,256	6,304
VFH Parent LLC (9)	Electronic Trading and Market Making	LIBOR Plus 6.00%, Current Coupon 7.50%, Secured Debt (Maturity - July 8, 2016) (8)	4,180	4,103	4,195
Visant Corporation (9)	School Affinity Stores	LIBOR Plus 4.00%, Current Coupon 5.25%, Secured Debt (Maturity - December 22, 2016) (8)	3,998	3,998	3,760
Vision Solutions, Inc. (9)	Computer Software	LIBOR plus 4.50%, Current Coupon 6.00%, Secured Debt (Maturity - July 23, 2016) (8)	2,838	2,586	2,585
		LIBOR plus 8.00%, Current Coupon 9.50%, Secured Debt (Maturity - July 23, 2017) (8)	5,000	4,955	4,850
				7,541	7,435

Table of Contents

MAIN STREET CAPITAL CORPORATION

CONSOLIDATED SCHEDULE OF INVESTMENTS

December 31, 2011

(in thousands)

Portfolio Company	Business Description	Type of Investment (1) (2)	Principal (6)	Cost (6)	Fair Value
Non-Control/Non-Affiliate Investments (5)					
Walter Investment Management Corp. (9) (11)	Real Estate Services	LIBOR plus 6.25%, Current Coupon 7.75%, Secured Debt (Maturity - June 30, 2016) (8)	2,888	2,833	2,886
		LIBOR plus 11.00%, Current Coupon 12.50%, Secured Debt (Maturity - December 30, 2016) (8)	3,000	2,944 5,777	3,036 5,922
Willis Group, LLC	Staffing and Recruitment Services	12% Current / 3% PIK Secured Debt (Maturity - December 19, 2014)	9,000	8,824	8,824
Wyle Services Corporation (9)	Specialized Engineering and Technical Services	LIBOR Plus 4.25%, Current Coupon 5.75%, Secured Debt (Maturity - March 26, 2017) (8)	3,735	3,715	3,657
Yankee Cable Acquisition, LLC (9)	Broadband Service Provider	LIBOR Plus 4.50%, Current Coupon 6.50%, Secured Debt (Maturity - August 26, 2016) (8)	3,950	3,902	3,900
Subtotal Non-Control/Non-Affiliate Investments (39.6% of total investments at fair value)				275,061	270,895
Main Street Capital Partners, LLC (Investment Manager) (0.3% of total investments at fair value)	Asset Management	100% of Membership Interests		4,284	1,869
Total Portfolio Investments, December 31, 2011				596,289	658,093

Table of Contents

MAIN STREET CAPITAL CORPORATION
CONSOLIDATED SCHEDULE OF INVESTMENTS

December 31, 2011

(in thousands)

Portfolio Company	Business Description	Type of Investment (1) (2)	Principal (6)	Cost (6)	Fair Value
Marketable Securities and Idle Funds Investments					
A. M. Castle & Co. Bond (11)	Investments in Marketable Securities and Diversified, Registered Bond Funds	12.75% Bond (Maturity - December 15, 2016)	3,000	2,896	3,015
Fairfield Redevelopment Bond (11)		9.50% Bond (Maturity - March 1, 2021)	3,085	3,132	3,254
General Motors Company (11)		Preferred stock (0.59% cumulative) (7)		255	175
Industry Bond (11)		8.00% Bond (Maturity - January 1, 2020)	3,500	3,668	3,763
Pretium Packaging Bond (11)		11.50% Bond (Maturity - April 1, 2016)	4,500	4,515	4,410
San Diego Redevelopment Bond (11)		7.38% Bond (Maturity - September 1, 2037)	275	275	284
Stanton Redevelopment Tax Bond (11)		9.00% Bond (Maturity - December 1, 2021)	980	1,012	1,024
Stora Enso OYJ Bond (11)		7.25% Bond (Maturity - April 15, 2036)	5,700	4,596	4,646
Toll Road Investors Partnership II, LP Bond (11)		Zero Coupon Bond (Maturity - February 15, 2033)	7,500	1,620	1,940
United Refining Company Bond (11)					

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	10.50% Bond (Maturity - February 28, 2017)	3,990	3,966	3,731
Subtotal Marketable Securities and Idle Funds Investments (3.8% of total investments at fair value)			25,935	26,242
Total Investments, December 31, 2011			\$ 622,224	\$ 684,335

