Main Street Capital CORP
Form 10-Q
November 08, 2012
Table of Contents

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

(Mark One)

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

For the quarterly period ended September 30, 2012

OR

o 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	**41-2230745**
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)
1300 Post Oak Boulevard, Suite 800 **Houston, TX**	**77056**
(Address of principal executive offices)	(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 x No o

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 o No o

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 o	Accelerated filer x
Non-accelerated filer o	Smaller reporting company o

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

The number of shares outstanding of the issuer s common stock as of November 7, 2012 was 31,657,264.

Table of Contents

TABLE OF CONTENTS

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)

	September 30, 2012 (Unaudited)	December 31, 2011
ASSETS		
Portfolio investments at fair value:		
Control investments (cost: $184,526 and $206,787 as of September 30, 2012 and December 31, 2011, respectively)	$ 239,917	$ 238,924
Affiliate investments (cost: $111,143 and $110,157 as of September 30, 2012 and December 31, 2011, respectively)	154,972	146,405
Non-Control/Non-Affiliate investments (cost: $431,991 and $275,061 as of September 30, 2012 and December 31, 2011, respectively)	439,501	270,895
Investment in affiliated Investment Manager (cost: $2,668 and $4,284 as of September 30, 2012 and December 31, 2011, respectively)	202	1,869
Total portfolio investments (cost: $730,328 and $596,289 as of September 30, 2012 and December 31, 2011, respectively)	834,592	658,093
Marketable securities and idle funds investments (cost: $1,965 and $25,935 as of September 30, 2012 and December 31, 2011, respectively)	2,038	26,242
Total investments (cost: $732,293 and $622,224 as of September 30, 2012 and December 31, 2011, respectively)	836,630	684,335
Cash and cash equivalents	19,584	42,650
Interest receivable and other assets	11,818	6,539
Deferred financing costs (net of accumulated amortization of $2,968 and $2,167 as of September 30, 2012 and December 31, 2011, respectively)	3,766	4,168
Total assets	$ 871,798	$ 737,692
LIABILITIES		
SBIC debentures (par: $209,000 and $220,000 as of September 30, 2012 and December 31, 2011, respectively; par of $100,000 and $95,000 is recorded at a fair value of $85,083 and $76,887 as of September 30, 2012 and December 31, 2011, respectively)	$ 194,083	$ 201,887
Credit facility	103,000	107,000
Interest payable	1,197	3,984
Dividend payable	4,743	2,856
Deferred tax liability, net	9,426	3,776

Payable to affiliated Investment Manager		3,342		4,831
Accounts payable and other liabilities		2,853		2,170
Total liabilities		318,644		326,504
Commitments and contingencies				
NET ASSETS				
Common stock, $0.01 par value per share (150,000,000 shares authorized; 31,619,333 and 26,714,384 shares issued and outstanding as of September 30, 2012 and December 31, 2011, respectively)		316		267
Additional paid-in capital		464,141		360,164
Accumulated net investment income, net of cumulative dividends of $101,853 and $79,414 as of September 30, 2012 and December 31, 2011, respectively		31,289		12,531
Accumulated net realized loss from investments, net of cumulative dividends of $27,852 and $13,804 as of September 30, 2012 and December 31, 2011, respectively		(29,158)		(20,445)
Net unrealized appreciation, net of income taxes		86,566		53,194
Total Net Asset Value		553,154		405,711
Noncontrolling interest				5,477
Total net assets including noncontrolling interests		553,154		411,188
Total liabilities and net assets	$	871,798	$	737,692
NET ASSET VALUE PER SHARE	$	17.49	$	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 per share amounts)

(Unaudited)

	Three Months Ended September 30, 2012	Three Months Ended September 30, 2011	Nine Months Ended September 30, 2012	Nine Months Ended September 30, 2011
INVESTMENT INCOME:				
Interest, fee and dividend income:				
Control investments	$ 5,991	$ 6,286	$ 17,841	$ 18,577
Affiliate investments	4,838	3,162	14,652	8,468
Non-Control/Non-Affiliate investments	12,015	7,200	30,263	18,716
Total interest, fee and dividend income	22,844	16,648	62,756	45,761
Interest from marketable securities, idle funds and other	110	438	1,599	829
Total investment income	22,954	17,086	64,355	46,590
EXPENSES:				
Interest	(3,923)	(3,716)	(11,967)	(9,882)
General and administrative	(595)	(479)	(1,757)	(1,585)
Expenses reimbursed to affiliated Investment Manager	(2,215)	(1,950)	(7,574)	(6,287)
Share-based compensation	(699)	(580)	(1,860)	(1,466)
Total expenses	(7,432)	(6,725)	(23,158)	(19,220)
NET INVESTMENT INCOME	15,522	10,361	41,197	27,370
NET REALIZED GAIN (LOSS) FROM INVESTMENTS:				
Control investments	122	407	(1,940)	407
Affiliate investments			5,500	
Non-Control/Non-Affiliate investments	128	794	478	775
Marketable securities and idle funds investments	277	247	1,297	515
Total net realized gain from investments	527	1,448	5,335	1,697
NET REALIZED INCOME	16,049	11,809	46,532	29,067
NET CHANGE IN UNREALIZED APPRECIATION (DEPRECIATION):				
Portfolio investments	22,096	8,162	44,120	23,653
Marketable securities and idle funds investments	(151)	(1,712)	(235)	(1,025)
SBIC debentures	(1,858)	(3,636)	(3,367)	(5,715)
Investment in affiliated Investment Manager		(48)	(51)	(135)
Total net change in unrealized appreciation	20,087	2,766	40,467	16,778
Income tax provision	(4,169)	(139)	(7,041)	(3,302)
NET INCREASE IN NET ASSETS RESULTING FROM OPERATIONS	31,967	14,436	79,958	42,543
Noncontrolling interest			(54)	(158)
NET INCREASE IN NET ASSETS RESULTING FROM OPERATIONS ATTRIBUTABLE TO COMMON STOCK	$ 31,967	$ 14,436	$ 79,904	$ 42,385

NET INVESTMENT INCOME PER SHARE - BASIC AND DILUTED	$	0.49	$	0.44	$	1.44	$	1.23
NET REALIZED INCOME PER SHARE - BASIC AND DILUTED	$	0.51	$	0.50	$	1.62	$	1.30
NET INCREASE IN NET ASSETS RESULTING FROM OPERATIONS ATTRIBUTABLE TO COMMON STOCK PER SHARE - BASIC AND DILUTED	$	1.01	$	0.62	$	2.79	$	1.94
DIVIDENDS PAID PER SHARE	$	0.44	$	0.39	$	1.26	$	1.16
WEIGHTED AVERAGE SHARES OUTSTANDING - BASIC AND DILUTED		31,578,742		23,194,896		28,615,877		21,824,775

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	Common Stock Par Value	Additional Paid-In Capital	Accumulated Net Investment Income, Net of Dividends	Accumulated Net Realized Loss 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	70,274				70,314		70,314
Share-based compensation			1,466				1,466		1,466
Purchase of vested stock for employee payroll tax withholding	(32,725)		(674)				(674)		(674)
Dividend reinvestment	303,659	3	5,719				5,722		5,722
Issuance of restricted stock	125,970	1	(1)						
Distributions to noncontrolling interest								(110)	(110)
Dividends to stockholders				(27,406)	(802)		(28,208)		(28,208)
Net increase resulting from operations				27,370	1,697	13,476	42,543		42,543
Noncontrolling interest						(158)	(158)	158	
Balances at September 30, 2011	23,219,348	$ 232	$ 301,269	$ 9,226	$ (19,647)	$ 45,460	$ 336,540	$ 4,496	341,036
Balances at December 31, 2011	26,714,384	$ 267	$ 360,164	$ 12,531	$ (20,445)	$ 53,194	$ 405,711	$ 5,477	$ 411,188
Public offering of common stock, net of offering costs	4,312,500	43	92,950				92,993		92,993
MSC II noncontrolling interest acquisition	229,634	2	5,328				5,330	(5,417)	(87)
Adjustment to investment in Investment Manager related to MSC II noncontrolling interest acquisition			(1,616)				(1,616)		(1,616)
Share-based compensation			1,860				1,860		1,860
Purchase of vested stock for employee payroll tax withholding	(40,549)		(1,012)				(1,012)		(1,012)

Dividend reinvestment	264,331	3	6,468				6,471		6,471
Issuance of restricted stock	139,033	1	(1)						
Distributions to noncontrolling interest								(114)	(114)
Dividends to stockholders				(22,439)	(14,048)		(36,487)		(36,487)
Net increase resulting from operations				41,197	5,335	33,426	79,958		79,958
Noncontrolling interest						(54)	(54)	54	
Balances at September 30, 2012	31,619,333	$ 316	$ 464,141	$ 31,289	$ (29,158)	$ 86,566	$ 553,154	$	$ 553,154