-
- (1) Debt investments are generally income producing. Equity and warrants are non-income producing, unless otherwise noted.
 - (2) See Note C for summary geographic location of portfolio companies.
 - (3) Controlled investments are defined by the Investment Company Act of 1940, as amended (1940 Act) as investments in which more than 25% of the voting securities are owned or where the ability to nominate greater than 50% of the board representation is maintained.
 - (4) Affiliate investments are defined by the 1940 Act as investments in which between 5% and 25% of the voting securities are owned and the investments are not classified as Controlled investments.
 - (5) Non-Control/Non-Affiliate investments are defined by the 1940 Act as investments that are neither Control Investments nor Affiliate Investments.
 - (6) Principal is net of prepayments. Cost is net of prepayments and accumulated unearned income.
 - (7) Income producing through dividends or distributions.
 - (8) Index based floating interest rate is subject to contractual minimum interest rates.
 - (9) Middle Market portfolio investment.
 - (10) Other Portfolio investment.
 - (11) Investment is not a qualifying asset as defined under Section 55(a) of the 1940 Act. Qualifying assets must represent at least 70% of total assets at the time of acquisition of any additional non-qualifying assets.

Table of Contents

MAIN STREET CAPITAL CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(Unaudited)

NOTE A ORGANIZATION AND BASIS OF PRESENTATION

1. Organization

Main Street Capital Corporation (**MSCC**) was formed on March 9, 2007 for the purpose of (i) acquiring 100% of the equity interests of Main Street Mezzanine Fund, LP (**MSMF**) and its general partner, Main Street Mezzanine Management, LLC (**MSMF GP**), (ii) acquiring 100% of the equity interests of Main Street Capital Partners, LLC (the **Investment Manager**), (iii) raising capital in an initial public offering, which was completed in October 2007 (the **IPO**), and (iv) thereafter operating as an internally managed business development company (**BDC**) under the Investment Company Act of 1940, as amended (the **1940 Act**). MSMF is licensed as a Small Business Investment Company (**SBIC**) by the United States Small Business Administration (**SBA**) and the Investment Manager acts as MSMF's manager and investment adviser. Because the Investment Manager, which employs all of the executive officers and other employees of MSCC, is wholly owned by MSCC, MSCC does not pay any external investment advisory fees but instead incurs the operating costs associated with employing investment and portfolio management professionals through the Investment Manager. The IPO and related transactions discussed above were consummated in October 2007 and are collectively termed the **Formation Transactions**.

On January 7, 2010, MSCC consummated transactions (the **Exchange Offer**) to exchange 1,239,695 shares of its common stock for approximately 88% of the total dollar value of the limited partner interests in Main Street Capital II, LP (**MSC II**) and, together with MSMF, the **Funds**). Pursuant to the terms of the Exchange Offer, 100% of the membership interests in the general partner of MSC II, Main Street Capital II GP, LLC (**MSC II GP**), were also transferred to MSCC for no consideration. MSC II commenced operations in January 2006, is an investment fund that operates as an SBIC and is also managed by the Investment Manager. During the first quarter of 2012, MSCC exchanged 229,634 shares of its common stock to acquire all of the remaining minority ownership in the total dollar value of the MSC II limited partnership interests, including approximately 5% owned by affiliates of MSCC (the **Final MSC II Exchange**). After the acquisition of these remaining MSC II equity interests, MSCC owns 100% of MSC II as of March 31, 2012. The Exchange Offer and related transactions, including the transfer of the MSC II GP interests and the Final MSC II Exchange, are collectively termed the **Exchange Offer Transactions**.

MSCC has elected to be treated for federal income tax purposes as a regulated investment company (**RIC**) under Subchapter M of the Internal Revenue Code of 1986, as amended (the **Code**). As a result, MSCC generally will not pay corporate-level federal income taxes on any net ordinary income or capital gains that it distributes to its stockholders as dividends.

MSCC has direct or indirect subsidiaries that have elected to be taxable entities (the **Taxable Subsidiaries**). The primary purpose of these entities is to hold certain investments that generate **pass through** income for tax purposes. The Taxable Subsidiaries are each taxed at their normal

corporate tax rates based on their taxable income.

Unless otherwise noted or the context otherwise indicates, the terms we, us, our and Main Street refer to MSCC and its subsidiaries, including the Funds and the Taxable Subsidiaries.

2. Basis of Presentation

Main Street's financial statements are prepared in accordance with generally accepted accounting principles in the United States of America (U.S. GAAP). For the three months ended March 31, 2012 and 2011, Main Street's consolidated financial statements include the accounts of MSCC and its consolidated subsidiaries, including the Funds. Portfolio investments, as used herein, refers to all of Main Street's investments in LMM portfolio companies, investments in Middle Market portfolio companies, Other Portfolio investments and the investment in the Investment Manager and excludes all Marketable securities and idle funds investments (see Note C for additional discussion of Main Street's portfolio investment composition and definitions for the defined terms LMM, Middle Market and Other Portfolio). The Investment Manager is accounted for as a portfolio investment (see Note D). Marketable securities and idle funds investments are classified as financial instruments and are reported separately on Main Street's Consolidated Balance Sheets and Consolidated Schedule of Investments due to the nature of such investments (see Note B.9). Main Street's results of operations for the three months ended March 31, 2012 and 2011, cash flows for the three months ended March 31, 2012 and 2011, and financial position as of March 31, 2012 and December 31, 2011, are presented on a consolidated basis. The effects of all intercompany transactions between Main Street and its consolidated subsidiaries have been eliminated in consolidation.