The accompanying notes are an integral part of these financial statements

3

Table of Contents

MAIN STREET CAPITAL CORPORATION

Consolidated Statements of Cash Flows

(in thousands)

(Unaudited)

	Nine Months Ended September 30, 2012	2011
CASH FLOWS FROM OPERATING ACTIVITIES		
Net increase in net assets resulting from operations	$ 79,958	$ 42,543
Adjustments to reconcile net increase in net assets resulting from operations to net cash provided by operating activities:		
Net change in unrealized appreciation	(40,467)	(16,778)
Net realized gain from investments	(5,335)	(1,697)
Accretion of unearned income	(9,263)	(4,041)
Net payment-in-kind interest	(2,405)	(1,752)
Cumulative dividends	1,745	(1,246)
Share-based compensation expense	1,860	1,466
Amortization of deferred financing costs	802	480
Deferred taxes	5,650	3,002
Changes in other assets and liabilities:		
Interest receivable and other assets	(1,160)	(1,273)
Interest payable	(2,787)	(2,274)
Payable to affiliated Investment Manager	(1,489)	3,090
Accounts payable and other liabilities	316	269
Deferred fees and other	1,428	1,238
Net cash provided by operating activities	28,853	23,027
CASH FLOWS FROM INVESTING ACTIVITIES		
Investments in portfolio companies	(397,912)	(266,247)
Principal payments received on loans and debt securities in portfolio companies	246,138	97,043
Proceeds from sale of equity investments and related notes in portfolio companies	25,869	886
Investments in marketable securities and idle funds investments	(7,596)	(20,021)
Proceeds from marketable securities and idle funds investments	33,502	4,651
Net cash used in investing activities	(99,999)	(183,688)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from public offering of common stock, net of offering costs	92,993	70,314
Distributions to noncontrolling interest	(114)	(110)
Dividends paid to stockholders	(28,879)	(19,350)
Proceeds from issuance of SBIC debentures	5,000	40,000
Repayments of SBIC debentures	(16,000)	
Proceeds from credit facility	170,000	144,000
Repayments on credit facility	(174,000)	(69,000)
Purchase of vested stock for employee payroll tax withholding	(1,012)	(675)
Payment of deferred loan costs and SBIC debenture fees	(571)	(1,726)
Other	663	
Net cash provided by financing activities	48,080	163,453
Net increase (decrease) in cash and cash equivalents	(23,066)	2,792
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	42,650	22,334

CASH AND CASH EQUIVALENTS AT END OF PERIOD	$	19,584	$	25,126

The accompanying notes are an integral part of these financial statements

Table of Contents

MAIN STREET CAPITAL CORPORATION

CONSOLIDATED SCHEDULE OF INVESTMENTS

September 30, 2012

(in thousands)

(Unaudited)

[redacted]					
Control Investments (5)					
[redacted]					
California Healthcare Medical Billing, Inc.	Outsourced Billing and Revenue Cycle Management				
		12% Secured Debt (Maturity - October 17, 2015)	8,103	7,900	8,013
		Warrants (Fully diluted 21.3%)		1,193	3,380
		Common Stock (Fully diluted 9.8%)		1,177	1,560
				10,270	12,953
[redacted]					
Ceres Management, LLC (Lambs)	Aftermarket Automotive Services Chain				
		14% Secured Debt (Maturity - May 31, 2013)	4,000	3,990	3,990
		Preferred Stock (12% cumulative)		3,000	3,000
		Member Units (Fully diluted 79.0%)		5,273	
		9.5% Secured Debt (Lamb s Real Estate Investment I, LLC) (Maturity - October 1, 2025)	1,078	1,078	1,078
		Member Units (Lamb s Real Estate Investment I, LLC) (Fully diluted 100%)		625	800
				13,966	8,868
[redacted]					

[redacted]

Gulf Manufacturing, LLC	Manufacturer of Specialty Fabricated Industrial Piping Products				
		9% PIK Secured Debt (Ashland Capital IX, LLC) (Maturity - June 30, 2017)	919	919	919
		Member Units (Fully diluted 34.2%) (8)		2,980	12,660
				3,899	13,579

[redacted]

Hawthorne Customs and Dispatch Services, LLC	Facilitator of Import Logistics, Brokerage, and Warehousing				
		Member Units (Fully diluted 37.1%) (8)		589	1,610
		Member Units (Wallisville Real Estate, LLC) (Fully diluted 59.1%) (8)		1,215	1,215
				1,804	2,825

[redacted]

5

Table of Contents

[redacted]					
Indianapolis Aviation Partners, LLC	Fixed Base Operator				
		12% Secured Debt (Maturity - September 15, 2014)	4,275	4,081	4,124
		Warrants (Fully diluted 30.1%)		1,129	1,650
				5,210	5,774
[redacted]					
Lighting Unlimited, LLC	Commercial and Residential Lighting Products and Design Services				
		8% Secured Debt (Maturity - August 22, 2014)	1,946	1,946	1,946
		Preferred Stock (non-voting)		502	502
		Warrants (Fully diluted 7.1%)		54	20
		Common Stock (Fully diluted 70.0%) (8)		100	200
				2,602	2,668
[redacted]					
NAPCO Precast, LLC	Precast Concrete Manufacturing				
		Prime Plus 2%, Current Coupon 9%, Secured Debt (Maturity - February 1, 2013) (9)	3,385	3,382	3,382
		18% Secured Debt (Maturity - February 1, 2013)	5,173	5,163	5,163
		Member Units (Fully diluted 44.0%)		2,975	4,195
				11,520	12,740
[redacted]					
NRP Jones, LLC					

	Manufacturer of Hoses, Fittings and Assemblies				
		12% Secured Debt (Maturity - December 22, 2016)	12,100	11,158	11,890
		Warrants (Fully diluted 12.2%)		817	1,420
		Member Units (Fully diluted 43.2%) (8)		2,900	5,030
				14,875	18,340
[redacted]					
Pegasus Research Group, LLC (Televerde)	Telemarketing and Data Services				
		13% Current / 5% PIK Secured Debt (Maturity - January 6, 2016)	5,191	5,141	5,191
		Member Units (Fully diluted 43.7%) (8)		1,250	1,880
				6,391	7,071
[redacted]					
Principle Environmental, LLC	Noise Abatement Services				
		12% Secured Debt (Maturity - February 1, 2016)	4,750	3,897	4,750

Table of Contents

[redacted]

		12% Current / 2% PIK Secured Debt (Maturity - February 1, 2016)	3,576	3,518	3,576
		Warrants (Fully diluted 14.6%)		1,200	3,860
		Member Units (Fully diluted 22.6%)		1,863	6,150
				10,478	18,336

[redacted]

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)	1,079	1,077	1,077
		6% Current / 6% PIK Secured Debt (Maturity - October 2, 2013)	5,639	5,572	5,572
		Warrants (Fully diluted 52.3%)		896	
		Member Units (Non-voting)		200	
				7,745	6,649

[redacted]

Uvalco Supply, LLC	Farm and Ranch Supply Store				
		Member Units (Fully diluted 42.8%) (8)		1,113	2,840

[redacted]

[redacted]

Vision Interests, Inc.	Manufacturer / Installer of Commercial Signage				
		6.5% Current /6.5% PIK Secured Debt (Maturity - December 23, 2016)	3,152	3,092	3,092
		Series A Preferred Stock (Fully diluted 50.9%)		3,000	3,280
		Common Stock (Fully diluted 19.1%)		3,706	100
				9,798	6,472

[redacted]

Subtotal Control Investments (28.7% of total investments at fair value)	184,526	239,917

Table of Contents

MAIN STREET CAPITAL CORPORATION

CONSOLIDATED SCHEDULE OF INVESTMENTS

September 30, 2012

(in thousands)

(Unaudited)

[redacted]					
Affiliate Investments (6)					
[redacted]					
Bridge Capital Solutions Corporation	Financial Services and Cash Flow Solutions				
		13% Secured Debt (Maturity - April 17, 2017)	5,000	4,744	4,744
		Warrants (Fully diluted 7.5%)		200	200
				4,944	4,944
[redacted]					
Daseke, Inc.	Specialty Transportation Provider				
		Common Stock (Fully diluted 12.6%)		1,427	6,620
[redacted]					
Gault Financial, LLC (RMB Capital, LLC)	Purchases and Manages Liquidation of Distressed Assets				

		14% Secured Debt (Maturity - November 21, 2016)	10,000	9,489	9,489
		Warrants (Fully diluted 22.5%)		400	400
				9,889	9,889
[redacted]					
Indianhead Pipeline Services, LLC	Pipeline Support Services				
		12% Secured Debt (Maturity - February 6, 2017)	9,950	9,313	9,313
		Preferred Equity (Fully diluted 8.0%) (8)		1,638	1,638
		Warrants (Fully diluted 10.6%)		459	459
		Member Units (Fully diluted 4.1%)		1	1
				11,411	11,411
[redacted]					

Table of Contents

[redacted]

IRTH Holdings, LLC	Damage Prevention Technology Information Services				
		12% Secured Debt (Maturity - December 29, 2015)	3,755	3,706	3,755
		Member Units (Fully diluted 22.3%)		850	4,110
				4,556	7,865
[redacted]					
Laurus Healthcare, LP	Management of Outpatient Cardiac Cath Labs				
		Class A and C Units (Fully diluted 13.1%) (8)		80	12,400
[redacted]					
OnAsset Intelligence, Inc.	Transportation Monitoring / Tracking Services				
		12% Secured Debt (Maturity - October 18, 2012)	1,500	1,425	1,425
		Preferred Stock (7% cumulative) (Fully diluted 5.75%) (8)		1,662	1,662
		Warrants (Fully diluted 4.0%)		830	640
				3,917	3,727
[redacted]					
Radial Drilling Services Inc.	Oil and Gas Technology				
		12% Secured Debt (Maturity - November 23, 2016)	4,200	3,454	3,454
		Warrants (Fully diluted 24.0%)		758	758
				4,212	4,212

[redacted]

Spectrio LLC	Audio Messaging Services				
		8% Secured Debt (Maturity - June 16, 2016)	280	280	280
		12% Secured Debt (Maturity - June 16, 2016)	14,595	14,169	14,595
		Warrants (Fully diluted 9.8%)		887	3,040
				15,336	17,915

[redacted]

Subtotal Affiliate Investments (18.5% of total investments at fair value)	111,143	154,972

Table of Contents

MAIN STREET CAPITAL CORPORATION

CONSOLIDATED SCHEDULE OF INVESTMENTS

September 30, 2012

(in thousands)

(Unaudited)

[redacted]					
Non-Control/Non-Affiliate Investments (7)					
[redacted]					
Ameritech College Operations, LLC	For-Profit Nursing and Healthcare College				
		18% Secured Debt (Maturity - March 9, 2017)	6,050	5,938	5,938
[redacted]					
Associated Asphalt Partners, LLC (10)	Liquid Asphalt Supplier				
		LIBOR Plus 5.75%, Current Coupon 7.25%, Secured Debt (Maturity - March 9, 2018) (9)	9,400	9,245	9,258
[redacted]					
Blackboard, Inc. (10)	Education Software Provider				
		LIBOR Plus 6.00%, Current Coupon 7.50%, Secured Debt (Maturity - October 4, 2018) (9)	2,978	2,881	3,008

		LIBOR Plus 10.00%, Current Coupon 11.50%, Secured Debt (Maturity - April 4, 2019) (9)	2,000	1,848	1,900
				4,729	4,908
[redacted]					
Brand Connections, LLC	Venue-Based Marketing and Media				
		14% Secured Debt (Maturity - April 30, 2015)	5,861	5,775	5,861
[redacted]					

Table of Contents

[redacted]					
Calloway Laboratories, Inc. (10)	Health Care Testing Facilities				
		10.00% Current / 2.00% PIK Secured Debt (Maturity - September 30, 2014) (9)	5,015	4,886	4,886
[redacted]					
CHI Overhead Doors, Inc. (10)	Manufacturer of Overhead Garage Doors				
		LIBOR Plus 5.75%, Current Coupon 7.25%, Secured Debt (Maturity - August 17, 2017) (9)	2,416	2,375	2,415
		LIBOR Plus 9.50%, Current Coupon 11.00%, Secured Debt (Maturity - February 17, 2018) (9)	2,500	2,456	2,438
				4,831	4,853
[redacted]					
Congruent Credit Opportunities Fund II, LP (11) (12)	Investment Partnership				
		LP Interests (Fully diluted 18.75%)		12,251	12,144
[redacted]					
CST Industries (10)	Storage Tank Manufacturer				
		LIBOR Plus 6.25%, Current Coupon 7.75%, Secured Debt (Maturity - May 22, 2017) (9)	12,344	12,168	12,213
[redacted]					
Drilling Info, Inc.	Information Services for the Oil and Gas Industry				
		Common Stock (Fully diluted 2.3%)		1,335	5,070

[redacted]

Engility Corporation (10) (12)	Defense Software	LIBOR Plus 4.50%, Current Coupon 5.75%, Secured Debt (Maturity - July 18, 2017) (9)	5,000	4,952	5,012

[redacted]

Table of Contents

[redacted]					
EnCap Energy Fund Investments (11) (12)	Investment Partnership				
		LP Interests (EnCap Energy Capital Fund VIII, L.P.) (Fully diluted 0.1%) (8)		1,288	1,484
		LP Interests (EnCap Energy Capital Fund VIII Co - Investors, L.P.) (Fully diluted 0.3%)		358	358
		LP Interests (EnCap Flatrock Midstream Fund II, L.P.) (Fully diluted 1.1%)		254	254
				1,900	2,096
[redacted]					
Flexera Software LLC (10)	Software Licensing				
		LIBOR Plus 9.75%, Current Coupon 11.00%, Secured Debt (Maturity - September 30, 2018) (9)	3,000	2,783	3,060
[redacted]					
GFA Brands, Inc. (10) (12)	Food Products				
		LIBOR Plus 5.75%, Current Coupon 7.00%, Secured Debt (Maturity - July 2, 2018) (9)	6,983	6,847	7,078
[redacted]					
Go Daddy Group, Inc. (10)	Domain Name Management				
		LIBOR Plus 4.25%, Current Coupon 5.50%, Secured Debt (Maturity - December 17, 2018) (9)	7,444	7,444	7,432
[redacted]					
Halcon Resources Corporation (10) (12)	Oil and Gas Exploration and Production		5,000	5,086	5,113

		9.75 Bond Secured Debt (Maturity - July 15, 2020)			
[redacted]					
Hearthside Food Solutions, LLC (10)	Contract Food Manufacturer				
		LIBOR Plus 5.25%, Current Coupon 6.50%, Secured Debt (Maturity - June 5, 2018) (9)	4,000	3,962	4,010
[redacted]					

Table of Contents

[redacted]

Homeward Residential Holdings, Inc. (10)	Mortgage Originator and Servicer				
		LIBOR Plus 6.75%, Current Coupon 8.25%, Secured Debt (Maturity - August 8, 2017) (9)	750	732	762
[redacted]					
Il Fornaio Corporation (10)	Casual Restaurant Group				
		LIBOR Plus 5.25%, Current Coupon 6.50%, Secured Debt (Maturity - June 10, 2017) (9)	1,822	1,815	1,826
[redacted]					
iStar Financial Inc. (10) (12)	Real Estate Investment Trust				
		LIBOR Plus 4.00%, Current Coupon 5.25%, Secured Debt (Maturity - March 19, 2016) (9)	2,239	2,202	2,256
[redacted]					
JJ Lease Funding Corp. (10)	Apparel Retail				
		LIBOR Plus 8.50%, Current Coupon 10.00%, Secured Debt (Maturity - April 29, 2017) (9)	2,883	2,813	2,208
[redacted]					
Maverick Healthcare Group LLC (10)	Home Healthcare Products and Services				
		LIBOR Plus 9.00%, Current Coupon 10.75%, Secured Debt (Maturity - December 30, 2016) (9)	4,913	4,913	4,986
[redacted]					

Table of Contents

[redacted]					
Medpace Intermediateco, Inc. (10)	Clinical Trial Development and Execution				
		LIBOR Plus 5.00%, Current Coupon 6.50%, Secured Debt (Maturity - June 19, 2017) (9)	4,612	4,554	4,439
[redacted]					
Metropolitan Health Networks, Inc. (10) (12)	Healthcare Network Provider				
		LIBOR Plus 5.50%, Current Coupon 7.00%, Secured Debt (Maturity - October 4, 2016) (9)	1,930	1,906	1,920
		LIBOR Plus 11.75%, Current Coupon 13.50%, Secured Debt (Maturity - October 4, 2017) (9)	3,250	3,192	3,234
				5,098	5,154
[redacted]					
Miramax Film NY, LLC (10)	Motion Picture Producer and Distributor				
		Class B Units (Fully diluted 0.2%)		500	500
[redacted]					
Mmodal Inc. (10)	Healthcare Equipment and Services				
		LIBOR Plus 5.50%, Current Coupon 6.75%, Secured Debt (Maturity - August 16, 2019) (9)	4,000	3,948	3,975
[redacted]					
National Vision, Inc. (10)	Discount Optical Retailer				
			3,242	3,194	3,286

LIBOR Plus 5.75%, Current Coupon 7.00%, Secured Debt (Maturity - August 2, 2018) (9)

Table of Contents

[redacted]