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Table of Contents

Certain reclassifications have been made to prior period balances to conform with the current financial statement presentation, including certain investments previously classified as Marketable securities and idle funds investments that are now considered a part of the Middle Market portfolio and are now classified as Non-Control/Non-Affiliate investments.

The accompanying unaudited consolidated financial statements of Main Street are presented in conformity with 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 financial statements prepared in accordance with U.S. GAAP are omitted. In the opinion of management, the unaudited consolidated financial results included herein contain all adjustments, consisting solely of normal recurring accruals, considered necessary for the fair presentation of financial statements for the interim periods included herein. The results of operations for the three months ended March 31, 2012 are not necessarily indicative of the operating results to be expected for the full year. Also, 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, 2011. 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 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.

Under the investment company rules and regulations pursuant to Article 6 of Regulation S-X and the Audit and Accounting Guide for Investment Companies issued by the American Institute of Certified Public Accountants (the AICPA Guide), Main Street 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 in the AICPA Guide occurs if Main Street owns a controlled operating company that provides all or substantially all of its services directly to Main Street or to an investment company of Main Street. None of the investments made by Main Street qualify for this exception. Therefore, Main Street's portfolio investments are carried on the balance sheet at fair value, as discussed further in Note B, with any adjustments to fair value recognized as Net Change in Unrealized Appreciation (Depreciation) on the Statement of Operations until the investment is realized, usually upon exit, resulting in any gain or loss on exit being recognized as a Net Realized Gain (Loss) from Investments.

Portfolio Investment Classification

Main Street classifies its portfolio investments in accordance with the requirements of the 1940 Act. Under the 1940 Act, (a) Control Investments are defined as investments in which Main Street owns more than 25% of the voting securities or has rights to maintain greater than 50% of the board representation, (b) Affiliate Investments are defined as investments in which Main Street owns between 5% and 25% of the voting securities and does not have rights to maintain greater than 50% of the board representation, and (c) Non-Control/Non-Affiliate Investments are defined as investments that are neither Control Investments nor Affiliate Investments. The line item on Main Street's Consolidated Balance Sheets entitled Investment in affiliated Investment Manager represents Main Street's investment in a wholly owned investment manager subsidiary that is accounted for as a portfolio investment.

NOTE B SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

1. Valuation of Portfolio Investments

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Main Street accounts for its LMM portfolio investments, Middle Market portfolio investments, Other Portfolio investments and the investment in the Investment Manager at fair value. As a result, Main Street follows the provisions of the Financial Accounting Standards Board (FASB) Accounting Standards Codification (Codification or ASC) 820, *Fair Value Measurements and Disclosures* (ASC 820). ASC 820 defines fair value, establishes a framework for measuring fair value, establishes a fair value hierarchy based on the quality of inputs used to measure fair value and enhances disclosure requirements for fair value measurements. ASC 820 requires Main Street to assume that the portfolio investment is to be sold in the principal market to independent market participants, which may be a hypothetical market. Market participants are defined as buyers and sellers in the principal market that are independent, knowledgeable, and willing and able to transact. With the adoption of this statement, Main Street incorporated the income approach to estimate the fair value of its LMM portfolio debt investments using a yield-to-maturity model.

Main Street's portfolio strategy calls for it to invest primarily in illiquid securities issued by private, LMM companies as well as debt securities issued by Middle Market companies that are generally larger in size than the LMM companies. These portfolio investments may be subject to restrictions on resale. LMM companies generally have no established trading market while Middle Market securities generally have established markets that are not active. Main Street determines in good faith the fair value of its portfolio investments pursuant to a valuation policy in accordance with ASC 820 and a valuation process approved by its Board of Directors and in accordance with the 1940 Act. For LMM portfolio investments, Main Street reviews external events, including private mergers, sales and acquisitions involving comparable companies, and includes these events in the valuation process. For Middle Market portfolio investments, Main Street generally uses observable inputs such as quoted prices in the valuation process. Main Street's valuation policy and process are intended to provide a consistent basis for determining the fair value of the portfolio.

Table of Contents

For valuation purposes, control investments are composed of equity and debt securities for which Main Street has a controlling interest in the portfolio company or has the ability to nominate a majority of the portfolio company's board of directors. Market quotations are generally not readily available for Main Street's control investments. As a result, Main Street determines the fair value of control investments using a combination of market and income approaches. Under the market approach, Main Street will typically use the enterprise value methodology to determine the fair value of these investments. The enterprise value is the fair value at which an enterprise could be sold in a transaction between two willing parties, other than through a forced or liquidation sale. Typically, private companies are bought and sold based on multiples of earnings before interest, taxes, depreciation and amortization (EBITDA), cash flows, net income, revenues, or in limited cases, book value. There is no single methodology for estimating enterprise value. For any one portfolio company, enterprise value is generally described as a range of values from which a single estimate of enterprise value is derived. In estimating the enterprise value of a portfolio company, Main Street analyzes various factors, including the portfolio company's historical and projected financial results. Main Street allocates the enterprise value to investments in order of the legal priority of the investments. Main Street will also use the income approach to determine the fair value of these securities, based on projections of the discounted future free cash flows that the portfolio company or the debt security will likely generate. The valuation approaches for Main Street's control investments estimate the value of the investment if Main Street were to sell, or exit, the investment. In addition, these valuation approaches consider the value associated with Main Street's ability to control the capital structure of the portfolio company, as well as the timing of a potential exit.

For valuation purposes, non-control LMM portfolio investments are composed of debt and equity securities for which Main Street does not have a controlling interest in the portfolio company, or the ability to nominate a majority of the portfolio company's board of directors. Market quotations for non-control LMM portfolio investments are generally not readily available. For non-control LMM portfolio investments, Main Street uses a combination of the market and income approaches to value its equity investments and the income approach to value its debt instruments. For non-control LMM debt investments, Main Street determines the fair value primarily using a yield approach that analyzes the discounted cash flows of interest and principal for the debt security, as set forth in the associated loan agreements, as well as the financial position and credit risk of each of these portfolio investments. Main Street's estimate of the expected repayment date of an LMM debt security is generally the legal maturity date of the instrument, as Main Street generally intends to hold its loans to maturity. The yield analysis considers changes in leverage levels, credit quality, portfolio company performance and other factors. Main Street will use the value determined by the yield analysis as the fair value for that security; however, because of Main Street's general intent to hold its loans to maturity, the fair value will not exceed the face amount of the LMM debt security. A change in the assumptions that Main Street uses to estimate the fair value of its LMM debt securities using the yield analysis could have a material impact on the determination of fair value. If there is deterioration in credit quality or an LMM debt security is in workout status, Main Street may consider other factors in determining the fair value of the LMM debt security, including the value attributable to the debt security from the enterprise value of the portfolio company or the proceeds that would be received in a liquidation analysis.

Pursuant to its internal valuation process and the requirements under the 1940 Act, Main Street performs valuation procedures on each LMM portfolio company once a quarter. In addition to its internal valuation process, in arriving at estimates of fair value for portfolio companies, Main Street, among other things, consults with a nationally recognized independent advisor. The nationally recognized independent advisor is generally consulted relative to each LMM portfolio investment at least once in every calendar year, and for new LMM portfolio companies, at least once in the twelve-month period subsequent to the initial investment. In certain instances, Main Street may determine that it is not cost-effective, and as a result is not in its stockholders' best interest, to consult with the nationally recognized independent advisor on one or more LMM portfolio companies. Such instances include, but are not limited to, situations where the fair value of Main Street's investment in an LMM portfolio company is determined to be insignificant relative to the total investment portfolio. Main Street consulted with its independent advisor in arriving at Main Street's determination of fair value on a total of 12 LMM portfolio companies for the three months ended March 31, 2012, representing approximately 22% of the total LMM portfolio and investment in the affiliated Investment Manager at fair value as of March 31, 2012.

For valuation purposes, all of Main Street's Middle Market portfolio investments are non-control investments and are composed of securities for which Main Street does not have a controlling interest in the portfolio company, or the ability to nominate a majority of the portfolio company's board of directors. Main Street primarily uses observable inputs to determine the fair value of these investments through obtaining third party quotes or other independent pricing.

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For valuation purposes, all of Main Street's Other Portfolio investments are non-control investments and are composed of securities for which Main Street generally does not have a controlling interest in the portfolio company, or the ability to nominate a majority of the portfolio company's board of directors. Similar to the LMM investment portfolio, market quotations for Other Portfolio investments are generally not readily available. Main Street values its Other Portfolio equity investments based on the fair value of the portfolio company as determined by independent third parties and based on Main Street's proportional ownership in the portfolio company, as well as the financial position and assessed risk of each of these portfolio investments. Main Street values its

Table of Contents

Other Portfolio debt investments based on the income approach and generally uses a yield approach that analyzes the discounted cash flows of interest and principal for the debt security, as set forth in the associated loan agreements, as well as the financial position and credit risk of each of these portfolio investments.