NGPL PipeCo, LLC (10)	Natural Gas Pipelines and Storage Facilities	LIBOR Plus 5.50%, Current Coupon 6.75%, Secured Debt (Maturity - September 15, 2017) (9)	9,000	8,858	9,188
[redacted]					
Oberthur Technologies SA (10) (12)	Smart Card, Printing, Identity, and Cash Protection Security	LIBOR Plus 5.00%, Current Coupon 6.25%, Secured Debt (Maturity - November 30, 2018) (9)	7,000	6,670	6,952
[redacted]					
Panolam Industries International, Inc. (10)	Decorative Laminate Manufacturer	LIBOR Plus 6.00%, Current Coupon 7.25%, Secured Debt (Maturity - August 23, 2017) (9)	4,250	4,208	4,239
[redacted]					
Physician Oncology Services, L.P. (10)	Provider of Radiation Therapy and Oncology Services	LIBOR Plus 4.75%, Current Coupon 6.25%, Secured Debt (Maturity - January 31, 2017) (9)	942	935	918
[redacted]					

Table of Contents

[redacted]

PL Propylene LLC (10) (12)	Propylene Producer				
		LIBOR Plus 5.75%, Current Coupon 7.00%, Secured Debt (Maturity - March 27, 2017) (9)	3,990	3,917	4,055

[redacted]

ProQuest LLC (10)	Academic Research Portal				
		LIBOR Plus 4.75%, Current Coupon 6.00%, Secured Debt (Maturity - April 13, 2018) (9)	4,975	4,929	5,000

[redacted]

Race Point Power, LLC (10)	Electric Utilities / Power Generation				
		LIBOR Plus 6.00%, Current Coupon 7.75%, Secured Debt (Maturity - January 11, 2018) (9)	2,104	2,070	2,093

[redacted]

Relativity Media, LLC (10)	Full-scale Film and Television Production and Distribution				
		10.00% Secured Debt (Maturity - May 24, 2015)	5,000	4,912	4,912
		15.00% PIK Secured Debt (Maturity - May 24, 2015)	5,272	4,994	4,994
		Class A Units (Fully diluted 0.2%)		292	292
				10,198	10,198

[redacted]

Schiff Nutrition Group, Inc. (10) (12)	Vitamin and Nutritional Supplement Manufacturer and Distributor				
		LIBOR Plus 4.75%, Current Coupon 6.00%, Secured Debt (Maturity - March 30, 2019) (9)	9,923	9,783	9,923

[redacted]

Sonneborn, LLC (10)	Specialty Chemicals Manufacturer				
		LIBOR Plus 5.00%, Current Coupon 6.50%, Secured Debt (Maturity - March 30, 2018) (9)	2,985	2,929	2,996

[redacted]

16

Table of Contents

[redacted]					
Surgery Center Holdings, Inc. (10)	Ambulatory Surgical Centers	LIBOR Plus 5.00%, Current Coupon 6.50%, Secured Debt (Maturity - February 6, 2017) (9)	4,894	4,874	4,894
[redacted]					
Tank Holding Corp. (10)	Manufacturer of Storage Tanks	LIBOR Plus 5.50%, Current Coupon 6.75%, Secured Debt (Maturity - June 28, 2019) (9)	5,909	5,794	5,924
[redacted]					
Tube City IMS Corporation (10) (12)	Steel Mill Services	LIBOR Plus 4.50%, Current Coupon 5.75%, Secured Debt (Maturity - March 20, 2019) (9)	995	986	1,009
[redacted]					
Universal Fiber Systems, LLC	Manufacturer of Synthetic Fibers	LIBOR Plus 5.75%, Current Coupon 7.50%, Secured Debt (Maturity - June 26, 2015)	5,387	5,285	5,285
[redacted]					
VFH Parent LLC (10)	Electronic Trading and Market Making	LIBOR Plus 6.00%, Current Coupon 7.50%, Secured Debt (Maturity - July 8, 2016) (9)	3,574	3,517	3,583
[redacted]					

Table of Contents

[redacted]					
Vision Solutions, Inc. (10)	Computer Software				
		LIBOR Plus 4.50%, Current Coupon 6.00%, Secured Debt (Maturity - July 23, 2016) (9)	2,728	2,527	2,542
		LIBOR Plus 8.00%, Current Coupon 9.50%, Secured Debt (Maturity - July 23, 2017) (9)	5,000	4,960	5,013
				7,487	7,555
[redacted]					
Walter Investment Management Corp. (10) (12)	Real Estate Services				
		LIBOR Plus 6.25%, Current Coupon 7.75%, Secured Debt (Maturity - June 30, 2016) (9)	2,550	2,509	2,576
[redacted]					
Wilton Brands LLC (10)	Specialty Housewares Retailer				
		LIBOR Plus 6.25%, Current Coupon 7.50%, Secured Debt (Maturity - August 30, 2018) (9)	2,000	1,960	2,023
[redacted]					
Willis Group, LLC	Staffing and Recruitment Services				
		12% Current / 3% PIK Secured Debt (Maturity - December 19, 2014)	7,875	7,750	7,875
[redacted]					
Wyle Services Corporation (10)	Specialized Engineering and Technical Services				
		LIBOR Plus 3.50%, Current Coupon 5.00%, Secured Debt (Maturity - March 26, 2017) (9)	3,000	2,985	3,011
[redacted]					

[redacted]

Subtotal Non-Control/Non-Affiliate Investments (52.5% of total investments at fair value)	431,991	439,501

[redacted]

Total Portfolio Investments, September 30, 2012	730,328	834,592

Table of Contents

MAIN STREET CAPITAL CORPORATION

CONSOLIDATED SCHEDULE OF INVESTMENTS

September 30, 2012

(in thousands)

(Unaudited)

[redacted]

Marketable Securities and Idle Funds Investments			
[redacted]			
General Motors Company (12)	Preferred stock (0.59% cumulative) (8)	255	190
[redacted]			
Subtotal Marketable Securities and Idle Funds Investments (0.3% of total investments at fair value)		1,965	2,038
[redacted]			

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(1) **All investments are Lower Middle Market portfolio investments, unless otherwise noted.**

(2) **Debt investments are generally income producing. Equity and warrants are non-income producing, unless otherwise noted.**

(3) **See Note C for summary geographic location of portfolio companies.**

(4) **Principal is net of prepayments. Cost is net of prepayments and accumulated unearned income.**

(5) **Control 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.**

(6) **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 Control investments.**

(7) **Non-Control/Non-Affiliate investments are defined by the 1940 Act as investments that are neither Control investments nor Affiliate investments.**

(8) Income producing through dividends or distributions.

(9) Index based floating interest rate is subject to contractual minimum interest rate.

(10) Middle Market portfolio investment.

(11) Other Portfolio investment.

(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)

[redacted]					
Control Investments (5)					
[redacted]					
California Healthcare Medical Billing, Inc.	Outsourced Billing and Revenue Cycle Management				
		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
[redacted]					
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 (Lamb s 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 (Lamb s Real Estate Investment I, LLC) (Fully diluted 100%)		625	800
				10,262	6,714
[redacted]					
Currie Acquisitions, LLC	Retail Electric Bikes				
			4,750	4,112	4,750

		12% Secured Debt (Maturity - March 1, 2015)			
		Warrants (Fully diluted 47.3%)		2,566	100
				6,678	4,850

[redacted]

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) (8)		1,081	1,081
		Warrants (Fully diluted 34.5%)		718	2,240
				6,737	8,551

20

Table of Contents

[redacted]					
Hawthorne Customs and Dispatch Services, LLC	Facilitator of Import Logistics, Brokerage, and Warehousing				
		Member Units (Fully diluted 47.6%) (8)		589	1,410
		Member Units (Wallisville Real Estate, LLC) (Fully diluted 59.1%) (8)		1,215	1,215
				1,804	2,625
[redacted]					
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
[redacted]					
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
[redacted]					
NAPCO Precast, LLC	Precast Concrete Manufacturing				
		Prime Plus 2%, Current Coupon 9%, Secured Debt (Maturity - February 1, 2013) (9)	3,385	3,376	3,376
			5,173	5,142	5,142

18% Secured Debt (Maturity - February 1, 2013)		
Member Units (Fully diluted 46.3%) (8)	2,975	4,195
	11,493	12,713

[redacted]

21

Table of Contents

[redacted]					
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
[redacted]					
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
[redacted]					
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
[redacted]					
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
[redacted]					

[redacted]

22

Table of Contents

[redacted]					
Thermal and Mechanical Equipment, LLC	Commercial and Industrial Engineering Services				
		Prime Plus 2%, Current Coupon 9%, Secured Debt (Maturity - September 25, 2014) (9)	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%) (8)		1,000	5,660
				6,276	10,979
[redacted]					
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	2,500
				10,788	10,788
[redacted]					
Ziegler s NYPD, LLC	Casual Restaurant Group				
		Prime Plus 2%, Current Coupon 9%, Secured Debt (Maturity - October 1, 2013) (9)	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
[redacted]					