Due to the inherent uncertainty in the valuation process, Main Street's determination of fair value may differ materially from the values that would have been used had a ready market for the securities existed. In addition, changes in the market environment, portfolio company performance and other events that may occur over the lives of the investments may cause the gains or losses ultimately realized on these investments to be materially different than the valuations currently assigned. Main Street determines the fair value of each individual investment and records changes in fair value as unrealized appreciation or depreciation.

Main Street uses a standard internal portfolio investment rating system in connection with its investment oversight, portfolio management/analysis and investment valuation procedures for its LMM portfolio companies. This system takes into account both quantitative and qualitative factors of the LMM portfolio company and the investments held therein.

The Board of Directors of Main Street has the final responsibility for reviewing and approving, in good faith, Main Street's determination of the fair value for its portfolio investments consistent with the 1940 Act requirements. Main Street believes its portfolio investments as of March 31, 2012 and December 31, 2011 approximate fair value as of those dates based on the market in which Main Street operates and other conditions in existence at those reporting periods.

2. Interest and Dividend Income

Interest and dividend income is recorded on the accrual basis to the extent amounts are expected to be collected. Dividend income is recorded as dividends are declared or at the point an obligation exists for the portfolio company to make a distribution. In accordance with Main Street's valuation policy, accrued interest and dividend income is evaluated periodically for collectability. When a loan or debt security becomes 90 days or more past due, and if Main Street otherwise does not expect the debtor to be able to service all of its debt or other obligations, Main Street will generally place the loan or debt security on non-accrual status and cease recognizing interest income on that loan or debt security until the borrower has demonstrated the ability and intent to pay contractual amounts due. If a loan or debt security's status significantly improves regarding the debtor's ability to service the debt or other obligations, or if a loan or debt security is fully impaired, sold or written off, it will be removed from non-accrual status.

Main Street holds debt and preferred equity instruments in its investment portfolio that contain payment-in-kind (PIK) interest and cumulative dividend provisions. The PIK interest, computed at the contractual rate specified in each debt agreement, is periodically added to the principal balance of the debt and is recorded as interest income. Thus, the actual collection of this interest may be deferred until the time of debt principal repayment. Cumulative dividends are recorded as dividend income, and any dividends in arrears are added to the balance of the preferred equity investment. The actual collection of dividends in arrears may be deferred until such time as the preferred equity is redeemed. To maintain RIC tax treatment (as discussed below), these non-cash sources of income may need to be paid out to stockholders in the form of distributions, even though Main Street may not have collected the PIK interest and cumulative dividends in cash. For the three months ended March 31, 2012 and 2011, (i) approximately 3.9% and 4.5%, respectively, of our total investment income was attributable to PIK interest income and (ii) approximately 2.0% and 2.9%, respectively, of our total investment income was attributable to cumulative dividend income.

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As of March 31, 2012, Main Street had no investments with positive fair value on non-accrual status and two fully impaired investments which comprised approximately 0.9% of the total portfolio investments at cost, excluding the investment in the affiliated Investment Manager. As of December 31, 2011, Main Street had one investment with positive fair value on non-accrual status, which comprised less than 0.1% of the total portfolio investments at fair value and, together with another fully impaired investment, comprised approximately 0.9% of the total portfolio investments at cost, in each case excluding the investment in the affiliated Investment Manager.

3. Fee Income Structuring and Advisory Services

Main Street may periodically provide services, including structuring and advisory services, to its portfolio companies. For services that are separately identifiable and evidence exists to substantiate fair value, income is recognized as earned, which is generally when the investment or other applicable transaction closes. Fees received in connection with debt financing transactions for services that do not meet these criteria are treated as debt origination fees and are accreted into interest income over the life of the financing.

Table of Contents

4. Unearned Income Debt Origination Fees, Original Issue Discount and Discounts / Premiums to Par Value

Main Street capitalizes upfront debt origination fees received in connection with financings and reflects such fees as unearned income netted against investments. The unearned income from the fees, net of direct debt origination costs, is accreted into interest income based on the effective interest method over the life of the financing.

In connection with its portfolio debt investments, Main Street sometimes receives nominal cost warrants (nominal cost equity) that are valued as part of the negotiation process with the particular portfolio company. When Main Street receives nominal cost equity, Main Street allocates its cost basis in its investment between its debt securities and its nominal cost equity at the time of origination. Any discount recorded on a debt investment resulting from this allocation is reflected as unearned income, which is netted against the debt investment, and accreted into interest income based on the effective interest method over the life of the debt. The actual collection of this interest may be deferred until the time of debt principal repayment.