Table of Contents

MAIN STREET CAPITAL CORPORATION

CONSOLIDATED SCHEDULE OF INVESTMENTS

December 31, 2011

(in thousands)

[redacted]					
Affiliate Investments (6)					
[redacted]					
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) (8)		853	853
		Member Units (Fully diluted 10.6%)		1	1
				3,793	3,793
[redacted]					
East Teak Fine Hardwoods, Inc.	Hardwood Products				
		Common Stock (Fully diluted 5.0%)		480	380
[redacted]					
Houston Plating and Coatings, LLC	Plating and Industrial Coating Services				
		Member Units (Fully diluted 11.1%) (8)		635	5,990
[redacted]					

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

24

Table of Contents

[redacted]

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%) (8)		341	2,800
				5,606	8,065
[redacted]					
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
[redacted]					
OPI International Ltd. (12)	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
[redacted]					
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
[redacted]					

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

Table of Contents

[redacted]					
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 (Leadrock Properties, LLC) (Maturity - May 4, 2026)	1,440	1,412	1,412
		Member Units (Fully diluted 11.1%)		1,000	1,000
				7,786	7,786
[redacted]					
WorldCall, Inc.	Telecommunication / Information Services				
		13% Secured Debt (Maturity - April 22, 2012)	646	646	646
		Common Stock (Fully diluted 10.0%)		297	
				943	646
[redacted]					

Table of Contents

MAIN STREET CAPITAL CORPORATION

CONSOLIDATED SCHEDULE OF INVESTMENTS

December 31, 2011

(in thousands)

[redacted]					
Non-Control/Non-Affiliate Investments (7)					
[redacted]					
Affinity Videonet, Inc.	Video Conferencing and Managed Services				
		13% Secured Debt (Maturity - December 31, 2015)	2,000	1,914	2,000
		13% Current / 1% PIK Secured Debt (Maturity - December 31, 2015)	1,132	1,125	1,125
		Warrants (Fully diluted 2.6%)		63	63
				3,102	3,188
[redacted]					
Arrowhead General Insurance Agency, Inc. (10)	Insurance				
		LIBOR Plus 5.75%, Current Coupon 7.50%, Secured Debt (Maturity - March 4, 2017) (9)	3,970	3,900	3,932
		LIBOR Plus 9.5%, Current Coupon 11.25%, Secured Debt (Maturity - September 30, 2017) (9)	2,000	1,944	2,010
				5,844	5,942
[redacted]					
Bourland and Leverich Supply Co., LLC (10)	Distributor of Oil and Gas Tubular Goods				
		LIBOR Plus 9.00%, Current Coupon 11.00%, Secured Debt (Maturity - August 19, 2015) (9)	4,191	4,028	4,065
[redacted]					

Brickman Group Holdings, Inc. (10)	Commercial Landscape Services				
		LIBOR Plus 5.50%, Current Coupon 7.25%, Secured Debt (Maturity - October 14, 2016) (9)	1,990	1,962	1,997

[redacted]

27

Table of Contents

[redacted]

Carestream Health, Inc. (10)	Medical Imaging Products				
		LIBOR Plus 3.50%, Current Coupon 5.00%, Secured Debt (Maturity - February 25, 2017) (9)	2,985	2,704	2,690
[redacted]					
CHI Overhead Doors, Inc. (10)	Manufacturer of Overhead Garage Doors				
		LIBOR Plus 5.75%, Current Coupon 7.25%, Secured Debt (Maturity - August 17, 2017) (9)	2,494	2,446	2,462
		LIBOR Plus 9.50%, Current Coupon 11.00%, Secured Debt (Maturity - February 17, 2018) (9)	2,500	2,452	2,463
				4,898	4,925
[redacted]					
EnCap Energy Capital Fund VIII, L.P. (11) (12)	Investment Partnership				
		LP Interests (Fully diluted 0.2%)		709	709
[redacted]					
Flexera Software LLC (10)	Software Licensing				
		LIBOR Plus 9.75%, Current Coupon 11.00%, Secured Debt (Maturity - September 30, 2018) (9)	3,000	2,765	2,790
[redacted]					
Golden Nugget, LLC (10)	Hotel and Gaming				
		LIBOR Plus 8.50%, Current Coupon 10.00%, Secured Debt (Maturity - May 24, 2016) (9)	10,000	9,636	9,450
[redacted]					

[redacted]

28

Table of Contents

[redacted]					
Hayden Acquisition, LLC	Manufacturer of Utility Structures	8% Secured Debt (Maturity - January 1, 2012)	1,800	1,781	
[redacted]					
Henniges Automotive Holdings, Inc. (10)	Manufacturer of Auto Parts	LIBOR Plus 10.00%, Current Coupon 12.00%, Secured Debt (Maturity - October 28, 2016) (9)	2,833	2,785	2,785
[redacted]					
HOA Restaurant Group, LLC (10)	Casual Restaurant Group	11.25% Bond (Maturity - April 1, 2017)	2,000	2,000	1,865
[redacted]					
Ipreo Holdings LLC (10)	Application Software for Capital Markets	LIBOR Plus 6.50%, Current Coupon 8.00%, Secured Debt (Maturity - August 5, 2017) (9)	4,239	4,160	4,144
[redacted]					
JJ Lease Funding Corp. (10)	Apparel Retail	LIBOR Plus 8.50%, Current Coupon 10.00%, Secured Debt (Maturity - April 29, 2017) (9)	3,950	3,842	3,160
[redacted]					
Lawson Software, Inc. (10)	Application Software	LIBOR Plus 5.25%, Current Coupon 6.75%, Secured Debt (Maturity - July 5, 2017) (9)	4,988	4,801	4,875
[redacted]					

[redacted]

Media Holdings, LLC (10) (12)	Internet Traffic Generator				
		LIBOR Plus 13.00%, Current Coupon 15.00%, Secured Debt (Maturity - April 28, 2014) (9)	5,000	5,129	5,000

Table of Contents

[redacted]

Medpace Intermediateco, Inc. (10)	Clinical Trial Development and Execution				
		LIBOR Plus 5.00%, Current Coupon 6.50%, Secured Debt (Maturity - June 17, 2017) (9)	4,975	4,905	4,726
[redacted]					
Metropolitan Health Networks, Inc. (10) (12)	Healthcare Network Provider				
		LIBOR Plus 5.50%, Current Coupon 7.00%, Secured Debt (Maturity - October 4, 2016) (9)	2,000	1,971	1,940
		LIBOR Plus 11.75%, Current Coupon 13.50%, Secured Debt (Maturity - October 4, 2017) (9)	3,250	3,187	3,185
				5,158	5,125
[redacted]					
Miramax Film NY, LLC (10)	Motion Picture Producer and Distributor				
		Class B Units (Fully diluted 0.2%)		500	500
[redacted]					
MultiPlan, Inc. (10)	Managed Healthcare Provider				
		LIBOR Plus 3.25%, Current Coupon 4.75%, Secured Debt (Maturity - August 26, 2017) (9)	2,956	2,956	2,821
[redacted]					
Northland Cable Television, Inc. (10)	Television Broadcasting		4,950	4,823	4,802

LIBOR Plus 6.00%, Current Coupon 7.75%, Secured Debt (Maturity - December 30, 2016) (9)

[redacted]

30

Table of Contents

[redacted]					
Pacific Architects and Engineers Incorporated (10)	Provider of Contract Support Services				
		LIBOR Plus 6.00%, Current Coupon 7.50%, Secured Debt (Maturity - April 4, 2017) (9)	3,995	3,917	3,875
[redacted]					
Physician Oncology Services, L.P. (10)	Provider of Radiation Therapy and Oncology Services				
		LIBOR Plus 4.75%, Current Coupon 6.25%, Secured Debt (Maturity - January 31, 2017) (9)	942	934	904
[redacted]					
Preferred Proppants, LLC (10)	Producer of Sand Based Proppants				
		LIBOR Plus 6.00%, Current Coupon 7.50%, Secured Debt (Maturity - December 15, 2016) (9)	5,000	4,877	4,889
[redacted]					
Radio One, Inc. (10)	Radio Broadcasting				
		LIBOR Plus 6.00%, Current Coupon 7.50%, Secured Debt (Maturity - March 31, 2016) (9)	2,978	2,925	2,775
[redacted]					
SonicWALL, Inc. (10)	IT Security Provider				
		LIBOR Plus 6.25%, Current Coupon 8.25%, Secured Debt (Maturity - January 23, 2016) (9)	1,072	1,073	1,074
[redacted]					

Speedy Cash Intermediate Holdings Corp. (10)	Consumer Finance				
		10.75% Bond (Maturity - May 15, 2018)	2,000	2,000	2,010

31

Table of Contents

[redacted]					
Surgery Center Holdings, Inc. (10)	Ambulatory Surgical Centers	LIBOR Plus 5.00%, Current Coupon 6.50%, Secured Debt (Maturity - February 6, 2017) (9)	4,963	4,940	4,628
[redacted]					
Totes Isotoner Corporation (10)	Weather Accessory Retail	LIBOR Plus 5.75%, Current Coupon 7.25%, Secured Debt (Maturity - July 7, 2017) (9)	4,976	4,883	4,839
[redacted]					
UniTek Global Services, Inc. (10)	Provider of Outsourced Infrastructure Services	LIBOR Plus 7.50%, Current Coupon 9.00%, Secured Debt (Maturity - April 15, 2018) (9)	6,434	6,256	6,304
[redacted]					
Visant Corporation (10)	School Affinity Stores	LIBOR Plus 4.00%, Current Coupon 5.25%, Secured Debt (Maturity - December 22, 2016) (9)	3,998	3,998	3,760
[redacted]					
Walter Investment Management Corp. (10) (12)	Real Estate Services	LIBOR Plus 6.25%, Current Coupon 7.75%, Secured Debt (Maturity - June 30, 2016) (9)	2,888	2,833	2,886
		LIBOR Plus 11.00%, Current Coupon 12.50%, Secured Debt (Maturity - December 30, 2016) (9)	3,000	2,944	3,036

	5,777	5,922

Table of Contents

[redacted]					
Wyle Services Corporation (10)	Specialized Engineering and Technical Services				
		LIBOR Plus 4.25%, Current Coupon 5.75%, Secured Debt (Maturity - March 26, 2017) (9)	3,735	3,715	3,657
[redacted]					
Subtotal Non-Control/Non-Affiliate Investments (39.6% of total investments at fair value)				275,061	270,895
[redacted]					
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)

[redacted]				
Marketable Securities and Idle Funds Investments				
[redacted]				
A. M. Castle & Co. Bond (12)	12.75% Bond (Maturity - December 15, 2016)	3,000	2,896	3,015
[redacted]				
General Motors Company (12)	Preferred stock (0.59% cumulative) (8)		255	175
[redacted]				
Pretium Packaging Bond	11.50% Bond (Maturity - April 1, 2016)	4,500	4,515	4,410
[redacted]				
Stanton Redevelopment Tax Bond (12)	9.00% Bond (Maturity - December 1, 2021)	980	1,012	1,024
[redacted]				
Toll Road Investors Partnership II, LP Bond (12)	Zero Coupon Bond (Maturity - February 15, 2033)	7,500	1,620	1,940
[redacted]				

[redacted]

Subtotal Marketable Securities and Idle Funds Investments (3.8% of total investments at fair value)	25,935	26,242

[redacted]

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(1) All investments are Lower Middle Market portfolio investments, unless otherwise noted.
(2) Debt investments are generally income producing. Equity and warrants are non-income producing, unless otherwise noted.
(3) See Note C for summary geographic location of portfolio companies.
(4) Principal is net of prepayments. Cost is net of prepayments and accumulated unearned income.
(5) Control 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.
(6) 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 Control investments.
(7) Non-Control/Non-Affiliate investments are defined by the 1940 Act as investments that are neither Control investments nor Affiliate investments.
(8) Income producing through dividends or distributions.
(9) Index based floating interest rate is subject to contractual minimum interest rate.
(10) Middle Market portfolio investment.
(11) Other Portfolio investment.
(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 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 completion of the Final MSC II Exchange, MSCC owns 100% of MSC II. 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 and indirect wholly owned 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 consolidated subsidiaries, which include 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 and nine months ended September 30, 2012 and 2011, Main Street s consolidated financial statements include the accounts of MSCC and its consolidated subsidiaries. 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 investment in the Investment Manager but excludes all Marketable securities and idle funds investments (see Note C Fair Value Hierarchy for Investments and Debentures - Portfolio Investment Composition for additional discussion of Main Street s portfolio investment composition and definitions for the terms LMM, Middle Market and Other Portfolio). The Investment Manager is accounted for as a portfolio investment (see Note D) and is not consolidated with MSCC and its consolidated subsidiaries. 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 and nine months ended September 30, 2012 and 2011, cash flows for the nine months ended

Table of Contents

September 30, 2012 and 2011, and financial position as of September 30, 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. 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 , as defined below.

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 and nine months ended September 30, 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 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

Main Street accounts for its LMM portfolio investments, Middle Market portfolio investments, Other Portfolio investments and 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

Table of Contents

private mergers, sales and acquisitions involving comparable companies, and includes these events in the valuation process. For Middle Market portfolio investments, Main Street primarily uses observable inputs such as quoted prices in the valuation process. For Middle Market portfolio investments for which sufficient observable inputs are not available to determine fair value, Main Street generally uses an approach similar to the income approach using a yield-to-maturity model used to value its LMM portfolio debt investments. Main Street s valuation policy and process are intended to provide a consistent basis for determining the fair value of the portfolio.

For valuation purposes, control LMM portfolio investments are composed of debt and equity securities for which Main Street has a controlling interest in the portfolio company or 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 LMM portfolio investments. For control LMM portfolio investments, Main Street determines the fair value 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 various components of the portfolio company s capital structure. 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 LMM portfolio 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 are generally not readily available for non-control LMM portfolio investments. 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 investments. 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 a 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 if a 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 most likely 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 its investments in each LMM portfolio company once a quarter. In addition to its internal valuation process, in arriving at estimates of fair value for its investments in its LMM portfolio companies, Main Street, among other things, consults with a nationally recognized independent advisor. The nationally recognized independent advisor is generally consulted relative to Main Street s investments in each LMM portfolio company at least once in every calendar year, and for Main Street s investments in 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 its investments in 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 a 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 its investments in a total of 36 LMM portfolio companies for the nine months ended

September 30, 2012, representing approximately 63% of the total LMM portfolio and investment in the affiliated Investment Manager at fair value as of September 30, 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

Table of Contents

these investments through obtaining third party quotes or other independent pricing. For Middle Market portfolio investments for which sufficient observable inputs are not available to determine fair value, Main Street generally uses an approach similar to the income approach using a yield-to-maturity model used to value its non-control LMM portfolio debt investments.

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. Main Street s Other Portfolio investments comprise 1.9% of Main Street s investment portfolio at fair value. Similar to the LMM investment portfolio, market quotations for Other Portfolio equity investments are generally not readily available. For its Other Portfolio equity investments, Main Street determines the fair value 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. For Other Portfolio debt investments with observable inputs, Main Street determines the fair value of these investments through obtaining third party quotes or other independent pricing. To the extent observable inputs are not available for its Other Portfolio debt investments, Main Street values these Other Portfolio debt investments through an approach similar to the income approach using a yield-to-maturity model used to value its non-control LMM portfolio debt investments.

Due to the inherent uncertainty in the valuation process, Main Street s determination of fair value for certain portfolio investments 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 September 30, 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 on those reporting dates.

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 unpaid dividends are added to the balance of the preferred equity investment. The actual collection of these dividends 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 September 30, 2012 and 2011, (i) approximately 4.5%, and 3.7%, respectively, of Main Street s total investment income was attributable to PIK interest income not paid currently in cash and (ii) approximately 0.4%, and 2.3%, respectively, of Main Street s total investment income was attributable to cumulative dividend income not paid currently in cash. For the nine months ended September 30, 2012 and 2011, (i) approximately 3.9%, and 3.9%, respectively, of Main Street s total investment income was attributable to PIK interest income not paid currently in cash and (ii) approximately 0.3%, and 2.7%, respectively, of Main Street s total investment income was attributable to cumulative dividend income not paid currently in cash.

Table of Contents

As of September 30, 2012, Main Street had no investments with positive fair value on non-accrual status and one fully impaired investment which comprised approximately 0.2% of the total portfolio investments at cost, in each case, 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.

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 the applicable debt investments. The unearned income from the fees 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 security 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 applicable 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 is 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 in Note B.6.), 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. For the three months ended September 30, 2012 and 2011, (i) approximately 4.0%, and 3.6%, respectively, of Main Street s total investment income was attributable to interest income not paid currently in cash on the accretion of discounts associated with debt investments. For the nine months ended September 30, 2012 and 2011, (i) approximately 3.8%, and 3.4%, respectively, of Main Street s total investment income was attributable to interest income not paid currently in cash on the accretion of discounts associated with debt investments.

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. As part of maintaining RIC status, undistributed taxable income (subject to a 4% excise tax) pertaining to a given fiscal year may be distributed up to 12 months subsequent to the end of that fiscal year, provided such dividends are declared prior to the filing of the federal income tax return for the prior year.