Main Street may also purchase debt securities at a discount or at a premium to the par value of the debt security. When Main Street purchases a debt security at a discount to the par value of the debt security, Main Street records the par value of the debt security net of the discount, and the discount is accreted into interest income based on the effective interest method over the life of the debt investment. When Main Street purchases a debt security at a premium to the par value of the debt security, Main Street records the premium as incremental to the par value of the debt security, and the premium is amortized as a reduction to interest income based on the effective interest method over the life of the debt. To maintain RIC tax treatment (as discussed below), these non-cash sources of income may need to be paid out to stockholders in the form of distributions, even though Main Street may not have collected the interest income.

5. Share-Based Compensation

Main Street accounts for its share-based compensation plans using the fair value method, as prescribed by ASC 718, *Compensation Stock Compensation*. Accordingly, for restricted stock awards, Main Street measures the grant date fair value based upon the market price of its common stock on the date of the grant and amortizes that fair value to share-based compensation expense over the requisite service period or vesting term.

6. Income Taxes

MSCC has elected and intends to continue to qualify for the tax treatment applicable to a RIC under the Code, and, among other things, intends to make the required distributions to its stockholders as specified therein. In order to qualify as a RIC, MSCC is required to timely distribute to its stockholders at least 90% of investment company taxable income, as defined by the Code, each year. Depending on the level of taxable income earned in a tax year, MSCC may choose to carry forward taxable income in excess of current year distributions into the next tax year and pay a 4% excise tax on such income. Any such carryover taxable income must be distributed through a dividend declared prior to filing the final tax return related to the year which generated such taxable income.

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The Taxable Subsidiaries hold certain portfolio investments of Main Street. The Taxable Subsidiaries are consolidated for U.S. GAAP reporting purposes, and the portfolio investments held by them are included in the consolidated financial statements. The Taxable Subsidiaries permit Main Street to hold equity investments in portfolio companies which are pass through entities for tax purposes in order to comply with the source income requirements contained in the RIC tax provisions. The Taxable Subsidiaries are not consolidated with Main Street for income tax purposes and may generate income tax expense, or benefit, as a result of their ownership of certain portfolio investments. This income tax expense, or benefit, is reflected in the consolidated statement of operations.

The Taxable Subsidiaries use the liability method in accounting for income taxes. Deferred tax assets and liabilities are recorded for temporary differences between the tax basis of assets and liabilities and their reported amounts in the financial statements, using statutory tax rates in effect for the year in which the temporary differences are expected to reverse. A valuation allowance is provided against deferred tax assets when it is more likely than not that some portion or all of the deferred tax asset will not be realized.

Taxable income generally differs from net income for financial reporting purposes due to temporary and permanent differences in the recognition of income and expenses. Taxable income generally excludes net unrealized appreciation or depreciation, as investment gains or losses are not included in taxable income until they are realized.

Table of Contents

7. Net Realized Gains or Losses from Investments and Net Change in Unrealized Appreciation or Depreciation from Investments

Realized gains or losses are measured by the difference between the net proceeds from the sale or redemption of an investment and the cost basis of the investment, without regard to unrealized appreciation or depreciation previously recognized, and includes investments written-off during the period net of recoveries and realized gains or losses from in-kind redemptions. Net change in unrealized appreciation or depreciation from investments reflects the net change in the valuation of the investment portfolio and financial instruments and the reclassification of any prior period unrealized appreciation or depreciation on exited investments.

8. Concentration of Credit Risks

Main Street places its cash in financial institutions, and, at times, such balances may be in excess of the federally insured limit.

9. Fair Value of Financial Instruments

Fair value estimates are made at discrete points in time based on relevant information. These estimates may be subjective in nature and involve uncertainties and matters of significant judgment and, therefore, cannot be determined with precision. Main Street believes that the carrying amounts of its financial instruments, consisting of cash and cash equivalents, marketable securities, receivables, accounts payable and accrued liabilities approximate the fair values of such items. Marketable securities and idle funds investments may include investments in certificates of deposit, U.S. government agency securities, independently rated debt investments, and diversified bond funds. The fair value determination for these investments under the provisions of ASC 820 generally consists of Level 2 observable inputs.

The SBIC debentures provide a strategic advantage due to their flexible structure, long-term duration, and low fixed interest rates. As part of the Exchange Offer, Main Street elected the fair value option under ASC 825, *Financial Instruments* (ASC 825) relating to accounting for debt obligations at their fair value, for those SBIC debentures acquired (the Acquired Debentures) as part of the acquisition accounting related to the Exchange Offer. In order to provide for a more consistent basis of presentation, Main Street has elected and will continue to elect the fair value option for SBIC debentures issued by MSC II subsequent to the Exchange Offer. Once the fair value option is elected for a given SBIC debenture, the deferred loan costs associated with the debenture are fully expensed in the current period to Net Change in Unrealized Appreciation (Depreciation) SBIC debentures as part of the fair value adjustment. Interest incurred in connection with SBIC debentures which are valued at fair value is expensed.

10. Earnings per Share

Basic and diluted per share calculations are computed utilizing the weighted average number of shares of common stock outstanding for the period. Main Street adopted the amended guidance in ASC 260, *Earnings Per Share*, and based on the guidance, determined that unvested shares of restricted stock are participating securities and should therefore be included in the basic earnings per share calculation. As a result, for

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all periods presented, there is no difference between diluted earnings per share and basic earnings per share amounts.

As a result of the Exchange Offer which left a minority portion of MSC II's equity interests owned by certain non-Main Street entities, the net earnings attributable to the remaining externally owned noncontrolling interest in MSC II are excluded from all per share amounts presented, and the per share amounts only reflect the net earnings attributable to Main Street's ownership interest in MSC II. During the first quarter of 2012, MSCC completed the Final MSC II Exchange to acquire all of the minority portion of MSC II's equity interests not already owned by MSCC. For the three months ended March 31, 2012 and 2011, the following table provides a reconciliation of Net Investment Income and Net Realized Income excluding amounts related to the noncontrolling interest in MSC II that remained owned by non-Main Street entities for each period.

Table of Contents

	Three Months Ended March 31,	
	2012	2011
	(in thousands)	
Net Investment Income	\$ 12,849	\$ 7,392
Noncontrolling interest share of Net Investment Income	(62)	(157)
Net Investment Income attributable to common stock	12,787	7,235
Total net realized gain from investments	8,138	
Noncontrolling interest share of net realized (gain) from investments	(3)	
Net Realized Income attributable to common stock	\$ 20,922	\$ 7,235
Net Investment Income per share -		
Basic and diluted	\$ 0.48	\$ 0.38
Net Realized Income per share -		
Basic and diluted	\$ 0.78	\$ 0.38
Weighted average shares outstanding -		
Basic and diluted	26,871,084	19,217,690

11. Recently Issued Accounting Standards

In May 2011, the FASB issued Accounting Standards Update (ASU) 2011-04, Fair Value Measurements (Topic 820), *Amendments to Achieve Common Fair Value Measurement and Disclosure Requirements in U.S. GAAP and IFRSs* (ASU 2011-04). ASU 2011-04 results in common fair value measurement and disclosure requirements in U.S. GAAP and IFRSs. ASU 2011-04 is effective for interim and annual reporting periods beginning after December 15, 2011. The adoption of ASU 2011-04 did not have a significant impact on Main Street's financial condition and results of operations.

In February 2011, the FASB issued ASU 2011-02, Receivables (Topic 310): *A Creditor's Determination of Whether a Restructuring is a Troubled Debt Restructuring* (ASU 2011-02). ASU 2011-02 clarifies which loan modifications constitute troubled debt restructurings. It is intended to assist creditors in determining whether a modification of the terms of a receivable meets the criteria to be considered a troubled debt restructuring, both for purposes of recording an impairment loss and for disclosure of troubled debt restructurings. In evaluating whether a restructuring constitutes a troubled debt restructuring, a creditor must separately conclude that both of the following exist: (a) the restructuring constitutes a concession; and (b) the debtor is experiencing financial difficulties. ASU 2011-02 provides guidance to clarify whether the creditor has granted a concession and whether a debtor is experiencing financial difficulties. The new guidance is effective for interim and annual periods beginning on or after June 15, 2011, and applies retrospectively to restructurings occurring on or after the beginning of the fiscal year of adoption. The adoption of ASU 2011-02 did not have a significant impact on Main Street's financial condition and results of operations.

NOTE C FAIR VALUE HIERARCHY FOR INVESTMENTS AND DEBENTURES

ASC 820 defines fair value, establishes a framework for measuring fair value, establishes a fair value hierarchy based on the quality of inputs used to measure fair value, and enhances disclosure requirements for fair value measurements. Main Street accounts for its investments at fair value.

Fair Value Hierarchy

In accordance with ASC 820, Main Street has categorized its investments based on the priority of the inputs to the valuation technique, into a three-level fair value hierarchy. The fair value hierarchy gives the highest priority to quoted prices in active markets for identical investments (Level 1) and the lowest priority to unobservable inputs (Level 3).

Investments recorded on Main Street's balance sheet are categorized based on the inputs to the valuation techniques as follows:

Level 1 Investments whose values are based on unadjusted quoted prices for identical assets in an active market that Main Street has the ability to access (examples include investments in active exchange-traded equity securities and investments in most U.S. government and agency securities).