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

Table of Contents

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.

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 fair value of the investment portfolio and financial instruments and the reclassification of any prior period unrealized appreciation or depreciation on exited investments to realized gains or losses.

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, 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, and 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 included in interest expense.

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 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 of MSC II 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

Table of Contents

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. The following table provides a reconciliation of Net Investment Income and Net Realized Income attributable to common stock by excluding amounts related to the noncontrolling interest in MSC II that remained owned by non-Main Street entities for the three and nine months ended September 30, 2012 and 2011.

	Three Months Ended September 30,				Nine Months Ended September 30,			
	2012		2011		2012		2011	
	(in thousands)							
Net Investment Income	$	15,522	$	10,361	$	41,197	$	27,370
Noncontrolling interest share of Net Investment Income				(179)		(62)		(560)
Net Investment Income attributable to common stock		15,522		10,182		41,135		26,810
Total net realized gain from investments		527		1,448		5,335		1,697
Noncontrolling interest share of net realized (gain) from investments				(47)		(3)		(48)
Net Realized Income attributable to common stock	$	16,049	$	11,583	$	46,467	$	28,459
Net Investment Income per share - Basic and diluted	$	0.49	$	0.44	$	1.44	$	1.23
Net Realized Income per share - Basic and diluted	$	0.51	$	0.50	$	1.62	$	1.30
Weighted average shares outstanding - Basic and diluted		31,578,742		23,194,896		28,615,877		21,824,775

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).

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 (for example, investments in illiquid securities issued by private companies). These inputs reflect management s own assumptions about the assumptions a market participant would use in pricing the investment.

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, unrealized appreciation and depreciation related to 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 September 30, 2012 and December 31, 2011, Main Street s LMM 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 investments were categorized as Level 3 as of September 30, 2012, and all but one LMM portfolio investment was categorized as Level 3 as of December 31, 2011.

As of September 30, 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 all of Main Street s Marketable securities and idle funds investments were categorized as Level 2 as of September 30, 2012 and December 31, 2011. For those Middle Market portfolio investments for which sufficient observable inputs were not available to determine fair value, Main Street categorized such investments as Level 3 as of September 30, 2012 and December 31, 2011.

As of September 30, 2012 and December 31, 2011, Main Street s Other Portfolio debt investments consisted of investments in secured debt investments. The fair value determination for certain Other Portfolio debt investments consisted of observable inputs in non-active markets and, as such, were categorized as Level 2 as of September 30, 2012 and December 31, 2011. For those Other Portfolio debt investments for which sufficient observable inputs were not available to determine fair value, Main Street categorized such investments as Level 3 as of September 30, 2012 and December 31, 2011.

As of September 30, 2012 and December 31, 2011, Main Street s Other Portfolio equity 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 Other Portfolio equity investments were categorized as Level 3 as of September 30, 2012 and December 31, 2011.

The fair value determination of each portfolio investment categorized as Level 3 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;

Table of Contents

- 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;
- 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-to-maturity valuation technique (described in Note B.1. - Valuation of Portfolio Investments) and (ii) adjustment factors 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 is not intended to be all-inclusive, but, rather, provides a summary of the significant unobservable inputs used to fair value Main Street s Level 3 portfolio investments as of September 30, 2012:

Type of Investment		Fair Value as of September 30, 2012 (in thousands)	Valuation Technique	Significant Unobservable Inputs	Range		Weighted Average
Equity investments	$	196,482	Discounted cash flow	Weighted average cost of capital	11.0% - 19.0%		14.9%
			Market comparable / Enterprise Value	EBITDA multiple (1)	4.0x - 7.0x	(2)	5.4x
Debt investments	$	323,418	Discounted cash flow	Risk adjusted discount factor	7.0% - 20.5%	(2)	13.9%
				Adjustment factors	0.0% - 100.0%		99.5%
Total Level 3 investments	$	519,900					

(1) EBITDA may include proforma adjustments and/or other addbacks based on specific circumstances related to each investment and does not include investments for which an EBITDA multiple was not used as a fair value input.

(2) Range excludes outliers that are greater than one standard deviation from the mean.

Table of Contents

The following table provides a summary of changes in fair value of Main Street s Level 3 portfolio investments for the nine months ended September 30, 2012 (amounts in thousands):

Type of Investment	Fair Value as of December 31, 2011	Transfers Into Level 3 Hierarchy	Redemptions/ Repayments/ Exits (1)	New Investments (1)	Net Changes from Unrealized to Realized	Net Unrealized Appreciation (Depreciation)	Other	Fair Value as of September 30, 2012
Debt	$ 260,190	$ 33,067	$ (89,810)	$ 111,363	$ 938	$ 2,410	$ 5,260	$ 323,418
Equity	113,920	709	(17,758)	26,144	(453)	35,102	12,902	170,566
Equity warrants	43,269	235	(10,581)	8,450	(6,599)	3,840	(12,900)	25,714
Investment Manager (2)	1,869		(1,616)			(51)		202
	$ 419,248	$ 34,011	$ (119,765)	$ 145,957	$ (6,114)	$ 41,301	$ 5,262	$ 519,900

(1) Includes the impact of non-cash conversions.

(2) Reflects the adjustment to the investment in the Investment Manager in connection with the acquisition of the remaining externally owned MSC II equity interests.

As of September 30, 2012 and December 31, 2011, the fair value determination for the SBIC debentures recorded at fair value primarily consisted of unobservable inputs. As a result, the SBIC debentures which are recorded at fair value were categorized as Level 3. Main Street determines the fair value of these instruments primarily using a yield approach that analyzes the discounted cash flows of interest and principal for each SBIC debenture recorded at fair value based on estimated market interest rates for debt instruments of similar structure, terms, and maturity. Main Street s estimate of the expected repayment date of principal for each SBIC debenture recorded at fair value is the legal maturity date of the instrument, as Main Street generally does not intend to repay its SBIC debentures prior to maturity.

The significant unobservable inputs used in the fair value measurement of Main Street s SBIC debentures recorded at fair value are the estimated market interest rates used to fair value each debenture using the yield valuation technique described above. Significant increases (decreases) in the yield valuation inputs in isolation would result in a significantly lower (higher) fair value measurement.

The following table is not intended to be all-inclusive but, rather, provides a summary of the significant unobservable inputs used to fair value Main Street s Level 3 SBIC debentures at fair value as of September 30, 2012 (amounts in thousands):

	Fair Value as of September 30, 2012 (in thousands)	Valuation Technique	Significant Unobservable Inputs	Range	Weighted Average
SBIC Debentures	$ 85,083	Discounted cash flow	Estimated market interest rates	7.9% - 9.2%	8.7%

The following table provides a summary of changes for the Level 3 SBIC Debentures recorded at fair value for the nine months ended September 30, 2012 (amounts in thousands):

Type of Instrument	Fair Value as of December 31, 2011	Repayments	New SBIC Debentures	Net Unrealized (Appreciation) Depreciation	Fair Value as of September 30, 2012
SBIC Debentures at fair value	$ 76,887	$	$ 5,000	$ 3,196	$ 85,083

At September 30, 2012 and December 31, 2011, Main Street s investments and SBIC Debentures at fair value were categorized as follows in the fair value hierarchy for ASC 820 purposes:

		Fair Value Measurements (in thousands)		
At September 30, 2012	Fair Value	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
LMM portfolio investments	$ 467,600	$	$	$ 467,600
Middle Market portfolio investments	350,646		312,787	37,859
Other Portfolio investments	16,144		1,905	14,239
Investment in affiliated Investment Manager	202			202
Total portfolio investments	834,592		314,692	519,900
Marketable securities and idle funds investments	2,038		2,038	
Total investments	$ 836,630	$	$ 316,730	$ 519,900
SBIC Debentures at fair value	$ 85,083	$	$	$ 85,083

Table of Contents

At December 31, 2011	Fair Value		Fair Value Measurements (in thousands) Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)		Significant Unobservable Inputs (Level 3)	
LMM portfolio investments	$	415,664	$	$	11,685	$	403,979
Middle Market portfolio investments		226,451			226,451		
Other Portfolio investments		14,109			709		13,400
Investment in affiliated Investment Manager		1,869					1,869
Total portfolio investments		658,093			238,845		419,248
Marketable securities and idle funds investments		26,242			26,242		
Total investments	$	684,335	$	$	265,087	$	419,248
SBIC Debentures at fair value	$	76,887	$	$		$	76,887

For the nine months ended September 30, 2012, there were eight portfolio company investment transfers from the Level 2 to the Level 3 fair value hierarchy, totaling $35.6 million at fair value and $35.8 million at cost as of September 30, 2012.

Portfolio Investment Composition

Main Street s lower middle market (LMM) portfolio investments principally consist of secured debt, equity warrants and direct equity investments in privately held, LMM companies based in the United States. Main Street s LMM portfolio companies generally have annual revenues between $10 million and $150 million, and its LMM investments generally range in size from $5 million to $25 million. The LMM debt investments are typically secured by either a first or second lien on the assets of the portfolio company, primarily bear interest at fixed rates, and generally mature between five and seven years from the original investment date. In most LMM portfolio companies, Main Street usually receives nominally priced equity warrants and/or makes direct equity investments in connection with a debt investment.

Main Street s middle market (Middle Market) portfolio investments primarily consist of direct or secondary purchases of interest-bearing debt securities in companies based in the United States that are generally larger in size than the LMM companies included in Main Street s LMM portfolio. Main Street s Middle Market portfolio companies generally have annual revenues between $150 million and $1.5 billion and its Middle Market investments generally range in size from $3 million to $15 million. Main Street s Middle Market portfolio debt investments are generally secured by either a first or second priority lien on the assets of the company and have an expected duration of between three and five years.

Main Street s other portfolio (Other Portfolio) investments primarily consist of investments which are not consistent with the typical profiles for LMM and Middle Market portfolio investments, including investments which may be managed by third parties. In the Other Portfolio, Main Street may incur indirect fees and expenses in connection with investments managed by third parties, such as investments in other investment companies or private funds.

Investment income, consisting of interest, dividends and fees, can fluctuate dramatically due to various factors, including the level of new investment activity, repayments of debt investments or sales of equity interests. Investment income in any given year could be highly concentrated among several portfolio companies. For the three and nine month periods ended September 30, 2012 and 2011, Main Street did not record (i) investment income from any LMM portfolio company in excess of 10% of total LMM investment income, (ii) investment income from any Middle Market portfolio company in excess of 10% of total Middle Market investment income or (iii) investment income from any single portfolio company in excess of 10% of total investment income.

As of September 30, 2012, Main Street had debt and equity investments in 57 LMM portfolio companies with an aggregate fair value of $467.6 million, with a total cost basis of approximately $365.9 million, and a weighted average annual effective yield on its LMM debt investments of approximately 14.7%. Approximately 78% of Main Street s total LMM portfolio investments at cost were in the form of debt investments and 95% of such debt investments at cost were secured by first priority liens on the assets of Main Street s LMM portfolio companies as of September 30, 2012. At September 30, 2012, Main Street had equity ownership in approximately 88% of its LMM portfolio companies and the average fully diluted equity ownership in those portfolio companies was approximately 32%. As of December 31, 2011, Main Street had debt and equity investments in 54 LMM portfolio companies with an aggregate fair value of $415.7 million, with a total cost basis of approximately $349.0 million, and a weighted average annual effective yield on its LMM debt investments of approximately 14.8%. The weighted average annual yields were computed using the effective interest rates for all debt investments as of September 30, 2012 and December 31, 2011, including amortization of deferred debt origination fees and accretion of original issue discount but excluding liquidation fees payable upon repayment and any debt investments on non-accrual status.

Table of Contents

As of September 30, 2012, Main Street had Middle Market portfolio investments in 79 companies collectively totaling approximately $350.7 million in fair value with a total cost basis of approximately $345.9 million. The weighted average revenues for the 79 Middle Market portfolio company investments was approximately $518 million. Main Street s Middle Market portfolio investments are primarily in the form of debt investments and 88% of such debt investments at cost were secured by first priority liens on portfolio company assets as of September 30, 2012. The weighted average annual effective yield on Main Street s Middle Market portfolio debt investments was approximately 8.6% as of September 30, 2012. As of December 31, 2011, Main Street had Middle Market portfolio investments in 57 companies collectively totaling approximately $226.5 million in fair value with a total cost basis of approximately $228.9 million. The weighted average revenues for the 57 Middle Market portfolio company investments were approximately $473 million. The weighted average annual effective yield on Main Street s Middle Market portfolio debt investments was approximately 9.5% as of December 31, 2011. The weighted average annual yields were computed using the effective interest rates for all debt investments as of September 30, 2012 and December 31, 2011, including amortization of deferred debt origination fees and accretion of original issue discount but excluding liquidation fees payable upon repayment.

As of September 30, 2012, Main Street had Other Portfolio investments in 3 companies collectively totaling approximately $16.1 million in fair value and $15.8 million in cost basis. As of December 31, 2011, Main Street had Other Portfolio investments in 3 companies collectively totaling approximately $14.1 million in both fair value and cost basis.

For the nine months ended September 30, 2012, there was one portfolio company investment transfer from the Middle Market portfolio investment category to the Other Portfolio investment category totaling $1.9 million at fair value and $1.7 million at cost as of September 30, 2012.

The following table summarizes the composition of Main Street s LMM investment portfolio, Middle Market investment portfolio, and total combined LMM and Middle Market investment portfolio at cost and fair value by type of investment as a percentage of the total LMM investment portfolio, the total Middle Market investment portfolio, and the total combined LMM and Middle Market investment portfolio as of September 30, 2012 and December 31, 2011 (this information excludes the Other Portfolio investments and the Investment Manager):

	September 30, 2012			December 31, 2011		
Cost:	**LMM**	**Middle Market**	**Total**	**LMM**	**Middle Market**	**Total**
First lien debt	73.9%	88.2%	80.8%	69.5%	81.8%	74.4%
Equity	18.3%	0.2%	9.5%	20.5%	0.2%	12.5%
Second lien debt	3.7%	10.1%	6.9%	5.0%	18.0%	10.1%
Equity warrants	4.1%	0.0%	2.1%	5.0%	0.0%	3.0%
Other	0.0%	1.5%	0.7%	0.0%	0.0%	0.0%
	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%

	September 30, 2012			December 31, 2011		
Fair Value:	**LMM**	**Middle Market**	**Total**	**LMM**	**Middle Market**	**Total**
First lien debt	58.1%	88.1%	71.0%	57.7%	81.7%	66.2%
Equity	32.8%	0.2%	18.8%	29.0%	0.3%	18.8%
Second lien debt	3.0%	10.2%	6.1%	4.4%	18.0%	9.2%
Equity warrants	6.1%	0.0%	3.5%	8.9%	0.0%	5.8%
Other	0.0%	1.5%	0.6%	0.0%	0.0%	0.0%
	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%

The following table shows Main Street s LMM investment portfolio, Middle Market investment portfolio, and total combined LMM and Middle Market investment portfolio composition by geographic region of the United States at cost and fair value as a percentage of the total LMM investment portfolio, the total Middle Market investment portfolio, and the total combined LMM and Middle Market investment portfolio as of September 30, 2012 and December 31, 2011 (this information excludes the Other Portfolio investments and the Investment Manager). The geographic composition is determined by the location of the corporate headquarters of the portfolio company.

Table of Contents

	September 30, 2012			December 31, 2011		
Cost:	LMM	Middle Market	Total	LMM	Middle Market	Total
Southwest	39.0%	17.5%	28.5%	47.8%	16.4%	35.4%
West	32.5%	13.2%	23.1%	31.9%	13.7%	24.7%
Midwest	15.1%	28.0%	21.4%	9.0%	21.6%	14.0%
Northeast	5.7%	26.7%	15.9%	3.9%	32.6%	15.2%
Southeast	7.7%	10.3%	9.0%	7.4%	15.7%	10.7%
Other	0.0%	4.3%	2.1%	0.0%	0.0%	0.0%
	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%

	September 30, 2012			December 31, 2011		
Fair Value:	LMM	Middle Market	Total	LMM	Middle Market	Total
Southwest	44.1%	17.5%	32.7%	52.1%	16.2%	39.3%
West	29.9%	13.2%	22.7%	28.9%	13.8%	23.6%
Midwest	14.5%	28.2%	20.4%	8.7%	21.9%	13.4%
Northeast	5.2%	26.6%	14.3%	3.9%	32.4%	14.0%
Southeast	6.3%	10.2%	8.0%	6.4%	15.7%	9.7%
Other	0.0%	4.3%	1.9%	0.0%	0.0%	0.0%
	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%

Main Street s LMM and Middle Market portfolio investments are in companies conducting business in a variety of industries. The following tables show the composition of Main Street s LMM portfolio investments, Middle Market portfolio investments, and total combined LMM and Middle Market portfolio investments by industry at cost and fair value as of September 30, 2012 and December 31, 2011 (this information excludes the Other Portfolio investments and the Investment Manager):

Table of Contents

	September 30, 2012			December 31, 2011		
Cost:	LMM	Middle Market	Total	LMM	Middle Market	Total
Software	7.0%	11.9%	9.4%	2.8%	8.4%	5.0%
Media	8.1%	6.1%	7.2%	8.7%	6.6%	7.9%
Machinery	8.8%	4.7%	6.8%	9.9%	2.1%	6.9%
Specialty Retail	8.5%	4.3%	6.4%	5.3%	5.6%	