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Table of Contents

Level 2 Investments whose values are based on quoted prices in markets that are not active or model inputs that are observable either directly or indirectly for substantially the full term of the investment. Level 2 inputs include the following:

- Quoted prices for similar assets in active markets (for example, investments in restricted stock);
- Quoted prices for identical or similar assets in non-active markets (for example, investments in thinly traded public companies);
- Pricing models whose inputs are observable for substantially the full term of the investment (for example, market interest rate indices); and
- Pricing models whose inputs are derived principally from, or corroborated by, observable market data through correlation or other means for substantially the full term of the investment.

Level 3 Investments whose values are based on prices or valuation techniques that require inputs that are both unobservable and significant to the overall fair value measurement. These inputs reflect management's own assumptions about the assumptions a market participant would use in pricing the investment (for example, investments in illiquid securities issued by private companies).

As required by ASC 820, when the inputs used to measure fair value fall within different levels of the hierarchy, the level within which the fair value measurement is categorized is based on the lowest level input that is significant to the fair value measurement in its entirety. For example, a Level 3 fair value measurement may include inputs that are observable (Levels 1 and 2) and unobservable (Level 3). Therefore, gains and losses for such investments categorized within the Level 3 table below may include changes in fair value that are attributable to both observable inputs (Levels 1 and 2) and unobservable inputs (Level 3). Main Street conducts reviews of fair value hierarchy classifications on a quarterly basis. Changes in the observability of valuation inputs may result in a reclassification for certain investments.

As of March 31, 2012 and December 31, 2011, Main Street's Middle Market portfolio investments and marketable securities and idle funds investments consisted primarily of investments in secured and unsecured debt investments and independently rated debt investments. The fair value determination for these investments primarily consisted of observable inputs in non-active markets. As a result, most of Main Street's Middle Market portfolio investments and marketable securities and idle funds investments were categorized as Level 2 as of March 31, 2012 and December 31, 2011.

As of March 31, 2012 and December 31, 2011, all of Main Street's LMM portfolio and Other Portfolio investments consisted of illiquid securities issued by private companies. The fair value determination for these investments primarily consisted of unobservable inputs. As a result, all of Main Street's LMM portfolio and Other Portfolio investments were categorized as Level 3.

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The fair value determination of each LMM portfolio and Other Portfolio investment required one or more of the following unobservable inputs:

- Financial information obtained from each portfolio company, including unaudited statements of operations and balance sheets for the most recent period available as compared to budgeted numbers;
- Current and projected financial condition of the portfolio company;
- Current and projected ability of the portfolio company to service its debt obligations;
- Type and amount of collateral, if any, underlying the investment;
- Current financial ratios (e.g., fixed charge coverage ratio, interest coverage ratio, and net debt/EBITDA ratio) applicable to the investment;
- Current liquidity of the investment and related financial ratios (e.g., current ratio and quick ratio);
- Pending debt or capital restructuring of the portfolio company;

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Table of Contents

- Projected operating results of the portfolio company;
- Current information regarding any offers to purchase the investment;
- Current ability of the portfolio company to raise any additional financing as needed;
- Changes in the economic environment which may have a material impact on the operating results of the portfolio company;
- Internal occurrences that may have an impact (both positive and negative) on the operating performance of the portfolio company;
- Qualitative assessment of key management;
- Contractual rights, obligations or restrictions associated with the investment; and
- Other factors deemed relevant.

The significant unobservable inputs used in the fair value measurement of Main Street's LMM equity securities are (i) EBITDA multiples and (ii) the weighted average cost of capital (WACC). Significant increases (decreases) in EBITDA multiple inputs in isolation would result in a significantly higher (lower) fair value measurement. On the contrary, significant increases (decreases) in WACC inputs in isolation would result in a significantly lower (higher) fair value measurement. The significant unobservable inputs used in the fair value measurement of Main Street's LMM debt securities and Other Portfolio debt securities are (i) risk adjusted discount factors used in the yield valuation technique described above and (ii) loss severity adjustments used to estimate the percentage of expected principal recovery. Significant increases (decreases) in any of these yield valuation inputs in isolation would result in a significantly lower (higher) fair value measurement. However, due to the nature of certain investments, fair value measurements may be based on other criteria, such as third-party appraisals of collateral, and not presented in the table below.

The following table provides a summary of the significant unobservable inputs used to fair value Main Street's Level 3 portfolio investments as of March 31, 2012:

Type of Investment	Valuation Technique	Significant Unobservable Inputs	Range
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Fair Value at
March 31, 2012
(in thousands)

Weighted
Average

Equity investments	\$	148,768	Discounted cash flow	
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